

FRIDAY HARBOR PORT DISTRICT
Port Commission Meeting
(Call in Information Below)
Wednesday March 10, 2021 at 12 pm
Minutes

The public was prohibited from attending in person due to COVID-19 restrictions but could dial into the meeting via Zoom.. Comments can be e-mailed to the Port or addressed to the commission during the public comment section.

Commissioners Present on-line:

Graham Black, Commissioner
Greg Hertel, Commissioner
Barbara Marrett, Commissioner

Staff Present on-line:

Todd Nicholson, Executive Director
Tami Hays, Harbormaster
Phyllis Johnson, Auditor
Randy Everitt, Executive Secretary

Citizen comments/requests: Citizens can make a brief comment or may ask the Commission to schedule a topic for further discussion at a future meeting.

Discussion Items:

- a. **The Executive Director provided the Commission an update on Carlson Constructions work:**
The Executive Director said Carlson Construction has completed the removal of the high dock at Jensen's Marina. They are currently working on the removal of the remaining shoreline boathouses.
- b. **The Executive Director provided the Commission an update on the Ellisport Engineering work.**
The Executive Director said that the contract for Ellisport Engineering is for a structural engineer working for the Port. That Engineer is assessing the piling and has developed a report that has been sent to the Army Corps of Engineers.
- c. **The Executive Director provided the Commission an update on the emergency permitting process.**
The Executive Director said that the Port has received verbal permission to complete the demolition project, but the piling and float replacement is still pending emergency authorization.
He said by the end of March the new galvanized piling should be in place ready for whatever path the Commission chooses to pursue.
- d. **The Executive Director Provided a financial analysis and replacement option for the covered moorage at Jensen's Marina.**
The Executive Director provided the Commission and public the following visual information outlining four (4) pathways for consideration as follows:

Strategic considerations.

1. The Port has two types of debt financed assets:
 - a. Self-sustaining like Spring Street Landing, the proposed Marine Technical Center, Jensen's marina, and Shipyard Cove. These assets produce enough income to pay their own debt service and produce generational income once they are paid off.
 - b. Pure maintenance like the C, E, F dock rebuild that create no new revenue. These investments must be repaid by drawing upon existing Port revenues. The C, E, F project still has a deferred and unpaid \$6M debt service from 2014. It is extremely difficult to absorb large non-revenue producing debt service projects into existing revenues without damaging our ability to maintain the broader facilities.
2. The Port has significant and foreseeable future maintenance and replacement projects throughout our broader marina facilities. The Port has a multifaceted strategy to address these long-term needs:
 - a. Pursue a break even cashflow at the airport (historically runs at a \$500,000 deficit) through increased land lease contracts.
 - b. Conduct all marina rebuild projects in-house to the greatest extent possible lowering our overall cost by approximately two thirds.
 - c. In the short to mid-term, favor revenue generating expansion projects over avoidable negative cashflow projects.
- The current Port revenue structure is not sufficient to cover foreseeable infrastructure needs beginning around 20 years from now.
- Investing in expansion and new revenue projects now is the best available path to ensuring long term viability of the entire Port.
- Debt financing the incremental cost of reestablishing covered moorage versus investing in uncovered moorage and an expansion project has multimillion dollar, generational impacts to the Port.

Covered moorage replacement cost considerations.

Assumes:

- a. No fire sprinkler system.
- b. No Code snow load requirements but includes a snow removal system.
- c. Float mounted cover – not pile mounted.

- d. Piling mounted covers would be significantly more expensive but could be offset to an unknown degree by not needing concrete floats. Permitting timelines, cost, and mitigation costs would all likely increase significantly.
- e. Base cost of uncovered moorage design, permitting, piling and HDPE floats are excluded from incremental cost considerations of covered moorage.
- f. Electric service is excluded from analysis because it is substantially the same in all options.

Likely unavoidable costs:

\$60,000	(ROM est.)	Design/Engineering
\$400,000	(ROM est.)	roof structure
\$530,000	(NMFS calculator)	mitigation cost differential between uncovered and covered
Potential costs:		
\$400,000	(Prelim est.)	Concrete floats and walkways for reserve buoyancy

Port constructed HDPE docks at \$40/sq. ft. have substantially less reserve buoyancy to carry snow load relative to purchased \$115/sq. ft. concrete floats. The use of HDPE floats for covered structures appears feasible but not necessarily wise. The use of HDPE floats will substantially reduce the margin of safety for effective preventative snow removal and increases the possibility of future structure/vessel damage.

Port staff's best available information at this point leads to a calculated \$1.4M incremental additional cost for 18 covered slips versus the uncovered option.

Commissioner Hertel asked about refurbishing the current concrete floats that we have and using the HDPE floats as replacements for them.

The Executive Director said that scenario was a viable option and had some merit but was not an ideal solution. It would substantially reduce the cost of replacing the concrete floats, but they do not exactly match the footprint. Such a configuration could drop the cost of the float component to two to three hundred thousand dollars. He said this could slow the process down and the decision would have to be made immediately because the concrete floats are not covered under the emergency action. He said that under the emergency action the only path we are allowed to take is the re-establishment of uncovered moorage. The Executive Director said it would take approximately 4-5 months to complete the floats and install the new docks.

Path 1: Port rebuilds covered moorage at Port's expense.

Pros:

- Maintains moorage type status quo for 18 of 22 existing customers.
- Maintains limited covered moorage space in the area that is impossible to replace once released.
- Supports retention of wooden boat heritage.

Cons:

- Would likely substantially increase covered moorage cost even if subsidized by other sources (Port maintenance funds or other moorage tenants)
- Substantial additional upfront Port debt service cost – would likely be paid back to break even over a 30-year period.
- Opportunity cost – Gives up real time cash flow and millions of dollars of future revenue.
- Opportunity cost – limits future ability/timeline for serving existing wait list customers.
- Loss of two slips relative to uncovered moorage.

Risks:

Insufficient debt financing capacity partially dependent on the outcome of our insurance settlement.

Aggregate cost:

Demo	312K
Piling	173K
Design/permit	160K
Floats	658K
Mitigation	230K
Roof	400K
Electric	300K
Total	\$2.2M

Path 2: Port rebuilds uncovered moorage.

Pros:

- Substantially lower reconstruction and maintenance costs.
- Opportunity – Allows for increasing real time cash flow and creating millions of dollars of future revenue.
- Opportunity – Increases future ability/timeline for serving existing wait list customers.
- Avoids shifting costs from uncovered Port tenants, maintenance funds, or potential expansion funds to the benefit of covered moorage tenants.
- Best strategic option for maintaining month over month cash flow and debt repayment capacity, as well as producing the best outcome for long term maintenance of the remainder of Port facilities.

Cons:

- Irretrievable loss of 18 covered moorage spaces.
- Less supportive of wooden boat heritage.

Risks:

- Lowest risk option

Aggregate cost:

Demo	312K
Piling	173K
Design/permit	100K
Floats	185K

Mitigation	(300K)
Electric	300K
Total	\$770K

Path 3: Port rebuilds some uncovered moorage and allows some privately owned boathouses to replace portions of the existing covered moorage areas.

Pros:

- Avoids a significant portion, but not all, additional Port debt financing on the rebuild.
- Allows a path for some or all current tenants to retain covered moorage.
- Allows a path for support of some of the historic wooden boat heritage.

Cons:

- Still incurs significant environmental mitigation cost.
- Adds complexity to the operation and management of the facility.
- Lose several available moorage slips.
- Places greater strain on the primary piling and walkway system of the rebuilt marina.
- Likely highest cost option to benefitted moorage tenants though initial calculations indicate this may not be a significantly higher cost option versus privately funded covered moorage.

Risks:

- County may or may not allow covered moorage to be replaced by private boathouses. Initial inquiries indicate that it would be allowable but there remains no certainty at this point.
- Significant litigation risk if long term leases are used.
- May constrain ability to combine the Jensen and Shipyard Cove Marinas.

Aggregate cost:

Demo	312K
Piling	173K
Design/permit	100K
Floats	110K
Mitigation	230K
Electric	300K
Total	\$1.2M
Tenant share	500K?

Path 4: Port rebuilds covered moorage and sells the covered improvements along with a long-term transferable lease (similar to the F Hangar airport project).

Pros:

- Can allocate most or all of the incremental cost of covered moorage to the directly benefitted parties.
- Avoids Port debt financing on the covered portion of the rebuild.
- Allows a path for most or all current tenants to retain covered moorage.
- Lower cost option for tenants relative to individual boathouses.
- Lower moorage cost to covered tenants relative to boathouses or Port owned covered moorage.
- Tenant's investments can be recovered via sale.

- Does not incur an opportunity cost.

Cons:

- The individual investment would be lower than a boathouse but still significant – ROM estimate \$40k – \$80K per slip. (likely at the higher end)
- Long-term maintenance and insurance costs would presumably also increase the cost of ownership to the slip owners.
- Still incurs significant environmental mitigation cost but these would be recovered in the sales.
- Long term Port maintenance and management efforts required far in excess of uncovered moorage.

Risks:

- High incremental construction and mitigation costs make the sales of the covered moorage untenable or attractive. This could be guarded against via a prepaid escrow account from the covered moorage tenant group.
- Highly likely litigation during and/or near the end of the lease term.
- Constrains ability to effectively combine Jensen and Shipyard Cove Marinas.

Aggregate cost:

Demo	312K
Piling	173K
Design/permit	160K
Floats	658K
Mitigation	230K
Roof	400K
Electric	300K
Total	\$2.2M
Tenants share	1.4M?

Commissioner Black asked Commissioners Marrett and Hertel if they had any questions pertaining to the Pathways 1-4 as described by the Executive Director.

Commissioner Hertel asked about the mitigation comments in phase 4, stating that there was no litigation with the hangar leases and the maintenance issues could be taken care of. He said if the Port could bring the costs down to about 1.2 million to the Port and the paid about 40k then we should consider that as an option.

The Executive Director said there may not be litigation on this pathway and the hangars were different because of their land lease status. He said however that there has been a long and consistent history of litigation on these types of arrangements.

Commissioner Hertel said that he was a covered moorage holder at Jensen's. He said that he felt covered moorage was important for a number of reasons. There is a benefit having classic boats. 1. There is an economic benefit to the craftsmen who work there repairing wooden boats. 2. The future benefits for having covered moorage is about 2 million dollars. 3. The Community would lose part of its heritage if lost. We should look at this as more than a business decision. If it were a business decision we would have sold Jensen's and turned it into condominiums and private slips. He further said that the Commissioners should set a goal going forward of re-establishing covered moorage.

Commissioner Black stated that he was conflicted over this issue. The boat sheds to him were more of a carport for boats and not intended to be a museum. He said that he did not feel the Port was obligated to rebuild the boathouses to satisfy a very small number of customers at the expense of the other customers at the Port. He said that by not rebuilding the boathouses it would move more people off the current waiting list for slips by providing additional uncovered moorage. He further said that he believed that uncovered moorage was a more prudent investment and that he did not feel the future benefits of covered moorage for 2 million dollars did not match the research that he and the Executive Director completed. He said that he would feel much more comfortable if the Port owned whatever covered moorage materialized in the future. Commissioner Black felt that covered moorage with a canvas roof would be a reasonable alternative.

Commissioner Black said that he understood that the Port owns a very unique asset with covered moorage and that the County has a reason why they do not allow covered moorage. He said if there was overwhelming interest by the Commissioners to explore a route forward then he would be in favor of Path 3. He said that this option while not ideal seems to favor wealthy people and is not consistent with the Ports mission, which is to create jobs.

Commissioner Marrett said that the initial beginning with the purchase of Jensen's, was to keep covered moorage as a way to protect classic boats and the character of Jensen's. The question is at what cost. We still don't know about the insurance, remediation, and rebuilding costs. without knowing the costs that are involved we should not make any decisions that could involve millions of dollars and may take thirty years to repay. She stated that she is not convinced that spending the kind of money required benefits the taxpayers and the other slip holders.

Commissioner Hertel responded by saying that we are not here to serve the wait list, we are here to serve the people that are our primary customers and the wait list later. He said that he believed that covered slips could generate more income now and would provide workspace for people working on the boats. He said that he hopes the Commission could find a way to replace the boathouses in a financially responsible way. He suggested that the port contact individual boathouse moorage holders and try to determine if they would be willing to pay X dollars per month more, because it will cost more.

Commissioner Black expressed his concern about the costs of the contaminated soil at Jensen's as well as an all-season, all tide storm ramp that has been on the county wish list and comprehensive plan for years for use in emergencies. He expressed his concern about the amount of money available as well as the number of critical projects that have to be completed. He said that pushing these important projects down the road so eighteen people could have covers for their boats did not seem reasonable.

Commissioner Marrett said she had to put her bias aside in support of wooden boats and history and concur with Commissioner Black that she would have a hard time justifying such an expenditure for such a small group of people.

The Executive Director said that if we were not going to take some of the privately owned options off the table then how and who should we poll to determine who is interested.

The Commission Chair opened the meeting up for questions from the public:

Sandy Straylude said that the Port should look and Jensen's as a cultural landscape and to think carefully on how to maintain it as such.

Don Eaton said that he had reviewed the cost analysis provided with the agenda. He said he wanted the Commissioners to continue the discussion and mitigate some of the financial concerns. He said there has been no acknowledgment of insurance proceeds which could figure into the decision. He was curious about why the mitigation costs were included. He said he believed the mitigation costs should be covered by the Ports insurance, and all of the direct loss caused by the collapse should be covered by the insurance. He said that the boathouse had not collapsed in 58 years and believed the Styrofoam floats should have been adequate if the end boat next to his had been there to support the boathouse. He said he thought that HDPE floats should be adequate because the Styrofoam floats had held the boathouse up in 1998 with 8 inches of snow on top.

Don Eaton said he thought the Port should use 100% of the insurance proceeds to replace the boathouse because the Port had already committed to replace the docks and walkways. He said he thought that was the only fair thing to do. Mr. Eaton thought that Commissioner Blacks comments regarding the boathouse only servicing 18 people was wrong because, it had served many more boats in the past and would again serve many more boats in the future. He said it's an asset that has value, you can charge for it. He asked that the Commission take more time to figure out the costs with the insurance settlement and encouraged the Commission to support the building of the boathouses.

Unidentified Person stated that she thought that it would be irresponsible for the Port to not rebuild the boathouses because their loss would be irreplaceable. She said that covered moorage was extremely difficult to locate anywhere in the Pacific Northwest. She said that she would expect with quality covered moorage that the cost would go up. She asked that the Commission not take the Port out of play for covered moorage. She asked if there were covered slips, how would that reduce the overall capacity of Jensen's moorage space?

The Executive Director said that the loss of slips was due to the size of modern boats being larger and therefore the slips would have to be larger to accommodate them. The current boathouse slips were actually designed in a time where the average hull width was eight to nine feet. Modern boats are larger and the new construction for covered and uncovered moorage would accommodate the larger beamed vessels just like the main marina.

Eric Eisenburg asked about his ranking on the wait list and recommended that the Port charge more for the slips and supported Don Eaton's statements that the boathouse serves more than eighteen people.

Kevin Dodd asked, when the Port purchased Jensen's there was a statement that the Port supported covered moorage. What has changed since then? He also wanted to know why the insurance wouldn't cover the reconstruction costs. He also asked to see the financial breakout and why are so many other Ports able to operate covered moorage and why the Port can't. He further stated that once the covered moorage was lost it would be lost forever.

The Executive Director responded saying that when the Port bought Jensen's the master plan was for only Jensen's. Subsequently the Port has purchased Shipyard Cove because we had the ability to buy a combined facility which has a far greater potential for the community. The Port's intent was to combine both marinas into a larger, single, more efficient marina. The Port intended to work with the County to relocate, and maintain covered moorage, and acquire permits to move it to deeper water in a configuration that did not eliminate a large number of slips.

The Executive Director said that he did not know if the insurance settlement would be 200K or 1 million. He said he thought it would not be more than 500K in usable funds and it remains to be seen if the demolition costs exceed the 525K value placed on the asset. The insurance company has not committed to whether that is covered separately under liability or if that will come out of the insured amount of the value of the structure.

He said the Port is still considering the philosophical decision on which path the Commission is willing to go down based on rough order magnitude estimates on industry standard data and checking in with other Ports that have done similar types of projects. In order to get a reasonable estimate, we would have to invest tens of thousands of dollars to get an engineer's estimate. The Port needs to determine what costs the benefited parties are willing to bear, the Port's ability to refinance, and what on-going projects would be deferred.

Commissioner Black said that there was language in the letter sent to the Commission by the Citizens Advisory Committee (CAC) that recommended the Port keep covered moorage. He stated that he does not feel bound by it and the Commission must be free to change its mind based on new information. He said the Port is trying to balance a lot of competing interests and make the best decision that will help the public at-large. He said the Port must consider the many pressing concerns that affect the public and the County relative to a very few people represented by those seeking a covered moorage solution.

Commissioner Hertel said that he did not feel bound by the picture of the combined marinas and would not have supported it if he had known we were going to lose covered moorage completely. If that took place it would lose his support completely. He also stated that he thought the Port's insurance should cover things like mitigation as well as the costs of rebuilding.

Action Items: None

Regular Business:

- A. The Commission approved the Minutes from February 24, 2021 with a 3-0 vote.
- B. The Commission approved the payroll and vouchers #01629-#01667 for \$238,651.56 with a 3-0 vote.

Staff Reports:

- A. **The Executive Director** said that the Northwest Hangar development project at the Airport will replace A and B hangars and would build new taxiways. The project would also build a new unit of ten nested T's. That project is still on track and will be breaking ground in mid-to-late summer.

He said he would be bringing a proposal to the Commission to fast track the taxiway to the South West hangar development area and if the Airport stays in the B-2 configuration the Port would build a new terminal by the old Animal Protection Society. The Port has the opportunity with a private/public partnership to provide access to the planned hangar field in that area.

- B. **The Executive Director** said we have a new business lease that will be serving sandwiches and wines replacing San Juan Excursions in the space under Downriggers.

Commissioner Marrett asked about the status of Ernie's at the Airport. The Executive Director said that the interior furnishings have been pulled out, and the port is working on a new lease where the lessee will convert Ernie's into a pilot welcome center, lounge, and restaurant at their expense. If that business does not work out then the Port will make that area into apron space, hangars and tiedowns.

Port Commissioner and Committee Reports:

The Executive Director asked the Commission if he should poll the interested parties at Jensen's to see if there was any interest in the privately funded option.

The Commission agreed to have the Executive Director conduct a survey and ask relevant questions regarding the Jensen's boathouse rebuild. The Executive Director said he would provide a sample of questions for their review for the next meeting.

Citizen comments/requests: Citizens can make a brief comment or may ask the Commission to schedule a topic for further discussion at a future meeting.

Adjourn:



Graham Black, Commissioner

For



Barbara, Marrett, Commissioner

For



Greg Hertel, Commissioner

For