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**Commission Meeting
1st Monthly Meeting Agenda
Wednesday, February 8, 2023, 1:00 p.m.**

**Point Hudson Pavilion Building, 355 Hudson Street, Port Townsend, & via Zoom
<https://zoom.us/> – or call (253) 215-8782 – and use Webinar ID: 862 6904 3651, Password:
911887**

**Via <https://zoom.us/> – or call (253) 215-8782 – and use Webinar ID: 862 6904 3651,
Password: 911887**

This meeting will only be accessible remotely, as per Governor's Proclamation 20-28.

- I. Call to Order / Pledge of Allegiance
- II. Approval of Agenda
- III. Public Comments 3-4
- IV. Consent Agenda
 - A. Approval of Workshop & Business Meeting Minutes from January 25, 2023 5-9
 - B. Approval & Ratification of Warrants 10-23
 - C. Pete Stein & Compass Woodwork, LLC/The Shop Cooperative - Building Lease Assignment 24-66
- V. Second Reading ~ none
- VI. First Reading ~ none
- VII. Regular Business
 - A. December 2022 Year-to-Date Financials 67-72
 - B. Short's Family Farm.....
 - C. Point Hudson Jetty Update.....
 - D. Port Commission Retreat
- VIII. Staff Comments
- IX. Commissioner Comments
- X. Next Meetings are Thursday, February 16, 2023 at 5 p.m. Intergovernmental Collaborative Group and Wednesday, February 22, 2023 at 5:30 p.m.
- XI. Executive Session
- XII. Adjournment

Informational Items

- December 2022 Detailed Financials 73-78
- Contract Update/Lease Brief 79-85
- Economic Development Commission Progress Report July 1-Dec. 31, 2022. 88-110

- Request for ARPA funding – Climate Change Resilience, Flood Protection
Waterwalk..... 111-115
- Letter of Support USDOT Puget Sound to Pacific RAISE (Olympic Discovery Trail) . 116

Joanna Sanders

From: Tom Ehrlichman <tom@dykesehrlichman.com>
Sent: Friday, January 27, 2023 12:22 PM
To: Pete Hanke; Pam Petranek; Carol Hasse
Cc: Public Comments; Eron Berg; swoolson@chmelik.com
Subject: Follow-up Public Comment on Proposed Short Farm Purchase: Proposed Feasibility Study Period
Attachments: Sent Memo on Feasibility Study for the Short Farm Proposed Purchase Jan. 27 2023.pdf

Dear Commissioners,

Please consider the attached follow-up memorandum to my earlier public comment. This short memo offers a suggestion that might form some middle ground between the staff's preference for a quick decision (2 weeks) without further study, and my suggestion to "buy time" to study some unresolved substantive issues in this real estate purchase.

I hope these comments are viewed as supporting ongoing farming in the valley that I love and reside in. To me, it is important that the Port and our community go into these new efforts with our eyes open, so that we are successful in achieving the end objective. It is a long process and some short-term steps can improve the odds of success down the way.

Thank you for the opportunity to provide public comment and for your consideration of the attached.

Best regards,

Tom

Tom Ehrlichman
(425) 268-5553

Mailing Address:
PO Box 490
Chimacum, WA 98325

FOLLOW-UP MEMORANDUM

TO: Port Commissioners Petranek, Hasse and Hanke
Port of Port Townsend, WA

CC: Seth A. Woolson, Chmelik Sitkin & Davis
Eron Berg, Exec. Director

FROM: Tom Ehrlichman

DATE: January 27, 2023

SUBJECT: Follow-up to Earlier *Public Comment on Proposed Purchase of the Short Farm*

At the Commissioner's meeting on January 25th, staff answered my suggestion that you enter into a right-of-first-refusal for purchase of the Short farm. Executive Director Berg stated that a decision to purchase needed to be made now, within two weeks, in order to get into the legislative budget process this year. He seemed to suggest that if Commissioners were to postpone the decision, it might be best to move on and let go of this opportunity.

There is another way. The Port can keep the opportunity alive while still waiting to make a final decision in order to answer questions raised through public review. **If you so direct, the Port can enter into a purchase and sale agreement now, but with terms that build in a reasonable feasibility study period before closing takes place.**

This approach is customary in commercial real estate. Many are of the view that this should be a requirement for real estate purchases by governmental entities. This approach allows the Port to go to the Legislature this session. Legislators will understand this commonplace public purchase/sale approach. Without it, they may wonder why feasibility review is absent and unanswered questions remain. The legislature can allocate funds with a budget note that makes the funding subject to a final decision by the Commissioners after feasibility review.

My request would be that you direct staff and your attorneys to build in a feasibility period into this purchase and sale agreement with the Shorts. The advantages are that: (a) you would be immediately in contract with the seller -- the property can't be sold to someone else during the study period; (b) you can go to the legislature with a contract in hand; (c) you have time to investigate the substantive issues prior to a final decision; and (d) the seller is obligated to give the Port any documents the seller has relevant to that investigation.

To date, based on my review of documents on the Port website, the following substantive issues have not been documented: (a) mapping critical areas and their setback boundaries; (b) analyzing the range of uses allowed under County code; (c) listing the possible constraints of floodplain and shoreline regulation; and (d) investigating the potential for groundwater contamination from the unresolved MTCA cleanup site just uphill, with written risk analysis. While the work requires diligence, it can be done in 60-90 days at reasonable cost.

This approach puts the Port Commissioners "on the map" of moving to support preservation of agriculture and small-farmer opportunities, while still following standard practices for real estate review. It also gives the Port time to consider alternative sites if you so choose.

I hope this suggestion is helpful in charting the path forward. If I can answer any questions, please feel free to contact me. (425) 268-5553. Thank you for your consideration.

PORT COMMISSION REGULAR BUSINESS MEETING – Wednesday, January 25, 2022

The Port of Port Townsend Commission met for a regular business session at the Point Hudson Pavilion Building, 355 Hudson Street, Port Townsend, and also online via Zoom.

Present: Commissioners Hasse and Petranek with Hanke excused
Executive Director Berg
Director of Finance and Administration Berg
Director of Capital Projects & Port Engineer Klontz
Attorney Seth Woolsen
Port Recorder Sanders

- I. CALL TO ORDER & PLEDGE OF ALLEGIANCE (Rec. 00:00:00)
Commissioner Petranek called the meeting to order at 5:30 p.m.

Commissioner Hasse moved to approve Commissioner Hanke's absence as excused. Unanimously approved.

- II. APPROVAL OF AGENDA (Rec. 00:01:06)
The agenda was approved as amended by unanimous consent.

- III. PUBLIC COMMENTS – GENERAL (Rec. 00:01:21)
There were none.

- IV. CONSENT AGENDA (Rec. 00:04:57)
A. Approval of Workshop and Regular Business Minutes from January 11 and Special Business Meeting of January 17, 2023
B. Approval & Ratification of Warrants
Warrant #066238 through #066241 and electronic payment in the total amount of \$104,173.88
Warrant #066242 through 066293 in the amount of \$256,711.62
Warrant #064569 in the amount of \$102.68 is declared void.
Warrant #066152 in the amount of \$933.02 is declared void.
Electronic debit in the amount of \$3,167.37
Warrant #066294 through #066299 in the amount of \$67,089.40

The Consent Agenda as written approved by unanimous consent.

- V. SECOND READING ~ none

- VI. FIRST READING ~ none

- VII. REGULAR BUSINESS (Rec. 00:05:37)

- A. Short's Family Farm
Executive Director Berg reported that the appraisal came in earlier today and is posted on the Port's website. The next step is to meet with the Shorts about the appraisal and property valuation.

Public Comment (Rec. 06:45:00):

Laurae Hughes of Gray Fox Farms, spoke in favor of the Short Farm project for access to Port resources and increased availability to farmland. (Rec: 00:02:00)

Iris Pearsall spoke about her concerns being an adjacent property owner and requested only organic farming in future (Written Comment)

Janet Welch spoke in support of the port's interest in the property and urged exploring other properties. (Written Comment)

Janet Welch spoke about the process, agriculture sustainability, drainage issues, and freedom to express opposing viewpoints (2nd Written Comment)

Zach Wailand spoke about various perspectives shared at the January 17 meeting and of his interest in a refrigeration facility. (Written Comment)

Jean and Keith Marzan spoke in opposition to the purchase because of Port's inexperience with farming. (Written Comment)

Mary Kippen spoke about concerns about the purchase without a plan (Written Comment).

Tom Erhlichman spoke about his written comment in support of delaying the purchase and about the FEMA flood plain and Endangered Species Act listing, Shoreline Designation, Uncertainty Over Potential Groundwater Contamination, and provide five recommendations for further study at the meeting. He noted he also sent an additional email with supplemental comment.

Jean Ball spoke at the meeting in support of agriculture by the Port, with concerns over purchasing a pond or wetland, and a request to explore other agricultural land in Beaver Valley in search of property that may be more economically feasible.

Martin Frederickson, spoke about the challenges of the economic viability of farmers to produce enough income to pay off a property mortgage and about the need to address drainage issues on the farm. He recognized parts of the farm do not flood and may be suitable for grains.

Laurae Hughes of Gray Fox Farms, spoke of the benefits of water on the land and also about crops that might do well at the site.

Charlotte Frederickson also spoke about potential farming on the site.

Commissioners (Rec: 00:12:35) comments in support related to salmon restoration, not losing valuable farmland for the health of our community, requesting a first right of refusal until a plan is developed, as well as providing access to land for farmers who otherwise would not be able to acquire land. There was some concern about moving forward without a current plan and about the Port's lack of experience with farming. With more time, the Port could collect additional comments, explore the worsening flood plain and buffer zones associated with the creek, as well as the Land Trust's prohibitions on grading and excavating that may impact restoring the stream. With the Port's history of valuing farming as part of maintaining public infrastructure, there is support for expanding infrastructure for local food production. A suggestion was to form a farming community committee to provide expertise lacking at the Port. Slowing down the process would also allow for discussions with neighboring property owners. There was recognition of the questions and excitement expressed by the farming community over this opportunity. Local food resilience has

support in this community. committee and the difficulties the Port might be an excellent partner to assist where the economic. There were some questions and discussions about the timing of the legislative cycle and the odds of receiving funding.

Executive Director Berg addressed questions about the use of land near the airport. He explained there is strong interest from farmers wanting to lease the Short farm and appears to be Board of County Commission support also. When addressing the percentage of land available for farming versus wetland, he noted the appraisal came back significantly less in value than the sales price offered. The Port could still convene a committee to get collective thinking on a plan objective and figure out how best to support local agriculture. Although February 10 was noted as the date by which a request to the legislature is needed, he discouraged seeking legislative funding without a firm proposal.

B. November YTD Financials (Rec. 01:03:40)

Director of Finance and Administration Berg gave the staff briefing as written. Highlighted were 2022 project expenses of \$4,522,260 primarily due to the jetty project. The 2022 capital purchases and contracted work to date has not changed since the October report. In reviewing the corrected page of the financial statement distributed, operating revenues are outperforming budget with the largest gain from the Boat Yard. Point Hudson is the lowest due to the jetty project. Operating expenditures are coming in higher than expected to date, but all were budgeted expenses. She would be working to improve the capital project detail on the financial page.

Commissioners asked about the nearly \$88,000 in insurance and what the Port could do about rates. Executive Director Berg noted that the Port could get a seat on the insurance pool board and see the claims and allocation of risk. The Port could also mitigate costs through seeking other insurance and/or reducing coverage to less than replacement value which is not recommended. Finance Director Berg and Executive Director Berg fielded questions about utility costs (including water, sewer, garbage, sani-cans, and electricity).

C. IDD Levy Financial Report YTD Quarter 4, 2022 (Rec. 01:16:25)

Director of Finance and Administration Berg presented the IDD report as written.

Executive Director Berg and Attorney Seth Woolsen addressed Commissioner questions about the Boat Haven navigation channel dredging. They noted that state dollars are available for cleanup. Port of Anacortes and Port of Bellingham and Georgia Pacific have had experience.

Executive Director Berg, referring to page 42, noted a later request would be made to the EDA to adjust project reimbursement on the jetty project to utilize the \$7 million allocation. There was recognition that the 2027 project estimates do not yet reflect realistic project dollars. He reported Deputy Director Toews sent a grant funding request for the Quilcene ramp and upland improvements for \$2.2 million of which the Port would have to contribute \$1.2 million.

D. Point Hudson Jetty Update (Rec. 01:30:44)

Director of Capital Projects & Port Engineer Klontz showed drone photos of the new breakwater. Next week, the contractor would place pile caps. They also assisted with emergency repairs of shoreline erosion and failing concrete panels on RV sites due to recent storm events and high tides (photos shown). This included relocating a log washed ashore underneath the Northwest Maritime Center to provide riprap for the RV park repairs. Additional erosion damage occurred at the 75-ton lift. FEMA reimbursement will be requested related to areas associated with the formal Disaster Declaration.

E. WPPA Port Governance Management Guide (Rec. 01:40:52)

Commissioners discussed the value of reviewing the guide chapter by chapter at Port workshops meeting as a way to ensure the Port is fulfilling its responsibilities. There was consensus to begin the review in February.

VIII. STAFF COMMENTS (Rec. 01:49:11)

Executive Director Berg reported the December staff luncheon was rescheduled for Friday. He requested Commission action to make an application for American Rescue Plan Act (ARPA) funding associated with the tidal flood protection waterwalk project. The funding of \$200,000 (with \$100,000 match), if received, would address feasibility and pricing, including a cost benefit analysis for FEMA funding. The project is estimated to cost roughly \$30 million.

Commissioner Petranek moved to authorize the Executive Director to request \$100,000 in American Rescue Plan Act (ARPA) funding match for the climate change tidal flood protection waterwalk project. Motion carried by unanimous vote.

Executive Director Berg noted the next port newsletter would hope to address Climate Change including this application and highlighting efforts of Port tenants. Next Thursday, is the WPPA Port Day in Olympia. A kayak and *Swiftsure* were the first boats back in Point Hudson Marina after the reopening January 25.

Finance Director Berg reported that the Customer Service Representative position is filled and we are near having a replacement in the Accounting Department. No janitor applications have been received.

IX. COMMISSIONER COMMENTS (Rec. 01:57:36)

Commissioner Hasse expressed gratefulness for the many Port activities and ideas. Referring to the State of the City report at Chamber, there are many community challenges and concerns. Having an engaged community to work on solutions is hopeful.

Commissioner Petranek Jefferson County Community leadership award applications are being accepted, including business leader, citizen of year, and future business leader. Haven has moved into their new facility. *Our Working Waterfront* would be Blaise Holly and his new lead shipwright, Ester.

X. NEXT PUBLIC WORKSHOP & REGULAR BUSINESS MEETING (Rec. 02:04:07)

Wednesday, February 8, 2023 at 9:30 a.m. Workshop and Regular Business Meeting at 1:00 p.m. at the Pavilion Building & via Zoom.

XI. EXECUTIVE SESSION (Rec. 02:05:00)

At 7:35 p.m., the Commission went into Executive Session for ten minutes pursuant to RCW 42.30.110(1)(b) for consideration of site selection or acquisition of real estate purchase or lease if likelihood that disclosure would increase price. No decision is expected.

At 8:04 p.m., the Commission meeting was extended for another five minutes until 8:14 p.m.

At 8:14 p.m., the Commission came back into open session.

XII. ADJOURNMENT (Rec. 02:05:50): meeting adjourned at 8:14 p.m., there being no further business before the Commission.

ATTEST:

Peter W. Hanke, Secretary

Pamela A. Petranek, President

Carol L. Hasse, Vice President

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WARRANT APPROVAL

We, the undersigned, as Commissioners and Auditing Officer of the Port of Port Townsend, in Jefferson County, Washington, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, and that the claims is a just, due and unpaid obligation of the Port of Port Townsend, that I am authorized to authenticate and certify to said claim and that these claims, in Warrant No 066300 generated on January 24th, 2023 in the amount of \$303.76 is ratified.

Signed and Authenticated on this 8th day of February, 2023.

For: Accounts Payable

Commissioner Pam Petranek

Commissioner Carol Hasse

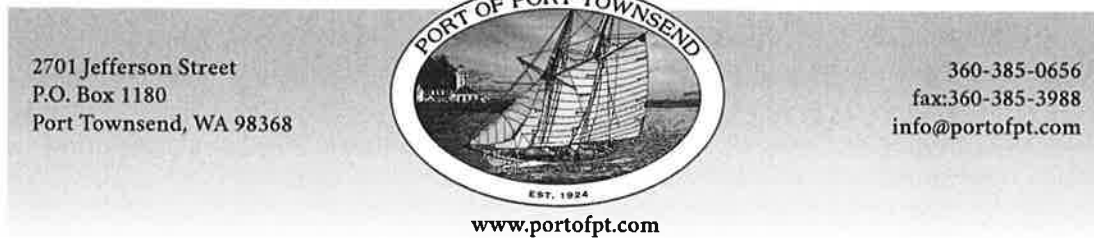
Commissioner Pete W. Hanke

S. Abigail Berg, Director of Finance
And Administration

Port of Port Townsend (PTA)

				Bank Code: W - WARRANTS PAYABLE			
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			LUP23-006				
				1/24/2023	303.76	0.00	303.76
				Report Total	303.76	0.00	303.76

Check Entry Number: 001



WARRANT APPROVAL

We, the undersigned, as Commissioners and Auditing Officer of the Port of Port Townsend, in Jefferson County, Washington, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, and that the claims is a just, due and unpaid obligation of the Port of Port Townsend, that I am authorized to authenticate and certify to said claim and that these claims, in Warrant No 066301 generated on January 24th, 2023 in the amount of \$471.10 is ratified.

Signed and Authenticated on this 8th day of February, 2023.

For: **Accounts Payable**

Commissioner Pam Petranek

Commissioner Carol Hasse

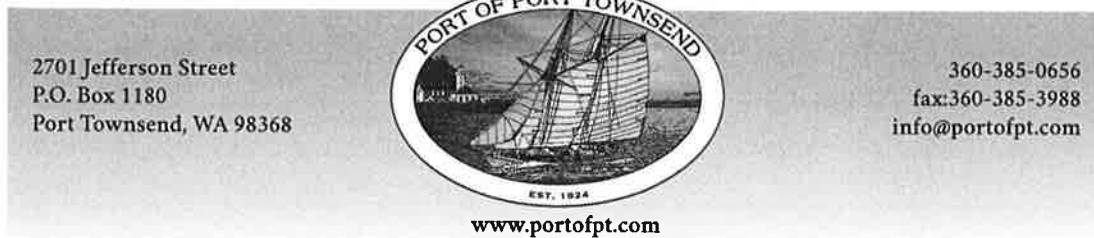
Commissioner Pete W. Hanke

S. Abigail Berg, Director of Finance
And Administration

Port of Port Townsend (PTA)

Bank Code: W - WARRANTS PAYABLE						
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			2023 DUES E TOEWS	1/25/2023	471.10	0.00
				Report Total:	471.10	0.00
					471.10	471.10

Check Entry Number: 001



WARRANT APPROVAL

We, the undersigned, as Commissioners and Auditing Officer of the Port of Port Townsend, in Jefferson County, Washington, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, and that the claims is a just, due and unpaid obligation of the Port of Port Townsend, that I am authorized to authenticate and certify to said claim and that these claims, in Warrant No 066302 generated on January 31st, 2023 in the amount of \$1,444.20 is ratified.

Signed and Authenticated on this 8th day of February, 2023.

For: Accounts Payable

Commissioner Pam Petranek

Commissioner Carol Hasse

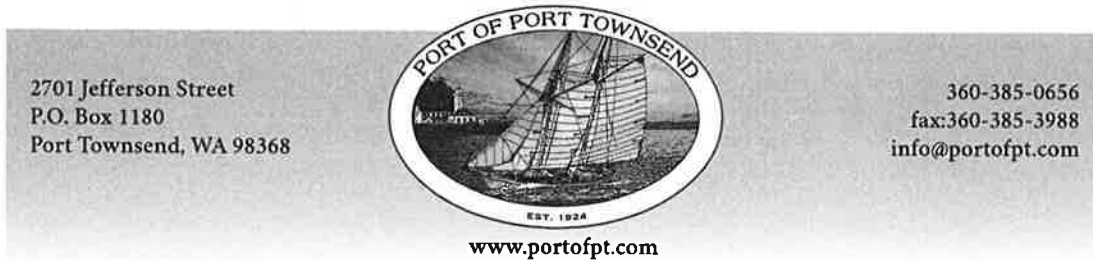
Commissioner Pete W. Hanke

S. Abigail Berg, Director of Finance
And Administration

Port of Port Townsend (PTA)

				Bank Code: W - WARRANTS PAYABLE			
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			LAND USE CODE REV	1/31/2023	1,444.20	0.00	1,444.20
				Report Total:	1,444.20	0.00	1,444.20

Check Entry Number: 001



WARRANT/ELECTRONIC PAYMENT APPROVAL

We, the undersigned, as Commissioners and Auditing Officer of the Port of Port Townsend, in Jefferson County, Washington, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, and that the claims are just, due and unpaid obligations against the Port of Port Townsend, that we are authorized to authenticate and certify to said claim and that payment of these claims, in Warrant No 066303 through No. 066308 generated on February 1st, 2023 in the amount of \$29,318.58 and Electronic Payment in the amount of \$192,122.33, for a total amount of \$221,440.91 is **ratified.**

Signed and Authenticated on this 8th day of February, 2023.

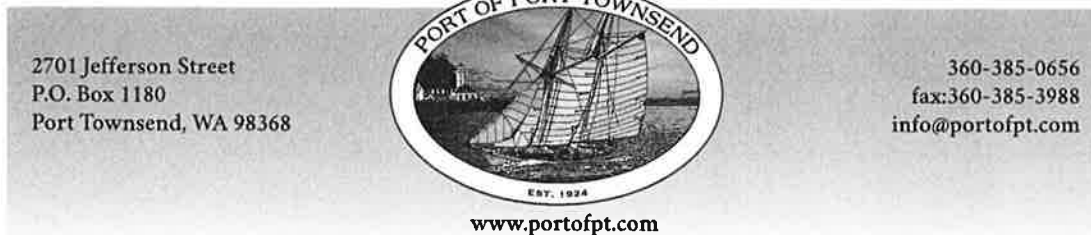
For: Payroll and Benefits

Commissioner Pam Petranek

Commissioner Carol Hasse

Commissioner Pete W. Hanke

S. Abigail Berg, Director of Finance
And Administration



WARRANT APPROVAL

We, the undersigned, as Commissioners and Auditing Officer of the Port of Port Townsend, in Jefferson County, Washington, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, and that the claims is a just, due and unpaid obligation of the Port of Port Townsend, that I am authorized to authenticate and certify to said claim and that these claims, in Warrant No 066309 generated on February 2nd, 2023 in the amount of \$1,576.72 is ratified.

Signed and Authenticated on this 8th day of February, 2023.

For: Accounts Payable

Commissioner Pam Petranek

Commissioner Carol Hasse

Commissioner Pete W. Hanke

S. Abigail Berg, Director of Finance
And Administration

Port of Port Townsend (PTA)

				Bank Code: W - WARRANTS PAYABLE			
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			LUP23-010				
				2/2/2023	1,576.72	0.00	1,576.72
				Report Total:	1,576.72	0.00	1,576.72

Check Entry Number: 001

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WARRANT APPROVAL

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For: Accounts Payable

Commissioner Pam Petranek

Commissioner Carol Hasse

Commissioner Pete W. Hanke

S. Abigail Berg, Director of Finance
And Administration

Port of Port Townsend (PTA)

Bank Code: W - WARRANTS PAYABLE							
Check Number	Check Date	Vendor	Invoice Number	Invoice Date	Invoice Amount	Discount Applied	Payment Amount
0000066310	2/8/2023	ADL050	Adler Tank Rentals				Check Entry Number: 001
			4638364	1/31/2023	2,334.32	0.00	2,334.32
0000066311	2/8/2023	ADM002	Admiral Ship Supply Inc.				Check Entry Number: 001
			12/31/22 STATEMENT	12/31/2022	1,693.62	0.00	1,693.62
0000066312	2/8/2023	ARR010	Arrow Lumber Port Townsend				Check Entry Number: 001
			1/28/23 STATEMENT	1/28/2023	1,297.79	0.00	1,297.79
0000066313	2/8/2023	AWC001	Assoc. Of Washington Cities				Check Entry Number: 001
			113350.2	1/1/2023	500.00	0.00	500.00
0000066314	2/8/2023	BER045	Eron Berg				Check Entry Number: 001
			1/2023 EXPENSE	2/1/2023	174.36	0.00	174.36
0000066315	2/8/2023	BOT040	Botero & Son Electrical LLC				Check Entry Number: 001
			22-2458	12/6/2022	755.58	0.00	755.58
			23-2472	2/1/2023	2,222.38	0.00	2,222.38
Check 0000066315 Total:					2,977.96	0.00	2,977.96
0000066316	2/8/2023	CED005	CED				Check Entry Number: 001
			5948-1031516	1/20/2023	62.19	0.00	62.19
			5948-1031771	1/26/2023	556.52	0.00	556.52
Check 0000066316 Total:					618.71	0.00	618.71
0000066317	2/8/2023	CEN010	Central Welding Supply				Check Entry Number: 001
			PT 147130	1/24/2023	50.27	0.00	50.27
0000066318	2/8/2023	CHM030	Chmelik Sitkin & Davis P.S.				Check Entry Number: 001
			12/2022	1/19/2023	990.00	0.00	990.00
0000066319	2/8/2023	CIN020	Cintas				Check Entry Number: 001
			5143425770	2/1/2023	136.39	0.00	136.39
0000066320	2/8/2023	CIT001	City Of Port Townsend				Check Entry Number: 001
			1/2023 STATEMENT	1/31/2023	25.81	0.00	25.81
			1/23/23 STATEMENT	1/23/2023	71.06	0.00	71.06
Check 0000066320 Total:					96.87	0.00	96.87
0000066321	2/8/2023	COO050	Cooper Fuel				Check Entry Number: 001
			2/1/23 STATEMENT	2/1/2023	2,368.25	0.00	2,368.25
0000066322	2/8/2023	DIN010	Peninsula Glass/The Ding Doctor				Check Entry Number: 001
			84744	1/30/2023	65.41	0.00	65.41
0000066323	2/8/2023	DLL010	D L Logos				Check Entry Number: 001
			4232	1/30/2023	2,315.10	0.00	2,315.10
0000066324	2/8/2023	DYN030	Dynamite Drywall				Check Entry Number: 001
			23-002A	1/27/2023	15,919.87	0.00	15,919.87
0000066325	2/8/2023	ECO002	EDC Team Jefferson				Check Entry Number: 001
			Q1 2023	1/23/2023	7,725.00	0.00	7,725.00
0000066326	2/8/2023	EDE005	Edensaw Woods, LTD				Check Entry Number: 001
			0000603216-001	1/30/2023	54.55	0.00	54.55
0000066327	2/8/2023	FIR050	First American Title Company				Check Entry Number: 001
			2393	1/17/2023	16.37	0.00	16.37
0000066328	2/8/2023	GOO002	Good Man Sanitation				Check Entry Number: 001
			1/2023 STATEMENT	1/30/2023	2,761.39	0.00	2,761.39
0000066329	2/8/2023	GRA005	Grainger				Check Entry Number: 001
			9560157589	1/3/2023	247.40	0.00	247.40
			9562182726	1/4/2023	77.70	0.00	77.70
Check 0000066329 Total:					325.10	0.00	325.10
0000066330	2/8/2023	GUA080	Guardian Security Systems, Inc.				Check Entry Number: 001

Port of Port Townsend (PTA)

Bank Code: W - WARRANTS PAYABLE							
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0000066331	2/8/2023	HAD001	Hadlock Building Supply				Check Entry Number: 001
			1/25/23 STATEMENT	1/25/2023	830.01	0.00	830.01
0000066332	2/8/2023	HAM090	William Hammer				Check Entry Number: 001
			REFUND 1/27/23	1/27/2023	126.64	0.00	126.64
0000066333	2/8/2023	HAR008	Harbor Saw & Supply, Inc.				Check Entry Number: 001
			738439	1/19/2023	2,227.74	0.00	2,227.74
0000066334	2/8/2023	HAS020	Carol Hasse				Check Entry Number: 001
			1/2023 EXPENSE	1/31/2023	39.30	0.00	39.30
0000066335	2/8/2023	HEN002	Henery Hardware				Check Entry Number: 001
			745251	12/27/2022	20.34	0.00	20.34
			745268	12/27/2022	20.45	0.00	20.45
			745336	12/28/2022	8.25	0.00	8.25
			745380	12/29/2022	150.53	0.00	150.53
			745411	12/29/2022	23.97	0.00	23.97
			745415	12/29/2022	66.50	0.00	66.50
			745438	12/30/2022	414.54	0.00	414.54
			745443	12/30/2022	49.06	0.00	49.06
			745451	12/30/2022	58.42	0.00	58.42
			745663	1/4/2023	32.14	0.00	32.14
			745681	1/4/2023	83.60	0.00	83.60
			745722	1/5/2023	81.50	0.00	81.50
			745796	1/6/2023	78.27	0.00	78.27
			745942	1/9/2023	56.70	0.00	56.70
			746061	1/10/2023	359.95	0.00	359.95
			746156	1/12/2023	11.99	0.00	11.99
			746238	1/13/2023	636.65	0.00	636.65
			746436	1/17/2023	188.60	0.00	188.60
			746440	1/17/2023	24.20	0.00	24.20
			746483	1/18/2023	19.61	0.00	19.61
			746490	1/18/2023	30.09	0.00	30.09
			746596	1/19/2023	211.64	0.00	211.64
			746600	1/20/2023	305.86	0.00	305.86
			746630	1/20/2023	73.42	0.00	73.42
			746658	1/20/2023	111.23	0.00	111.23
			746762	1/23/2023	88.35	0.00	88.35
			746790	1/24/2023	86.13	0.00	86.13
			746856	1/25/2023	43.62	0.00	43.62
			746881	1/25/2023	30.54	0.00	30.54
Check 0000066335 Total:					3,366.15	0.00	3,366.15
0000066336	2/8/2023	HEN006	Quilcene Henery's Hardware				Check Entry Number: 001
			1/25/23 STATEMENT	1/25/2023	57.91	0.00	57.91
0000066337	2/8/2023	HRA030	HRA VEBA Trust				Check Entry Number: 001
			YA20407 JJ S CO	2/8/2023	247.41	0.00	247.41
			YA20407 BB INS	2/8/2023	812.42	0.00	812.42
			YA20407 KF INS	2/8/2023	852.72	0.00	852.72
Check 0000066337 Total:					1,912.55	0.00	1,912.55
0000066338	2/8/2023	HYP020	Charles Hypes				Check Entry Number: 001
			REFUND 1/30/23	1/30/2023	48.82	0.00	48.82
0000066339	2/8/2023	JAM040	Jamestown Networks				Check Entry Number: 001

Port of Port Townsend (PTA)

Bank Code: W - WARRANTS PAYABLE							
Check Number	Check Date	Vendor	Invoice Number	Invoice Date	Invoice Amount	Discount Applied	Payment Amount
			7443	2/1/2023	530.00	0.00	530.00
0000066340	2/8/2023	JC1005	East Jefferson Fire Rescue				Check Entry Number: 001
			1ST HALF 2023	1/31/2023	4,590.00	0.00	4,590.00
0000066341	2/8/2023	KEN010	Kendrick Equipment				Check Entry Number: 001
			U51030	1/24/2023	3,655.18	0.00	3,655.18
			U51052	1/17/2023	772.88	0.00	772.88
			Check 0000066341 Total:		4,428.06	0.00	4,428.06
0000066342	2/8/2023	LAN001	Landau Associates				Check Entry Number: 001
			0053259	1/19/2023	525.00	0.00	525.00
0000066343	2/8/2023	LAN045	Andrew Lantz				Check Entry Number: 001
			REFUND 1/18/23	1/18/2023	388.76	0.00	388.76
0000066344	2/8/2023	MUR002	Murrey's Disposal Co. Inc.				Check Entry Number: 001
			2/1/2023 STATEMENTS	2/1/2023	16,571.52	0.00	16,571.52
0000066345	2/8/2023	O'RE030	O'Reilly Auto Parts				Check Entry Number: 001
			3636-151436	1/26/2023	30.54	0.00	30.54
0000066346	2/8/2023	PAP020	Pape Machinery				Check Entry Number: 001
			715692	1/18/2023	5,805.05	0.00	5,805.05
			8889981	1/30/2023	648.05	0.00	648.05
			Check 0000066346 Total:		6,453.10	0.00	6,453.10
0000066347	2/8/2023	PET025	Petrick Lock & Safe				Check Entry Number: 001
			21207	1/19/2023	241.47	0.00	241.47
			21219	1/23/2023	8.40	0.00	8.40
			21225	1/26/2023	54.55	0.00	54.55
			Check 0000066347 Total:		304.42	0.00	304.42
0000066348	2/8/2023	PET065	Pam Petranek				Check Entry Number: 001
			1/2023 EXPENSE	1/31/2023	100.87	0.00	100.87
0000066349	2/8/2023	PIN010	Pinnacle Investigations Corp				Check Entry Number: 001
			83044	2/1/2023	203.00	0.00	203.00
			83049	2/1/2023	122.00	0.00	122.00
			Check 0000066349 Total:		325.00	0.00	325.00
0000066350	2/8/2023	PRI001	The Printery				Check Entry Number: 001
			1/1/23 STATEMENT	1/1/2023	402.69	0.00	402.69
0000066351	2/8/2023	PUD005	PUD #1 of Jefferson County				Check Entry Number: 001
			01/25/2023	1/25/2023	550.00	0.00	550.00
			1/18/23	1/18/2023	45.83	0.00	45.83
			1/25/23 STATMENTS	1/25/2023	444.53	0.00	444.53
			Check 0000066351 Total:		1,040.36	0.00	1,040.36
0000066352	2/8/2023	QUI001	Quill Corporation				Check Entry Number: 001
			30257608	1/18/2023	377.01	0.00	377.01
			30257941	1/18/2023	246.71	0.00	246.71
			30259348	1/18/2023	419.28	0.00	419.28
			30295106	1/18/2023	36.82	0.00	36.82
			Check 0000066352 Total:		1,079.82	0.00	1,079.82
0000066353	2/8/2023	RIG060	Right! Systems Inc				Check Entry Number: 001
			SI-179484	2/2/2023	1,631.05	0.00	1,631.05
0000066354	2/8/2023	ROD030	Rodda Paint				Check Entry Number: 001
			44174777	1/24/2023	342.56	0.00	342.56
			44174778	1/24/2023	55.83	0.00	55.83
			Check 0000066354 Total:		398.39	0.00	398.39

Port of Port Townsend (PTA)

Bank Code: W - WARRANTS PAYABLE							
Check Number	Check Date	Vendor	Invoice Number	Invoice Date	Invoice Amount	Discount Applied	Payment Amount
0000066355	2/8/2023	ROL010	Aubri Rollins				Check Entry Number: 001
			1/2023 EXPENSE	1/31/2023	176.85	0.00	176.85
0000066356	2/8/2023	SAF001	Safeway, Inc.				Check Entry Number: 001
			1/21/23 STATEMENT	1/21/2023	1,829.27	0.00	1,829.27
0000066357	2/8/2023	SHO010	Shold Excavating Inc				Check Entry Number: 001
			72447	1/19/2023	696.03	0.00	696.03
			72568	1/27/2023	709.15	0.00	709.15
Check 0000066357 Total:					1,405.18	0.00	1,405.18
0000066358	2/8/2023	SNE020	S-Net Communications				Check Entry Number: 001
			159386	2/1/2023	580.46	0.00	580.46
0000066359	2/8/2023	SNO030	Laura Snodgrass				Check Entry Number: 001
			UNIFORM EXP	1/30/2023	241.05	0.00	241.05
0000066360	2/8/2023	TAC001	Tacoma Screw Products, Inc				Check Entry Number: 001
			140067361-00	1/24/2023	1,399.56	0.00	1,399.56
			140067366-00	1/24/2023	173.13	0.00	173.13
Check 0000066360 Total:					1,572.69	0.00	1,572.69
0000066361	2/8/2023	TER030	Terrapin Architecture PC				Check Entry Number: 001
			23-018	1/12/2023	142.50	0.00	142.50
			23-019	1/12/2023	1,162.50	0.00	1,162.50
Check 0000066361 Total:					1,305.00	0.00	1,305.00
0000066362	2/8/2023	THE020	Thermo Fluids, Inc.				Check Entry Number: 001
			91005584	1/20/2023	1,676.60	0.00	1,676.60
0000066363	2/8/2023	ULI040	ULINE				Check Entry Number: 001
			158872006	1/18/2023	829.16	0.00	829.16
			158872007	1/18/2023	6,547.33	0.00	6,547.33
Check 0000066363 Total:					7,376.49	0.00	7,376.49
0000066364	2/8/2023	VER001	Verizon Wireless, Bellevue				Check Entry Number: 001
			9925430215	1/15/2023	740.11	0.00	740.11
0000066365	2/8/2023	WAV040	Wave Broadband				Check Entry Number: 001
			043328901-0009951	1/23/2023	157.52	0.00	157.52
0000066366	2/8/2023	WES006	Westbay Auto Parts, Inc.				Check Entry Number: 001
			1/25/23 STATEMENT	1/25/2023	908.63	0.00	908.63
0000066367	2/8/2023	WES060	West Marine Pro				Check Entry Number: 001
			2261	1/26/2023	6.11	0.00	6.11
0000066368	2/8/2023	WRI030	James Wright				Check Entry Number: 001
			REFUND 01/12/23	1/12/2023	50.00	0.00	50.00
Report Total:					107,986.91	0.00	107,986.91

PORT OF PORT TOWNSEND

AGENDA COVER SHEET

MEETING DATE	February 8, 2023		
AGENDA ITEM	<input checked="" type="checkbox"/> Consent Agenda		
AGENDA TITLE	IV. C. Pete Stein & Compass Woodwork, LLC/The Shop Cooperative - Building Lease Assignment		
STAFF LEAD	Eric Toews, Deputy Director		
REQUESTED	<input type="checkbox"/> Information	<input checked="" type="checkbox"/> Motion/Action	<input type="checkbox"/> Discussion
ATTACHMENTS	A. Staff Memo B. Lease Assignment - Pete Stein & Compass Woodwork, LLC, Boat Haven Building Lease to The Shop Cooperative C. Exhibit 'A' – Pete Stein & Compass Woodwork, LLC, 4/29/2021 Boat Haven Building Lease, Building 2 D. Exhibit 'B' – Pete Stein & Compass Woodwork, LLC, 11/15/2021 Amendment No. 1, adding Building 3		

DATE: 2/8/2023
TO: Port Commission
FROM: Eric Toews, Deputy Director and Sue Nelson, Lease & Contracts Administrator
SUBJECT: Pete Stein & Compass Woodwork, LLC/The Shop Cooperative – Building Lease Assignment

BACKGROUND: On April 29, 2021, Pete Stein and Compass Woodwork, LLC (Erik Fahlstrom) entered a five (5) year Building Lease with one five (5) year option to renew, effective June 1, 2021. On November 15, 2021, the Lease was amended (Amendment No. 1) to include Building 3, effective December 1, 2021. Improvements to Buildings 2 & 3 were done by the tenants, including a switch from fluorescent lighting to LEDs, and in Building 2 refinishing the upstairs hardwood flooring. They also had three-phase power installed.

DISCUSSION: Mr. Stein, Mr. Fahlstrom and others worked with Northwest Cooperative Development Center and formed a new cooperative – “The Shop Cooperative”. The Co-op consists of ten (10) members.

RECOMMENDATION: Authorize the Executive Director to execute the attached Assignment of Building Lease with The Shop Cooperative.

MOTION: None required. Approval of this item on the Consent Agenda authorizes the Executive Director to execute the attached Assignment Agreement.

ATTACHMENTS

- Assignment and Assumption of Pete Stein & Compass Woodwork, LLC Boat Haven Building Lease
- Exhibit ‘A’ – Pete Stein & Compass Woodwork, LLC, 4/29/2021 Boat Haven Building 2 Lease
- Exhibit ‘B’ – Pete Stein & Compass Woodwork, LLC, 11/15/2021 Amendment No. 1

PORT OF PORT TOWNSEND

BOAT HAVEN BUILDING LEASE ASSIGNMENT

THIS BOAT HAVEN BUILDING LEASE ASSIGNMENT is dated and effective as of February _____, 2023 by and between the **PORT OF PORT TOWNSEND**, a Washington Municipal Corporation (“Lessor” or “Port”), and **PETER M. STEIN, d/b/a PETE STEIN**, a Washington Sole Proprietor and **COMPASS WOODWORK, LLC**, a Washington Limited Liability Company (together the “Lessee” and “Assignor”), and **THE SHOP COOPERATIVE**, a Washington Nonprofit Corporation (“Assignee”), with a business address of 3109 Jefferson Street, Port Townsend, WA 98368 (UBI #604-999-448) and

WHEREAS, the Port and Assignor entered into that certain BOAT HAVEN BUILDING LEASE dated April 29, 2021, for certain premises (the "Premises") located at the Boat Haven, Port Townsend, Washington, which document is attached hereto as Exhibit “A” and incorporated herein by this reference (the “Original Lease”);

WHEREAS, on November 15, 2021, the Port and Assignor entered into that certain LEASE AMENDMENT NO. 1 to the Original Lease, which document is attached hereto as Exhibit “B” and incorporated herein by this reference.

WHEREAS, together, Exhibits “A” (the Original Lease) and “B” (Lease Amendment No. 1) comprise the “Lease”; and

WHEREAS, Assignor desires to assign its interest in the Lease to Assignee and Assignee desires to assume Assignor’s obligations under the Lease;

WHEREAS, Paragraph #24 of the Lease provides that the Assignor’s interest in the Lease may not be assigned unless the Port grants its written consent to any such assignment,

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor and Assignee agree, and Lessor consents, as follows:

- 1. Assignment of Lease:** Assignor does hereby transfer, assign, convey and deliver to Assignee its entire right, title and interest in the Lease and the Premises.
- 2. Assumption of Obligations:** Assignee does hereby accept this assignment and, for the benefit of Assignor and Port, expressly assumes and agrees to hereafter perform all the terms, covenants, conditions, and obligations of Assignor under the Lease, which accrue from and after the date hereof. Assignee has been furnished with a copy of the Lease (Exhibits “A” and “B” attached hereto) and has reviewed and understands the terms of the same.

3. Indemnity: Assignor agrees to save, indemnify, defend, and hold Assignee harmless from and on account of any claims, demands, actions, losses, expenses, and liabilities of Assignee under the Lease on account of or arising out of any obligations and liabilities of the Lessee thereunder, arising prior to the date hereof.

Assignee agrees to save, indemnify, defend, and hold Assignor harmless from and on account of any claims, demands, actions, losses, expenses, and liabilities of Assignor under the Lease on account of or arising out of the obligations and liabilities so assumed and arising after the date hereof.

4. Deposit: The Port agrees to refund the security deposit currently on file with the Port¹ to the Assignor concurrent with execution of this Assignment, PROVIDED THAT, and as an express condition of the Port's consenting to this assignment, Assignee posts the deposit required under Paragraph 6 with the Port in two (2) installments, as follows:

- a. Concurrent with execution of this Assignment, Assignee shall deposit **Five Thousand Seven Hundred Eighty-Five Dollars and Eight Cents (\$5,785.08)** with the Port; and
- b. By no later than thirty (30) days following the execution of this Assignment, Assignee shall deposit an additional **Eleven Thousand Five Hundred Seventy Dollars and Sixteen Cents (\$11,570.16)** with the Port as security for Assignee's faithful performance of its obligations under the Lease, consistent with paragraph 6 thereof.

5. Contingency: Notwithstanding anything to the contrary herein, this Assignment shall be contingent upon the receipt of the consent of the Lessor as evidenced by the execution by the Lessor's consent set forth below. By consenting to this Assignment, Lessor acknowledges:

- a. That all rents, royalties, penalties, assessments, taxes, and charges of any kind owing to Lessor arising out of the Lease have been timely paid, that no such rents, royalties, penalties, assessments, taxes, or charges that have accrued to date hereof are unpaid, and that to the best of Lessor's knowledge there are no rents, penalties, assessments, taxes, or charges of any kind contemplated by Lessor to be imposed on or after the date hereof that are not specified in the Lease;
- b. That Assignor is not in default or violation of any provision of the Lease;
- c. That the Lease is in effect in accordance with its terms; and
- d. That the Lease is enforceable in accordance with its terms.

6. Successors and Assigns: This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

This Boat Haven Building Lease Assignment is authorized by the Port of Port Townsend Port Commission on the 8th day of February 2023, executed by the parties this ____ day of February 2023, and shall become effective upon the receipt of the deposit and liability insurance documentation from the Assignee.

¹ \$17,355.24

ASSIGNOR:

PETER M. STEIN d/b/a PETE STEIN & COMPASS WOODWORK, LLC

Peter M. Stein d/b/a Pete Stein

Erik Fahlstrom, Owner Compass Woodwork

ASSIGNEE:

THE SHOP COOPERATIVE

Erik Fahlstrom, Chairman of the Board

Peter M. Stein, President

LESSOR'S CONSENT:

The Port of Port Townsend, as owner and holder of all right, title and interest under the Lease hereby consents to the foregoing assignment.

THE PORT OF PORT TOWNSEND
A Washington Municipal Corporation

Eron Berg, Executive Director

APPROVED AS TO FORM:

Port Attorney

**STATE OF WASHINGTON
COUNTY OF JEFFERSON**

I certify that I know or have satisfactory evidence that Erik Fahlstrom signed this instrument and that he/she is authorized to execute the instrument and acknowledged it to be his/her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: _____

Signature of
Notary Public: _____

My Appointment Expires: _____

**STATE OF WASHINGTON
COUNTY OF JEFFERSON**

I certify that I know or have satisfactory evidence that Peter M. Stein signed this instrument and that he/she is authorized to execute the instrument and acknowledged it to be his/her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: _____

Signature of
Notary Public: _____

My Appointment Expires: _____

STATE OF WASHINGTON
COUNTY OF JEFFERSON

I certify that I know or have satisfactory evidence that Eron Berg signed this instrument and that he/she is authorized to execute the instrument and acknowledged it to be his/her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: _____

Signature of
Notary Public: _____

My Appointment Expires: _____

Exhibit 'A'
Stein/Compass Woodwork Lease, Bldg 2

**PORT OF PORT TOWNSEND
PETE STEIN & COMPASS WOODWORK, LLC
BOAT HAVEN BUILDING LEASE**

THIS LEASE AGREEMENT made this 29th day of April 2021, 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 **PETER M. STEIN d/b/a PETE STEIN**, a Washington Sole Proprietor and **COMPASS WOODWORK, LLC**, a Washington Limited Liability Company, hereinafter referred to collectively as "Lessee,"

WITNESSETH:

FOR AND IN CONSIDERATION of the mutual promises, covenants, and conditions hereinafter set forth, the parties agree as follows:

1. **TERMINATION OF EXISTING BOAT HAVEN BUILDING LEASE (BUILDING #1):** The Port and Lessee acknowledge and agree that they are parties to that certain Boat Haven Building Lease Agreement dated February 19, 2020 (the "Existing Lease"), pertaining to an approximately 1,856 square foot marine industrial building commonly known as "Building 1" located at 3109 Jefferson Street in Port Townsend ("the Existing Premises"). The parties hereto acknowledge and agree that, notwithstanding any provision set forth in the Existing Lease, the Existing Lease is currently in full force and effect, has continued in full force and effect without interruption since the date Lessee initially took occupancy of the Existing Premises under the Existing Lease and that Lessee currently occupies the Existing Premises pursuant to the terms thereof. In addition, notwithstanding any provision to the contrary in the Existing Lease, effective as of 11:59 p.m. (Pacific Time) on the date immediately preceding the Lease Commencement Date (the "Existing Lease Termination Date") the Existing Lease shall be terminated and of no further force or effect and the Port and Lessee's rights and obligations with respect to the Premises described in this Lease Agreement shall be as set forth herein; PROVIDED, HOWEVER, that the Port and Lessee shall remain liable under the terms of the Existing Lease with respect to:
 - a. Any obligations which specifically survive the term of the Existing Lease; and
 - b. All obligations under the Existing Lease accruing prior to the Lease Termination Date related to Lessee's use, occupancy or control of the Existing Premises during the term of the Existing Lease, including, without limitation:
 - i. Any liability arising from hazardous materials brought onto or about the Existing Premises or permitted or suffered to be brought onto or about the Existing Premises by Lessee or anyone for whom Lessee may be liable; and
 - II. Lessee's obligation to pay the Port any amounts due under the Existing Lease.

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

Approximately 2,688 square feet of marine industrial space in the building commonly known as Building 2, located at 3109 Jefferson Street, Port Townsend, WA 98368, at the Port's Boat Haven facility,

hereinafter referred to as "the 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.

3. **TERM:** The term of this Lease is five (5) years, beginning June 1, 2021, and ending at midnight, May 31, 2026 unless extended or sooner terminated as provided in this Lease. The Lessee shall also have an option to extend the lease term by one (1) additional five (5)-year term. Notification to extend the Lease will be done in writing 90 days prior to end of the initial or any extended lease term.
4. **RENT:** Lessee agrees to the rental rate of \$0.53 per sq. ft. at lease inception, with step increases to reach \$0.61 per sq. ft. by the beginning of month twenty-five (25) as follows:
- Months 1-6: Beginning June 1, 2021: \$1,424.64 per month (2,688 sf @ \$0.53/sf)
plus \$182.93 Leasehold Excise Tax (LET) = \$1,607.57
- Months 7-12: Beginning December 1, 2021: \$1,478.40 per month (2,688 sf @ \$0.55/sf)
plus \$189.83 LET = \$1,668.23
- Months 13-18: Beginning June 1, 2022: \$1,532.16 per month (2,688 sf @ \$0.57/sf)
plus \$196.73 LET = \$1,728.89
- Months 19-24: Beginning December 1, 2022: \$1,585.92 per month (2,688 sf @ \$0.59/sf)
plus \$203.64 LET = \$1,789.56
- Month 25: Beginning June 1, 2023: \$1,639.68 (2,688 sf @ \$0.61/sf)
plus then current CPI-U plus LET

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. The rental rate beginning in year three (3) 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-Bellevue, 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.

5. **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.

6. **DEPOSIT:** Lessee shall deposit with the Port, security in the amount of **Four Thousand Eight Hundred Twenty-Two Dollars and Seventy Cents (\$4,822.70)**.¹ Lessee has an existing deposit of **Two Thousand Seven Hundred One Dollars and Sixty-Six Cents (\$2,701.66)** currently on file with the Port under an agreement now superseded by this Lease. Accordingly, Lessee shall deposit an additional **Two Thousand One Hundred Twenty-One Dollars and Four Cents (\$2,121.04)** in order to satisfy the requirements of this Paragraph 6 ("the additional deposit"). Lessee shall pay the deposit balance in twenty-four (24) monthly installments of **Eight-Eight Dollars and Thirty-Eight Cents (\$88.38)**. The deposit shall be held by the Port as security for Lessee's faithful performance of all 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.

7. **USE OF PREMISES:** Lessee shall use the premises for the purpose of boat repair and construction and associated office space and shall not use them for any other purpose 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. 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.

8. **CONDUCT COVENANTS AND WARRANTIES:** In addition to all other covenants and warranties set forth herein, Lessee specifically represents to the Port as follows:
 - a. **Quiet Conduct.** The conduct of Lessee and such others for whom Lessee is responsible shall not, in any manner, disturb the quiet enjoyment of other Tenants, invitees, or visitors, in or near where the Premises are located, including common areas.

¹ Required security for all Port leases is an amount equivalent to three (3) months rent together with applicable taxes (i.e., at lease inception, \$1,424.64 per month x 3 = \$4,273.92; \$4,273.92 x 12.84% LET = \$548.78; = \$4,273.92 + \$548.78 = \$4,822.70). Beginning in year three (3) and every three (3) years thereafter, the deposit amount may be adjusted to ensure that an amount equivalent to three (3) months of the then current rent (i.e., as may be adjusted for as set forth in Paragraph 4) is on file with the Port.

- b. **Damage.** The conduct of Lessee and such others for whom Lessee is responsible shall not result in or cause destruction or damage to the Premises, or any part thereof including, but not limited to any and all common areas, or the property of other Tenants, their invitees, and visitors.
- 9. **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 fees and communications. WiFi and/or fiber services are not included in the rent.
- 10. **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.
- 11. **MAINTENANCE AND REPAIR:** Maintenance and repair of the premises shall be the sole responsibility of Tenant. Accordingly, at the expiration or sooner termination of this Agreement, Tenant shall return the premises to the Port in the same condition in which received (or, if altered by Tenant 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. Tenant's obligation to make repairs shall not extend to any structural parts of the building, including the foundations, bearing and exterior walls, subflooring and roofs, the unexposed electrical, plumbing and sewerage systems (including those portions of the systems lying outside the premises), exterior siding, doors, window frames, gutters, downspouts, and the heating, and the ventilation system serving the premises, unless such repairs are necessitated by Tenant's negligence or failure to maintain the interior. Tenant 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 rented premises in a good state of repair; and
 - c. Not commit waste of any kind.
- 12. **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. Such written approval shall also include agreement for disposition of the improvements upon termination of this Lease.

- 13. 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.
- 14. 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.
- 15. 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.

16. **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. 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.
17. **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 16, 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.
18. **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, b and c of this Paragraph 18 shall be met prior to inception of this Lease Agreement.

- 19. 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 19 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.
- 20. 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.
- 21. 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.
- 22. 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.
- 23. 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.

- 24. ASSIGNMENT OR SUBLEASE:** 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. 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. 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. The Port's consent will not unreasonably be withheld.
- 25. 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.

26. TERMINATION OF LEASE OR CHANGE IN LOCATION OF PREMISES BY PORT:

- a. 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 eighty (180) or more days before the termination date specified in the notice, subject to the provisions of subparagraph c, below.
- b. In lieu of exercising the termination authority set forth in subparagraph a, above, the Port, in its sole discretion and for any purpose in connection with the business of the Port, may require relocation of the premises described in Paragraph 2 of this Lease to another site within its Boat Haven facility. The Port shall exercise its discretion by providing written notice of relocation delivered or mailed by Port to the Lessee one hundred and eighty (180) or more days before the premises described in Paragraph 2, above, are required for Port use. Any modification to the location of the premises described herein shall be memorialized in writing and signed by both parties.
- c. In the event the Port exercises its authority under either subparagraph 26(a) or (b), above, the parties shall seek to negotiate promptly and in good faith the compensation to be provided to Lessee for its loss of use, cost of relocation, and/or cost of improvements. In the event the parties are unable to reach agreement on the compensation to be provided to Lessee, the amount shall be determined by arbitration before a single arbitrator who shall be jointly selected by the parties or appointed by the Jefferson County Superior Court if the parties cannot agree.

27. 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.

28. 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.

29. **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.
30. **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.
31. **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 25 hereof.
32. **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.
33. **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 12 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.
- 34. 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.
- 35. 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.
- 36. 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 which would or might constitute the basis for such a lien on the leased premises if not paid.
- 37. 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
Attn: Sue Nelson, Lease & Contracts Administrator
P.O. Box 1180
Port Townsend, Washington 98368

To Lessee:
PETE STEIN and COMPASS WOODWORK, LLC
3109 Jefferson Street
Port Townsend, WA 98368
Phone: P.S.: (360) 302-2923; E.F.: (612) 437-2334

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.

- 38. 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.
- 39. "LESSEE" INCLUDES "LESSEES", 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 Lessees under this Lease Agreement.
- 40. CAPTIONS:** The captions in this Lease are for convenience only and do not in any way limit or amplify the provisions of this Lease.
- 41. 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.
- 42. 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.

- 43. 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.
- 44. 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.
- 45. 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 29th day of April 2021 as approved by the Port of Port Townsend Port Commission, on the 28th day of April 2021 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



Peter M. Stein, Owner
d/b/a Pete Stein



Erik Fahlstrom, Governing Party
Compass Woodwork, LLC

ATTEST:

PORT OF PORT TOWNSEND



Eron Berg, Executive Director

APPROVED AS TO FORM



Port Attorney

**STATE OF WASHINGTON
COUNTY OF JEFFERSON**

I certify that I know or have satisfactory evidence that Peter M. Stein signed this instrument and that he is authorized to execute the instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: 4/29/2021

Signature of
Notary Public: Karen JS Erickson

My Appointment Expires: 9-29-2023



**STATE OF WASHINGTON
COUNTY OF JEFFERSON**

I certify that I know or have satisfactory evidence that Erik Fahlstrom signed this instrument and that he is authorized to execute the instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: 4/29/2021

Signature of
Notary Public: Karen JS Erickson

My Appointment Expires: 9/29/2023



**STATE OF WASHINGTON
COUNTY OF JEFFERSON**

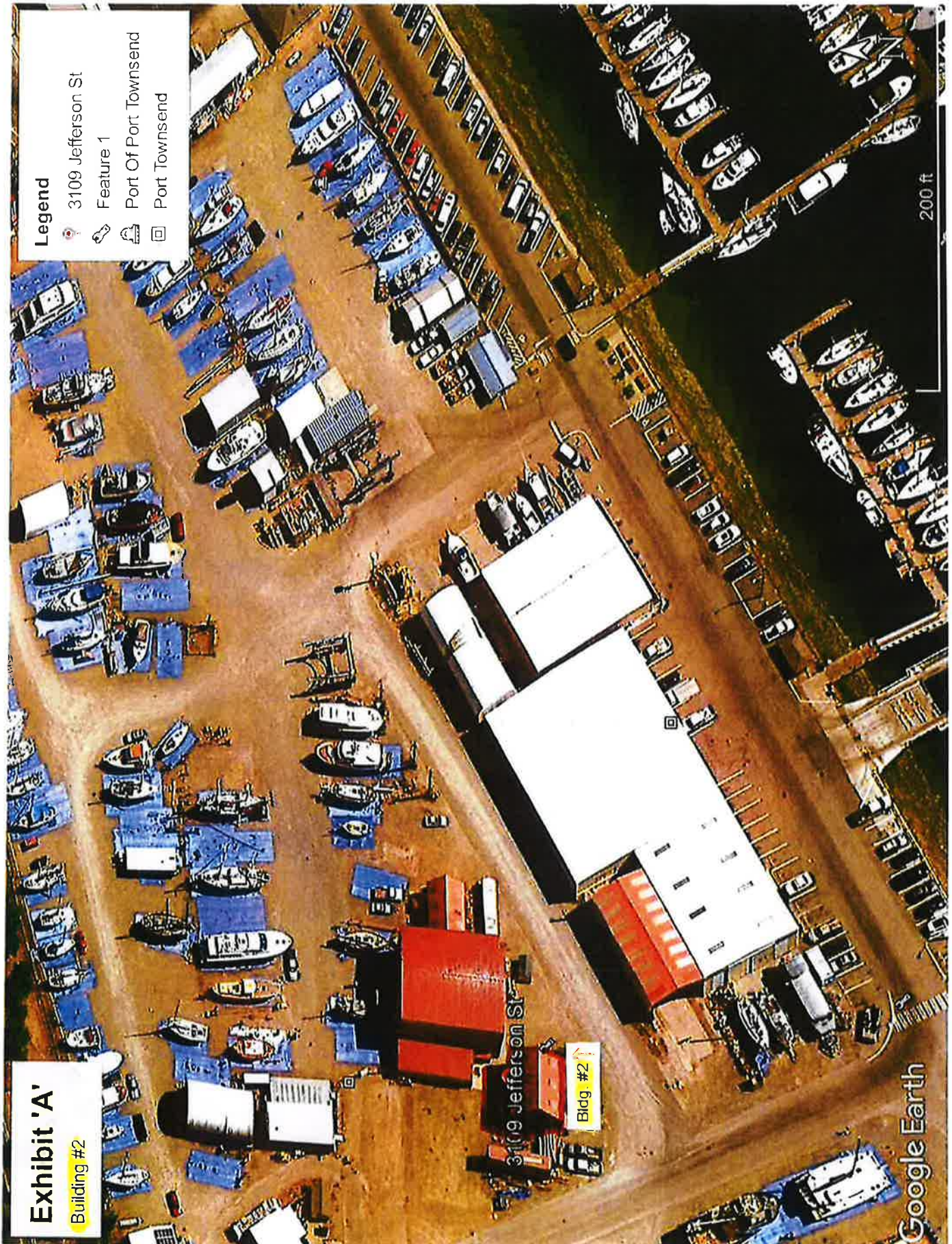
I certify that I know or have satisfactory evidence that Eron Berg signed this instrument and that he is authorized to execute the instrument as Interim Executive Director of the Port of Port Townsend and acknowledged it to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 4/29/2021

Signature of
Notary Public: Karen JS Erickson

My Appointment Expires: 9/29/2023





Pete Stein/Compass Woodwork
Exhibit 'A', Building #2

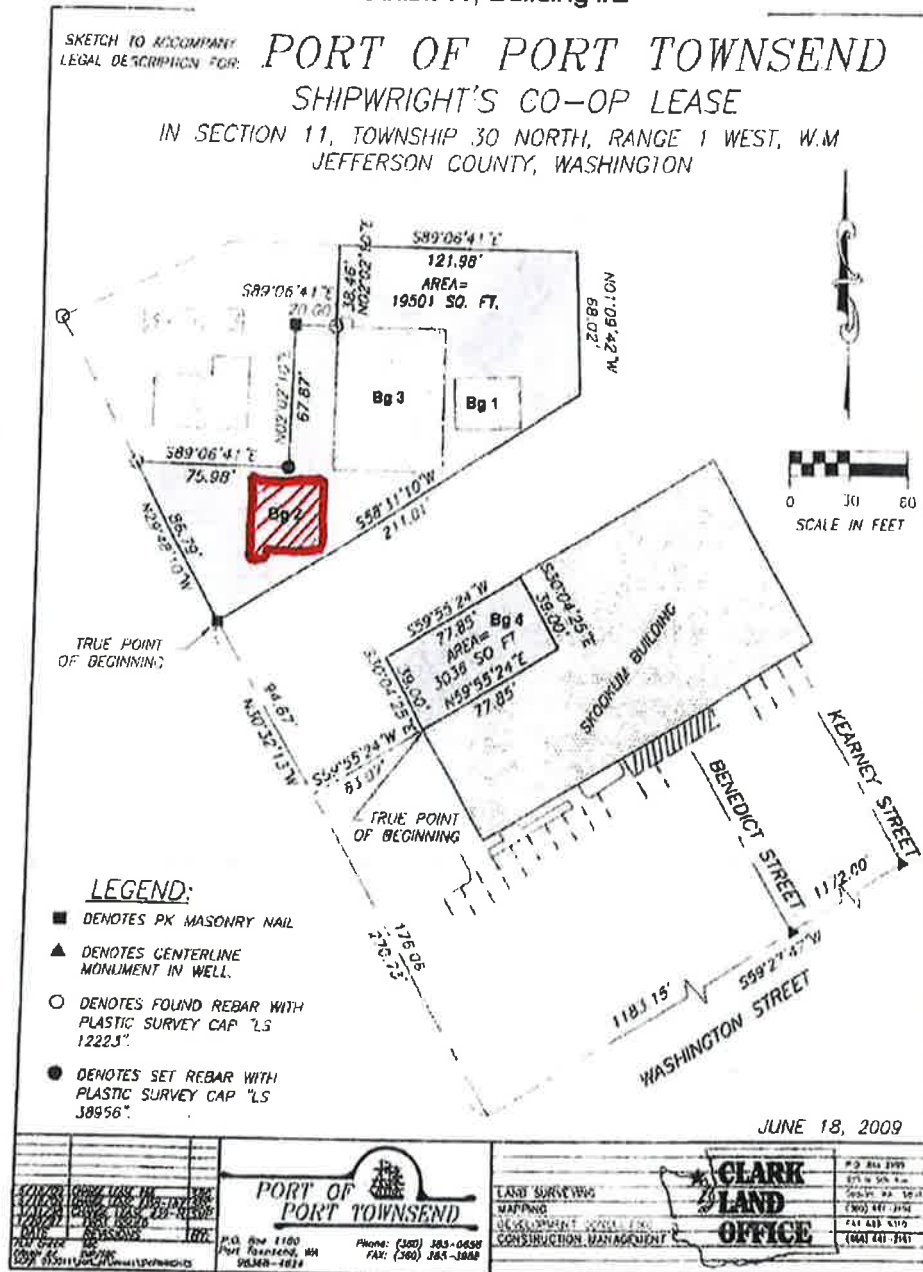


EXHIBIT "B"
PETE STEIN & COMPASS WOODWORK, LLC
HAZARDOUS SUBSTANCES WARRANTY AND AGREEMENT

RIDER TO LEASE & RENTAL AGREEMENTS DATED: April 29th, 2021, BETWEEN THE PORT OF PORT TOWNSEND and PETE STEIN a Washington Sole Proprietor and COMPASS WOODWORK, LLC, a Washington Limited Liability 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 or 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.** Pete Stein whose cell phone number is (360) 302-2923 and Erik Fahlstrom whose cell phone number is (612) 437-2334 are 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:



Peter M. Stein d/b/a

Pete Stein

Date: 4/29/21



Erik Fahlstrom, Governing Party

Compass Woodwork, LLC

Date: 4/29/21

LESSOR:



Eron Berg, Executive Director

Port of Port Townsend

Date: 4-30-2021

(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: PS EF)
2. Indication(s) of Contamination at Premises:
(If none, initial here: PS EF)
3. Lessee Violation(s) of Environmental Regulations:
(If none, initial here: PS EF)
4. Environmental Claims or Litigation Against Lessee:
(If none, initial here: PS EF)

Lessee: Pete Stein + Compass Woodwork

By: 
Peter M. Stein d/b/a
Pete Stein

Date: 4/29/21

By: 
Erik Fahlstrom, Governing Party
Compass Woodwork, LLC


Date: 4/29/21

(Attachment No. 2 to Hazardous Substances Rider)**DECLARATION OF COMPLIANCE**

Pete Stein and Erik Fahlstrom are responsible for environmental compliance pursuant to Paragraph 12 of the Hazardous Substances Warranty and Agreement dated: April 29, 2021, hereby declare and represent as follows on behalf of Lessee: Pete Stein and Compass Woodwork, LLC

1. We 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. We are 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. We 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.

Pete Stein and Compass Woodwork, LLC

By: 
Peter M. Stein d/b/a
Pete Stein

Date: 4/29/21

By: 
Erik Fahlstrom, Governing Party
Compass Woodwork, LLC

Date: 4/29/21

(Attachment No. 2 to Hazardous Substances Rider)

DECLARATION OF COMPLIANCE – 2022/2023 COMPLIANCE

Peter Stein and Erik Fahlstrom as the designated representative of Pete Stein and Compass Woodwork LLC, primarily responsible for environmental compliance pursuant to Paragraph 12 of the Hazardous Substances Warranty and Agreement dated: 4/20/22, hereby declares and represents 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:

By: Peter Stein
 Name, title
 Company

Date: 4/20/22

Erik Fahlstrom
Compass Woodwork

4/20/22

Declaration of Compliance
 Update Form

LEASE AMENDMENT NO. 1

THIS LEASE AMENDMENT made this 15th day of November 2021, 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 **PETER M. STEIN, dba PETE STEIN**, a Washington sole proprietor, and **COMPASS WOODWORK, LLC**, a Washington limited liability company, hereinafter referred to collectively as "Lessee."

WITNESSETH:

1. On April 29, 2021, the parties entered into a Lease Agreement concerning certain premises situated at the Port of Port Townsend's Boat Haven facility, in Port Townsend, WA 98368, hereinafter referred to as the "Original Lease."
2. The Original Lease described the leased premises as comprising "*approximately 2,688 square feet of marine industrial space in the building commonly known as Building 2, located at 3109 Jefferson Street, Port Townsend . . .*"¹
3. The parties are now agreed that the Original Lease should be amended to:
 - a. Modify the description of the Leased Premises to encompass an additional 4,808 square feet of marine industrial space in the building commonly known as Building 3, located immediately adjacent and northeast of the building premises described in the Original Lease;
 - b. Modify the Rent payable to reflect the expanded area of the Leased Premises, and to adjust the rent to the fair market rental rate at the beginning of year five (5) and every five (5) years thereafter; and
 - c. Modify the amount of the Deposit to reflect the expanded area of the Leased Premises and to clarify the purpose and disposition of amounts deposited with the Port.

NOW, THEREFORE: Effective on December 1, 2021, the Original Lease shall be amended as set forth below (note: deleted text shown in ~~strikeouts~~; new/amended language show with double underlining):

A. Paragraph 2 of the Original Lease, "Leased Premises," shall be amended to read as follows:

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

Approximately 2,688 7,496 square feet (sf) of marine industrial building space in two (2) separate the buildings commonly known, respectively, as Building 2

¹ Paragraph #2 of Original Lease.

(comprising 2,688 sf) and Building 3 (comprising 4,808 sf), located at 3109 Jefferson Street, Port Townsend, WA 98368, at the Port's Boat Haven facility,

hereinafter referred to as "the 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.

B. Paragraph 4 of the Original Lease, "Rent," shall be amended to read as follows:

4. **RENT:** Lessee agrees to pay rent consistent with the following schedule ~~the rental rate of \$0.53 per sq. ft. at lease inception, with step increases to reach \$0.61 per sq. ft. by the beginning of month twenty five (25) as follows:~~

Months 1-6: Beginning June 1, 2021: \$1,424.64 per month (2,688 sf @ \$0.53/sf) plus \$182.93 Leasehold Excise Tax (LET) = \$1,607.57

Months 7-12: Beginning December 1, 2021: ~~\$1,478.40~~ \$5,180.56 per month (2,688 sf @ \$0.55/sf and 4,808 sf @ \$0.77/sf) plus ~~\$189.83~~ \$665.18 LET = ~~\$1,668.23~~ \$5,845.74

Months 13-18: Beginning June 1, 2022: ~~\$1,532.16~~ \$5,282.40 per month (2,688 sf @ \$0.57/sf and 4,804 sf @ \$0.78/sf) plus ~~\$196.73~~ \$678.26 LET = ~~\$1,728.89~~ \$5,960.66

Months 19-24: Beginning December 1, 2022: ~~\$1,585.92~~ \$5,384.24 per month (2,688 sf @ \$0.59/sf and 4,808 sf @ \$0.79/sf) plus ~~\$203.64~~ \$691.34 LET = ~~\$1,789.56~~ \$6,075.58

Month 25: Beginning June 1, 2023: ~~\$1,639.68~~ \$5,486.08 per month (2,688 sf @ \$0.61/sf and 4,808 sf @ \$0.80/sf) plus then current CPI-U plus LET;

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)~~ five (5) and every ~~three (3)~~ five (5) 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. The rental rate beginning in year ~~three (3)~~ five (5) 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-Bellevue, 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.

C. Paragraph 6 of the Original Lease, "Deposit," shall be amended to read as follows:

6. **DEPOSIT:** Lessee shall deposit with the Port, security in the amount of Seventeen Thousand Three Hundred Fifty-Five Four Thousand Eight Hundred Twenty-Two Dollars and Seventy-Two-Four Cents (\$4,822.70 \$17,355.24).² Lessee has an existing deposit of ~~Two Thousand Seven Hundred One Dollars and Sixty-Six Cents (\$2,701.66)~~ Three Thousand Two Hundred and Thirty-One Dollars and Ninety-Four Cents (\$3,231.94) currently on file with the Port. Accordingly, Lessee shall deposit an additional Fourteen Thousand One Hundred Twenty-Three Dollars and Thirty Cents (\$14,123.30) to satisfy the requirements of this Paragraph 6 (the "additional deposit"). The additional deposit shall be made as follows: Twelve Thousand Five Hundred Thirty-Two Dollars and Fifty-Six Cents (\$12,532.56)³ shall be deposited immediately upon execution of this Agreement; and, the remaining One Thousand Five Hundred Ninety Dollars and Seventy-Four Cents (\$1,590.74) shall be paid in eighteen (18) monthly installments of Eighty-Eight Dollars and Thirty-Eight Cents (\$88.38). Lessee has an existing deposit of ~~Two Thousand Seven Hundred One Dollars and Sixty-Six Cents (\$2,701.66)~~ currently on file with the Port under an agreement now superseded by this Lease. Accordingly, Lessee shall deposit an additional ~~Two Thousand One Hundred Twenty-One Dollars and Four Cents (\$2,121.04)~~ in order to satisfy the requirements of this Paragraph 6 ("the additional deposit"). Annually thereafter throughout the initial or any extended term, the amount deposited with the Port may be adjusted to ensure that an amount equivalent to three (3) months' then current rent plus LET is maintained as security. Lessee shall pay the deposit balance in ~~twenty-four (24) monthly installments of Eighty-Eight Dollars and Thirty-Eight Cents (\$88.38)~~. The deposit shall be held by the Port as security for Lessee's faithful performance of all 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.

All other terms and conditions of the Original Lease dated April 29, 2021, shall remain unchanged and in effect.

LEASE AMENDMENT dated this 15th day of November 2021, as approved by the Port of Port Townsend Commission on the 16th day of November 2021 and effective upon the receipt of a deposit.

² Required security for all Port leases is an amount equivalent to three (3) months' rent together with applicable taxes (i.e., at lease inception, $\$1,424.64 \text{ per month} \times 3 = \$4,273.92$; $\$4,273.92 \times 12.84\% \text{ LET} = \548.78 ; $\$4,273.92 + \$548.78 = \$4,822.70$). Beginning in year three (3) and every three (3) years thereafter, the deposit amount may be adjusted to ensure that an amount equivalent to three (3) months of the then current rent (i.e., as may be adjusted for as set forth in Paragraph 4) is on file with the Port.

³ This amount is equivalent to three (3) months' rent together with applicable taxes for Building 3 (i.e., $4,808 \text{ sf} \times \$0.77 \text{ psf} = \$3,702.16$; $\$3,702.16 \times 12.84\% \text{ LET} = \475.36 ; $\$3,702.16 + \$475.36 = \$4,177.52 \times 3 = \$12,532.56$).

LESSEES:

By

And by:



Peter M. Stein, dba
PETE STEIN



Erik Fahlstrom, Owner
COMPASS WOODWORK, LLC

PORT OF PORT TOWNSEND:

APPROVED AS TO FORM:



Eron Berg, Executive Director



Port Attorney

**WASHINGTON
COUNTY OF JEFFERSON**

I certify that I know or have satisfactory evidence that Peter M. Stein signed this instrument and that he is authorized to execute the instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: 11/15/2021

Signature of
Notary Public: Karen JS Erickson

My Appointment Expires: 9/29/2023



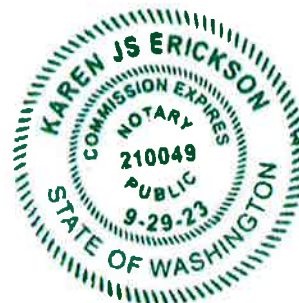
**STATE OF WASHINGTON
COUNTY OF JEFFERSON**

I certify that I know or have satisfactory evidence that Erik Fahlstrom signed this instrument and that he is authorized to execute the instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: 11/15/2021

Signature of
Notary Public: Karen JS Erickson

My Appointment Expires: 9/29/2023



**STATE OF WASHINGTON
COUNTY OF JEFFERSON**

I certify that I know or have satisfactory evidence that Eron Berg signed this instrument and that he is authorized to execute the instrument as Interim Executive Director of the Port of Port Townsend and acknowledged it to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

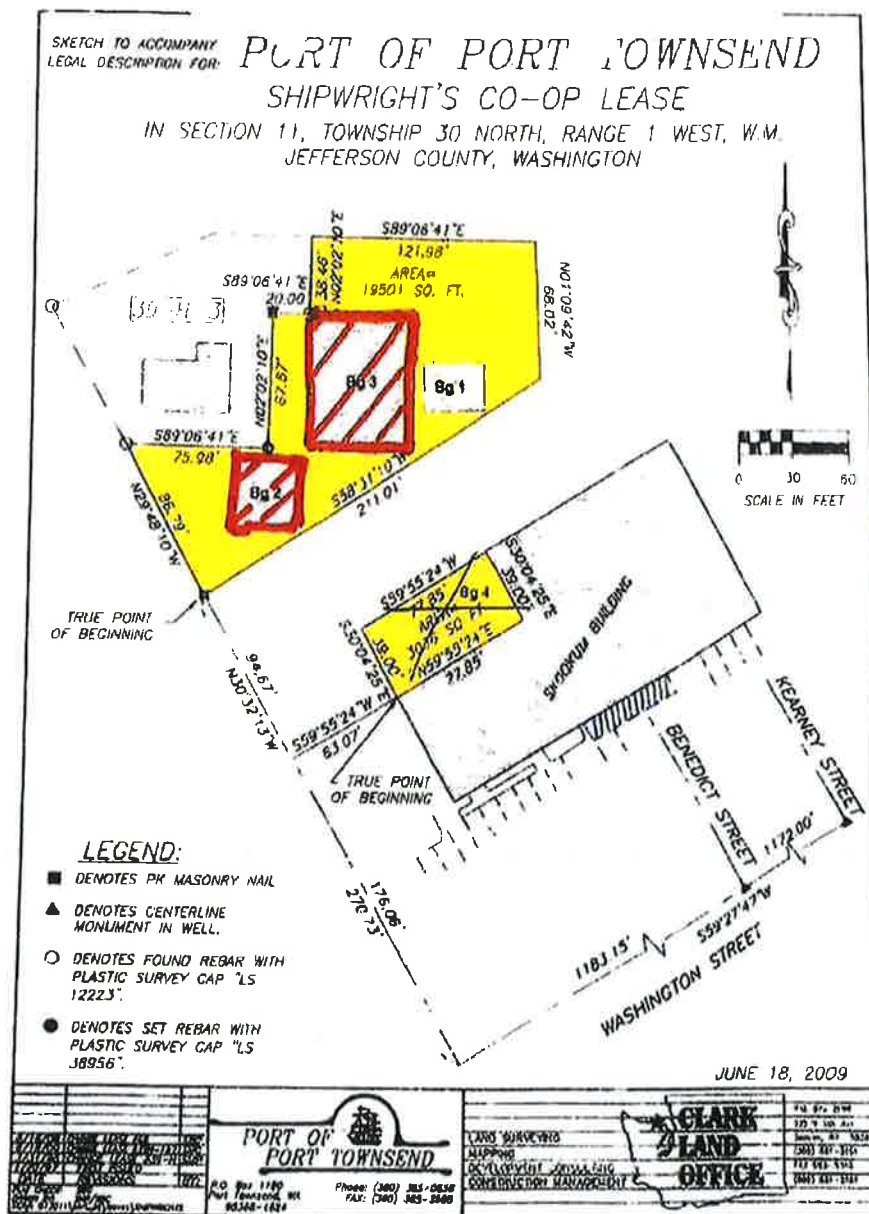
Dated: 11/15/2021

Signature of
Notary Public: Karen J Erickson

My Appointment Expires: 9/29/2023



EXHIBIT 'A'
STEIN/COMPASS
LEASE AMENDMENT #1
Buildings #2 & #3




 = Leased Area

EXHIBIT 'A'
STEIN/COMPASS
LEASE AMENDMENT #1
Buildings #2 & #3



MEETING DATE	February 8, 2023
AGENDA ITEM	<input type="checkbox"/> Consent <input type="checkbox"/> 1 st Reading <input type="checkbox"/> 2 nd Reading <input checked="" type="checkbox"/> Regular Business <input type="checkbox"/> Informational
AGENDA TITLE	VII. A. December 2022 Financial Report
STAFF LEAD	Abigail Berg, Director of Finance and Administration
REQUESTED	<input checked="" type="checkbox"/> Information <input type="checkbox"/> Motion/Action <input checked="" type="checkbox"/> Discussion
ATTACHMENTS	Informational Memorandum Financial Report Notes

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 2/3/2023
TO: Commission, Executive Staff
FROM: Abigail Berg, Director of Finance & Administration
SUBJECT: December 2022 Financial Report - PRELIMINARY

Attached is the December YTD 2022 financial report of Port activities. It is labeled “PRELIMINARY” because it precedes the 2022 Annual Report which will be completed in June. This is a consolidated report that shows the variance between the current period as compared to the prior year and the variance to budget year-to-date. The following is additional information not included in the attached financial report, but key in fully understanding the Port’s financial status:

<u>2022 YTD Project Expenses</u>	<u>Budget</u>	<u>Year-to-date</u>
PH Replacement of North & South Jetties	\$ 6,000,000	\$ 4,365,364
Dock Renovations & Piling Replacement	200,000	0
BH Main Breakwater Repairs	350,000	1,512
PH Pavilion Bldg. Remodel ^(a)	148,434	174,314
FEMA – Yard Stormwater Materials Replacement ^(b)	0	2,537
FEMA – City Dock ^(b)	0	24
FEMA – JCIA Hangar Repair	80,000	105,364
Reconstruct Old Coast Guard Building	191,250	217,643
AWOS – Replace Present Weather Sensor (completed)	30,000	26,884
FEMA - BH Marina Pavement Repair ^(b)	0	98,016
NORTH Yard Expansion (Sims Way)	450,000	66,829
WEST Yard Expansion (by Shipyard)	100,000	34,176
BH Stormwater Treatment	2,650,000	13,378
Gardiner Boat Ramp Renovation	0	89,626
Sperry Bldg. #4 – ACI (was Dave’s Mobile Welding) ^(c) (completed)	50,000	15,061
Sperry Bldg. #6 – Pete’s Marine ^(c) (completed)	50,000	15,722
JCIA – 2 nd Connector Taxiway Design	90,000	21,552
Quilcene Restoration Program ^(d)	100,000	39,417
<u>Clean Vessel Build – WA State Parks & Recreation</u>	<u>0</u>	<u>35,000</u>
Total Capital Expenses YTD	<u>\$ 10,389,684</u>	<u>\$ 5,322,419</u>

Non-Capital use of funds

DNR – Vessel Destruction	<u>\$ 57,915</u>
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2022 Capital Purchases or Contracted Capital Services

<u>Equipment/Vehicle replacement (total \$818,000)</u>		
Kendrick Equipment, Inc. (final on 75-Ton lift)	\$ 398,000	\$ 403,338
Northsound Auto Group, LLC (3 RAM trucks)	90,000	86,704
Auxiliary Vehicles (2 Gators for the Yard)	30,000	26,573
Hydraulic Lift Trailer (transporter)	300,000	0
XPERT Jet – Sign Machine	0	18,089
Pape – Forklift for Yard ^(a)	0	83,331
Auxiliary vehicle cabs (2)	0	15,396

Small Capital Projects	50,000	
BH Enviro Center Fob system ^(b)	0	21,535
PH Enviro Center Fob system ^(b)	0	13,356
PH RV Park 3 Phase Power ^(b)	0	19,626
PH Offices – Heat Pump installation	0	16,500
Land Acquisition – for WEST Yard Expansion (by Shipyard) ^(e)	0	147,914
Total Capital Purchases or Contracted Capital Services YTD	<u>\$ 868,000</u>	<u>\$ 852,362</u>

Notes:

- (a) Project budgeted for 2021 and carried over into 2022 due to supply chain back logs.
- (b) FEMA - Not in the 2022 budget since the event or idea either hadn't occurred, or the certainty of the grant hadn't been determined. Small Capital Projects – unidentified at the time of budget adoption November 2021.
- (c) Two (2) Sperry buildings per year were budgeted for several years and the estimated total cost was \$100,000 annually. The true cost allocated per building is subject to each particular building's capital improvement needs.
- (d) This changed to a more specific project, Herb Beck Marina Dredge, during the 2023 budget process. The amounts spent in 2022 are towards that project which is also included in the 2023 capital budget.
- (e) Not in the 2022 "capital" budget since it is not a capital project, nor is it an operating expense, and WEST Yard Expansion Land Acquisition was expected to close by 12/31/21 but was delayed.

Ending Cash Balances as of December 31	2022	2021
Reserved Cash & Investments – Other*	\$ 3,259,864	\$ 2,572,964
Reserved Cash & Investments – IDD	4,448,299	2,037,678
Unreserved Cash & Investments	<u>781,894</u>	<u>1,901,442</u>
Total Cash & Investments	<u>\$ 8,490,058</u>	<u>\$ 6,512,084</u>

<u>*Other Reserves detail:</u>	<u>Current balance</u>	<u>Target balance</u>
Unemployment Reserve	\$ 10,000	na
Operating Reserve (a)	1,181,716	\$ 1,470,609
Boat Haven Renovation Reserve (b)	441,517	na
Emergency Reserve	500,000	\$500,000
Port-Wide Capital Reserve (c)	<u>1,126,631</u>	na
Total Other Reserves	<u>\$ 3,259,864</u>	

- (a) The target for the Operating Reserve is 25%, or three (3) months, of operating expenses, per current budget. See resolution 692-19 for more detail.
- (b) The plan for this reserve is to use it on Boat Haven Moorage projects until it is extinguished. It was replaced by the Port-Wide Capital Reserve in resolution 693-19.
- (c) Resolution 693-19 did not set a target for this reserve.

Due to the increased activity of projects in the last quarter, we were not able to fund the Operating or Port-Wide Capital Reserves.

Debt Service for the Year

2010 LTGO Bond – (83% paid A/B Dock Reconstruction, 17% paid 75 Ton Lift Pier)

June 1 – interest only	\$ 80,744	PAID
December 1 – principal and interest	400,744	PAID

2015 LTGO Refunding Bond- (paid for Point Hudson Marina Reconstruction – 2005 LTGO Bonds refunded in 2015)

July 1 – principal and interest	520,600	PAID
December 31 – interest only	<u>23,250</u>	PAID
Total Debt Service for the year	<u>\$ 1,025,338</u>	

Remaining Debt for years 2023-2029

2010 LTGO Bond – principal and interest	\$ 3,329,550	payoff December 2029
2015 LTGO Bond – principal and interest	<u>1,620,800</u>	payoff July 2025
Total	<u>\$ 4,950,350*</u>	

Port staff hopes to extinguish all debt obligations two years early in 2027.*2021 LTGO Line of Credit (LOC)**

November 2022	1 st draw to pay Orion Construction	\$2,633,967
December 2022	2 nd draw to pay Orion Construction	<u>1,189,677</u>
	Total 2022 Draws	\$3,823,644

The 2021 LTGO has debt repayments due in March, and September each year until the end of the bond term, March 1, 2027. This debt instrument serves as a bridge between project expenditure payments, grant reimbursements, and reconciliations with the IDD. As of 12/31/2022, a debt service amortization schedule was prepared by the County Treasurer, though the Port plans to re-pay prior to the schedule outlined in the bond issuance. There are no penalties for pre-payment. The interest rate on the LOC is 1.55% through March 1, 2025, and goes to 1.65% thereafter through the end of bond term.

DISCUSSION

As requested by Commission.

FISCAL IMPACT

NA

RECOMMENDATIONS

For discussion only.

Port of Port Townsend
2022 Summary of Fund Resources & Uses with Comparison to Prior Year and Budget

	YTD Dec. 2021	YTD Dec. 2022	Variance to prior year	notes	YTD Budget 2022	Variance to Budget YTD
OPERATING REVENUES						
Boat Haven Moorage	1,917,967	2,015,492	97,525		2,023,336	(7,844)
Yard Operations	2,341,610	2,684,332	342,721		2,237,271	447,061
Boat Haven Properties	819,708	911,589	91,881		853,258	58,331
Pt. Hudson Marina, RV & Prop	1,690,255	1,532,331	(157,923)		1,315,730	216,601
Quilcene	172,256	175,104	2,848		163,935	11,169
Ramps	52,437	48,277	(4,160)		58,271	(9,994)
JCIA	166,996	185,371	18,376		164,133	21,238
(Incr.)/Decr. In Accounts Receivable	(86,057)	38,440	124,497		-	38,440
Total Operating Revenues	7,075,171	7,590,937	515,766	a	6,815,934	775,003
OPERATING EXPENDITURES						
Salaries & Wages	2,339,530	2,653,640	314,110		2,647,856	5,784
Payroll Taxes	234,924	274,816	39,892		285,968	(11,152)
Employee Benefits	811,661	835,261	23,600		907,613	(72,352)
Uniform Expense	9,283	19,386	10,103		10,715	8,671
Contract Services	278,143	283,814	5,671		303,906	(20,092)
Legal & Auditing	83,883	56,186	(27,697)		49,580	6,606
Insurance	365,552	453,023	87,471		410,000	43,023
Facilities & Operations	670,982	1,022,299	351,317		554,782	467,517
Utilities	605,456	648,719	43,263		575,389	73,330
Marketing	52,608	62,698	10,091		67,893	(5,195)
Economic Development	15,000	30,000	15,000		30,000	-
Travel & Training	15,387	38,985	23,597		31,771	7,214
Community Relations	3,997	1,276	(2,722)		6,965	(5,689)
Total Operating Expenditures	5,486,408	6,380,103	893,695	b	5,882,438	497,665
Net Operating Income (Expense)	1,588,764	1,210,834	(377,930)		933,496	277,338
Other Increases in Fund Resources						
Deposits & Retainage Collected	118,803	49,329	(69,474)		78,840	(29,511)
Taxes Collected	673,799	715,878	42,079		661,623	54,255
Capital Contributions/Grants	413,082	251,643	(161,440)		4,624,360	(4,372,717)
Debt Proceeds - Line of Credit	-	3,823,644	3,823,644		-	3,823,644
Interest	52,859	153,383	100,525		34,530	118,853
Property & other taxes	2,764,518	3,912,590	1,148,073		3,748,861	163,729
Misc Other Incr. in Fund Resources	57,215	121,971	64,756		20,053	101,918
Total Other Incr. in Fund Resources	4,080,276	9,028,438	4,948,163	c	9,168,267	(139,829)
Other Decr. In Fund Resources						
Deposits & Retainage Paid	26,311	101,465	75,155		33,061	68,404
Taxes Remitted	675,339	711,228	35,890		652,734	58,494
Debt Principal & Interest	1,280,328	1,025,338	(254,990)		1,025,338	-
Debt Mgmt, Issuance & Misc Exp	60,302	50,601	(9,701)		1,475	49,126
Election Expense	14,698	17,561	2,862		2,000	15,561
Total Other Decr. In Fund Resources	2,056,977	1,906,193	(150,784)	d	1,714,608	191,586
Net Incr./(Decr.) in Fund Resources	2,023,298	7,122,245	5,098,947		7,453,660	(331,414)
Net Income (Expense)	3,612,062	8,333,079	4,721,017	e	8,387,156	(54,076)

The accompanying notes and info. memo are an integral part of this statement.

Summary of Fund Resources Uses, December 2022

Port of Port Townsend
Notes to 2022 Summary of Fund Resources & Uses report
As of December 2022

- (a) Overall, Operating Revenues increased by 7%, or \$515,766 when compared to 2021. When compared to budget, Operating Revenues are up by 11%, or \$775,003. In both instances, the bulk of this increase is related to the Yard (15% increase, or \$342,721, when compared to 2021, and 20% increase, or \$447,061 when compared to budget), as well as the paydown of accounts receivable which is a \$124,497 increase when compared to 2021.
- (b) Overall, Operating Expenses increased by 16%, or \$893,695, when compared to 2021. However, when measuring performance against budget, Operating Expenses YTD are more by 8%, or \$497,665, which is 56% of the year-to-year variance. Most line items are close to or under budget; the areas with the largest amounts over budget are Facilities & Operations, Utilities, and Insurance. Detail on the Facilities and Operations category can be seen on the detailed report in the Informational Items section of the Commission packet. There one can see that within the section "Facilities & Operations", Repair/Maintenance is the highest number over budget (\$224,875), followed by Equipment Rental/Purchase (\$66,537), Bank Charges (\$52,408), and Operating Supplies (\$41,979). Insurance is over budget by \$43,023, and Utilities are over budget by \$73,330.
- (c) Total Other Increases in Fund Resources increased by 121%, or \$4,948,163, when compared to 2021. 77% of this increase are the 2021 LTGO Line of Credit (LOC) draws to-date that were made to pay Orion Construction for the jetty project, and 22% of the remainder is the increase the IDD levy collections (\$1,095,918). When comparing the current year to date to budget, we are under budget by 2% or \$139,829. In this comparison, the anticipated grants funds in the budget, were offset by the draws actually made. The two Dept. of Commerce grants for the PH Jetty project were submitted in December and the Port received those funds in January in the amount of \$2,435,000.
- (d) Other Decreases in Fund Resources are less when compared to 2021 are less by 7%, or \$150,784. This is largely due to the final pay-off of the 2020 Line of Credit (LOC) in January 2021 in the amount of \$251,565. When comparing to YTD budget, this area is more by \$191,586, or 11%. These increases are largely due to increases in refunded deposits, "debt mgmt., issuance, & misc. expense", and in taxes remitted. The "debt mgmt., issuance, & misc. expense" increase is largely due to the cost of crushing vessels for which the Port has received funding from DNR to cover (YTD grant receipts are \$85,887).
- (e) Overall, the difference in 2022 Net Income (Expense) when compared to 2021 is a \$4,721,017, or a 131%, increase. This variance is due to the 2021 LTGO LOC draw of \$3.8m to cover PH Jetty project costs. When eliminating that draw from the bottom line, the year-to-year variance is reduced to \$897,373 which is largely due to the IDD levy receipts. When comparing the Net Income (Expense) year to date to the budget, we are much closer to budget because we'd anticipated grant funds in the budget for \$4.6m. The result is that the budget is just more than actual by \$54,076, or 1%, which is amazingly accurate. In addition, total capital expenditures, which includes projects, vehicles/equipment, and contracted capital work, were \$6,174,777, and are not reflected on this financial statement.

MEETING DATE	February 8, 2023
AGENDA ITEM	<input type="checkbox"/> Consent <input type="checkbox"/> 1 st Reading <input type="checkbox"/> 2 nd Reading <input type="checkbox"/> Regular Business <input checked="" type="checkbox"/> Informational
AGENDA TITLE	Informational Items
STAFF LEAD	Eron Berg, Executive Director
REQUESTED	<input checked="" type="checkbox"/> Information <input type="checkbox"/> Motion/Action <input type="checkbox"/> Discussion
ATTACHMENTS	<ul style="list-style-type: none"> • December 2022 Detailed Financials • Contract Update/Lease Brief • Economic Development Commission Progress Report July 1-Dec. 31, 2022 • Request for ARPA funding – Climate Change Resilience, Flood Protection Waterwalk • Letter of Support USDOT Puget Sound to Pacific RAISE (Olympic Discovery Trail)

Port of Port Townsend
2022 Summary of Fund Resources & Uses with Comparison to Prior Year and Budget

	YTD Dec. 2021	YTD Dec. 2022	Variance to prior year	notes	YTD Budget 2022	Variance to Budget YTD
OPERATING REVENUES						
PTBH - Permanent Moorage	1,215,832	1,285,755	69,923		1,254,909	30,846
PTBH - Liveaboard Fee	21,209	21,219	10		23,605	(2,386)
PTBH - Liveaboard Background Check	60	480	420		-	480
PTBH - Work Float/Lift Pier Usage	15,698	8,816	(6,882)		5,189	3,627
PTBH - Monthly Guest	228,447	264,914	36,467		302,807	(37,893)
PTBH - Nightly Guest	290,585	306,607	16,022		283,925	22,682
PTBH - Electric	102,113	101,445	(668)		112,075	(10,630)
PTBH - Miscellaneous Revenue	25,140	6,588	(18,552)		17,700	(11,112)
PTBH - Showers	9,228	9,433	205		10,102	(669)
PTBH - Restroom Key Fobs	195	530	335		5,000	(4,470)
PTBH - Laundry	7,511	7,709	198		7,423	286
PTBH - Promotional Sales	257	387	130		329	58
PTBH - Kayak Racks	54	1,673	1,619		-	1,673
PTBH - Port Labor	1,639	(63)	(1,702)		272	(335)
Boat Haven Moorage	1,917,967	2,015,492	97,525		2,023,336	(7,844)
Yard - 70/75 Ton Hoist Revenue	337,016	355,988	18,972		325,772	30,216
Yard - 70/75 Ton Yard Revenue	934,644	1,174,655	240,010		813,676	360,979
Yard - 70/75 Ton Yard Enviro Fee	74,481	76,828	2,347		70,279	6,549
Yard - 70/75 Ton Yard Electric	43,053	47,484	4,431		43,694	3,790
Yard - 70/75 Ton Yard Port Labor	6,769	13,584	6,816		4,606	8,978
Yard - 300 Ton Hoist Revenue	204,905	235,758	30,853		216,555	19,203
Yard - 300 Ton Yard Revenue	455,530	479,899	24,370		463,719	16,180
Yard - 300 Ton Yard Enviro Fee	15,009	19,413	4,405		14,016	5,397
Yard - 300 Ton Yard Electric	51,628	47,990	(3,638)		51,984	(3,994)
Yard - 300 Ton Yard Port Labor	2,486	9,539	7,053		3,668	5,871
Yard - L/T Storage	75,812	68,930	(6,882)		81,005	(12,075)
Yard - Blocking Rent	46,197	50,883	4,686		49,507	1,376
Yard - Off Port Property Tarp Fee	1,009	1,434	425		1,476	(42)
Yard - Washdown Revenue	84,011	95,745	11,734		85,707	10,038
Yard - Bilge Water Revenue	3,750	5,257	1,507		5,374	(117)
Yard - Liveaboard Fee	2,811	600	(2,211)		3,604	(3,004)
Yard - Enviro Violations & Clean up	1,300	(24)	(1,324)		1,000	(1,024)
Yard - Miscellaneous Revenue	1,200	368	(832)		1,629	(1,261)
Yard Operations	2,341,610	2,684,332	342,721		2,237,271	447,061
PTBH Prop - Lease Revenue	746,964	828,040	81,076		778,733	49,307
PTBH Prop - Fuel Dock Lease	20,239	19,758	(481)		20,514	(756)
PTBH Prop - Garbage	28,141	3,550	(24,591)		26,340	(22,790)
PTBH Prop - Water	-	38,381	38,381		-	38,381
PTBH Prop - Stormwater	9,727	9,519	(207)		10,984	(1,465)
PTBH Prop - Electric	2,819	(443)	(3,261)		4,833	(5,276)
PTBH Prop - Storage Unit Revenue	11,196	12,035	838		11,443	592
PTBH Prop - Miscellaneous	623	675	52		411	264
PTBH Prop - Restroom Key Fobs	-	75	75		-	75
Boat Haven Properties	819,708	911,589	91,881		853,258	58,331
Pt Hudson - Permanent Moorage	157,330	104,511	(52,819)		124,142	(19,631)

The accompanying notes and info. memo are an integral part of this statement.

Summary of Fund Resources Uses, December 2022

Port of Port Townsend
2022 Summary of Fund Resources & Uses with Comparison to Prior Year and Budget

	YTD Dec. 2021	YTD Dec. 2022	Variance to prior year	notes	YTD Budget 2022	Variance to Budget YTD
Pt Hudson - Monthly Guest	126,449	93,274	(33,175)		72,954	20,320
Pt Hudson - Nightly Guest	247,981	198,751	(49,231)		172,727	26,024
City Pier & Union Wharf Usage	16,920	19,157	2,237		7,006	12,151
Pt Hudson - Monthly R.V.	72,824	78,662	5,838		49,041	29,621
Pt Hudson - Nightly R.V.	436,538	382,320	(54,218)		295,418	86,902
Pt Hudson - Kayak Racks	19,571	16,480	(3,091)		12,401	4,079
Pt Hudson - Electric	31,673	17,484	(14,189)		22,294	(4,810)
Pt Hudson - Reservation Fee	49,058	43,937	(5,121)		36,365	7,572
Pt Hudson - Liveaboard Fee	8,743	5,381	(3,362)		8,656	(3,275)
Pt Hudson - Liveaboard Backgrnd Ck	2,700	1,980	(720)		180	1,800
Pt Hudson - Showers	6,677	5,983	(695)		5,504	479
Pt Hudson - Laundry	10,626	8,108	(2,518)		7,727	381
Pt Hudson - Passenger Fee	19,544	20,595	1,052		13,334	7,261
Pt Hudson - Miscellaneous	2,923	6,087	3,165		950	5,137
Pt Hudson - Promotional Sales	538	1,328	791		660	668
Pt Hudson - Building Leases	422,218	442,756	20,538		428,819	13,937
Pt Hudson - Property Utilities	37,728	43,446	5,718		36,638	6,808
Pt Hudson - Event Facility Rev	949	26,449	25,500		3,000	23,449
Pt Hudson - Parking	19,267	15,644	(3,623)		17,700	(2,056)
Pt Hudson - BMP Infractions & Clean up	-	-	-		214	(214)
Pt. Hudson Marina, RV & Prop	1,690,255	1,532,331	(157,923)		1,315,730	216,601
Quilcene - Permanent Moorage	67,051	67,435	384		56,684	10,751
Quilcene - Liveaboard Fee	2,590	-	(2,590)		-	-
Quilcene - Nightly Moorage	1,876	1,878	2		2,678	(801)
Quilcene - Showers	2,521	2,262	(259)		3,126	(864)
Quilcene - Electric	3,971	2,653	(1,317)		3,955	(1,302)
Quilcene - Key Fobs	-	350	350		-	350
Quilcene - Kayak Rack Storage	189	254	65		-	254
Quilcene - Reservations	352	198	(154)		495	(297)
Quilcene - Recreational Ramp Fees	11,300	11,622	322		11,518	104
Quilcene - Commercial Use Fees	2,200	5,030	2,830		2,200	2,830
Quilcene - Miscellaneous Revenue	240	630	390		77	553
Quilcene - Lease Revenue	65,936	70,832	4,896		69,400	1,432
Quilcene - Water	12,835	11,274	(1,561)		12,830	(1,556)
Quilcene - Empty Trailer Parking	1,196	687	(509)		972	(285)
Quilcene	172,256	175,104	2,848		163,935	11,169
Ramp Fees	42,901	40,154	(2,747)		51,594	(11,440)
PTBH Ramp - Commercial Use Fees	8,682	7,030	(1,652)		5,500	1,530
PTBH Ramp - Dinghy Float Revenue	854	1,093	239		1,177	(84)
Ramps	52,437	48,277	(4,160)		58,271	(9,994)
JCIA - Lease Revenue	120,582	136,074	15,492		122,934	13,140
JCIA - Hangar Revenue	34,414	38,890	4,476		35,780	3,110
JCIA - Vehicle Parking Revenue	736	800	64		434	366
JCIA - Aircraft Parking	1,402	1,588	186		882	706
JCIA - Fuel Lease Revenue	2,159	2,054	(105)		1,725	329
JCIA - Electric	1,570	1,220	(349)		1,378	(158)

The accompanying notes and info. memo are an integral part of this statement.

Summary of Fund Resources Uses, December 2022

Port of Port Townsend
2022 Summary of Fund Resources & Uses with Comparison to Prior Year and Budget

	YTD Dec. 2021	YTD Dec. 2022	Variance to prior year	notes	YTD Budget 2022	Variance to Budget YTD
JCIA - Miscellaneous Revenue	6,133	4,746	(1,387)		1,000	3,746
JCIA	166,996	185,371	18,376		164,133	21,238
(Incr.)/Decr. In Accounts Receivable	(86,057)	38,440	124,497		-	38,440
Total Operating Revenues	7,075,171	7,590,937	515,766	a	6,815,934	775,003
OPERATING EXPENDITURES						
Salaries & Wages	2,339,530	2,653,640	314,110		2,647,856	5,784
Payroll Taxes	234,924	274,816	39,892		285,968	(11,152)
Employee Benefits	811,661	835,261	23,600		907,613	(72,352)
Uniform Expense	9,283	19,386	10,103		10,715	8,671
Contract Services	278,143	283,814	5,671		303,906	(20,092)
Legal & Auditing	83,883	56,186	(27,697)		49,580	6,606
Insurance	365,552	453,023	87,471		410,000	43,023
Computer Supplies	19,169	26,118	6,949		11,000	15,118
Operating Supplies	79,667	130,179	50,512		88,200	41,979
Enviro Materials/Supplies	10,612	17,189	6,577		14,867	2,322
Tarp Pool Expense	26,682	35,824	9,143		26,333	9,491
Empl Recog/Relations	2,297	9,224	6,927		3,725	5,499
Postage	5,996	8,109	2,112		5,500	2,609
Janitorial Supplies	21,111	22,156	1,045		30,000	(7,844)
Fuel & Lubricants	39,279	63,270	23,991		28,461	34,809
Permits & Licenses	6,487	9,389	2,902		5,500	3,889
Equipment Rental & Purchase	32,106	95,877	63,771		29,340	66,537
Claims & Damages	1,136	9,459	8,324		1,515	7,944
Membership & Dues	36,385	33,309	(3,076)		34,816	(1,507)
Bank Charges	134,942	177,908	42,966		125,500	52,408
Excise Tax	30,955	28,393	(2,562)		17,525	10,868
Miscellaneous Expense	3,870	1,021	(2,850)		2,500	(1,479)
Repair & Maintenance Supplies	220,289	354,875	134,585		130,000	224,875
Facilities & Operations	670,982	1,022,299	351,317		554,782	467,517
Utilities	605,456	648,719	43,263		575,389	73,330
Advertising (Legal 2018)	6,234	11,683	5,448		5,267	6,416
Marketing	43,541	39,861	(3,680)		49,126	(9,265)
Promotion	2,832	11,154	8,322		13,500	(2,346)
Marketing	52,608	62,698	10,091		67,893	(5,195)
Economic Development	15,000	30,000	15,000		30,000	-
Travel & Training	15,387	38,985	23,597		31,771	7,214
Community Relations	3,997	1,276	(2,722)		6,965	(5,689)
Total Operating Expenditures	5,486,408	6,380,103	893,695	b	5,882,438	497,665
Net Operating Income (Expense)	1,588,764	1,210,834	(377,930)		933,496	277,338
Other Increases in Fund Resources						
Retainage Collected	1,970	12,456	10,486		-	12,456
Yard Deposits Collected	56,317	2,000	(54,317)		22,220	(20,220)
PTBH Prop Lease Deposits Collected	36,135	17,542	(18,593)		18,000	(458)
PH Prop Lease Deposits Collected	11,087	9,173	(1,914)		8,000	1,173

The accompanying notes and info. memo are an integral part of this statement.

Summary of Fund Resources Uses, December 2022

Port of Port Townsend
2022 Summary of Fund Resources & Uses with Comparison to Prior Year and Budget

	YTD Dec. 2021	YTD Dec. 2022	Variance to prior year	notes	YTD Budget 2022	Variance to Budget YTD
JCIA Prop Lease Deposits Collected	5,681	8,679	2,997		-	8,679
Quilcene Lease Deposits Collected	125	2,312	2,187		-	2,312
PH Marina/RV Deposits Collected	7,488	(2,832)	(10,320)		30,620	(33,452)
Deposits & Retainage Collected	118,803	49,329	(69,474)		78,840	(29,511)
Sales Tax Collected	93,434	93,898	464		76,663	17,235
Leasehold Tax Collected	571,214	615,475	44,261		577,930	37,545
Hotel/Motel Tax Collected	9,151	6,505	(2,646)		7,030	(525)
Taxes Collected	673,799	715,878	42,079		661,623	54,255
Grants - FAA	344,779	118,093	(226,686)		649,860	(531,767)
Grants - DOC - EDA	-	-	-		3,000,000	(3,000,000)
Grants - Fed. Indirect - RCO	-	29,512	29,512		-	29,512
Grants - WSDOT - JCIA	105	-	(105)		4,500	(4,500)
Grants - WA State & Jeff Co	68,198	104,038	35,840		970,000	(865,962)
Capital Contributions/Grants	413,082	251,643	(161,440)		4,624,360	(4,372,717)
Debt Proceeds - Line of Credit	-	3,823,644	3,823,644		-	3,823,644
ARRA Bond Interest Subsidy	49,427	32,951	(16,476)		32,000	951
Investment Interest	3,432	120,432	117,000		2,530	117,902
Interest	52,859	153,383	100,525		34,530	118,853
Operating Tax Levy	1,046,794	1,067,059	20,265		1,071,500	(4,441)
IDD Tax Levy	1,674,137	2,770,055	1,095,918		2,634,289	135,766
State Forest Revenues	4,629	20,443	15,814		10,000	10,443
State Timber Excise Tax	28,755	42,240	13,485		24,000	18,240
Leasehold Excise Tax	10,203	12,793	2,590		9,072	3,721
Property & other taxes	2,764,518	3,912,590	1,148,073		3,748,861	163,729
Finance Charges	19,893	92,593	72,701		19,053	73,540
Other Non-Operating Revenues	37,322	29,378	(7,944)		1,000	28,378
Misc Other Incr. in Fund Resources	57,215	121,971	64,756		20,053	101,918
Total Other Incr. in Fund Resources	4,080,276	9,028,438	4,948,163	c	9,168,267	(139,829)
Other Decr. In Fund Resources						
Retainage Paid	3,906	1,970	(1,937)		1,000	970
Yard Deposits Refunded	3,080	62,922	59,842		20,000	42,922
PTBH Prop Lease Deposits Returned	14,937	25,224	10,287		10,000	15,224
PH Prop Lease Deposits Returned	2,886	2,153	(733)		2,061	92
JCIA Prop Lease Deposits Returned	90	9,196	9,106		-	9,196
PH Deposits Refunded	1,411	-	(1,411)		-	-
Deposits & Retainage Paid	26,311	101,465	75,155		33,061	68,404
Sales Tax Remitted	97,440	91,282	(6,158)		74,882	16,400
Leasehold Tax Remitted	568,624	612,559	43,935		570,822	41,737
Hotel/Motel Tax Remitted	9,274	7,387	(1,887)		7,030	357
Taxes Remitted	675,339	711,228	35,890		652,734	58,494
Principal Pmt - 2010 LTGO Bond	310,000	320,000	10,000		320,000	-
Interest Pmt - 2010 LTGO Bond	175,438	161,488	(13,950)		161,488	-
Principal Pmt - 2015 LTGO Rfdg Bond	475,000	490,000	15,000		490,000	-
Interest Exp - 2015 LTGO Rfdg Bond	68,325	53,850	(14,475)		53,850	-
Principal Pmt - 2020 Line of Credit	250,000	-	(250,000)		-	-
Interest Exp - 2020 Line of Credit	1,565	-	(1,565)		-	-

The accompanying notes and info. memo are an integral part of this statement.

Summary of Fund Resources Uses, December 2022

Port of Port Townsend
2022 Summary of Fund Resources & Uses with Comparison to Prior Year and Budget

	YTD Dec. 2021	YTD Dec. 2022	Variance to prior year	notes	YTD Budget 2022	Variance to Budget YTD
Debt Principal & Interest	1,280,328	1,025,338	(254,990)		1,025,338	-
Bond Management Fees	1,014	1,141	128		1,000	141
Bond Issue Costs	9,300	-	(9,300)		-	-
Investment Fees	188	986	798		475	511
Other Non-Oper Exp	49,800	48,474	(1,326)		-	48,474
Debt Mgmt, Issuance & Misc Exp	60,302	50,601	(9,701)		1,475	49,126
Election Expense	14,698	17,561	2,862		2,000	15,561
Total Other Decr. In Fund Resources	2,056,977	1,906,193	(150,784)	d	1,714,608	191,586
Net Incr./ (Decr.) in Fund Resources	2,023,298	7,122,245	5,098,947		7,453,660	(331,414)
Net Income (Expense)	3,612,062	8,333,079	4,721,017	e	8,387,156	(54,076)

PORT OF PORT TOWNSEND INFORMATIONAL MEMO

DATE: February 1, 2023

TO: Commissioners

FROM: Sue Nelson, Lease & Contracts Administrator

CC: Eron Berg, Executive Director

SUBJECT: **February 8, 2023, Commission Meeting** – Commission Update: New/Amended Contracts Under \$100,000, Approved by Executive Director Eron Berg, per Delegation of Authority Resolution No. 786-23

Name	Dates	Description	Amount Not to Exceed:
Tara Dunford, CPA	2/1/2023-12/31/2023	Accounting support & related projects	\$7,000.00

DATE: 2/1/2023
TO: Commission
FROM: Sue Nelson, Lease & Contracts Administrator
SUBJECT: February 8, 2023, Lease Briefing

ISSUE

The purpose of this memo is to keep the Commission informed about existing, planned, and potential leases.

BACKGROUND

As of the beginning of this month the Port has **43** land leases, **41** building leases, **34** rentals. Vacant properties include Point Hudson north duplex rooms.

DISCUSSION

Leases expiring in 2023:

- Key City Fish, 10th St. location, exp 8/31/23
- US Coast Guard, exp 9/30/23 (property staff has contacted me-they will enter into a new agreement)
- Aurora Aircraft (fuel concession), exp 12/31/23

New Agreements:

- Marine Surveys & Assessments, 5-yr + one 5-yr option, 2601 Washington Street (approved 1/11/23)
- Stephens Marine, new rental agreement for small parcel for temporary storage until he can move equipment into Jochems' building (subtenant of Jochems). Land is immediately to the north of Jochems.

Lease Amendments:

Exercising Options:

Assignments/Assumptions:

- Lease Assignment & Amendment No. 2 from Pete Stein/Compass Woodwork to newly formed, "The Shop Cooperative" (for approval at this meeting)

Terminated/Expired Agreements:

- Pete Stein & Compass Woodwork Lease Agreement will be terminated (assigned to The Shop Cooperative, for approval at this meeting)

License & Use Agreements:

February Rent Increases:

- ***CPI Increase (9%):*** Admiral Ship Supply
- ***Market Rate Increase:*** On the Flye; Northwest Maritime Center Marine Thrift; Olympic Boat Transport & Crane; PT Furniture Clinic
- ***Step Increase:***

Miscellaneous:

- SEA Marine negotiations continue for lease expansion.
- Shipwright's Co-op, planned for the 2/22/23 meeting.

ATTACHMENTS

1. 2023 Lease List

RECOMMENDATIONS

For information only.

Boat Haven - PROPERTY	FEBRUARY 2023			
LEASE NAME	Lease Amount	Lease Expiration	NEXT CPI/ STEP Incr.	REMARKS
Admiral Ship Supply	2,027.54	1/31/2025*	2/1/2024	*One 5-yr option available. CPI applied 2/1/23
Andersen Machine Shop	281.44	9/30/2027	10/1/2023	Land lease.
Andersen Machine Shop	59.62	Mo/Mo	6/1/2023	228 sf additional land for storage adjacent shop. 30 day notice for rate increases.
Armstrong Consolidated LLC (Washington)A6	10,079.68	Mo/Mo	30-day notice	30-day notice for rate increases.
Armstrong Consolidated LLC (Washington)	495.39	Mo/Mo	30-day notice	Additional space upstairs.
Armstrong Consolidated LLC (10th St)	3,140.29	8/31/2023*	9/1/2023	*One 1-yr option remains. Assignment of Dave's Mobile Welding Lease.
Armstrong Consolidated LLC (10th St land)	730.08	Mo/Mo	30-day notice	Land rental-ground in front of building.
Blue Moose Café	725.56	10/31/2026*	11/1/2023	*5-yr option available. 24-mo step to market. Step increase.
Cashin, Andrew	201.78	4/30/2023	N/A	6-mo lease- office2D, Nomura Bldg. Sail PT renting seasonally, 5/1/23-10/31/23
Crown Castle (cell tower)	17,928.21/yr	6/30/2025*	6/1/2023	*One 5-yr option remains. Pay one mo in arrears..
Crown Castle - AT&T Sub-Lease	939.12		9/1/2022	Annual lease renewal. 6.5% annual increase 9/2019-9/2022. Pay one mo in arrears.
Eagle Harbor Marine	274.59	Mo/Mo	9/1/2022	Land rental. 30-day notice for rent increases.
EDC Team Jefferson	836.03	Mo/Mo	7/1/2023	2nd floor Nomura Bldg (767 sf). 30--day notice for rent increases.
Ernst R. Baird (Haven Boatworks)	900.88	2/28/2029	3/1/2023	Land lease. Includes 6' x 50' Lumber rack.
Fine Yacht Interiors	1,368.84	5/31/2025*	6/1/2023	*One 3-yr option remains. Exercised 2nd option 6/1/22-5/31/25.
Flye, Todd dba On The Flye	397.08	1/31/2025	2/1/2024	Land lease-temporary structure. No options remain. MR applied 2/1/23
Goolden, Leo (Sampson Boat Co)	1,039.36	Mo/Mo	6/1/2023	30-day notice for increases. (M/V Tally Ho project-up to 2 yrs.) MR applied.
Haven Boatworks	1,421.81	Mo/Mo	1/1/2024	Former J&S Bldg., Haines St. 30-day notice for rent increases.
Jefferson County (Commission Bldg)	1,846.38	9/30/2026	10/1/2023	5-yr. 180 day termination notice-either party.
Jeremy Johnson Photography	171.13	Mo/Mo	30-day notice	2nd floor office #2F, Nomura Building.
Jochems Property Mgmt.	326.47	10/31/2026	1/1/2024	Land lease. CPI every two years, next 1/1/2024.
Johnson Fabrication	1,912.54	Mo/Mo	9/1/2023	New mo-mo rental.
Katz, Alan	906.66	Mo/Mo	30-day notice	Land lease, business w/temporary shelters. Formerly Dave Thompson's space.
Key City Fish Co. (10th Street-seafood mrkt)	1,927.51	8/31/2023	9/1/2023	Seafood market.
Key City Fish Co. (Haines PL-refrigeration)	852.58	11/30/2024*	12/1/2023	*Two 5-yr options available.
Kimmel's Crab Shack	2,368.00	4/30/2049	5/1/2023	Land lease. MR.
Marine Surveys & Assessments Cooperative	1,601.70	1/31/2028*	2/1/2024	* One 5-yr option. Annual CPI/MR beg year 3 and every 3 years after.
NW Maritime Center (Marine Thrift)	665.31	1/31/2024*	2/1/2024	*One-1-yr option remains. MR applied 2/1/23
NW School of Wooden BoatBuilding	556.16	6/30/2026*	7/1/2023	*One 5-yr option available. 25% of prevailing rate. Amend 1 adds non-exclusive kitchen use.
Octopus Gardens Diving	1,126.40	6/30/2026	7/1/2023	24 mo. stepped rent to achieve market rate.
Olympic Boat Transport LLC	54.72	Mo/Mo	2/1/2024	Relocated crane next to Pete's Marine. MR applied 2/1/23
Pete Stein & Compass Woodwork	5,384.24	5/31/2026*	6/1/2023	*One 5-yr option available. Amended lease includes Bldg 2 & 3. 18-mo step rent. Paying Bldg 3 dep in full, continuing with stepped dep for Bldg 2.
Pete Stein & Compass Woodwork	98.32	Mo/Mo	30-day notice	40'x8' land & 7'x8' land for equipment.
Pete's Marine Metals	1,565.40	7/31/2023*	8/1/2023	*Two 1-yr options available.
Port Townsend Fuel Dock LLC	650.00	6/30/2024*	N/A	*One 5-yr term remains. 2% flowage fee pays rent. MR applies.
PT Furniture Clinic	668.19	1/31/2024*	2/1/2024	*One 1-yr option remains. MR applied 2/1/23
PT Sailing Association	642.39	11/30/2027*	12/1/2023	*5-year, 2 week +5-year option building lease, Annual CPI; MR beg. year 3 and every 3 years.
Port Townsend Shipwrights, Inc.	6,307.54	7/31/2050	8/1/2023	Land lease. Market rate incr 8/1/30-every 10 yrs.
PT Rigging	511.33	3/31/2030	4/1/2023	Land lease. 4.6% CPI applied.
Pt Townsend Yacht Club	295.44	2/28/2026	3/1/2027	Land lease.
Revision Marine	2,238.81	12/31/2024	1/1/2024	Bldg/Land lease.
Sands, Guy & Kim (PT Brewing Co.)	3,436.78	5/31/2026*	6/1/2023	*Two 5-yr options remain. Bldg & Land.
Sands, Guy & Kim (PT Brewing Co)	162.00	Mo/Mo	10/1/2023	600 sf outdoor dining area.
Scow Bay Boats	521.34	9/30/2023*	10/1/2023	*One 3-yr option. Land lease-temporary structure.
Sea J's Café (Estate of Florence Jevne)	1,119.94	Mo/Mo	6/1/2023	Mo/Mo Building & Land agreement.
Sitewise Design PLLC	160.23	Mo/Mo	6/1/2023	Mo/Mo building agreement for small office 2-H in Nomura Bldg..
Skookum Corporation	915.01	3/31/2026*	4/1/2023	Annual step increases/*one 5-yr option/renting 3,036 sf lower floor, Nomura Bldg.
Stephens Marine	56.16	Mo/Mo	2/1/2024	Temp storage of equipment. Will move to Jochems building soon.
Sunrise Coffee	1,905.19	9/30/2031*	10/1/2023	*Two 5-yr options available. Deposit balance-6 installments.
Takaki, Jennifer (Marina Café)	620.80	12/31/2026	7/1/2023	5-year lease, stepped rent to achieve MR in 18 mos. Deposit in full.
Takaki, Jennifer (Marina Café)	106.92	Mo/Mo	10/1/2023	396 sf outdoor dining ara. CPI applies.
Tree Ring, LLC	130.68	Mo/Mo	3/1/2023	New month/month agreement-small office (2-G) upstairs, Nomura Bldg.
University of WA - Sea Grant	224.64	Mo/Mo	4/1/2023	Office 2-E, Nomura Bldg. Tenancy begins 3/15/22-pro-rated rent.
U. S. Coast Guard	5,570.38	9/30/2023	10/1/2023	Annual lease renewal & step increases.

Point Hudson - PROPERTY		FEBRUARY 2023		
LEASE NAME	Lease Amount	Lease Expiration	NEXT CPI/STEP Incr.	REMARKS
Best Coast Canvas	1,976.94	7/31/2023*	8/1/2023	Armory Bldg. *Exercised 2nd of 3 1-yr options (8/1/22-7/31/23)
Brion Toss Yacht Rigging	887.76	8/31/2024	9/1/2023	Armory Bldg. 5-yr lease, no options.
Brooks, Cindy	37.80	Mo/Mo	N/A	54 sf floor in Armory Bldg thru June to work on wherry for 70/48 race
Commanders Beach House	2,277.52	4/30/2025	5/1/2023	Assignment to D & N Dionne. CPI applied.
Doc's Marina Grill / TNT Restaurants LLC	3,074.53	4/30/2027	5/1/2023	Exercised last 5-yr option 5/1/22-4/30-27. Wants a new 10-yr lease.MR
Fortune Teller Art	374.88	Mo/Mo	8/1/2023	Office #2, Main Bldg., Point Hudson. 30 day notice for increases
GatheringPlace	N/A	7/31/2004	N/A	Southern half of duplex. Leasehold exempt - Non-profit
Hagen Designs	600.77	Mo/Mo	4/1/2023	Archive rm, Main Bldg. Short term. MR applied.
Hanson of Port Townsend Inc.	361.69	5/31/2023*	6/1/2023	Armory Bldg. *Two 1-yr options remain: 6/22 , 6/23, 6/24.
Hudson Point Café	1,584.53	6/30/2025*	7/1/2023	Main Bldg. *One 5-yr option available.
Hudson Point Café Office #10, Main Bldg.	276.14	Mo/Mo	7/1/2023	Main Bldg. Restaurant view office.
Hudson Point Café Office #8	248.53	Mo/Mo	7/1/2023	Main Bldg. Restaurant storage, non-view office.
Hudson Point Café	117.73			Main Bldg - common area fee-restroom cleaning/stocking
Impact Naval Architects, LLC	279.50	Mo/Mo	12/1/2023	Upstairs office, N. half PH Duplex.
Marine Resources Consultants Inc.	514.44	9/30/2024*	10/1/2023	Armory Bldg. *Used last option.
Marine Surveys & Assessments	1,548.94	3/31/2024	4/1/2023	Cupola House. Scheduled step increases.
Mark Kielty Design	276.14	Mo/Mo	8/1/2023	Main Bldg., small view office.
Mark Kielty Design	7.77			PH Main Bldg - common area fee-restroom cleaning/stocking
Northwest Maritime Center	1,399.03	6/30/2051	7/1/2023	Former Landfall site-plan to build 3000 sf classroom.
Northwest Maritime Center (Swan Hotel)	516.00/yr	auto renew	6/1/2024	License-encroachment. MR every 3-yrs. Port may term w/180-day notice
Puget Sound Express	1,157.40	12/31/2025	1/1/2024	No options remain.
Schooner Martha Foundation	838.11	12/31/2024*	1/1/2024	*One 5-yr option available.
SEA Green Partners d/b/a SEA Marine	2,301.15	4/30/2027*	5/1/2023	*One 5-yr option. Armory Bldg-Upstairs sail loft space.
Shanghai Restaurant	2,585.72	10/31/2026	11/1/2023	No options remain.
Shanghai Restaurant	174.90			PH Main Bldg - common area fee-restroom cleaning/stocking
Shannon Partners LLC (SEA Marine)	2,345.28	6/30/2027	7/1/2023	Ground lease for SEA Marine facility.
The Artful Sailor	554.40	11/30/2023*	12/1/2023	Armory Bldg. *One 1-yr options remain.
The Artful Sailor	429.80	Mo/Mo	3/1/2023	Armory Bldg. Expanding shop to include small shop north. of current sho
U.S. Customs	3,236.16	12/20/2027	12/20/2024	Hospital Bldg. Accepted 5-yr option 12/2022 - 12/2027. MR applied.
Washington Dept. of Fish & Wildlife	8,430.97	3/21/2024*	N/A	Hospital Bldg. *One 5-yr option.
Washington Dept. of Fish & Wildlife	1,512.90	Mo/Mo	11/1/2023	Cupola Annex-storage.To be rolled in 3/31/24 with main lease at opt da
Whittiker, LLC	\$ 275.88	Mo/Mo	8/1/2023	Office #1, Main Bldg., Point Hudson. 30 day notice for increases

JCIA - PROPERTY	FEBRUARY 2023			
LEASE NAME	Lease Amount	Lease Expiration	NEXT CPI/ Step Incr.	REMARKS
A Hangar Condo Association	1,159.05	11/20/2045	12/1/2023	Land lease. Hangars 'E' & 'F'.
Aurora Aircraft Maint & Restoration	547.57	10/31/2026*	11/1/2023	*One 5-yr option remains.
Aurora Aircraft Maint & Restoration		12/31/2023	N/A	Fuel Concession. If Erickson replaces tank, one more 5-yr option available. Port is paid 2%/fuel sales for lease.
Broderson, Dennis	58.28	2/28/2016	3/1/2023	T-hangar pad LEASE T-403(Q) '22 adopted rate appld (7c/sf)
Browning, Scott & Lori	100.00/yr	ann. auto renew	8/1/2023	Periodic tree & shrub removal.
Dow Jeffery & Jorja	362.16	12/31/2028	8/1/2023	Land lease. Hangar 'D'.
Eber, Lorenz	80.00	Mo/Mo	1/1/2024	T-hangar pad, #T-404(P)
Erickson, Warren & Karen	173.65	7/26/2057	3/1/2023	Land lease. Hangar '4-B'.
G Hangar Condo Assoc.	560.44	6/9/2047	7/1/2023	Land lease.
Grandy, Richard	174.16	7/26/2057	3/1/2023	Land lease. Hangar '4-A'.
H-Hangar Corp., Inc.	520.95	6/22/2049	7/1/2023	Land lease.
Hangar C Group LLC	542.64	4/30/2053	12/1/2023	Settled 2/25/21: Amend #6: Ext. term.
Hood Canal Aviation LLC/Jim Piper	173.65	7/26/2057	3/1/2023	Land lease. Hangar '4-C'.
JEFFCO Hangar Assoc., Inc.	713.52	11/30/2041	12/1/2023	11,369 sf, hangar site 'I'.
Jeff. Co. Airport Condo Owners Assoc.	1,778.99	7/26/2057	3/1/2023	Assignment of NW Hangar's Lease for sites #7 & 8.
K-Hangar Assoc. @ JCIA	530.59	4/25/2049	5/1/2023	Land lease. CPI applied.
L Hangar Condo Assoc @JCIA	612.27	10/31/2048	10/1/2023	Land lease.
LBG Development, LLC	500.00 fee	4/15/2024*	N/A	Site 1-Exer. option by 4/15/24-then rent begins/50-yr lease.
LBG Development, LLC	500.00 fee	4/15/2024*	N/A	Site 3-Exer. option by 4/15/24-then rent begins/50-yr lease.
Lemanski, Tom & Linda	70.00	Mo/Mo	3/1/2023	T-hangar pad, T-405. 2022 adopted rate applied (7c/sf)
Morrison, Neil/Lark Leasing	174.17	4/30/2053	5/1/2023	Land lease. Hangar 'N-North'. CPI applied.
Morrison, Neil	174.17	4/30/2053	5/1/2023	Land lease. Hangar 'N-South'. CPI applied.
Northrup, Mildred/Hopkins	70.00	Mo/Mo	3/1/2023	T-hangar pad, T-406(M). 2022 adopted rate applied (7c/sf)
Northwest Custom Hangars, LLC(Ward)	500.00 fee	4/15/2024*	N/A	Site 2-Exer option by 4/15/24-then rent begins/50-yr lease
Port Townsend Aero Museum	395.39	7/31/2052*	5/1/2023	*One 25-yr option. Museum bldg- land lease .
Port Townsend Aero Museum	338.90	7/31/2052*	5/1/2023	*One 25-yr opt. Museum bldg- land lease (expn.). CPI appl.
Port Townsend Aero Museum	582.92	7/31/2052*	5/1/2023	*One-25 yr option. Maintenance bldg- land lease . CPI appl.
Port Townsend Aero Museum	231.78	4/30/2053	5/1/2023	M' Hangar. Separate land lease. CPI applied.
Port Townsend Aero Museum	70.00	Mo/Mo	5/1/2023	T-hangar pad, T-400(S). MR applied.
Port Townsend Aircraft Services	293.09	6/30/2035*	7/1/2023	*Two 10-yr options.
Pratt Sr., David	70.00	Mo/Mo	3/1/2023	T-hangar pad, T-401(N). 2022 adopted rate applied (7c/sf)
Puget Sound Express-J Hangar Lease	255.81	10/1/2050	10/1/2023	Assignment-Land lease to Puget Sound Express.
Scheall, Daniel	58.28	2/28/2026	3/1/2023	T-hangar pad LEASE T-402(O)'22 adopted rate appld (7c/sf)
Spruce Goose	228.63	9/30/2029*	10/1/2023	*Two 5-yr options. CPI/MR apply.
Station Prairie	525.00	4/30/2072	5/1/2023	Hangar site pad #5.
Wexman, Scott & Diana Levin	252.48	3/31/2053	4/1/2023	Land lease. Hangar 'O'. 4.6% CPI applied.

QUILCENE - PROPERTY		FEBRUARY 2023		
LEASE NAME	Lease Amount	Lease Expiration	NEXT CPI/ Step Incr.	REMARKS
Canterbury, Ray	<i>fluctuates</i>	N/A		<i>Water rights.</i>
Coast Seafoods	\$5,747.69	12/31/2039	1/1/2024	Land lease.
Coast Seafoods	<i>fluctuates</i>			<i>Water.</i>
Quilcene Harbor Yacht Club	\$ 515.00	10/31/2027*	11/1/2023	*One 5-yr option. Rent + 106/hrs in-kind labor. Non-exclusive use of deck.
Quilcene Harbor Yacht Club	<i>fluctuates</i>			<i>Water.</i>
Quilcene Village Store	\$ 120.07	Mo/Mo	9/1/2023	Rental of kayak rack & ground it sits on. Mo-to-mo agrmnt.

PSC Report
July 1, 2022-Dec 31, 2022



385 Benedict St., Ste 2A

Port Townsend WA 98368

EDC Team Jefferson is pleased to submit this progress report for the six months ending December 31, 2022.

Overview

Through the commitment and funding provided by Jefferson County public partners, EDC Team Jefferson navigated a transition in leadership in December 2021. Work done in the year 2022 was focused on reorganization and structuring the organization for growth. During this time, EDC Team Jefferson added staff, developed internal processes and structures, improved Board oversight and began revising the strategic plan as a foundation for developing a funding plan and service expansion.

Work done during the first half of this fiscal year (July 1-Dec 31, 2022)

COVID's lingering effect has reduced the efficiency of external provider service delivery upon which the organization depends. Much of our internal work involved improving the efficiency of processes internally and evolving our relationships with external entities. An operations structure was designed to provide a base of support for ongoing organizational development and foundational for the increasing complexity of grant management as external sources of funding are sought and commitments made. This structure is being tested and is evolving with use.

The EDC Team Jefferson Board is amidst a strategic planning process. The Board and Executive Director have developed a high-level strategic framework for local economic development. We are drawing from the recently completed Comprehensive Economic Development Strategy, local planning documents, the designated scope of an Associated Development Organization as defined by the WA State Dept of Commerce, the preliminary results of the Area Sector Analysis Process and the evolution of economic assumptions to develop a prioritized work plan.

The staff is engaged in business outreach as the organization is collecting data for reporting purposes to close the ARPA grant allocation to small business project started last year, as well as planning, promoting, launching, and administering several new programs. Listening to businesses will allow us to continue to refine the work plan, strategically aligning with business needs.

The EDC has applied for grants to fill gaps in operational funding and fund program provision in 2023. We have received a mix of operational and programmatic funding such that we can launch new programming January-June 2023. More funding is coming. For us to take advantage of these opportunities, our work is to prepare by developing our organizational vision, connecting with regional organizations as a network, planning with our regional partners, and growing the capacity to successfully apply for, implement, and manage grant funding for regional projects.

Economic development is not an end in itself, but rather a means to enhance a community's ability to thrive. Traditional economic growth measures, including numbers of jobs and the amount of capital investment are inadequate to tell that story. The EDC is interested in the diversity of our business base, and the strength of our interconnected networks. We are experimenting with network analysis this year, seeking to develop progressive metrics that reflect the uplifting community work upon which we can build, and explore ways to capture a more complete and accurate assessment of our progress.

Although our strategic planning is not yet complete, we would like to share our draft vision and mission which emphasize connection, cooperation, and elevating business diversity as a strategy to improve "resilience", a term highlighted in local planning documents.

Vision:

The EDC works toward a resilient future that elevates the diverse potential of all people who reside in this unique place so we can accomplish more together.

Mission:

EDC Team Jefferson focuses on high-leverage, place-based activities that improve the economic well-being and quality of life for people in Jefferson County, and the living systems in which we are embedded.

We do this by actively connecting our community to business development resources and economic information, and convening businesses, nonprofits, local jurisdictions, and community partners, and supporting self-organizing networks.

Achievements

Board Development and Activity

The Executive Director and external facilitator led a strategic planning process for the EDC Board resulting in a high-level framework and the outline of a work plan. This work will continue into 2023.

The EDC's purpose is to create enabling conditions for a thriving community in rapidly changing economic landscape by

- Supporting capacity building activities for individuals, businesses, and diverse community networks.
- Maximizing connections between businesses, existing talent/skills, and knowledge for increased resilience.
- Catalyzing opportunities for place-based innovation.
- Introducing frameworks and language to cultivate regenerative business practices in a way that aligns with our culture.

- Leveraging local private investment to foster new opportunities.

The Board of Directors has approved nine policies in 2022 to provide structure for effective oversight, with several more in the queue. The approved policies are

- Fiscal Policy
- Accounting Policy
- Board Roles Document
- Board Commitment Document
- Conflict of Interest Policy
- Email Voting Policy
- Confidentiality Policy
- Procurement and Subcontractor Policy
- Whistleblower Policy

The EDC Bylaws have been revised and approved to be compliant with new nonprofit legislation.

Funding

Although the intention of local partner funding has been to enhance the EDCs service provision to the community, based on the initial budget provided in the contractual multi-party agreement, EDC Team Jefferson identified a \$90,000 funding gap between the funding commitment and the projected expenses that would allow the organization to fulfill its contractual mission. Much of the executive director's time this year was spent seeking grant sources to which a 501(c)(6) could apply and submitting grant applications.

The 501(c)(6) structure of the organization makes grant writing challenging as C6 economic developers are not within the granting criteria of funders, and if they are, require a fiscal sponsor. Due to the availability of COVID relief grants and through partnership with other nonprofits seeking to leverage resources, EDC Team Jefferson was able to receive grant awards, directly or indirectly, for close to \$100,000.

Much of this funding, however, is restricted or pass-through and may not be allocated to fill operational deficits that the organization seeks to fill to maintain its staff and ensure reliable service provision. In 2023 we will be assessing our organizational structure and developing a long-term funding plan.

Proactive Programs

The COVID crisis brought into full view the effect of systemic bias in business service provision. Many of the available grants this season prioritize businesses that have been historically excluded or underserved due to location, type or ownership.

- **Center for Inclusive Entrepreneurship’s grant award from BECU, the Small Business Innovation Fund and First Federal**

Through partnership with the Center for Inclusive Entrepreneurship, EDC Team Jefferson will be hosting the Green Equity Accelerator. This program encourages independent local businesses to take the lead in innovating new business models intentionally designed to transition to a local economy that is more socially equitable, more environmentally sustainable, and more self-sufficient and resilient.

A cohort of 10 ventures will be selected to participate in the accelerator. Priority will be given to emerging or early-stage social enterprises being developed by overlooked founders – people with limited resources who have traditionally been excluded from business ownership opportunities. Participants will cultivate the creative energy and leadership potential of the entrepreneurial mindset to start social enterprises that turn waste to profit, reduce food miles and carbon footprints, develop renewable clean energy, and other innovations. The program encourages young businesses to lead the North Olympic Peninsula in the transition to the new green economy. Funding is provided through the Center for Inclusive Entrepreneurship’s grant award from BECU, the Small Business Innovation Fund and First Federal. The project will run through mid-June 2023.

- **Jefferson Community Foundation – Creative Entrepreneur Project**

The EDC continues to deliver on a grant received from the Jefferson Community Foundation in 2022 to support and elevate Creative Entrepreneurs as significant contributors to the economy as well as local culture and identity. With the assistance of Jacob Cravey of Tree Ring Consulting, the EDC has been reaching out to county-wide, rural craft-based small businesses, and will be convening a developing network this winter and spring. This project will support and assist Jefferson County small businesses with marketing and business development. Our work is connecting remote west Jefferson entrepreneurs to markets in east Jefferson County.

The project will culminate in with several video products that tell the story of creative entrepreneurship in this rural place, and a network of craft-based businesses better connected with each other and with greater knowledge of, and access to ongoing support services. The project will run through July 2023.

- **Small Business Innovation Fund**

The EDC joined Clallam EDC, Grey’s Harbor EDC and Peninsula and Greys Harbor Colleges in the Small Business Innovation Fund grant application process, which resulted in a significant award. This has allowed the three-county region to fund bookkeeping courses for 20 small business owners, and allocate no-cost legal, marketing and bookkeeping services to underserved businesses in the region. This project will run through May 2023.

- **Washington State Microenterprise Association (WSMA)/Dept of Commerce grant**

Through a grant award from WSMA, EDC Team Jefferson and Roots of Resilience have joined to collaborate on outreach to affinity groups, including BIPOC, woman-owned and LGBTQ small businesses to connect businesses to each other and gain greater understanding of businesses needs such that specific and meaningful services can be provided. This project will run through mid-June.

Ongoing EDC Classes and Offerings

The EDC continues to develop evergreen programs that can be offered by our staff and local contractors. These include

Business Plan class: **7 students completed the fall Business Plan class.** Business planning classes are offered internally or through a community partner twice a year. This fall we worked with partner Enterprise for Equity to provide a no-cost business plan class to Jefferson Co businesses saving them \$250.00 each. The seven Jefferson County businesses have completed the class and are still working on finishing their business plans. We will be following up with them. Our new business services director will be providing these classes at the EDC in the future.

LEAN advising sessions: **3 LEAN advising sessions** were provided for Jefferson County organizations regarding waste detection and process mapping. LEAN methodology is a way of optimizing the people, resources, effort, and energy of an organization toward creating value for the customer. It is based on two guiding tenets, continuous improvement and respect for people.

EDC Business Outreach and Advising sessions - The EDC provided **64 advising/resourcing sessions** and continues to provide full spectrum, in-house advising, working with partners, the Center for Inclusive Entrepreneurship (CIE), the Small Business Development Center (SBDC), North Olympic Development Council (NODC) and local lenders including the Local Investment Opportunity Network (LION) to provide small business counseling, across all industries, startup to succession. This work is reflected in the ADO Business Retention and Expansion (BRE) metrics below.

Resource Roundtable meetups. **6 Resource Roundtable meetings were provided.** This is a monthly ongoing Zoom meetup providing our community with the opportunity to meet a variety of service providers. We have collected a library of past Resource Roundtable recordings available on the EDC Team Jefferson YouTube channel.

Programs in Development

- The EDC is developing programming for business owners planning to retire. Part of a local resilience strategy is retaining local ownership of businesses that seek to transition. We are developing programming that can assist small business owners to get ready for ownership transition by improving their organization's performance, improve stability and profitability, documenting systems and structures, understanding succession planning and valuation presale, and preparing employees for the potential of business ownership.
- The EDC is planning a class in the spring of 2023 in exporting and deepening our relationship with expertise of partner organization the Small Business Development Center (SBDC)
- The SBDC has hired an advisor that will be housed at the EDC 1-2 days a week in 2023.

Communication Plan - Outreach to the small business community

Highlight

As EDC Team Jefferson has new programs to announce, we've improved our marketing efforts. In addition to the EDC's social media platforms Facebook and Instagram increasing the number of individual accounts reached by 28%, the website and newsletter have been viewed by increasing numbers unique visitors and we are gaining a significant number of new contacts/subscribers.

Website Traffic	Unique Visitors	Ave Time on Site	Newsletter 1200+ total	New Contacts	Number of opened
2022	8433	8 min	2022	396	18,491
2021	4354	2.5 min	2021	37	2,470

Revised Communication Plan 1.1.2023

Strategic Overview

Communication Objectives

Vision

- Provide business information and resources to the Jefferson County Community

- Provide economic data
- Demonstrate meaningful return in investment
- Showcase what EDC is and can do

Target Audience

1. Businesses
2. Investors
3. Public

Action sought through outreach

- Businesses understand the function of the EDC and seek needed assistance
- Local organizations understand the EDC's nonprofit mission and seek to collaborate
- Grow the EDC following
- Retain and grow support for EDC Team Jefferson

Communication platforms

Website

- Economic data
- Reports
- Articles

Social Media Facebook and Instagram

- At least weekly posts, boosting new programs, events, items of interest
- Instagram reels featuring small business

Youtube

Collect and promote Resource Roundtable events

Newsletter

- Weekly newsletter sharing events, opportunities and resources
- Establish a business column

Paid ads, KPTZ, Leader, PDN

- Selective for event and program promotion

Marketing Analytics Report, Dec 2022

Includes only platforms with trackable ROI (no newspaper ads, radio announcements, or responses from viewers when other entities share our announcements)

Website overall traffic comparison to previous year:

- Dec 2022: 662 unique visitors
- Dec 2021: 455 unique visitors
- All of 2022: 8433 unique visitors (average time on site: 8 minutes)
- All of 2021: 4354 unique visitors (average time on site: 2 ½ minutes)

Boost traffic on site: 225 different individuals visited edcteamjefferson.org within 48 hours of posting Instagram Reel, not counting those who were sent directly to the form (not hosted by us so no stats)

Number of JeffCo applicants _____ (to be provided by Clallam EDC)

Constant Contact

- New contacts in 2022: 396
- New contacts in 2021: 37
- # of Opened Newsletters in 2022: 18,491
- # Opened Newsletters in 2021: 2470

Instagram

- Individual accounts reached with content in Dec 2022: 575 (28K% increase from Nov)
- 14% increase in followers in December 2022
- Boost program content performance: 465 unique visitor views + multiple shares (400% more views than all previous posts on this acct, including 340 brand new visitors).

Facebook

- Individual accounts reached with content Dec 14-31: 881
From active discussions on multiple community forums

Partner Development

- Access to capital.
 - The EDC continues to administer LION business applicants and LION membership applications
 - Outreach to local banks
- Tech service providers
 - Joined the new Business Resource Navigator, Evergreen BizLink through WSMA
 - Maintained a referral relationship with SBDC, and will house the new advisor 1-2 days a week – The EDC director has a seat on the SBDC state advisory committee
 - The EDC houses the Center for Inclusive Entrepreneurship at the EDC one day a week and actively refer microenterprises and startups.
- Facilitate monthly CEO breakfast
- Serve on the Jefferson County Chamber of Commerce Board and attend events
- Workforce
 - Share information with the STEM network and OESD as planning is underway for improving career connected learning
 - Alliance with Stronger Towns regarding the Chimacum job fair in May 2023
 - Serve on the Olympic Workforce Development Council Board
- Served on the North Olympic Legislative Alliance (NOLA) steering committee
- Developing projects with Roots of Resilience
- Continued alliance with Jefferson Community Foundation

Economic Data

- Hosted, convened, and served on the Area Sector Analysis Process steering committee
- Updated Tableau embeds provided by WA Sea grant to update the EDC website with current Jefferson County and regional economic data.
- Networked with other ADOs – through WA State Economic Development Alliance (WEDA)

ADO Metrics, Business Retention and Expansion (BRE) for July-December 2022

The State Requires 100% achievement of goals in 4 of the 5 categories described below.

Due to the limited potential of recruiting businesses considering our rural location lacking rail or interstate access, extremely limited available land zoned for commercial/industrial development, and lack of affordable housing and childcare services, the EDC is focusing on these categories; business retention and expansion, startups, exporting and training.

The bullet points reflect BRE work done by EDC Team Jefferson staff.

The following chart represents additional work provided by partner organization Small Business Development Center

- **Business Retention and Expansion (BRE) Annual Goal 70**

BRE activities reported at 6 Months: 64

Percent Achieved: 91%

- **Recruitment Annual Goal 4**

Recruitment Reported at 6 Months: 0

Percent Achieved: 0%

- **Startup Annual Goal 5**

Startup Reported at 6 Months: 2

Percent Achieved: 40%

- **Export Assistance Goal 4**

Export Assisted Reported at 6 Months: 0

Percent Achieved: 0%

- **Training Goal 20**

Training Reported at 6 Months: 16

Percent Achieved: 80%

Small Business Development Center

Name: Jefferson County Scorecard
Cumulative Period Start: 7/1/2022
Current Period Start: 7/1/2022
Scorecard End: 12/31/2022
Funding Source(s): All
Sub-Funding Source(s): ALL
Center(s): Jefferson County WA 279,265,286,276,305,282,283,273,295,304,298,284,289,275,288,274,296,287,271,294,307,308,309,301,293,272,281,277,267,290,292,302,291,268,266,270,269,285,278,264,300,280

Data Elements	Current Value	Cumulative to Date
CASE TOTALS (Clients)	0	0
Number of Clients Counseled	23	23
Number of New Clients	10	10
Company Status	0	0
Pre-venture/Nascent	7	7
Startups	3	3
In Business	12	12
CASE TOTALS (Total Hours)	0	0
All Prep + Contact Client Hours	153	153
New Client Hours	55	55
CASE TOTALS (Impacts)	0	0
Capital Infusion	269,185	269,185
Number Businesses Created	1	1

Jobs Created	7	7
Jobs Saved/Retained	3	3
Jobs Supported (In Business)	55	55
DEMOGRAPHICS (Type of Business, # of Clients)	0	0
Accommodation and Food Services	2	2
Agriculture, Forestry, Fishing and Hunting	2	2
Arts and Entertainment	1	1
Construction	0	0
Educational Services	2	2
Finance and Insurance	0	0
Healthcare and Social Assistance	0	0
Management of Companies and Enterprises	0	0
Manufacturing	3	3
Professional/Technical Services	1	1
Real Estate, Rental and Leasing	0	0
Research and Development	0	0
Retail	0	0
Service	4	4
Technology Services	0	0
Transportation and Warehousing	0	0
Wholesale	0	0
No Response	8	8
DEMOGRAPHICS (Business Ownership Gender)	0	0
Male	1	1
Female	4	4
Male/Female	3	3
No Response	15	15
DEMOGRAPHICS (Ethnic Background - Race)	0	0
American Indian or Alaskan Native	0	0
Asian	2	2
Black or African American	0	0
Native Hawaiian or Pacific Islander	0	0
Multiracial	1	1
White	19	19
No Response	1	1
DEMOGRAPHICS (Ethnicity)	0	0
Hispanic	2	2
Non-Hispanic	18	18
No Response	3	3
DEMOGRAPHICS (Business Ownership Vet. Status)	0	0
Veteran	0	0
Service-Disabled Veteran	0	0
Non-veteran	5	5
No Response	18	18
COUNSELING ACTIVITY (Areas of Counseling, # of Sessions)	0	0
Business Accounting/Budget	0	0
Business Plan	2	2
Buy/Sell Business	4	4

Cash Flow Management	4	4
COVID-19 Related	7	7
Financing/Capital	4	4
Human Resources/Employee Mg't	0	0
International Trade	1	1
Managing a Business	5	5
Marketing/Sales	1	1
Start-up Assistance	12	12
No Response	0	0
Other	23	23

***Impacts will be reported in the year end summary**

Readiness Activities July-December 2022

These activities provide support for existing networks that together create enabling conditions for business and economic growth

Economic Data and Network Building:

- WA Sea Grant economist Kevin Decker, monthly meetings
- Washington Economic Development Alliance meetings, weekly
- WA. State Microenterprise Association (WSMA) meeting regarding new platform
- NODC membership meetings, monthly
- Regular meetings with Colleen McAleer and Lynette at Clallam and Grey's County EDCs
- Monthly CEO Breakfast meeting

Access to Capital:

- LION ad hoc committee, monthly meetings
- Local Investment Network Community of Practice (statewide) monthly meeting
- Outreach to local banks

Sector Outreach:

- ARPA Grant Recipients – survey to assess needs and plan follow up

Maritime and Manufacturing

- PTMTA board meeting
- Individual meetings with local businesses
- Meeting with the Port and connecting local businesses seeking to expand
- Meetings with the Maritime Center regarding career pathways

Creative Sector

- Jefferson Community Foundation project outreach
- PT Arts and key business visits

Equity and Diversity

- Networking and resource sharing with Roots of Resilience
- Project outreach

Nonprofit Sector

- Attend Jefferson Community Foundation nonprofit ED meetups

Energy

- Planning Committee from Energy Futures Conference
- Attended Energy Futures Conference hosted by NODC

Agriculture/Aquaculture

- Attended Jefferson Co. Growers Network, Finn River
- Attended Seaweed Knowledge Symposium UW, Dr Meg Chadsey

Workforce

- Career Connect workforce grants - Meeting with Kelley Watson (STEM) and Kimberly Hetrick (OESD). The EDC director has a seat on the advisory committee
- Quarterly Olympic Workforce Development Council Board meetings
- Chimacum Job Fair – in discussion with Stronger Towns

Technical Service Provider Partner Engagement

Meeting with SBDC Director, Duane Fladland

Member of the statewide SBDC Advisory Committee

Meeting with the Center for Inclusive Entrepreneurship, Mike Skinner and staff

Meeting with Tree Ring Consulting, monthly

Meetings monthly with Chamber ED and Chamber Board President

Chamber of Commerce events

NODC member meetings and Energy Futures Conference

NW Innovation Resource Center Director regarding inclusion in programs

Other Local Organizations

Pacific Northwest National Labs – commercialization of IP

Land Trust – org development and housing

PT Film Festival Director – videography and storytelling

KPTZ – program marketing

The Leader - program marketing

Peninsula Daily News - program marketing

Other National Organizations

Project Equity – Succession and employee ownership

The Capital Institute – Rethinking capital and its role in business development

Regenesis Group – Regenerative modeling

Economic Data

Area Sector Analysis Process (ASAP) update

This study, provided to Jefferson County Economic Development Council at no cost by WA Sea Grant and partner Utah State University is a part of a 5-county western WA survey designed to match specific industries to community development goals (including indicators of economic, environmental, and social quality) and community assets, (including space, infrastructure, the business environment, and quality of life). The intent is to measure desirability, the extent to which an industry fulfills community development goals, and measure compatibility, the extent to which community assets necessary for a given industry are available.

Desirability and compatibility are the criteria against which industries are evaluated. An industry that ranks high on compatibility and desirability could become a target for recruitment, an industry that ranks low on these metrics would not be pursued.

The ASAP process, for a number of reasons, has not been as well received by our community as was hoped.

- ASAP is primarily a business attraction strategy, which of all the economic development tools is least popular in Jefferson County, especially considering the shortage of available commercial property in Jefferson County, as well as a shortage of affordable housing and childcare.
- The ASAP approach is traditional, using a neoclassical lens. The analysis was performed within a proprietary black box within Utah State University. The committee did not feel it was transparent, questioning the assumptions and data.
- Many on the steering committee did not think this process as provided had a large enough sample size to represent the community nor used data in a way in which industry compatibility could be established in a way that seemed relevant.
- The culling of a list of industries based on compatibility and desirability left out industries many would consider important to Jefferson County.

- The facilitators normally host meetings in person and this process was all online due to the persistence of COVID. The facilitators lacked relatability and seemed to some on the committee to be out of touch.
- The process did not stick to the timetable and was extended a number of times.

Most of the Steering Committee is currently not responding to communication.

As a result, the EDC Board will be working with Kevin Decker from Sea Grant to create something meaningful from the results to date. The outcome of the study to date provided this insight.

- Five 2-digit NAICS code industries stood out as desirable and compatible. If business attraction is not our primary strategy, we have the opportunity to explore a supply chain analysis or other analysis that local businesses and residents consider useful and relevant.
- The next step for us will be prioritizing the top 3 industries and making a decision about the type of analysis with which to proceed. EDC Team Jefferson will proceed with Kevin Decker Sea Grant economist, without Utah State University/Western Rural Development Center.

JEFFERSON TOP RANKING INDUSTRIES

1. **Maritime** : Boat building, supporting existing services, aquaculture, and water sightseeing opportunities.
2. **31-33 Manufacturing** : Boat building as well as fruit, vegetable, and animal processing. Small to medium size operations.
3. **71-72 Hospitality and Tourism** : Lodging, restaurants, and sustainable/eco-friendly tourism.
4. **11 Agriculture, Forestry, Fishing and Hunting** : Aquaculture, forestry, and small farming (i.e., organic produce and artisan food products).
5. **23 Construction** : Commercial and residential development. As well as infrastructure development (i.e., water lines, highways, and streets).

Data on the EDC Website

The EDC continues to work with WA Sea grant to provide Jefferson County with updated data, available for our community on the EDC website. It includes income, population data, housing affordability, ownership cost, occupancy and a Jefferson County employment security profile.

<https://www.edcteamjefferson.org/planning-documents-local-reports>.

Annual EDC Work Program

As the Board and executive director continue to work to update the strategic plan. Four primary areas of work are emphasized: restructuring and to strengthen the organization's foundation, outreach to partners and stakeholders, program launch and service provision to businesses.

Restructure – create a foundation for outreach and activity

- Continue to create and improve a foundation for the EDC via systems and processes. In order to be efficient with our time, provide the highest value regarding our nonprofit mandate and achieve separation of duties as required by our accounting and fiscal policies, we have retained Clarity Enterprises, specialist in nonprofit management. With the support of Clarity we have already improved our ability to manage multiple grants (restricted and unrestricted each with unique deliverables), and produce timely and accurate reports.
- Refine the process for BRE outreach and follow up.
- Continue work with the board to complete the update of the strategic plan, approve a budget.
- Develop a Funding Plan
- Economic Data – A dashboard will evolve alongside strategic plan revisions scheduled for the fall and development of the EDC workplan. We will choose indicators to track and post relevant to the economic strategic vision of Jefferson County and the EDC activities that support it.

Service provision to small business, including new program launch (BRE)

- The EDC is rolling out programs in 2023 as described above – The Green Equity Accelerator, Small Business Boost!, Roots of Resilience Outreach.
- Continue with the Creative Entrepreneur program.
- Continuous improvements to LION workflow with the LION adhoc committee.
- Partnership development with technical service providers. The Small Business Development Center has hired an advisor for the peninsula that will be housed at the EDC 1-2 days/week.
- Continue providing office space for the Center for Inclusive Entrepreneurship.

- Seek and obtain additional EDC program funding and partner with collaborators on projects.
- One on one advising with small businesses.

Outreach to partners and stakeholders

- Stakeholder communication and reporting to The WA State Dept of Commerce, Public Sector Cabinet, PIF Board, EDC Board, and grantors
- Improve relationships with partner organizations that have the potential to collectively create enabling conditions for economic development

Workforce

- Define the EDC role with Chimacum job fair
- Continue work on committees at Olympic Workforce
- Continue work with STEM and OESD regarding pathways to employment for youth

Staffing

In July 2022 the EDC lost its admin assistant. A new admin assistant was hired in September 2022 but was not able to sustain full-time employment. The role was reduced to half time, and a laptop was provided for remote use. This reasonable accommodation was not sufficient to ensure that half-time hours were successfully. We will be seeking to hire for this position again in Feb 2023. The hiring process for the administrative assistant position is currently underway.

The contractor the EDC had hired in lieu of the Business Services Director finished her work in December 2022. A new Business Services Director was hired in January 2023.

Douglas Hammel, MBA, is a certified Small Business Development Center (SBDC) advisor. He has taught graduate and undergraduate classes in Organizational Leadership and Master of Business Administration programs: including organizational development, organizational leadership, communications, marketing, operations, business and constitutional law, statistics, and human resources. He has owned and managed businesses and run his own consultancy. Douglas began work the second week of January and will be adding value to new and existing programs, as well as providing in house advising. Douglas is already adding value to the EDC and business clients. We are happy to have him on our team!

We are eager to provide a robust suite of services to the businesses of Jefferson County via our growing team and technical service partnerships. We appreciate the support of our public partners as we work to elevate business acumen and resilience, and connect businesses and organizations in a network to nourish enabling conditions necessary for our local place to thrive.

Staff Report July 2022 - December 2022



Staff Report

EDC Team Jefferson

July 1, 2022 - Dec 31, 2022

Expenditures

Payroll Expense

Health Insurance	4,551.59
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Taxes	5,656.38
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Subtotal Payroll Expense	\$10,207.97
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Wages

Administrative Assistant	3,496.77
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Director	55,000.02
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Total Wages	58,496.79
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Total Payroll	\$68,704.76
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Contractor	29,999.25
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Total expenses	\$98,704.01
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List of Vendors and Subcontractors

Require administrative engagement due to clauses in the Multiparty Agreement

Adobe
ADP
Amazon
Apex Law Group
BlueHost.com
Clallam EDC
Clarity Enterprises Inc
Corvus Crafts, LLC
Dailey Computer Consulting, Inc.
Daniel Fisher-Bruns
DNH Domain Hosting Services
DocuSign
Falge Financial, Inc.
First Federal Bank
Food Coop
Hadlock Computer Services
Health Equity
Intermedia
Jacob Perritt-Cravey
Kim Carver Marketing
Kinship HR
Linked In
Melio
Microsoft
Nonprofit Leadership Lab
NoP Data Center
North Hood Canal Chamber
Northwest School of Wooden Boatbuilding
Olympic Disposal
Philadelphia Insurance
Port Of Port Townsend
PT Leader
QFC
QuickBooks
QuickBooks Payments
QuickBooks Payroll Service
Raviyah Training & Consulting
Regence Blue Shield

Safeway
Staples
Tomoki Sage
Toter, Inc.
USPS
WEDA
WSD Consulting
WSU Sponsored Program Services (Small Business Development Center)
Zoom

Financials – see next 2 pages

EDC Team Jefferson
Budget to Actual YTD (July-Dec, '22)
 Reported on February 2, 2023

	YTD TOTAL (JULY-DEC)		
	Actual	Budget	Over (-Under) Budget
Revenue			
Business Activities Income			
Tuition Income			
Business Classes - Lean	1,200.00	1,200.00	0.00
Total Tuition Income	\$ 1,200.00	\$ 1,200.00	\$ 0.00
Total Business Activities Income	\$ 1,200.00	\$ 1,200.00	\$ 0.00
Non Profit Income			
Donation	300.00	0.00	300.00
Funding			
City of Port Townsend	15,000.00	15,000.00	0.00
Jefferson County 068 Comm. Srvc	15,308.90	15,309.00	-0.10
Jefferson County 270 Non-Dept.	0.00	0.00	0.00
Jefferson County 306 PIF	25,000.00	25,000.00	0.00
Jefferson PUD	15,000.00	15,000.00	0.00
Port of Port Townsend	15,000.00	15,000.00	0.00
WA Commerce	37,500.00	37,500.00	0.00
Total Funding	\$ 122,808.90	\$ 122,809.00	-\$ 0.10
Grants			
CIE	2,500.00	0.00	2,500.00
JCF-CEN	20,000.00	20,000.00	0.00
Pass Through Costs	-18,092.72	-18,000.00	-92.72
SBIF	2,500.00	0.00	2,500.00
WW5	8,500.00	0.00	8,500.00
Total Grants	\$ 15,407.28	\$ 2,000.00	\$ 13,407.28
Total Non Profit Income	\$ 138,516.18	\$ 124,809.00	\$ 13,707.18
Total Revenue	\$ 139,716.18	\$ 126,009.00	\$ 13,707.18
Gross Profit	\$ 139,716.18	\$ 126,009.00	\$ 13,707.18
Expenditures			
*Payroll Expenses	0.00	32.00	-32.00
Other	0.00	0.00	0.00
Health Insurance	4,551.59	5,048.00	-496.41
Mileage Expense	0.00	300.00	-300.00
Total Other	\$ 4,551.59	\$ 5,348.00	-\$ 796.41
Taxes			
Total Payroll Taxes	\$ 5,656.38	\$ 6,600.62	-\$ 944.24
Wages			
Administrator	3,496.77	13,332.44	-9,835.67
Director	55,000.02	55,000.02	0.00

EDC Team Jefferson
Budget to Actual YTD (July-Dec, '22)
 Reported on February 2, 2023

	YTD TOTAL (JULY-DEC)		
	Actual	Budget	Over (-Under) Budget
Non-director	0.00	5,850.00	-5,850.00
Total Wages	\$ 58,496.79	\$ 74,182.46	-\$ 15,685.67
Total *Payroll Expenses	\$ 68,704.76	\$ 86,131.08	-\$ 17,426.32
Bank Charges	32.00	0.00	32.00
Continuing Education	566.54	4,697.00	-4,130.46
Facility Rental	80.00	0.00	80.00
Legal & Professional Fees			
Apex Law Group	1,140.00	1,750.02	-610.02
Bookkeeping and Accounting	7,688.39	4,580.00	3,108.39
Computer Support Services	867.00	900.00	-33.00
Contractor	34,399.25	29,250.00	5,149.25
Employee Recruitment Specialist	450.00	0.00	450.00
Other	1,579.44	600.00	979.44
Total Legal & Professional Fees	\$ 46,124.08	\$ 37,080.02	\$ 9,044.06
Licenses & Fees	0.00	120.00	-120.00
Meals and Entertainment	264.61	1,200.00	-935.39
Merchant Service Fees	72.75	75.00	-2.25
Office Expenses			
CRM	0.00	400.00	-400.00
Dues & Subscriptions	920.83	390.00	530.83
Furnishings and Fixtures	340.56	499.98	-159.42
Insurance	4,317.52	1,410.00	2,907.52
Janitorial	0.00	600.00	-600.00
Postage	96.00	60.00	36.00
Software & Internet Subscpt	1,376.42	1,080.00	296.42
Supplies & Printing	669.35	1,774.98	-1,105.63
Utilities			
Electricity	289.92	540.00	-250.08
Garbage Service	306.90	330.00	-23.10
Internet	512.18	539.70	-27.52
Telephone	783.43	713.70	69.73
Water	145.13	240.00	-94.87
Total Utilities	\$ 2,037.56	\$ 2,363.40	-\$ 325.84
Total Office Expenses	\$ 9,758.24	\$ 8,578.36	\$ 1,179.88

EDC Team Jefferson
Budget to Actual YTD (July-Dec, '22)
 Reported on February 2, 2023

	YTD TOTAL (JULY-DEC)		
	Actual	Budget	Over (-Under) Budget
Programs			
Business Classes			
Lean - Community Lean Resource	600.00	600.00	0.00
Lean - Facility Rental	0.00	100.02	-100.02
Lean - Materials	0.00	30.00	-30.00
Total Business Classes	\$ 600.00	\$ 730.02	-\$ 130.02
Center for Incl. Entrepreneurs.	0.00	4,999.98	-4,999.98
CEO Breakfast	25.86	0.00	25.86
Econ. Vitality Index Report			
N .Olympic Legislative Alliance	6,000.00	6,000.00	0.00
SBDC Advisor	3,750.00	11,500.02	-7,750.02
Total Programs	\$ 10,375.86	\$ 23,230.02	-\$ 12,854.16
Promotional	1,230.30	2,500.02	-1,269.72
QuickBooks Payments Fees	2.04	0.00	2.04
Rent	5,654.31	5,654.31	0.00
Repair & Maintenance		499.98	-499.98
Taxes & Licenses		150.00	-150.00
Travel	0.00	499.98	-499.98
Website	622.47	2,500.02	-1,877.55
Total Expenditures	\$ 143,487.96	\$ 172,947.79	-\$ 29,459.83
Net Operating Revenue	-\$ 3,771.78	-\$ 46,938.79	\$ 43,167.01
Other Revenue			
Interest Earned	18.19	12.00	6.19
Total Other Revenue	\$ 18.19	\$ 12.00	\$ 6.19
Net Other Revenue	\$ 18.19	\$ 12.00	\$ 6.19
Net Revenue	-\$ 3,753.59	-\$ 46,926.79	\$ 43,173.20

EDC Team Jefferson
Statement of Financial Position
As of December 31, 2022

	<u>Total</u>
ASSETS	
Current Assets	
Bank Accounts	
FF - Programs and Classes *2002	12,574.58
First Federal Checking ***7602	92,348.21
First Federal Savings ****2737	99,016.18
Total Bank Accounts	\$ 203,938.97
Accounts Receivable	
Accounts Receivable (A/R)	3,217.50
Total Accounts Receivable	\$ 3,217.50
Other Current Assets	
Employee Loan	250.00
Prepaid Expenses	181.48
Total Other Current Assets	\$ 431.48
Total Current Assets	\$ 207,587.95
Fixed Assets	
Accumulated Depreciation	-180.00
Office Equipment	109.43
Total Fixed Assets	-\$ 70.57
Other Assets	
Security Deposit	891.45
Total Other Assets	\$ 891.45
TOTAL ASSETS	\$ 208,408.83
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	14,312.36
Total Accounts Payable	\$ 14,312.36
Other Current Liabilities	
Grants Payable	12,333.75
Payroll Liabilities	
Total Payroll Liabilities	-\$ 2,976.50
Total Other Current Liabilities	\$ 9,357.25
Total Current Liabilities	\$ 23,669.61
Total Liabilities	\$ 23,669.61
Equity	
Opening Balance Equity	1,170.83
Retained Earnings	187,321.98
Net Revenue	-3,753.59
Total Equity	\$ 184,739.22
TOTAL LIABILITIES AND EQUITY	\$ 208,408.83

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January 30, 2023

Jefferson County Commissioners
P.O. Box 1220
Port Townsend, WA 98368

RE: ARPA/Climate Change Resilience, Flood Protection & Waterwalk Project

Dear Commissioners:

Thank you for the opportunity to request funding for the feasibility/preliminary design phase work on the Port Townsend Climate Change Resilience, Flood Protection & Waterwalk Project, Phase I. This project would protect Port Townsend's Flats District, including the Port Townsend Boatyard, SR 20/Sims Way, the Haines Place Park & Ride and many businesses from rising seas by constructing approximately 4,500 feet of flood protection from approximately the Leafwing Sculpture on the Larry Scott Trail to high ground in proximity to the Tides Inn. If feasible, future phases would seek to protect downtown Port Townsend, including Point Hudson.



Exhibit showing approximate project limits

Two of the highest tides recorded occurred in 2022 with the December 27, 2022 King Tide event breaking the records. A portion of the Skookum Building (home of Goldstar Marine/ACI) had 12" of water in it. Roadways, storm drains and other infrastructure was under water during this event; ramps to the marina's docks reversed direction and required an uphill walk to go down to the docks. This event exacerbated prior damage along the Boat Haven Marina's bulkhead; the Port has been working with FEMA to address damage from that event.



Photos of the December 27, 2022 King Tide at Boat Haven

As the Port continues with laser focus to repair, maintain and improve the Port Townsend Boatyard for future generations to use, enjoy and prosper, the threat of recurring flooding is an existential threat. With rising sea levels, climate modeling indicates that we all need to be prepared for more King Tide events. Based on this modeling, the recently constructed north breakwater at Point Hudson is built to elevation 16, replacing a structure that was built at elevation 13. Phase I of this project is intended to consider alternatives, determine feasibility, preliminary alignment, design elevation, preliminary cost estimates right-of-way constraints and probable permitting pathways.

The marine trades are a vital part of Jefferson County's economy and that activity, along with the working waterfront culture, is centered in the Port Townsend Boatyard. Below is a summary of the economic impact of the marine trades sector from the 2018 PTMTA study performed by Dr. Martin & Associates (currently being updated with 2022 data).

2017 Economic Impacts of the Maritime Trades - Summary of Results

2,243 jobs are supported by Marine Trades activity	<ul style="list-style-type: none"> •1,154 direct jobs •676 induced jobs •413 indirect jobs
\$336.7 million of total economic value supported in the region	<ul style="list-style-type: none"> •\$275.7 million of direct business revenue •\$61.0 million of re-spending of direct income and local consumption
\$135.4 million total personal income/local consumption	<ul style="list-style-type: none"> •\$54.9 million: direct personal income, average salary = \$47,583 for these employees •\$61.0 million: re-spending/local consumption •\$19.5 million: indirect income
\$12.6 million state and local taxes	<ul style="list-style-type: none"> •\$6.8 million: state level •\$5.8 million: local and county level

*Totals may not add up exactly due to rounding

While not the primary objective of this project, completion of a significant portion of the City's planned Waterwalk is a huge benefit to the community. Completion of the Waterwalk is consistent with the City's Urban Waterfront Plan, Comprehensive Plan and Shoreline Management Plan. A similar project, combining flood protection and a pedestrian walkway, was completed by the City of Mount Vernon and won the APWA project of the year award in 2020.



Photos of Mount Vernon's flood protection structure/walkway along the Skagit River.



City of Port Townsend's Urban Waterfront Plan, Page 87, visualization of Boat Haven's new Waterwalk (1990)

We hope to substantially complete the feasibility stage for \$200,000. The Port is asking for \$100,000 in ARPA funding from the County and will commit the other \$100,000 from Port funds. As we look to an uncertain future, it is difficult to imagine a more critical project than one that will protect the working waterfront.

The City of Port Townsend is a partner in this project and recently completed the Sea Level Rise and Coastal Flooding Risk Assessment (October 2022). Separately, the city is pursuing funding to perform additional study of rising sea

mitigation for critical infrastructure which will also inform this work. Attached is a letter from Acting City Manager Steve King supporting this request.

If you have any questions or would like any additional information about this request, please ask!

Sincerely,

A handwritten signature in blue ink, appearing to read 'Eron Berg', with a stylized flourish at the end.

Eron Berg
Executive Director

cc: Mark McCauley, County Administrator



January 30, 2023

Jefferson County Commissioners
P.O. Box 1220
Port Townsend, WA 98368

RE: Letter of Support for the Port of Port Townsend's ARPA/Climate Change Resilience, Flood Protection & Waterwalk Project

Dear Commissioners,

Thank you for the opportunity to submit a letter of support for the subject project. The City appreciates the Port of Port Townsend advancing the topic of sea level rise protection in the Boat Haven area. As illustrated in the Port's proposal, addressing sea level rise in this area requires a comprehensive approach which results in the added benefit of sea level rise solutions providing protection to the east of the Port as well as properties surrounding Kah Tail Lagoon.

City plans have long envisioned the Waterwalk connection between the Larry Scott Trail and east through Downtown. Merging sea level rise protection with the Waterwalk vision, provides the first real opportunity to pursue funding for this scale of project. The development of feasibility plan is the first step to leveraging State and Federal funding sources for this project. The City currently is requesting \$250,000 in funding from the State to initiate a similar feasibility study for Downtown. This PIF request builds upon the recent Sea Level Rise and Coastal Flooding Risk Assessment completed in 2022. The risk assessment served as a vulnerability assessment for existing infrastructure and illustrated that the assets along the southeasterly shoreline of Port Townsend is currently at risk of inundation due to the combined effects of King Tide events, storm surge, and wave runup. The study was validated with the recent King Tide events. Should the City receive this State funding, the Port's PIF proposal will provide additional leverage benefiting the City and Port. Furthermore, the Port's PIF proposal provides the opportunity to study feasibility in the level of detail needed to protect and ultimately enhance the economic value of the boatyard.

In summary, the City is requesting consideration of the Port's proposal for funding to move the ball forward in protecting the economic value of the boatyard and surrounding properties as well as further the plan of connecting the Larry Scott Trail to Downtown with the long envisioned Waterwalk. Please do not hesitate to contact me with any questions you may have.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve King".

Steve King
Acting City Manager

cc: Mark McCauley, County Administrator



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February 1, 2023

Secretary Pete Buttigieg
US Department of Transportation
1200 New Jersey Avenue SE
Washington, DC 20590

Re: Expressing Port of Port Townsend Support for Puget Sound to Pacific FY23 RAISE Application

Dear Secretary Buttigieg,

On behalf of the Port of Port Townsend, a co-applicant, please accept this letter of support for the Puget Sound to Pacific FY23 RAISE application, to plan the Great American Rail-Trail from Bainbridge Island across the Olympic Peninsula to La Push.

As a Co-Applicant, the Port of Port Townsend embraces the benefits active transportation infrastructure provides to our communities. Trails transform communities by providing equitable access, enhancing safety, quality of life, sustainability, and by bolstering local economies. We especially value the health benefits derived from active transportation.

The Port of Port Townsend has joined this application because the PS2P projects will create an innovative active transportation and recreation corridor, providing a safe, non-motorized shared use path through this beautiful and productive rural landscape. This multi-use trail project will be an asset not just to the three counties, numerous small towns and several Indian Reservations directly impacted, but also to the wider state of Washington.

For decades, the Port of Port Townsend has contributed to the growing need for safe, non-motorized access throughout our community. Mile marker zero for the Larry Scott Trail (1st segment of the Olympic Discovery Trail) is at the Port. Our long-term land use, transportation, and capital improvement plans include significant commitments to implementing PS2P projects, community connections and transit support for active transportation.

Please consider full support for funding this important project to provide the public health, recreation, community development, and transportation benefits of trails to Olympic Peninsula communities and beyond.

Sincerely,

Eron Berg,
Executive Director
Port of Port Townsend