

## PORT COMMISSION MEETING – May 25, 2005

The Port of Port Townsend Commission met in regular session at the Point Hudson Marina Room, Port Townsend, WA.

Present: Commissioners – Beck, Pirner and Sokol  
Executive Director – Crockett  
Deputy Director – Pivarnik  
Auditor – Taylor  
Attorney – Harris

Absent: Operations Manager – Radon

### I. CALL TO ORDER:

The meeting was called to order at 7:00 PM.

### II. APPROVAL OF AGENDA:

**Upon motion of Commissioner Sokol, the Agenda was unanimously approved with the following additions:**

- VI. New Business:
  - C. Low Impact Forestry
  - D. Lease with Puget Sound Yachts

### III. CONSENT AGENDA:

- A. Approval of Minutes – May 11, 2005
- B. Approval of Warrants:
  - #32322 through #32346 in the amount of \$28,538.78
  - #32347 through #32349 in the amount of \$12,800.13
  - #32350 through #32401 in the amount of \$44,392.78
- C. Resolution No. 445-05 – Authorizing Sale of Abandoned Vessels

**Upon motion of Commissioner Pirner, the Consent Agenda was unanimously approved.**

### IV. PUBLIC COMMENTS (NOT RELATED TO AGENDA):

Gary Rosso:

As one who frequently travels between the US and Canada, he expressed concern about the recent retirement of the full-time US Customs officer assigned to Port Townsend's Port of Entry and the shifting of those administrative duties to Port Angeles. He is concerned about new rules by the Dept. of Homeland Security, which eliminates the opportunity to check in by telephone for those that do not have special (I-68) customs clearance. Without a full-time customs office in Port Townsend, Canadian and US boaters will have to enter by way of a Port of entry that is staffed full time, such as Friday Harbor, Port Angeles, Anacortes or Bellingham. He thinks this change would deter visitors to Port Townsend and suggested the Port contact the Dept. of Homeland Security to stress the impact of this action to the local economy. Mr. Crockett pointed out that this change also affects the airport. Staff had called yesterday regarding this situation and was told that through June 11 the Port will be served 3-4 times a week, from 8-4PM, by agents out of Port Angeles as that facility's activity allows. There are no plans, however, for any staffing after June 11. To provide input on this matter he suggested contacting Assistant Commissioner Jason Ahearn in Washington, DC and copying local legislators. Mr. Crockett also recommended that the Commission authorize the Port Director to draft a letter reminding the Customs Agency that this is an International Point of Entry and urging a plan for after June 11.

**Commissioner Beck moved to authorize the Executive Director to produce a letter reiterating concerns about the lack of US Customs officer assigned to**

**Port Townsend. The motion carried by a unanimous vote.** Mr. Crockett proposed that the Commissioners also sign the letter and suggested that a newspaper article might help raise the visibility of this issue.

Linda Swisher:

Recalled that Jefferson County Pilots Association had presented the outgoing customs agent with a plaque upon his retirement for his years of helpful, patient service in Port Townsend. The Association is also concerned about the economic impact of this decision.

V. NEW BUSINESS:

A. Low Impact Forestry

Mr. Crockett reported on his attendance at RC&D's quarterly meeting, where a feasibility study was proposed for a project to introduce low impact forestry in Clallam and Jefferson Counties. Much of the land in the county is in private ownership and the owners of many of these forests are unprepared to thin and otherwise care for them. It is believed there would be enough work to warrant selective harvesting using modern techniques. If these lots, primarily alder, could be turned into sustainable, productive private forests, this could mean a dozen or so full-time jobs in the foresting industry. There is a need to raise \$2K by the end of May to qualify for matching money under a USDA grant. He reviewed that while the Port has identified other purposes for the \$5K it has set aside for economic development, he suggested that the Commission consider becoming involved with a letter of intent.

Bill Wheeler explained that he had bought 20 acres near Quilcene that had been clear-cut about 15 years ago with the intent to live on that land. He can see that the techniques used by Pope and Talbot—clear cutting and aerial application of herbicide—would not be appropriate in maintaining forested properties such as his, but he hasn't found a business that services small lots/properties and is also knowledgeable about buying and selling specialized woods, which he believes should be a fairly easy and low-cost enterprise. He estimated controlled, low-impact wood-lot maintenance would cost about 3 times as much as a clear-cut strategy, but the value of the property would also be enhanced. The current commercial operators are not set up to take this approach but he now believes it would be economically feasible to build an industry from scratch on this resource. He predicts that in a year or so, he could transition into a strategic business plan/model. He imagines a sorting yard facility in the County, the base of operation and hog fuel facility before processing. He estimated that, if these forests were not maintained, these properties would be valued at one third. He has \$34K from a USDA grant, \$17K in professional services match and about \$15K matching commitment from the University of Washington and from Clallam County.

Commissioner Sokol commented that Bill had made this presentation to the EDC last month. He acknowledged the significant concern about environmental degradation but also sees this as an economic development opportunity for South County.

**Commissioner Beck moved to authorize the Executive Director to provide \$2,000 in matching funds to support the Low Impact Forestry economic development project. The motion carried by a unanimous vote.**

VI. OLD BUSINESS:

A. Jefferson County International Airport Update

Mr. Crockett reported that as a result of the conference call with the FAA and Reid Middleton an expansion of the stormwater catchment system appears necessary. Originally, the plan was to bring the airport to the latest DOE standard; however, the County and FAA are allowing grandfathering, saying the Port only

needs to address the eight new hangar pads. This extra retention capacity would meet the one hundred year flood scenario. He was disturbed by the requirement of only using data from an authorized federal weather system, the closest of which is Port Angeles and their average rainfall of 25"-26" rather than the 16"-17" typically recorded in Port Townsend. Although the original catchment area would be cut in half by this ruling, its cost would only be cut by about \$50K, from an estimated \$200K to about \$150K – the cost of disposing of the excavated earth remains one of the bigger unknowns. The Port's debt from its other significant projects would likely affect the ability to get good project financing. The Commission needs to consider what a construction loan for the airport would do to its debt profile and discuss whether this project should be executed in phases. While the \$786K in FAA funding is still available, the Port must respond with its approach.

Mr. Pivarnik then explained three different summaries of costs:

1. For the \$2.2M full buildout of a 8 hangar pads, the FAA would provide \$786K and the Port would need to borrow \$1.3M, less development charges of \$85K. We would also receive about \$45K in annual rent for the land and \$29K from rental of the proposed new Port-owned hangars.
2. If we were to do a full buildout of all 8 hangar pads, all to developers and not keep one for Port development, it would reduce project cost by \$500K, becoming a \$1.692M project with \$786K of FAA money and \$48K per year in income for renting the land. He believes the land lease income could probably allow the Port to pay the debt service on the \$800K loan.
3. If we just built the lower 3 hangars down by the windsock and built two taxiways, since the FAA will only fund what they build, we would lose grant money. We would also only take in \$19K in land leases. Mr. Crockett added that we might, in 3-4 years, get back into the grant cycle to fund the next phase but the cost of the full infrastructure is required for even a single hangar. Commissioner Sokol pointed out the increased "mobilization costs" inherent in a phased approach.

Mr. Harris suggested the Port build the condos and sell the units where you not only recover costs and have no debt service, but also have the option for ongoing land rent income from the tenant, the condominium association. Up-front costs would be high but the revenue would come in more quickly. If demand assumptions were correct, this would not be risky. The Commission expressed concern about competing with the private industry and also about paying prevailing wage. He suggested working with Malcolm McKinnon to satisfy our need for renters by private development rather than condo-ization.

Given the Port's many projects, Mr. Taylor urged the Commission to examine its priorities, saying that if we were to try to address all of our needs without borrowing, we would use all available cash by the end of this year. Whatever we do here will have an impact on our ability to issue bonds for Point Hudson. Mr. Crockett suggested there be a meeting with the developers to provide an update on the higher development expenses due to the stormwater work. The Commission concurred about needing to renew their interest.

Mr. Crockett indicated that the FAA needs to allocate these funds next week and other ports are ready to commit. If we say we just want to do the engineering and postpone work, it may be 2008 before we could get back into the line. The Commission concurred with Staff to go ahead with the full buildout without a Port hangar.

Mr. Taylor reminded that the estimated figures were round numbers that the actual bids could change by 10-15%. When asked by Mr. Crockett if the Port could refinance, he recommended a line of credit rather than a construction loan. Staff and the Commission agreed that there should be a resolution dedicating the purpose of this line of credit. Mr. Taylor said that on a pure cash flow basis, the Port would likely not need any money until later in the year. If approved, the project would immediately go out to bid, a contractor selected and construction begun in July. Staff agreed to try to arrange a special meeting Wednesday morning after a meeting with the contractors.

**Commissioner Beck moved to proceed with full buildout at JCIA without the Port hangar based on the contractor commitment. The motion carried by a unanimous vote.**

Staff agreed to present the Commission with a concrete list of proposed projects.

**Commissioner Sokol moved that Staff be directed to research a line of credit in support of the JCIA buildout project. The motion carried by a unanimous vote.**

V. NEW BUSINESS (Continued):

B. Intergovernmental Meeting

The proposed date for this meeting is June 7. Topics suggested so far by the Commissioners are: Shoreline Master Program, Industrial Land Bank, and the Port's move to Point Hudson, with the last being the priority.

Commissioner Sokol proposed the formation of an elected forum, to replace the Joint Growth Management Steering Committee (JGMSC) and Intergovernmental Meeting, and geared toward economic development, such as that created by Bellingham and Whatcom County.

After further discussion, the Commissioners gave their support for the following three topics: Port Move to Point Hudson, Customs Concerns, and an Airport Update.

C. Mariner Bank Leasing Office Space

Mr. Pivarnik reviewed that with the Commission's support, Staff has moved forward with plans to move the Port's administrative and finance offices into the Point Hudson hospital building. The Commission felt that its intent was for the Port to occupy the Hospital building if there were no longer a significant asbestos issue. Although renovation costs have escalated somewhat, the balance of the space would be easier to rent. Mr. Taylor agreed to present a project control form at the next meeting. Staff reviewed plans to remove and replace the insulation blown in above the ceilings and other modifications to the heating and cooling systems. Mariner Bank is looking for space for a loan office and had expressed interest in occupying the Port's present building once it is vacated. He distributed a letter of understanding from the bank, proposing a 2-year lease with two 2-year options and are willing to make some renovations. Staff noted the benefits of converting this and the space currently occupied by the Port's Accounting staff space to income-producing assets.

Mr. Harris clarified that a letter of intent is typically non-binding. The Port should reserve the right to back out at any time if the parties cannot agree on the terms of the lease.

There being no Commission objection with proceeding with a Mariner Bank lease, Staff agreed to return with a lease, at the appropriate time.

D. Lease with Puget Sound Yachts

Mr. Pivarnik reported that Pete Gillis and a financial partner out of Seattle had asked to lease space in the current Port maintenance shop area in the Armory Building for the purpose of operating a yacht brokerage. The rate on the one-year lease would be \$0.50/foot and they would make improvements. While he had hoped for a more commercial operation in that space, he believes Puget Sound Yacht use would be good for the Port Hudson community as a whole. Pete Hanke, Jr. is already developing a small convenient store operation in the Puget Sound Express location.

**Commissioner Pirner moved to authorize Port Staff to negotiate a lease with Puget Sound Yachts, pending approval by the Port Attorney. The motion carried by a unanimous vote.**

VII. Staff Comments:

Mr. Pivarnik:

LTAC reported that the Department of Transportation has proposed the first closure of the Hood Canal Bridge occur from 10:00 PM, Thursday, August 11 until before 5:00 AM, August 15. The second will be from 7:00 PM, August 21 until before 5:00 AM on August 25.

Today, the fire department conducted a training exercise at the airport and will return for another exercise tomorrow. He saw this activity as reassuring the public of our preparedness.

Mr. Crockett:

He is starting to hear rumors that the airport might be a possible site for the main facility of the newly consolidated fire districts.

He received a call from the Port Townsend Public Television, urging the Port to become an active member (for a discounted \$500 fee), which would provide access to the production facilities and cable programming time.

He would attend the LUPEDAP meeting tomorrow morning from 7:30 to 9:30.

VIII. PUBLIC COMMENT:

Linda Swisher:

On behalf of the Jefferson County Pilots Association, the rock for the pilot memorial has been put in place and work on the largest plaque should be done in about a month.

Gloria Bram:

She wanted to commend the Commission for making the leap into airport expansion, and believes this would go a long way toward making the airport self-sufficient and taking the burden off of Point Hudson and the Boat Haven.

IX. COMMISSIONER COMMENTS:

Commissioner Sokol:

He showed a four-page newspaper insert produced by the Port of Seattle, which the Port might use as a model. Mr. Crockett noted that in Mr. Pivarnik's meeting with a strategic marketing consultant, he had put together a marketing outreach plan and a formal method to review projects. The week after next, they would meet to finalize marketing plans. Mr. Pivarnik noted that the Seattle piece cost .25/copy, or \$100,000 for 400,000 copies.

Commissioner Beck:

It is beach-cleaning time and he is anxious for the Port to contact a volunteer group to make sure this occurs.

Doug Reeves is interested in the Port's gravel facility and would like to submit a proposal. Port Staff said they believe a formal bidding process is called for.

He suggested the Port schedule its July (first monthly) meeting in Quilcene.

X. NEXT MEETING:

Wednesday, June 8, 2005 at 1:00 PM at the Point Hudson Marina Room, Port Townsend, Washington with the workshop at 9:30 AM.

XI. EXECUTIVE SESSION: None

XII. ADJOURNMENT:

The meeting was adjourned at 8:45 PM, there being no further business to come before the Commission.

ATTEST:

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President

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Secretary

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Vice President