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Commission Meeting

Special Meeting Agenda

Wednesday, February 15, 2023, at 1 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

- I. Call to Order / Pledge of Allegiance
- II. Resolution #787-23 Authorizing Acquisition of 253 Acres of Property (Short's Family Farm)
 - a. Staff Presentation
 - b. Public Comment
 - c. Commission Discussion/Action: *Move to Approve Resolution #787-23 Authorizing Purchase of Short's Family Farm Contingent on State Funding*
- III. Adjournment

PORT OF PORT TOWNSEND

AGENDA MEMO

DATE: 2/15/2023
TO: Commission
FROM: Eron Berg, Executive Director
SUBJECT: Real Estate Purchase – Short’s Family Farm

ISSUE

Should the Commission approve Resolution 787-23 authorizing the Executive Director to sign a purchase and sale agreement to acquire the Short’s Family Farm, contingent on state funding?

BACKGROUND

Port staff and the Shorts have come to a tentative agreement for the purchase and sale of their approximately 253 acre Chimacum Valley farm. This follows numerous commission meetings, review, study, deliberation, public comment and public conversations on this topic over the past five months.

The Port has been interested in supporting agriculture in Jefferson County since its first Comprehensive Scheme of Harbor Improvements was approved by the voters in 1926. It has been a long path to today, but the potential of this acquisition opens the door for the Port to directly support the economic vitality of agriculture in Jefferson County while also supporting the enhancement and improvement of two very important salmon bearing streams.

DISCUSSION

Attached is an updated Letter of Intent between the Port and the Shorts. The essential terms are:

- Purchase Price:** \$1,400,000 (same as the appraisal commissioned by the Port);
- Lease back:**
- (1) The Farm: for one year at no cost to allow the Shorts to wrap up their decades of farming while the Port and community develop the Short’s Farm Plan;
 - (2) The House: for an additional ten years with rent beginning at \$1,000/month and escalating in year six;
 - (3) Land under the Mobile Home: the mobile home is not included in the sale and the land would be leased back to the Shorts for an additional five years with rent of \$200/month.
- Contingencies:** State funding of \$1,000,000.

The target date for closing is late summer/early fall, following the legislative session, with Port active possession of most of the farm one year later. During this time, the Port will engage the

farming community and stakeholders in developing the Short's Farm Plan. Implementation of the plan through leases, funding requests and projects would occur beginning late in 2024.

FISCAL IMPACT

2023: \$500,000, funded from the Port-wide Capital Reserve

ATTACHMENTS

1. Resolution 787-23
2. Updated Letter of Intent

RECOMMENDATION

Motion to adopt Resolution 787-23 authorizing the Executive Director to sign a purchase and sale agreement to acquire the Short's Family Farm, contingent on state funding.

RESOLUTION NO. 787-23

A Resolution of the Commission of the Port of Port Townsend

Authorizing Acquisition of 253 Acres of Property (Short's Family Farm)

WHEREAS, RCW 53.08.020 authorizes the Port of Port Townsend (the "Port") to: (i) construct, add to, and maintain facilities for freezing or processing goods, agricultural products, meats, or perishable commodities and (ii) own and operate storehouses, elevators, grain-bins, and cold storage plants;

WHEREAS, approximately two hundred fifty-three (253) acres of real property located at 1720 Center Road, Chimacum, Washington identified by Jefferson County Parcel Numbers 901233011, 901224001, 901233002, 901233008, 901233010, 901262002, and 901262003 (the "Property") is currently for sale; and

WHEREAS, the Port's Board of Commissioners have determined that the Property would be a valuable real property holding for the Port and could serve as a future location for freezing, processing, and storing goods, agricultural products, meats, or other perishable commodities, among other potential uses;

WHEREAS, the Port is seeking One Million Dollars (\$1,000,000) in funding from the Washington State Legislature which, if awarded, would be utilized to purchase the Property.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Port of Port Townsend as follows:

1. The Port's Executive Director is authorized to sign a purchase and sale agreement and all necessary documents to close the purchase of the Property at a purchase price of One Million Four Hundred Thousand Dollars (\$1,400,000), so long as such documents are conditioned upon the Port receiving One Million Dollars (\$1,000,000) in funding from the Washington State Legislature to be used for the purchase of the Property.

ADOPTED in open session at a meeting of the Board of Commissioners of the Port of Port Townsend on the ___ day of _____ 2023, and duly authenticated by the signatures of the Commission and the seal of the Commission affixed hereto.

ATTEST:

Peter W. Hanke, Secretary

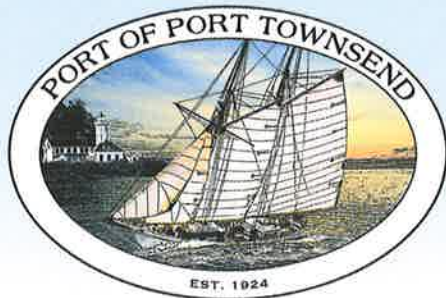
Pamela A. Petranek, President

APPROVED AS TO FORM:

Carol L. Hasse, Vice President

Port Attorney

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February 10, 2023

Roger & Sandy Short
1720 Center Road
Chimacum, WA 98325

RE: Letter of Intent

Dear Roger & Sandy,

This Letter of Intent ("LOI") shall serve as an outline of the transaction (the "Transaction") by and between the Port of Port Townsend (the "Port") and Roger & Sandy Short ("Seller"), whereby the Port would purchase from Seller approximately 253 (253) acres of real property and improvements located at 1720 Center Road, Chimacum, Washington, identified by parcel identification numbers: 901233011, 901224001, 901233002, 901233008, 901233010, 901262002 & 901262003 (the "Property").

The Port is governed by a three (3)-member elected Commission. While Port staff is authorized to negotiate Transactions such as this LOI, any final and binding approval of the Transaction set forth herein must be made by the Commission of the Port, in its sole discretion, acting in an open public meeting. Therefore, the negotiation of this Transaction is subject to Port Commission approval, which may or may not be granted.

The following terms set forth the parties mutual understanding with respect to the Transaction:

- 1. Purchase Price:** The purchase price is one million four hundred thousand Dollars (\$1,400,000).
- 2. Deed:** The Property will be transferred to the Port via statutory warranty deed free and clear of all encumbrances except those approved by the Port.
- 3. Closing Costs and Escrow:** Jefferson Title Company will serve as escrow. The Port and Seller will split the cost of escrow, Seller will pay for a standard title insurance policy, and Seller will be responsible for the real estate excise tax.
- 4. Contingencies:** The Transaction is contingent on the Port receiving funding from the Washington State Legislature in the amount of \$1,000,000. The Port agrees to request funding by February 17, 2023.
- 5. Transactional Documents:** The Port will, at its sole expense, have a draft real property purchase and sale agreement with appropriate attachments prepared (the "Transactional Documents") within 10 days of the date of this LOI.

6. Lease Back:

- A. The Farm: The Port will execute a lease with the Sellers for possession of the entire property, for one year from the date of closing, for no rent. This period of time will be used by the Sellers to wrap up their many decades of farming and by the Buyer to complete a farm planning process. During this time, Sellers will keep and maintain the farm, home, and buildings in their current condition.
- B: The Home: The Port will execute a lease agreement with Sellers for their home beginning at the end of the Farm Lease (366 days from the date of closing). That lease agreement will be for the Short's Family Home and will have an initial term of five (5) years with an option to renew for an additional five (5) years. Rent for years 1-5 shall be \$1,000 per month. Rent for years 6-10 will be increased for inflation. The agreement will allow the Sellers to terminate this rental agreement at any time with 30 days' notice.
- C: Land under Kevin's Mobile Home: The Port will execute a lease agreement with the Sellers for the land under Kevin Short's mobile home for up to five (5) years beginning at the end of the Farm Lease to allow Kevin time to relocate his mobile home. Rent for this land only rental agreement shall be \$200.00 per month.

7. Possession. Buyer shall be entitled to possession on closing.

8. Closing of Transaction: Shall occur after the contingency in Paragraph 4 is satisfied and the funding is available from the State. This is anticipated to occur between July 1, 2023 and September 30, 2023.

9. No Assignment of this Letter of Intent: This Letter of Intent and the rights hereunder may not be assigned by Port.

10. Good Faith Negotiation: The parties agree to negotiate in good faith towards the completion and execution of the Transactional Documents.

11. Construction, Governing Law, and Venue: The Port and Seller agree that this Letter of Intent will be construed to effectuate the normal and reasonable expectations of sophisticated parties. The parties hereto expressly agree that this Letter of Intent will be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of Washington. Any action in law or equity relating to this Letter of Intent or the subsequent Transactional Documents shall be instituted and maintained only in Jefferson County Superior Court.

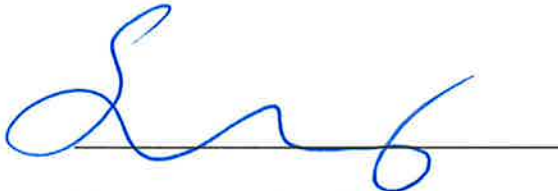
12. Intent of the Parties - Non-binding Terms: The parties do not intend that the terms of this Letter of Intent to be binding but rather outline the terms of the Transactional Documents. This Letter of Intent is not intended as, and does not constitute, a binding agreement by any party, nor an agreement by any party to enter into a binding agreement but is merely intended to specify some of the proposed terms and conditions of the Transaction contemplated herein. Neither party may claim any legal rights against the other by reason of the signing of this Letter of Intent or by taking any action in reliance thereon. Each party hereto fully understands that no party shall have any legal obligations to the other, or with respect to the proposed

Transaction, unless and until all of the terms and conditions of the proposed Transaction have been negotiated, agreed to by all parties, and set forth in the Transactional Documents which have been approved by the Port Commission, signed, and delivered by all parties. The only legal obligations, which any party shall have, shall be those contained in such signed and delivered Transactional Documents referred to above. This Letter of Intent is not intended to limit the scope or substance of further discussions, or the matters that may be addressed between the parties or in the Transactional Documents. Furthermore, the Transactional Document terms may vary from those set forth herein, and in the case of any conflict between this Letter of Intent and the final executed Transactional Documents, the Transactional Documents shall control.

13. **Miscellaneous:** This Letter of Intent incorporates all discussions, agreements, and understandings relating to the Transaction to date. It may be amended only in writing executed by the parties hereto.
14. **Counterparts and Electronic Transmission:** This Non-Binding Letter of Intent may be signed in counterparts. Electronic transmission of the signed original Letter of Intent, and retransmission of the same, shall be the same as delivery of the original document.

We look forward to moving as quickly as possible to complete the transaction outlined in this Letter of Intent. Please sign below indicating your acceptance.

PORT OF PORT TOWNSEND



Eron Berg, Executive Director

SELLER



Roger Dean Short



Sandy Short

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