

PORT COMMISSION MEETING – May 27, 2009

The Port of Port Townsend Commission met in regular session in the Commission Chambers, 375 Hudson Street, Port Townsend WA.

Present: Commissioners – Beck, Collins, Thompson
Executive Director – Crockett
Deputy Director – Pivarnik
Auditor – Taylor
Senior Accountant/Recorder – Hawley

Excused: Attorney - Goodstein

I. CALL TO ORDER

The meeting was called to order at 6:30 PM.

II. APPROVAL OF AGENDA:

The Agenda was amended with the addition of New Business Item F – Northwest Maritime Center/ Port of Port Townsend Paving Project.

Commissioner Thompson moved to approve the Agenda, as amended.

Motion carried by unanimous vote.

III. CONSENT AGENDA:

A. Approval of Minutes – May 11, 2009

A correction to the May 11, 2009 Minutes was noted to page 4, New Business Item 4, second sentence beginning “he reminded that the Port had made an offer...” should be corrected to the following “He reminded that the Port had been given the opportunity to make an offer....”

Commissioner Thompson moved to approve the Consent Agenda, as amended.

Motion carried by unanimous vote.

IV. PUBLIC COMMENTS (Not related to agenda):

None

V. OLD BUSINESS:

C. Marine Trade Economic Status:

Mr. Crockett suggested moving the topic to the beginning of the meeting to allow the Marine Trades present to offer their input.

A through discussion and dialogue followed between the Commission, staff and local Marine Trades Businesses.

Chris Chase, with Port Townsend Shipwrights Co-op, stated that he had been in the Port for twenty plus years and at the Co-op for nine years. He reminded that the economy had been very good for business for three to four years and then, in October 2008, the economy turned downward and the phones stopped ringing immediately. He stated that the Co-op had a few jobs to carry them and the company had immediately taken evasive action to try to attract more customers to the business. He advised of some of the advertising strategies they used, for instance putting a sign up at the Marine Fish Expo advising of free haul outs and free storage. Two customers, he offered, took advantage of the incentives and one proved to be a substantial job and put the Co-op on track for having one of its best years, ever, financially. He said that he had heard often that the Port fees were very high and advised that the Port should definitely offer some sort of incentive or lower the Yard fees – something to stimulate the economy which, he said, had taken another slow down. He reminded that the Shipwrights Co-op could employ twenty people when business activity was booming along. The Co-op was in the process of construction of a new building addition hoping to attract quality jobs and business.

Diana Talley, Taku Marine, offered that she was in a position to talk to a great many people and that some businesses were doing well and others were not. One person had mentioned that they had work scheduled through August and nothing lined up after that. She voiced concern regarding the instability of the business activity climate. She stated that she hoped the Port would bring forward some type of an incentive (which, in her opinion, should be more that 10%, 20% or 30%) and one that would help bring customers to the Port and the Marine Trades. She volunteered that she had heard that Seaview West in Seattle had dropped their haul out rates by 50% and had advertised the discount widely resulting in an increase in their business. She offered that she hoped the Commission would offer as dramatic an incentive as Seaview West had done. She stated that doing so would help the Marine Trades. She stated that the Marine Trades industry represented 30% of non-governmental

jobs in Jefferson County so getting more business into the Marine Trades would also help the Jefferson County economy. She advised that, in her opinion, the deciding factor for customers coming to Port Townsend was the Port's lay day rates, which, in her opinion, were too expensive. She stated she would like to see the Port offer a dramatic incentive to begin in September or October and that it should be heavily advertised by the Port.

Commissioner Collins asked Mr. Crockett to share the information he had gathered regarding the incentive program offered by Seaview West.

Mr. Crockett responded that it appeared that the difficulty lay in keeping projects in the Yards for longer time periods as those were the types of projects most likely employ Marine Trade services and circulate out into more dollars being spent in the local economy.

He reminded that there had always been a discount of 20% in the Ship Yard for active projects that stayed ninety days or longer and advised that it might be time to consider an incentive along the same lines in the Work Yard targeting the September, October, November time period.

He informed that staff had contacted Seaview West and had asked questions regarding what it would cost for a 40-foot boat to have basic maintenance issues addressed. The haul out was discounted 50% however, he said, Seaview West, like a lot of private yards, was very strict in what they allowed private boat owners to do on their boats, strict BMP policies. For a 31 day stay, (Seaview West is not required to collect State Leasehold Tax as is the Port) the Port charges would be: round trip hoist: \$301.79, wash down: \$54.00, environmental fee: \$15.00, lay days cost at 42 cents per foot per day: \$587.67, tarp fee: \$40.00, sales tax \$25.35 for total charges of \$1,023.81. The Seaview West charge were: hoist (with the 50% discount) \$400.00, environmental fee: \$70.00, the lay days: \$1,240.00, tarp fee: \$25.00, sales tax: \$35.70 resulting in total charges of \$1,370.60. The result, he informed, was that the 40 foot boat owner would pay to Seaview West approximately \$350 more than the they would pay to the Port of Port Townsend. He remarked that the 50% discounted haul out was an attractive "come on" to get customers in the door. In addition, he stated, a savings of \$350 was probably not going to be enough of an incentive to bring a boat owner to the Port of Port Townsend from the other side, especially with the current closure of the Hood Canal Bridge. He stated that he thought Port rates were very competitive and that staff continually checked with other yards and marinas to make sure we remained competitive.

Vincent Lour Blanc stated that he was an average consumer, which, he felt gave him the right to an opinion about a possible incentive program. He informed that since he had arrived in the Port nine months ago he had spent \$21K in lay day charges. Additionally, he had spent \$60K in cash for parts and services and another \$4K to \$8K a month just to be in Port Townsend. He advised that he liked working on the boat himself as he was a violin maker by trade and enjoyed woodworking. During the nine months he had been in the Yard, he stated, the consistent complaint he had heard was that the cost of having a boat on the "dry" for a long period of time was overwhelming.

Gordon Neilson stated he was a private contractor and also worked for Brion Toss, and wanted to add to Ms. Talley's comments, that not only did the Marine Trades provide 30% of non-governmental jobs but also every dollar generated had a ripple effect in the community of 2.5, which meant the actual Marine Trades contribution was greater than 30%. He advised another piece of the puzzle was the new Department of Ecology standards and controls. He stated, in his opinion, that whatever incentive was offered at Boat Haven there should also be consideration given to Point Hudson because of the Marine Trades businesses located there as well. Regarding the economy, he stated, he would like to think the economists were right and that the economy would turn around in 2009, but, he stated, that did not mean the pocket books would open and he offered that if the Port designed an incentive it should be one that would benefit both the Marine Trades and the Port. He advised that he thought it should be something that could be offered for three months and then extended if necessary.

Jim Maupin marine surveyor/marine insurance, talked about three large boats that were planning to go to Seattle for haul out discounts. He suggested contacting the

Bainbridge Island Harbormaster to see what they were doing regarding advertising and incentive programs.

Les Schnick stated that, in his opinion, it was apparent that the most important thing for right now, more important than making policies was to put together a marketing campaign. He offered that perhaps working from a retailing perspective would be advantageous, which might mean lowering prices for the short term to get some movement going. He spoke, also, on behalf of Townsend Bay Marine saying that they had informed him they had one project remaining and then did not have any additional projects lined up. He stated that Townsend Bay Marine employed eighty employees, needed to find additional projects and would benefit, as would the other Marine Trades, from movement in the Yard.

Rick Petrykowski of Taku Marine, stated, that in his opinion, there were going to be many well established businesses in Port Townsend who would be going hungry unless the economy changed, and suggested that people would be going to Seaview West to take advantage of the haul out discount. He advised that Port Townsend was different in that it dealt with many wooden boats, whereas Seaview West dealt with more fiberglass boats. He urged the Commissioners to seriously consider an incentive plan to bring in business and to help the Marine Trades. He stated that, in his opinion, the Port should consider lowering the Yard storage rates.

Mark Jochems, Shoreline Marine Diesel, stated he had started his business in 1993. He advised that he had seen the current economic trend coming and had taken some extreme measures to deal with it, one was to discontinue all advertising and he also discontinued making payments into a retirement program. He said work coming in was very slow and that he was currently relying on warranty work and emergency work. He advised that he had no place left to cut or reduce expenses and was bare bones right now and was going to have to rely on emergency work to keep going through the summer and beyond if the economy did not pick up. Additionally, he advised that he had two vacant units in his building and there had been no interest shown by anyone to rent them. He suggested the Port consider offering a price break to those boat owners who broke down and needed repair.

Commissioner Beck thanked all participants for their comments and suggestions.

A. Work Yard Incentive Program:

Commissioner Beck reminded that there had been discussion of the topic during the May 11, 2009 meeting and opened the topic for further discussion.

Mr. Crockett reminded that staff had discussed various incentive options for the small, 75-ton Work Yard, reminding that a 20% discount was already given in the Ship Yard for those projects that stayed ninety days or longer. He informed that staff had discussed that some type of multi-layered incentive plan might be one option, with a discount at 30 days, another at 60 days and possibly a third given for 90-day projects.

Mr. Taylor offered that roughly 10% to 12% of the Yard revenue came from boats that stayed less than 30 days and about 90% of the revenue came from boats where the State Leasehold Tax kicked in which was, at least, 30 days. He advised that, in his opinion, the Port was still seeing the affects of the decision made two or three years previously, to increase the Yard rates to try to move long-term, non-active, boat projects out of the Yard. Some of those projects, he noted, had been in the Yard from eight to ten years. The increase in lay day rates was successful in that it had moved those projects out, however, he noted, the empty spaces left behind had not been filled with new projects.

Commissioner Beck reminded that there had been comments at the time the decision was made about whether there would be revenue to replace those projects moving out.

Commissioner Collins stated that one reason for adjusting the Yard lay day rates upwards was to try and provide movement in the Yard to help the Marine Trades as the long-term inactive boats did not require Marine Trades activity.

Mr. Pivarnik clarified that there were really two issues at stake. One, the Yard books were quite often booked out two to three weeks and although he realized the Marine Trades needed the business, the Port also needed time to actually lift those boats out of the water, especially in light of the Port's reduced Yard staff. The other issue was that if the Port offered too much of a discount, the complaint would be that the Port

was undercutting private business and so the Port needed to be sensitive to that issue and balance any discounts with other facilities.

Diana Talley asked if it would be fair to offer the incentives to boats that hired Jefferson County Trades people only and wondered if that would be inappropriate.

Mr. Crockett advised that in order to remain fair and legal any incentives would need to be offered to all and not limited to a few select groups.

Commissioner Beck reiterated that he wanted to proceed with some type of action quickly in order to help the Marine Trades get through the economic slow down.

Discussion followed with dialogue between the Marine Trades, staff and the Commissioners with agreement reached to form a Committee of Marine Trades volunteers to discuss and structure an incentive program for the small Work Yard.

B. Vessel Storage for Tenants:

Mr. Crockett reminded that during the May 11 meeting there had been discussion regarding a letter Ms. Talley (Taku Marine) had sent to the Commissioners in which she referenced the possibility of being granted a boat space next to her building as she had while renting from former owner, Bill Sperry. Staff, advised Mr. Crockett, had been directed by the Commission to draft a letter to Ms. Tally in which the Commission and staff concerns were put forth and that by granting Ms. Talley's request there would have some bearing on policy implications. He advised that he'd had the opportunity to speak with Port Attorney Goodstein regarding the matter and Mr. Goodstein had voiced a number of concerns regarding the topic. Staff proposed to get together with Ms. Talley to discuss the issue, various ideas and bring the topic back to the Commission if common ground was reached. He asked for Commission approval on the draft letter concept.

Commissioner Beck moved to authorize the draft letter to Diane Talley of Taku Marine as presented.

Motion carried by unanimous vote.

VI. NEW BUSINESS:

A. Integrated Marine Systems Inc.:

Mr. Pivarnik provided an update on the topic and reminded that the proposed lease was for the vacated J&S Fabrication building in Boat Haven. The prospective tenant, Mark Burns, desired a 5-year lease made up of a two-year and three one-year options starting at \$3K a month plus all applicable taxes and with annual CPI increases. Mr. Pivarnik updated with historical information

Commissioner Beck moved to authorize staff to sign the lease with Integrated Marine Systems, Inc. in the amount of \$3,000 plus Washington State Leasehold Tax, as presented.

Motion carried by unanimous vote.

B. Quincy Street Dock Renovations:

Mr. Crockett provided historical information regarding the proposed project and then turned the meeting over to Kevin Harris, lessee of the Quincy Street Dock.

Mr. Harris informed of the restoration progress of the Old Cannery Building and informed of his proposed plans for the Quincy Street Dock, which included, as part of the restoration, that the Clam Cannery Building had been turned into a small hotel facility with, initially, five units and the potential of eight units. He advised the project had taken nine years to reach this point and that now he was ready to proceed with his vision of restoring the actual dock to be both beautiful and useful. He envisioned being able to provide moorage for the hotel guests. Also over the past eight – nine months he had been ascertaining if there was a demand for seaplane service into Port Townsend and had checked with Kenmore Air. Although due to issues raised by the City of Port Townsend, Kenmore Air had not been able to fly into Port Townsend during the Hood Canal Bridge closure, they had flown into Port Hadlock and Port Ludlow enough to determine that there was demand for the service. He currently was in process of making his presentation to the City of Port Townsend and then would need to go out for permits, etc.

A thorough discussion followed about the dock restoration concept and design, permitting and Mr. Harris's tenacity over the last nine years.

Commissioner Collins moved to approve the Quincy Street Dock concept as presented by Kevin Harris. Motion carried by unanimous vote.

D. April Financial Update:

Mr. Taylor presented the April financial reports, advising that not much had changed since the thorough discussion of the financial statements through March 31 at the May 11 Commission Workshop. In summary, for the first four months of the year, he stated, the actual year's overall net income was a negative \$86,000, down \$131,000 from the same period in 2008. He stated the financials indicated that the Yards, as had been discussed thoroughly, were the issue as the gross receipts for the first four months in the Work Yard were down about \$33,500 from the same period last year. Of that, he said, 2/3 was from lay day revenues and about 1/3 of it was from haul outs. The Ship Yard was down about \$66,000: \$38,000 from lay days and \$27,000 from the 3% Marine Trades contribution funds.

A short discussion regarding the 3% Marine Trades Contribution along with some historical data followed.

Continuing, Mr. Taylor informed that the gross revenue for the first four months in the two yards, combined, was down \$99,500 from the same time period in 2008 resulting in an 18.5% reduction. He stated that on the Ship Yard side, the reduction in revenues trickled right through to the bottom line because expenses in the shipyard were virtually the same as last year resulting in a reduction of \$66,000 in net income. In the case of the Work Yard, he advised, not only was the revenue down \$33,500 but there were also extra ordinary expenses, i.e. repairs to the 75 ton hoist and bad debt forcing the expenses up \$36,000 resulting in the decrease in net income of the two Yards combined of \$135,500 down from 2008.

The other cost centers in the aggregate, he stated, were equal to or a little better than 2008 and pretty much on budget. He informed that the Boat Haven nightly guests increased 8.7% from 2008, which, he took as a good sign. Point Hudson guest boaters were also up from last year by 5.4% and nightly RV revenue was up 6% over last year which were all good indicators.

Non-operating revenue was \$18K behind the 2009 budget resulting from a decrease in Timber Taxes and Interest earnings.

Gary Rossow commented that, focusing on April, it appeared the financial news was favorable if one looked only at the bottom line in net income for April actual for April vs. budget was up over \$30K in one month and although one could not say whether or not it was a "trend" it was good news.

Mr. Taylor remarked that there were a few items, which would affect the bottom line in May primarily as the Port had not yet been invoiced for legal services by Mr. Goodstein. Repair and Maintenance was also under budget for April due to a lot of staff time and expenses being put to the T's Restaurant capital project and which would not reflect on the operating statement. He mentioned, also, that in April the Port received \$12,500 in Marine Trades revenue, all contributing to make April appear healthy.

Lastly, Mr. Taylor informed that Staff costs were \$46K below budget for the first four months.

E. Approval of Warrants:

Wire Transfer Reference #4349072 in the amount of \$275,705.86 for J&S
Fabrication Building Purchase

Warrant #041991 in the amount of \$1,366.00 for Accounts Payable

Warrant #041992 through #042020 in the amount of \$38,922.59 for Payroll

Warrant #042021 through #042027 in the amount of \$23,325.12 for Payroll Benefits
and Accounts Payable

Warrant #042028 through #042086 in the amount of \$136,686.12 for Accounts
Payable

Commissioner Thompson moved to approve the warrants as presented.

Motion carried by unanimous vote.

F: Pavers Project for the Maritime Center:

Mr. Crockett informed that the Northwest Maritime Center was proceeding with the building project and were starting on some finishing details. He reminded that the Port owned the jetty walkway at the entrance to Point Hudson, broken up by the Maritime Center property and then the Port property picked up again at the overlook at the end of Water Street by the Landfall Restaurant. The Maritime Center was planning to install individual "pavers" in the common area on the water side of their

structure. He explained that the proposed project was for a continuation of the pavers onto the adjoining Port property to make a smooth transition from the Maritime property onto the Port property. Since the Maritime Center was already mobilized to set the “pavers” moving ahead with the project now would reduce overall expense to the Port. He provided additional details and information regarding the proposed project which would cost \$ \$19,765.71.

A short discussion followed.

**Commissioner Thompson moved to authorize approval of the paver installation project, and payment, in the amount of \$19,765.71 plus WSST.
Motion carried by unanimous vote.**

VII. STAFF COMMENTS:

Mr. Pivarnik presented draft plans for the new Coast Guard Station at Boat Haven. He advised that there were several things he did not really care for and was going to work with the architect to resolve those issues. One major concern to him was that the building had been moved from its current location all the way out to the ramp that goes down to the fuel dock and even though the plan stated we would still have access to the ramp, he was concerned with how we were going to have access and explained that those issues needed resolution.

Discussion followed which included that ramp access was necessary and a description of the design elements suggested in the draft drawings.

Mr. Pivarnik advised that two citizens had come forward expressing interest in the current Coast Guard building, so that it could be moved from the location to enable the new one to be built. Mr. Pivarnik informed that the Coast Guard hoped to begin construction of the new building by October 1.

Commissioner Beck moved to approve the drawing concept, as presented, for the new Coast Guard building with resolution of details and with access to the fuel dock ramp assured.

Motion carried by unanimous vote.

A brief discussion followed about the Coast Guard relocating to the vacant Mahina Yachts building during construction and other details.

Mr. Pivarnik relayed a request made by Bob Ray of Marine Exchange to extend his lease ten years. Mr. Pivarnik informed that he had several issues with granting the request; one was that Mr. Ray had indicated he was planning to retire soon and another was whether the building condition would allow it to last for another ten years. He advised that there needed to be discussion about how we wanted to move forward with Marine Exchange.

Mr. Crockett explained that the issue became one of gifting of credit from the State if the Port were to grant to Mr. Ray a ten-year lease so that he could immediately sell the building lease at a profit and then retire. Mr. Crockett informed that Mr. Ray’s lease was currently month-to-month and that it could be changed to a year-to-year with maybe a ninety-day notice clause should he decide to give up the lease. However, advised Mr. Crockett, we needed to seriously look at the parcel and see if the building was the best use of that land. He provided topic background and history regarding the building.

Mr. Pivarnik informed that he would bring back the Marine Exchange matter for the June 10, 2009 meeting.

Mr. Crockett informed that he had been approached by citizens at the airport who had expressed interest in the idea of having a fly-in at the airport this year as had been done in years past. The prohibitive cost of insurance had derailed the 2008 Fly In. However, there was interest in holding the event this year in mid August.

Discussion followed about how large a scale the event would be.

Mr. Crockett informed that he and Mr. Pivarnik had met with representatives from Jefferson County Parks who advised that the County was thinking of forming a Metropolitan Park District (which would included various area parks, little leagues, the Kiwanis, Jefferson Land Trust, the Soccer Club and Jefferson County Fairgrounds) which would include, area-wise, the City of Port Townsend as well as the western part of Jefferson County. The idea was to move forward with putting to topic on the November 2010 ballot for voter approval or rejection. Mr. Crockett provided additional details and information about the proposed Parks District advising that the representatives would like to brief the Port Commission at a future meeting.

VIII. PUBLIC COMMENTS:

George Yount stated, that in his opinion, the Commissioners and staff should be commended for the work done with those present earlier in the evening from the Marine Trades. He advised that the give and take was absolutely essential in order to solve, or at least attempt to solve, the particular economic problem. He stated that he really appreciated the attitude and genuineness shown in dealing with the problem and trying to find a solution.

Mr. Yount advised that he did have a concern which was that he realized the Commission was wrestling with the issue of what to do about the Marina rates and he asked that the Commission consider that 300 marina tenants was a “small tail to wag the big dog” which were the taxpayers of Jefferson County. As a Jefferson County resident, he advised, he paid property taxes to the Port although he did not own a boat or airplane. He was, he advised, happy to pay to the Port his annual property tax for economic development. He did not, however, believe the Jefferson County taxpayers should be subsidizing the marina tenants, those that have a luxury item such as a boat or an airplane. He referenced a e-mail recently sent out to the Democratic Party in which it suggested that new Candidates be found for District #2 and District #3 with the litmus test of making sure that moorage rates were kept low, which in his opinion, was extremely hypocritical. He reiterated that he wanted his tax dollars to go towards economic development and not for subsidizing the marina tenants. He stated that he had received two dozen phone calls from fellow taxpayers (since the e-mail had been sent out) expressing the same, or similar, opinion. In conclusion, he stated, in his opinion, the moorage rates should be fair and equitable and should be based on the policy that they pay for the moorage and the services received. In conclusion, Mr. Yount suggested to the Commission that they needed to remember that there was a 900-pound gorilla – all the Jefferson County taxpayers and that they had a responsibility to them, also.

A short discussion followed concerning Mr. Yount’s comments.

Additionally, Mr. Yount offered that he viewed economic development much broader than just the Marine Trades businesses, saying that we’ve locked into that because its our cultural institution, but he advised that a lot more could be done at the airport such as an incubator business, or establish a Farmers Market out in the County to cater to the farming community and the Jefferson County residents. He stated, in his opinion, we needed to stop focusing on just Port Townsend and move our focus outside of Port Townsend to broaden the economic development base; develop small entrepreneur kinds of things because big manufacturing was not going to happen, nor did most residents want big manufacturing. He stated, in his opinion, that what Team Jefferson was doing was absolutely elegant. He advised, although he supported the Marine Trades 110%, that we needed to look at the big picture of economic development and to start looking at activities that could happen in Port Hadlock, Chimacum, and Quilcene.

IX. COMMISSIONER COMMENTS:

Commissioner Collins informed on the Washington Public Port’s Spring Conference in Pasco, WA. He, Mr. Crockett and Mr. Pivarnik attended advising that there was a continuation of information regarding the Open Public Meetings Act. He suggested that it might be timely to formalize some of the Port’s procedures regarding e-mail and other items.

He advised that there had also been a presentation of what other Ports were doing in regard to economic development, which he found to be very informative. He suggested that he would like to follow up on the information learned with focused, brainstorming sessions with the intent of gaining tangible ideas regarding the Port’s plans for economic development and which would take the Strategic Plan the next step forward.

Commissioner Beck informed regarding a meeting of the Jefferson County Planning Commission he had attended. He stated that there had been a Hearing on the Industrial Land Bank. Commissioner Beck reminded that the topic had long been postponed and delayed through lack of funding by Jefferson County, but, during the meeting the Planning Commission had voted to direct the Jefferson County Board of Commissioners to move forward with the Industrial Land Trust during 2009. Commissioner Beck provided additional historical information regarding the topic.

A thorough discussion followed about the topic.

X. NEXT MEETING: Next regular meeting will be held Wednesday June 10, 2009 at 1:00 PM Workshop at 9:30 AM, in the Port Commission Chambers, 375 Hudson Street, Port Townsend, WA

XI. ADJOURNMENT:

The regular meeting adjourned at 9:15 PM there being no further business to come before the Commission.

ATTEST:

David H. Thompson, Secretary

Herbert F. Beck, President

John N. Collins, Vice President