

## Friday Harbor Port District

Port Commission Meeting

San Juan Island Yacht Club

Wednesday September 14, 2022 at 12:00 PM

Regular Meeting Agenda

*With Covid-19 restrictions lifted, the public is now able to attend the meeting in person. You may also dial into the meeting via the link listed below. Please note that if you are attending via the link, it will be in listen only mode, and comments will not be able to be made.*

*Members of the public unable to attend the meeting may email comments for presentation to the Commission during the public comment period. Please email to [ToddN@PortFH.org](mailto:ToddN@PortFH.org) with the subject line "Public Comment". Comment must be received 24 hours prior the meeting.*

### Join Zoom Meeting

<https://zoom.us/j/3796847063?pwd=d3NoTW05aXNqaWUzL1g0UVhsN1RoQT09>

Meeting ID: 379 684 7063

Password: 7063

**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.

- A. Chamber of Commerce Budget Request
- B. EDC Budget Request
- C. K12 Water Quality Program Budget Request

### Consent Agenda:

- A. Approval of Minutes: August 24, 2022 Meeting Minutes
- B. Approval of Vouchers: Payroll and Bills Vouchers

### Action Items:

- A. Consider Authorizing the Director to Execute Dock Manufacturing Interlocal Agreements
- B. Consider Approval of PAE Contract #22-008 First Amendment for \$50,000 (Taxiway Contractor Default Related)
- C. Consider Approval of PAE Contract #22-009 First Amendment for \$15,000 (Hangar A Contractor Default Related)

### Discussion Items:

- A. Staffing Considerations for Budget
- B. Tariffs and Lease Rate of Return
- C. Schedule for Policy and Planning Workshops
- D. Time Permitting: Lease Policy & Greenhouse Gas Policy

*Continued, Next Page*

**New Business:** Commissioners May Share Information or Introduce Topics for Discussion at a Future Meeting.

**Staff Reports:**

- A. Hangar A Roof
- B. Main Marina Recycling Center Update
- C. Year 2022 & 2023 Vehicles
- D. Maintenance Team Lead Report

**Port Commissioner and Committee Reports:**

- A. Climate & Sustainability Committee (Commissioner Marrett)

**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:**

## Friday Harbor Port District

Port Commission Meeting Minutes

San Juan Island Yacht Club

Wednesday August 24, 2022 at 12:00 pm

*With Covid-19 restrictions lifted, the public is now able to attend the meeting in person. You may also dial into the meeting via Zoom. Please note that if you are attending via Zoom, it will be in listen only mode, and comments will not be able to be made. Comments can be e-mailed to the Port to be addressed to the commission during the public comment section.*

**Commissioners Present:** Barbara Marrett  
Graham Black  
Victoria Compton

**Port Staff Present:** Todd Nicolson, Executive Director  
Phyllis Johnson, Auditor  
Tami Hayes, Harbormaster  
Amber Garcia, Executive Assistant  
Kyle Gropp, Capital Projects Supervisor  
Garrett Smith, Boatyard Lead  
Mike Roling, IT System Administrator

**Public Present:** Amanda Azous, Citizen  
Bob Brunkow, San Juan Pilots Association  
Corley McFarland, Precision Approach Engineering (via Zoom)  
Daniel Schwartz, San Juan Pilots Association  
Dean Riley, Sound Maintenance and Aero Fuel  
Greg Hertel, Friday Harbor Cruises  
Quinn Edington, Aero Fuel  
Necia Quast, LWV

**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. **None**

### **Consent Agenda:**

- A. Approval of Minutes: July 27, 2022 Meeting Minutes
- B. Approval of Minutes: August 8, 2022 Meeting Minutes
- C. Approval of Vouchers: Payroll and Bills Vouchers #02998-03035 for \$123,964.69 and #03036 for \$10,416.00.

Commissioner Black moved to approve all items in the Consent Agenda,  
Commissioner Compton seconded, all items approved unanimously.

**Action Items:**

- A.** Discuss and consider adoption of the 2023 – 2027 Airport Capital Improvement Plan (CIP)
  - a. Aviation fuel, new taxiways and hangars, hangar rebuilds, & energy efficiency

Greg Hertel addressed the Commission stating he is in favor of having Jet A fuel at the airport. Jet A is kind of a misnomer, it is not just used for jets, it is also used by turboprops. Ambulance, helicopters, and Kenmore Airlines are having to refuel somewhere else.

Bob Brunkow and Daniel Schwartz with the San Juan Pilots Association spoke to the Commission regarding Jet A fuel. At least twelve local turboprop planes and helicopters that are having to fly off island to fuel up, that tax money that's going to other counties. There should be no change in the number of jets that would be coming to the airport.

Dean Riley with Aero Fuel who currently manages the fuel at the Airport stated there is a card lock system already in place at the fuel station for customers. Adding Jet A fuel will be more maintenance for them.

Amanda Azous, who is a retired Environmental Engineer, stated she would like to see the CIP emphasize the high-level commitment made in regard to stewardship and environmental responsibility as stated in the Port's Strategic Plan.

The Commission discussed the upcoming Airport Capital Improvement Plan (CIP) and which items to prioritize beginning in 2023. Corley McFarland with Precision Approach Engineering joined in on Zoom to answer questions and assist with the discussion.

Based on a consensus of the Commission at the end of the meeting, the CIP document as updated by Corley from APE, and presented the Commission, will be submitting to the FAA.

**Discussion Items:**

- A.** Consider advertising a Request for Proposals (RFP) for the Spring Street airport parcels

The Commission discussed in depth whether they should consider an RFP for the Spring Street airport parcels or go another direction.

Commissioner Marrett made a motion to move forward on a lease policy before they entertain proposals for airport properties. Commissioner Compton seconded the motion, Commissioner Black opposed. Majority vote carries.

- B.** Review boatyard rates and operational considerations

Boatyard Lead Garrett Smith presented the Commission with proposed changes to

the Albert Jensen and Sons Boatyard rates. These changes are to help create a competitive rate structure similar to other boatyards in the Puget Sound area that offer similar services and facilities in an effort to remain current with standards expected by boatyard customers, while still providing revenue for boatyard operations.

The new rate proposal would make it more affordable to be in the yard short-term, and slightly more expensive to be in the yard long-term, giving us more opportunities to haul out boats.

The Commission recommended to try these rates and revisit them after they see how it works out over the fall season.

**C. Discuss medical coverage for budget preparation**

The Executive Director brought forth to the Commission for budget preparation, he would like to change medical coverage for Port Staff dependents from 75% contribution to full 100% contribution from the Port. This will also include full contribution for Commissioners and their families.

The Commission discussed and there was a consensus. It will be built into the budget, once the budget gets approved, the Employee Handbook will get updated with the change in medical coverage.

**D. Review draft Greenhouse Gas Policy**

The Commission would like table this for now and discuss at future meeting.

**E. First review of draft Lease Policy**

The Commission reviewed and discussed a draft of the Lease Policy the Executive Director had provided to them.

The Executive Director will put together preliminary concepts of what each Commissioner would like to see and come up with a single version document. It will then be sent it out to the Commission for comments and edits.

**F. 2023 Commissioner goals for the Director and Port staff**

The Commission would like table this for now and discuss at future meeting.

**G. Schedule for director's review**

The Commission decided the review of the Executive Director will be done at the same time as the Staff reviews, at the end of the year.

**H. Request for a letter of support from the Arts Committee for a sculpture on Port property**

Commissioner Marrett shared that the Arts Committee would like some assurance that if they put an RFP out for a welcome sculpture that it would be allowed to be placed on Port property.

Commissioner Marrett will send them a letter that reserves the right to have, you know, final say on placement location and form of the installation that you're not.

**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. **None**

**Port Commissioner and Committee Reports:**

Commissioner Compton shared that Congressman Larson is going to be holding a listening session for District 2 Commissioners and Federal District 2 commissioners on September 21 at 11:00 am.

She also shared that she wanted to have a commissioner listening session at a coffee shop every quarter.

Commissioner Black inquired about the possibility of changing meeting days to Friday. Meeting will remain on Wednesday; he may need to zoom in instead of being in person.

Commissioner Marrett mention she will be attending the Climate and Sustainability Committee working group. She also shared that there was a great turn out for the Pride Festival at Jackson Beach.

**Staff Reports:** None

**Adjourn:** 2:03

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Graham, Black, Commissioner

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Barbara Marrett, Commissioner

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Victoria Compton, Commissioner

## Dock manufacturing:

- Our internal dock manufacturing costs range from \$55 - \$76 per square foot, smaller floats being more costly per square foot.
- Labor costs range from 18% - 22% of production cost, depending on float size.
- Market rates pre-inflation were running at \$110 - \$125 per square foot for a lessor product.
- Our proposal is to split the difference between our internal cost and market cost when manufacturing for other entities.
- Splitting time between internal and external projects has several benefits:
  - Saves sister agencies money.
  - Lowers our effective internal manufacturing and labor cost.
  - Increases our manufacturing efficiency.
  - Allows dedicated staff to remain on task during permitting delays we may experience.
  - Creates good on island jobs.
  - Increases material volumes which may lower our unit costs.
- A six-month external production run should fully fund our production staff for the entire year and leave funds remaining to cover significant internal material costs.
- Each external project will be a separate task order on a standing Interlocal Agreement. The commission would approve each order by way of authorizing an unbudgeted expense for the project materials (which would be reimbursed by the payment from the receiving entity)
- Each external production run, while unbudgeted, would have a net positive effect on the approved base budget.

## **INTERLOCAL AGREEMENT FABRICATION OF DOCK SECTIONS**

This **INTERLOCAL AGREEMENT** (the “Agreement”) is made pursuant to RCW 39.34 et seq. between the **PORT OF KINGSTON**, a Washington municipal corporation, and the **PORT OF FRIDAY HARBOR**, a Washington municipal corporation (the “Parties”).

**WHEREAS**, the Port of Friday Harbor has the capacity, knowledge and ability to fabricate dock sections for other public agencies in the State of Washington; and

**WHEREAS**, the Port of Kingston desires, from time to time, to purchase dock sections fabricated by the Port of Friday Harbor.

**NOW, THEREFORE**, in consideration of the mutual obligations and benefits herein, the Parties agree as follows:

1. **Purchase Order.** At such a time as the Port of Kingston desires to purchase dock sections from the Port of Friday Harbor, the Port of Kingston shall submit to the Port of Friday Harbor a letter identifying the dock sections needed, including dimensions, materials, number of dock sections, and any timeframe requirements. The Port of Friday Harbor will provide a price and an estimated time for completion of the manufacturing to the Port of Kingston. If the Parties wish to proceed, the Parties shall execute a Purchase Order in the form attached hereto as **Exhibit A**. Upon execution of such Purchase Order by the Port of Friday Harbor, the Parties’ respective performance and obligations for the purchase and delivery of the dock sections shall be governed by the Purchase Order and the terms of this Agreement.
2. **Administration.** This Agreement shall be administered by the Executive Directors of the Parties.
3. **No Duty to Accept Orders.** The Port of Friday Harbor is under no obligation to accept any Purchase Order.
4. **Independent Governments – No Liability.** Each Party is and shall remain an independent government. This Agreement does not create a partnership or other similar arrangement. The Parties shall not be liable for the acts or omissions of the other Parties or their respective public officials, employees, or agents.
5. **Term of Agreement.** Except as may be otherwise stated herein, the term of this Agreement shall commence upon execution by all of the Parties and recordation with the auditor or posting on one of the Party’s websites and, unless terminated sooner, shall expire on December 31, 2025. The Parties may extend this Agreement for successive two (2)-year terms by executing a written addendum.
  - 5.1 Either Party may terminate this Agreement prior to its expiration date by providing not less than thirty (30) days’ written notice to the other Party. If notice of termination is provided subsequent to a mutually executed Purchase Order but before delivery of the materials specified by such Purchase Order, the termination date shall be extended until after the Parties’ obligations have been fulfilled under such Purchase Order.



6. **Amendment.** No modification or amendment of this Agreement may be made except by a written document signed by all of the Parties.
7. **Counterparts and Electronic Transmission.** This Agreement may be signed in counterparts. Electronic transmission of any signed original document and retransmission of any signed electronic transmission shall be the same as delivery of an original document.
8. **Governing Law.** This Agreement and the rights of the Parties hereto shall be governed by and construed in accordance with the laws of the State of Washington.
9. **No Third-Party Beneficiaries.** There are no third-party beneficiaries to this Agreement.
10. **Interpretation.** Each Party has participated in drafting this Agreement. Any language therein shall not be construed against any Party on the basis of which Party drafted the particular language.
11. **Entire Agreement.** This Agreement and any subsequently executed Purchase Order contains all of the understandings between the Parties. Each Party represents that no promises, representations, or commitments have been made by others as a basis for this Agreement which have not been reduced to writing herein. No oral promises or representations shall be binding upon any 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 written modification to this Agreement, or a Purchase Order, executed by the Parties.

**PORT OF FRIDAY HARBOR**

**PORT OF KINGSTON**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT A**  
**PURCHASE ORDER**

## Port of Kingston

25864 Washington Boulevard NE  
PO Box 559  
Kingston, Washington  
Phone: 360-297-3545

**Purchase Order No.**

**SUPPLIER:** Port of Friday Harbor

**ADDRESS: PO Box 889  
Friday Harbor, WA 98250**

SHIP TO:

**ADDRESS:**

**PHONE NUMBER: (360) 378-2688**

FOR		REQ. NO.	SPECIFICATIONS	DELIVERY DATE	HOW SHIP	ORDER DATE
	ITEM + SPECIFICATIONS			QTY	UNIT PRICE	AMOUNT
1						
2						
3						
4						
5						
6						
<b>Subtotal</b>						
<b>Sales Tax</b>						
<b>TOTAL</b>						
<b>IMPORTANT</b>  PLEASE NOTIFY US IMMEDIATELY IF YOU ARE UNABLE TO SHIP COMPLETE ORDER BY DATE SPECIFIED.		This Purchase Order, and any amendments (collectively referred to as the "Purchase Order"), shall be subject to the General Conditions set forth on the subsequent pages of this Purchase Order, which are made part hereof. These terms and conditions shall apply to any and all sales between Supplier and Buyer and shall not be waived, modified or amended without the express written consent of the Buyer and Supplier.				
		<b>Supplier: Port of Friday Harbor</b>  X _____ <b>Date:</b> _____				
		<b>Buyer: Port of Kingston</b>  X _____ <b>Date:</b> _____				
Supplier is required to review the accuracy of the above, sign, and return to Greg Englin at the above address and email <a href="mailto:GregE@PortofKingston.org">GregE@PortofKingston.org</a> . This Purchase Order is not effective until signed by the Buyer. Supplier must timely notify the Buyer if unable to complete as specified.						

## General Conditions

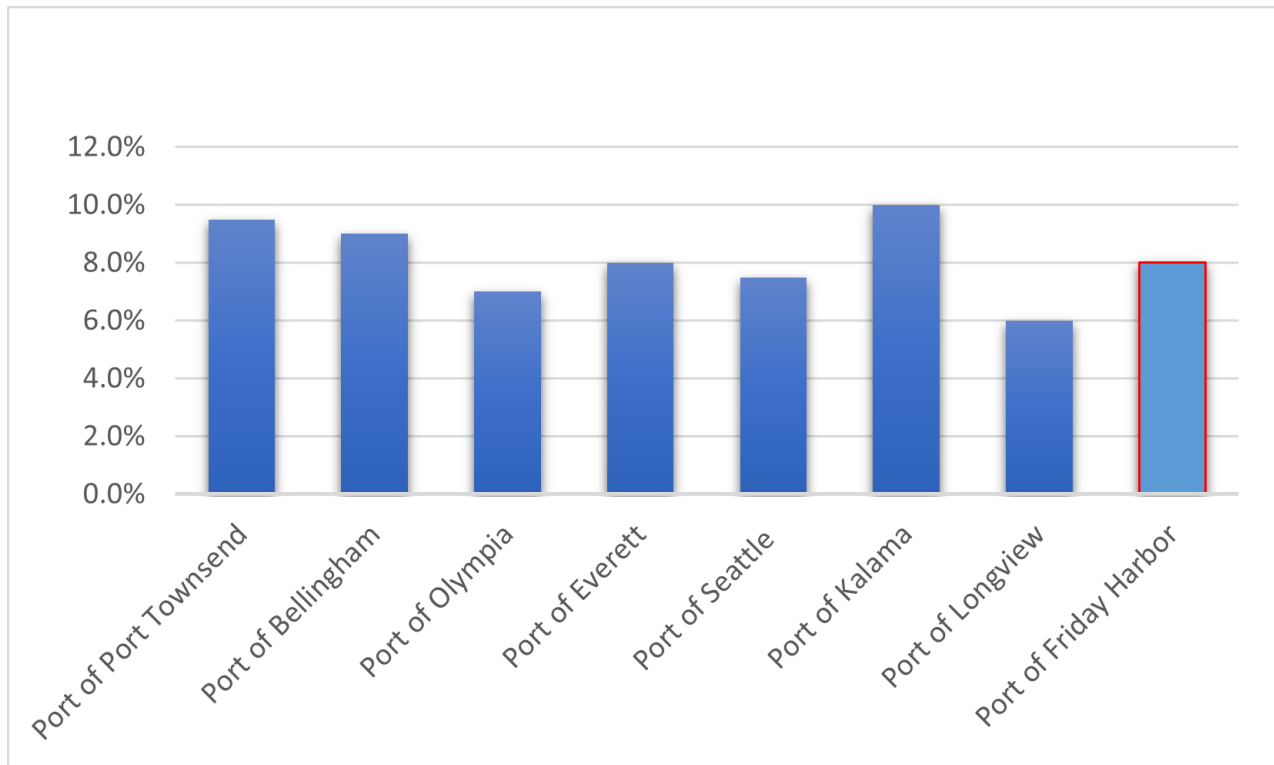
1. **Terms.** The Supplier's and Buyer's signature of this Purchase Order constitutes the Parties' acceptance of the Purchase Order and all terms and conditions herein.
2. **Price.** The price set forth on the Purchase Order includes all costs for engineering, fabrication, and shipping of dock sections to F.O.B. Port of Kingston.
3. **Payment.** Subject to the terms and conditions herein, payment for conforming Goods timely delivered to the Buyer shall be issued within thirty (30) days of delivery of all goods at the destination or receipt of Supplier's invoice, whichever is later.
4. **Condition of Goods.** The Port of Friday Harbor will be responsible for the risk of loss and/or damage until the dock sections arrive at their destination, at which time the risk of loss and/or damage transfers to the Port of Kingston. The Port of Friday Harbor will replace any dock sections which are damaged upon their arrival at the Port of Kingston.
5. **Taxes.** The sales price shall include any applicable sales, excise, or similar taxes, tariffs, and duty.
6. **Completion Date.** The Port of Friday Harbor will make reasonable efforts to meet the estimated delivery date, but a delivery date cannot be guaranteed.
7. **Force Majeure.** Buyer and Supplier shall not be liable for any failure to perform, including failure to take delivery of the Goods, caused by circumstances beyond their control which make such performance commercially impractical including, but not limited to, acts of God, fire, flood, acts of war, government action, accident, labor difficulties, or shortage. In the event Buyer or Supplier is so excused, either party may terminate the Purchase Order.
8. **Severability and Survival.** In case any one or more of the provisions contained in this Purchase Order shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Purchase Order shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein. All express representations, waivers, warranties, and limitations of liability included in this Purchase Order will survive its completion or termination for any reason, subject to applicable states of limitation or repose.
9. **Assignment.** The Parties may not assign this Purchase Order or any of its rights or obligations under this Purchase Order without the prior written consent of the Parties. Any assignment or transfer without such written consent shall be null and void.
10. **Entire Agreement.** This Purchase Order and the Dock Sections Interlocal Agreement dated [REDACTED], [REDACTED], represent the entire integrated agreement between Buyer and Supplier with respect to the Goods and supersedes all prior negotiations, proposals, price terms, assumptions, clarifications, correspondences, representations or agreements, whether written, oral, express, or implied. No modification to, or waiver of, any rights under this Purchase Order shall be valid or binding on the Parties to this Purchase Order unless the same be in writing and signed by Buyer and Supplier.

Proposal: Increase Port labor force by four employees

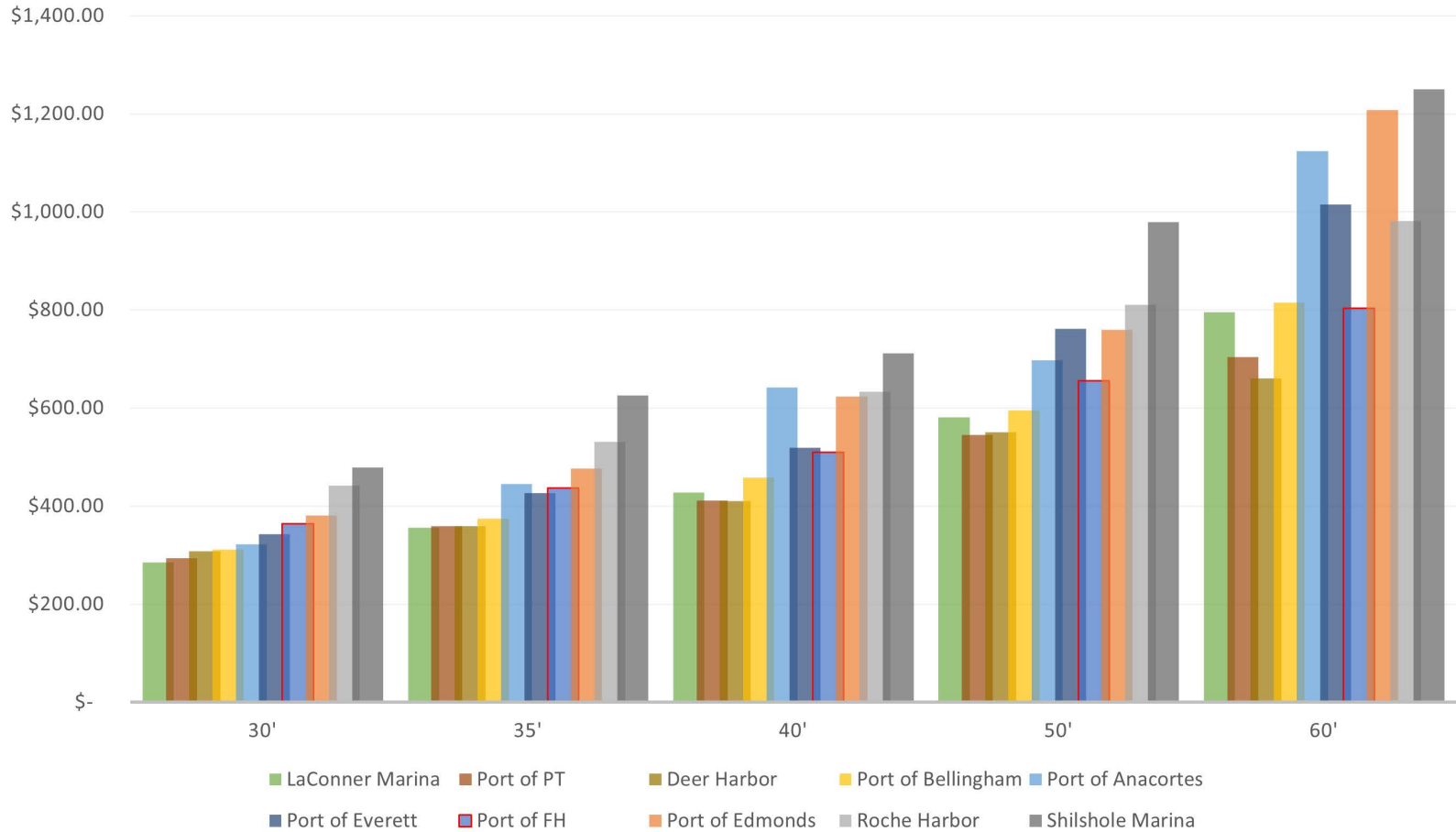
- Recent expansion of Port staff requirements includes maintaining/rebuilding two additional marinas, operating a boatyard, dock manufacturing, and substantial capital projects executed in house.
- The additional staff will add two employees to maintenance/capital projects and two to manufacturing.
- External project manufacturing revenue (based on six months per year) should easily cover the annual cost of all three employees assigned to manufacturing.
- Using Port staff for capital projects dramatically reduce our costs. Contractor bids have been ranging from double to ten times our internal cost.
- We propose to create the draft 2023 budget based on hiring four additional employees.
- The actual increase in employees will be dependent on analysis of the draft budget and adoption of a final budget with funds dedicated to the purpose.

#### Rate of Return Discussion:

- Does the commission wish to adjust our lease rate of return?
- The Port's current rate of return is 8%.
- The maximum allowable rate is 10%.
- Adjusting the rate of return will not impact existing leases.
- New leases, and potentially lease assignments based on lease policy, would use the latest adopted rate of return.



# Monthly Slip Cost



Friday Harbor Port District Resolution #22-005  
By the Friday Harbor Port Commission September 14, 2022

LEASE AND RENT POLICY

WHEREAS the Friday Harbor Port Commission maintains a lease policy to guide the Commission's actions for leases so the Commission is fair and equitable in its handling of lease conditions, and

WHEREAS the Port Commission deems it advisable to periodically revisit and update Port policies, and

WHEREAS the Port Commission discussed and agreed to the elements of this Lease Policy.

THEREFORE BE IT RESOLVED to approve the lease policies contained in this resolution.

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Graham Black, Commissioner

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Barbara Marrett, Commissioner

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Victoria Compton, Commissioner

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Todd Nicholson, Executive Director

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Date

Friday Harbor Port District Resolution #22-005, Attachment "A"  
By the Friday Harbor Port Commission September 14, 2022

RENTAL LEASE POLICY

**I. INTRODUCTION**

It is the policy of the Port to recruit businesses that will provide sustainable community wage jobs. Incentives can be used if appropriate. Incentives can include: long-term leases, rent adjustments, and/or port construction of tenant's improvements or any other negotiated incentive approved by the commission.

OR

It is the policy of the Port to receive fair market value for leased lands and structures while supporting the creation of living wage jobs and services that are important to the community and economy. (T)

OR

It is the policy of the Port to recruit businesses that will provide living wage jobs and obtain a fair rate of return on Port property. In some instances, incentives can be used to balance the goal of living wage jobs with a goal of fair return on property. Incentives can include: long-term leases, rent adjustments, and/or port construction of tenant's improvements or any other negotiated incentive approved by the commission. (V)

**II. STRATEGIES**

A. Leases:

The Port recognizes the challenge of determining the market value of land leases on Port – owned land. The Port takes seriously its mission to generate economic commerce, attract new business, and add high valued jobs that will provide economic opportunity for the community. The Port competes with other regional and national governments/entities for these high valued jobs.

OR

generate economic improvements while preserving the character of Port properties (V)



The Port's policy is to negotiate land leases that will attract high quality jobs, create economic growth, add revenues to the local, county and state governments, and benefit the surrounding community. (T)

OR

The Port's policy is to negotiate land leases that will create living wage jobs, retain the character of the island, and bring revenues to local, county, and state governments and other contributions to the surrounding community. (V)

B. Valuation:

At five-year intervals, the Port will evaluate the market values of all port-owned buildings to determine the lease rates for each marketable building. Targeted incentives may be offered to Incubators, Start Ups, Business Relocations, or projects that provide a substantial community benefit.

C. Port Constructed Tenant Improvements:

The Port will consider constructing tenant improvements or constructing a building for a qualifying tenant and amortize that cost over the term of the lease or longer.

D. Maintenance Costs:

Port – owned buildings. The Port will schedule and coordinate all landscape, storm water, parking lot, and exterior maintenance, and selected mechanical systems maintenance. Tenants may be billed using a common areas maintenance fees, or the costs associated with these activities may be incorporated into the base rent, as negotiated between the parties.

Land leases. The Port will generally not assume any responsibilities or costs for maintenance associated with land leases.

E. Capital Improvements:

For port-owned buildings, Port staff will develop management plans that include maintenance and capital improvement schedules and budgets for each building. The maintenance and capital improvement budgets will be included in the port's overall operating and capital improvement budgets

annually.

F. Response to Prospective Tenant:

It is our intention to provide scheduled opportunities within each year for prospective tenants to ask for commission review of land lease concept plans. A plan that is approved in concept will be given an exclusive period to prepare and present a formal application.

Vacancies in existing buildings or newly created spaces will be filled following an advertised Request for Proposals period. If no proposals are received the Port will fill vacancies with acceptable tenants on a first come first served basis.

III. **BASIC POLICIES**

The basic policies of the port commission regarding industrial/commercial land and buildings are as follows:

A. State Requirements:

The requirements contained in state statutes and dictated by sound business practices will be satisfied by using template lease forms provided by the Port's legal counsel. (V)

B. Property Utilization:

Utilize, improve, and develop port properties for lease. Some properties will be set aside for Port development projects targeting specific economic development goals for businesses with limited access to capital.

The commission may use published planning documents and outcome-based guidelines and for evaluating lease proposals. All final decisions for what tenants and activities are in the best interest of the Port and the community are a case-by-case decision at the sole discretion of the commission notwithstanding any published or advisory planning documents.

C. Highest and Best Use:

Seek the highest and best use of all Port properties, consistent with sustainable development and (V) proper land use planning. Highest and best use is not limited to return on investment or private capital investment. The

commission may determine that achieving a specific economic development goal, or environmental **and/or resilience (V)** outcome is the highest and best use.

D. Use:

The Port will seek to limit the use on its leaseholds to a specific purpose. Leases that provide for “all use allowed by zoning” or “all legal uses” will not be approved. (B)

E. Rental Rates:

Conduct ongoing market analysis on Port land and buildings to establish and maintain appropriate rental rates.

F. Rent Adjustments:

The monthly Base Rent for all leases shall have an annual CPI adjustment. All leases over five (5) years in length shall (V-T) be subject to an adjustment based on appraised land or rental value on a cycle not less than five (5) years in length.

G. Incentives:

The Port may consider incentives to business that generate a significant number of sustainable community jobs, **community benefit**, or **for development of** incubators, start ups, relocations, and targeted programs based on sound business practices. (V)

Or

Absent a compelling reason, the Port will charge the fair market value rental rates and refrain from providing a special rate to a particular tenant because this is generally unfair to other similarly situated tenants and is not in keeping with the Port’s stewardship responsibilities. (B)

H. Profit Sharing Agreements:

On selected properties that extend competitive advantages to the Lessee, the Port may prefer leases that share revenue in a way that provides financial incentives to the lessee as well as gives financial advantages to the Port. The details of these rent plus profit sharing leases are negotiated on a case-by-case basis.

I. Boilerplate Provisions:

Lease conditions vary from tenant to tenant. Good business practice and state statutes require certain "boilerplate" provisions defining requirements for topics such as rent, lease bonds or deposits, payment of leasehold and other taxes, indemnity and hold harmless, environmental protections, the Port's right of entry for inspection, maintenance of the premises, fixtures and equipment, liability and casualty insurance, retention of air rights, FAA requirements, condemnation, default, costs and attorney fees, notices, waivers, utility services, month-to-month tenancy and holding over, termination of lease, and others. All leases will be executed using a template form provided by the Port's legal counsel. (V: discuss other recommendations: development funds held in trust, personal guarantees, site planning, boundary line considerations, occupancy requirements, lease bonding requirements, protection of Port property and infrastructure, credit and background checks)

J. Assignment/Modification:

It is the policy of the Port to prohibit any assignment or sublease by a tenant without the prior written consent of the Port. Approval will not be unreasonably withheld. The Port deems it reasonable to make assignments contingent upon requiring updated lease language as provided by Port legal counsel, payment of currently adopted transfer fees, and updated rents based on Port's adopted rate of return at the time of the transaction. Any change in ownership, including the sale, liquidation, or other disposition of or all of the corporate stock or LCC units will be construed as an assignment. (V) (T: note – this is addressed in depth in the lease template; if we add it here, we'll need to match exactly the attorney language in the template)

The commission may grant permission to modify an existing land lease. The commission may include in the approval the condition to replace the original lease with a contemporary land lease template as provided by the Port's legal counsel and bring the lease into conformance with other current Port policies and rates. (T-V)

K. Structural Changes:

Structural changes to buildings require the prior written consent of the Port. State law requires that all improvements be either removed at the cost of the tenant or at the Port's option become the property of the Port upon termination of the lease. (V: structural changes must include plans and specs produced at the lessees cost and be approved by the commission) (T:

This is detailed in the lease template language – may not be necessary to cover at a policy level)

L. Insurance:

Insurance provisions require the tenant to provide certificates of insurance with the port listed as additional insured and to prohibit cancellation of insurance without prior notice to the Port. General liability insurance must be provided for the benefit of the port usually in the amount of not less than \$2,000,000(V). Depending on the nature of the business, additional insurance coverages and amounts may be required.

M. Rent Security:

The commission considers three months' rent, including leasehold excise tax, as adequate rent security for all leases.

N. Executive Director Authority:

(V) For some properties the Executive Director has the authority to enter into leases without commission approval for a term of up to and including 5 years. Leases longer than 5 years must receive commission approval. (T: as written this matches the delegated authority – this section could be deleted entirely since it's not relevant to lessees who has the executing authority. Nuances in leasing authority will be better addressed in the Delegated Authority document)

O. Lease Extension:

Lease extensions approved by the commission that are incorporated into an original lease only required notice and performance metrics contained in that lease. Requests for any extension beyond the combined initial term and extensions of an original lease will be process as a new lease.

P. Bonding:

Leases entered into by the Port that support the issuance of municipal bonds may require various special clauses to address the particular issues involved in the bond. Such clauses would be provided by the bond counsel. (V)

IV. RENT

A. Rent Amount:

Rent rates for unimproved land leases shall be based on the Port's adopted rate of return and the market value of the bare land based on appraisals. The value of any Port improvements to Port lands (e.g., roads, utilities, common areas) may be recovered in any combination of rents based on improved land values or payments of a proportionate share of the infrastructure cost.

Rental rates for Port owned buildings shall be established using a rent determination appraisal or market survey as determined by the commission or director based on the delegated authorities.

B. Rent Adjustments:

The following shall apply to rent adjustments:

1. CPI: Adjustments based on the change in purchasing power of the dollar shall use the Consumer Price Index for all U.S. City Average, All Urban Consumers published by the United States Department of Labor Bureau of Labor Statistics for the Seattle-Tacoma-Bellevue Metropolitan area.
2. In addition to an Annual Adjustment, the Base Rent shall be subject to periodic adjustment every fifth (5<sup>th</sup>) year, on a Port wide cycle chosen at the discretion of Port, based on an MAI certified appraisal.
3. Month-to-Month Leases: Rates applying to all month-to-month leases shall be adjusted annually on January 1st. This may be done by CPI adjustment, fair market value or other appropriate means of establishing the reasonable rent.

V. **TERM**

A. Land Lease:

Initial Term and Extensions:

1. The initial term plus extension will not exceed fifty (50) years. Fifty (50) year terms will only be considered in the case of extraordinary investment or other compelling Port or community benefit.
2. The initial term plus extensions for typical industrial buildings (e.g., hangars, storage, retail buildings) will not exceed forty (40) years.  
(V: 30 years)
3. The initial term plus extensions for proposals having an investment

lower than a typical industrial building will not exceed thirty (30) years and will be based on the specifics of the proposal. Lower investments and benefits will have lessor combined terms. (V: 20 years)

4. Requests to extend beyond the original initial term and extensions for land leases with existing tenant owned improvements will be processed as a new land lease. New land leases in this category will generally be considered only in the final extension of the lease or concurrent with, and contingent upon, a substantial new investment. Granting a new land lease will be contingent upon the Port commission not having a higher and better use, from the commission's sole perspective, for the subject property. Granting a new land lease may also include requirements to make upgrades extending the useful life of the building and/or improvements, demonstrate the remaining useful life of the building and/or improvements, achieve new performance metrics, or make energy efficiency or sustainability upgrades.

5. (T: does the commission want to make policy statements about standard term and extension lengths in this category?)

A. Building Lease:

1. Initial Term Plus Extensions. The initial term plus extensions may be up to thirty (30) years, and will be determined according to the needs of the tenant, design standards of improvements, useful life of the improvements, the generation of economic value to the community, and future needs of the port.<sup>1</sup>
2. Option to extend. Original lease options to extend will be granted if the Lessee has met requirements outlined in the lease.
3. Requests to extend beyond the original initial term and extensions for building leases will be processed as a new lease and may include requirements to make upgrades extending the useful life of the building and/or improvements, demonstrate the remaining useful life of the building and/or improvements, or demonstrate the generation of economic value to the community, and future needs of the port.
4. (V: consider adding Special Termination Provisions – Tenant right to terminate based on certain conditions, Port right to terminate based on higher and better use)

## **VI. TERMINATION OF LEASE**

At the termination of the lease, the port has the right to require the tenant to remove all tenant constructed improvements at their expense or, if consented to by the Port, leave the improvements in place with them becoming Port property.

## **VII. PERFORMANCE REQUIREMENTS**

The port recognizes its obligation to ensure **economically sustainable (V)** development and continued operation of viable industry on its property. One means the port may employ to accomplish this goal is to place performance requirements in its leases. Such requirements are established to ensure that the tenant will develop the property as the tenant has represented to the port.

The performance requirements can take various forms depending upon the nature of the development, such as: stated capital investment amounts, employment of a minimum number of persons (from the local labor force when practical), type of jobs (sustainable community wage), production above a certain level, or some other reasonable measure to ensure a viable activity.

Performance requirements are not intended to be established at a maximum level but, rather at a threshold level of viability for operation of the business.

The determination of whether to include performance requirements will be made on a case-by-case basis. **All land or building leases that require construction or remodeling shall include a time schedule for the completion of the improvements. Failure to meet the completion requirements may be grounds for terminating a lease. (V)**

## **VIII. RENT ABATEMENT**

The Port may consider rent abatements for leases proposing substantial investments, extended permitting periods, and/or significant construction. The abatement terms and durations are made on a case-by-case basis but will generally not exceed 50% **(V: 30%)** for a total of 18 months.

## **IX. ENVIRONMENTAL ISSUES**

**Careful consideration must be given to the tenants proposed use to determine whether any hazardous wastes might be generated by the use, the potential environmental hazards created, the extent of the wastes and the ease with which the wastes can be disposed of.**

**Leases will require the lessee to assume all liability for hazardous wastes brought to or**



generated on the property. If contamination is more than remotely possible, the Port Commission shall require tenants to post a bond or obtain insurance coverage, which would pay for the costs of removing contamination from the Port's property.

Lessees must be willing to abide by all present and future Federal, state and local laws and regulations that govern the particular activities or wastes contemplated.

All lessees who have any type of hazardous waste or other environmental hazard on Port property must have an approved contingency plan for accidental spilling or release of hazardous wastes. (V)

(T: recommend looking at this in the context of what is covered in our template lease form. Some policy level items may be missing, and some items are already covered better in the template)

## **X. LEASE APPLICATION PROCESS**

### **A. New Lease on Bare Land or Port Owned Buildings:**

1. A concept proposal may be submitted in accordance with an advertised Request For Proposals (RFP). The RFP will include details on required information needed for the concept proposal, any desired or required uses for the available space, and when the proposals will be evaluated by the commission. If no acceptable proposals are received on an RFP, the commission may decide to postpone action until a future RFP or may choose to consider proposals on a first come, first served basis.
2. If a concept proposal is accepted by the commission, a period of exclusive opportunity to lease will be granted to the proponent allowing for the preparation of a full application packet. The commission will publicly state the reason(s) for choosing one proposal over others when there are multiple proposals for any given Port property.

The formal application will contain:

- Architectural sketches showing the major design elements.
- A site plan showing property lines, building placement, access, parking, utilities, and landscaping.
- Details on financing of the project, permitting requirements, **environmental considerations, (V)** and a timeline for design,

permitting, and construction of the project. These may be incorporated into performance metrics for the lease. (T: we would need to define what environmental considerations we wanted the applicant to detail)

- The commission may request information of matters related to **community benefit (V)**, economic development, job creation, or periods of operation. These may be incorporated into performance metrics for the lease.
  - The commission may require an evaluation by the Port Auditor of the financial capacity of the applicant to accomplish the project. The financial review will be appropriate to the tenant and may include any or all of the following: credit report, Dunn and Bradstreet report, financial statements, tax returns, or such other information the Port Auditor deems necessary. The Auditor will examine and return hard copies of any financial data requested. These documents will not become public records.
  - If the Port Auditor does not recommend approval, then the prospective tenant has the opportunity to address the commission at a regular port commission meeting and request reconsideration.
3. If the commission approves the application, then Port staff will prepare a lease for the executive director's or commission's approval as appropriate. (V: is there a preference for capitalizing Commission or Executive Director throughout the document?)

B. New leases for Current Tenants of Previously Improved Properties

1. A new lease will only be considered if the Port does not have a higher and better (from the Port's perspective) use for the property, and;
2. Only be considered during the final extension of the original lease or concurrent with, and contingent upon, significant new capital investments.
3. A new lease to extend the occupancy of an existing tenant improvement will not exceed a combined initial term plus extensions of **a maximum of (V)** twenty-five (25) years.
4. Initial terms and extensions may be contingent upon certain maintenance requirements, or proof of useful life, **or community**

benefit, (V) evidence as determined by the commission.

C. Open Public Records:

All information provided to the Port is subject to the requirements of open public records laws. If a public records request is made, the Port will notify the party submitting the records and said party will assume all costs of disclosure or non-disclosure of such documents.

**XI. VARIATION FROM POLICY**

The policy set forth above may be varied from time to time to fit particular instances as is deemed advisable by the commission.

**XII. ETHICS AND CONFLICTS OF INTEREST**

The Code of Ethics for Municipal Officers is Ch. 42.23 RCW (the "Act"). The commission of the Port of Friday Harbor review and execute leases in conformance with the requirements of this Act.

**XIII. REVIEW OF POLICY**

This leasing policy shall be reviewed from time to time as deemed appropriate by the port commission.

## Port Lease Criteria (V)

All proposals shall be rated on a non-binding point system that will consider the following categories and award points as follows:

- Year-round Business (10 pts.)---Seasonal Only (2pts.)
- Number of Employees----- (1pt. / full time employee projected within the first 2 years of operation)
- Light Industrial (10 pts.)-----Commercial (5pts.)-----Tourist/Retail (3pts.)
- Low Infrastructure Impact (up to 4pts.)
- Locally Owned (3pts.)
- Family Wage Jobs up (2pts/job w/ wages over \$25,000) (V: increase to \$80,000)
- Uses All of Available Lease Area (up to 5 pts.)
- Achieves Objectives in the Port's Strategic, Site or Leasing Plans (5 pts.)
- Job Training Provided (3 pts.)
- Community Benefit (V)
- Sustainability, economic and environmental (V)

(T: does the commission wish to discuss and include lease criteria in this lease policy, create a separate resolution called for in this policy, or retain and manage informal guidelines as we are currently doing?)

Friday Harbor Port District Resolution #22-005  
By the Friday Harbor Port Commission September 14, 2022

RENTAL LEASE POLICY

WHEREAS the Friday Harbor Port Commission maintains a lease policy to guide the Commission's actions for lease actions so the Commission is fair and equitable in its handling of lease conditions, and

WHEREAS the Port Commission deems it advisable to periodically revisit and update Port policies, and

WHEREAS the Port Commission discussed and agreed to the elements of this Lease Policy.

THEREFORE BE IT RESOLVED to approve the lease policies contained in attachment A to this resolution.

\_\_\_\_\_  
Graham Black, Commissioner

\_\_\_\_\_  
Barbara Marrett, Commissioner

\_\_\_\_\_  
Victoria Compton, Commissioner

\_\_\_\_\_  
Todd Nicholson, Executive Director

\_\_\_\_\_  
Date

Friday Harbor Port District Resolution #22-005, Attachment "A"  
By the Friday Harbor Port Commission September 14, 2022

PORT OF FRIDAY HARBOR POLICIES AND ASSOCIATED PROCESSES FOR LEASING PORT PROPERTY

I. INTRODUCTION

It is the policy of the Port to recruit businesses that will provide sustainable community wage jobs. ~~[Does the incentives section go better somewhere else? Does not feel like it should be part of the intro... Incentives can be used if appropriate. Incentives can include: long term leases, rent adjustments, and/or port construction of tenant's improvements or any other negotiated incentive approved by the commission.]~~

Commented [GB1]: Not sure if this is the right word.

Commented [GB2]: I'm not sure I know what this means. Is our policy to support (or recruit?) businesses that provide a "living wage" job to their employees? Is sustainable community wage jobs defined somewhere?

*How about this for an Introduction:* Central to the Port's mission is fostering economic development in a way that (1) recognizes our sensitive island ecology and (2) supports our Island's human resources. Human resources are supported when the industry and/or businesses provides a living wage (and other benefits?) to those performing the work. The Port will evaluate possible tenants and uses of Port property in-part based on how effectively the possible tenant's activities will support these twin goals.

Commented [GB3]: Too strong?

OR, use this statement found below:

The Port's policy is to negotiate land leases that will attract high quality jobs, economic growth, and revenues to the local, county and state governments and other contributions to the surrounding community, based on a sound business practices.

II. PROCESS FOR EVALUATING POSSIBLE LEASES OF PORT PROPERTY

The Port shall review "Concept Plans" from prospective tenants not later than March 15<sup>th</sup> and September 15<sup>th</sup> annually. A concept plan shall be in writing and contain at a minimum a description of the property sought to be leased, the nature of the business and why the business needs the Port's property, a statement on how granting the lease will further the Port's mission, and the scope and nature of improvements planned for the property. Approved concept plans will be granted an exclusive period of time to prepare and present a formal set of documents and more detailed plans and enter lease negotiations, called the Lease Application Process, which is specified in more detail below.

These bi-annual review shall **not** apply to prospective tenants who wish to lease less than 50,000 square feet of Port property. Those lease applications shall be reviewed on a first come, first served basis at any time of the year.

### III. LEASE APPLICATION PROCESS

#### A. New Lease on Bare Land or Port Owned Buildings:

1. If a concept proposal is accepted by the commission, a period of exclusive opportunity to lease will be granted to the proponent allowing for the preparation of a full application packet. The commission will publicly state the reason(s) for choosing one proposal over others when there are multiple proposals for any given Port property.

The formal application will contain:

- Architectural sketches showing the major design elements.
- A site plan showing property lines, building placement, access, parking, utilities, and landscaping.
- Details on financing of the project, permitting requirements, and a timeline for design, permitting, and construction of the project. These may be incorporated into performance metrics for the lease.
- The commission may request information of matters related to economic development, job creation, or periods of operation. These may be incorporated into performance metrics for the lease.
- The commission may require an evaluation by the Port Auditor of the financial capacity of the applicant to accomplish the project. The financial review will be appropriate to the tenant and may include any or all of the following: credit report, Dunn and Bradstreet report, financial statements, tax returns, or such other information the Port Auditor deems necessary. The Auditor will examine and return hard copies of any financial data requested. These documents will not become public records.
- If the Port Auditor does not recommend approval, then the prospective tenant has the opportunity to address the commission at a regular port commission meeting and request reconsideration.

2. If the Commission approves the application, then Port staff will prepare a lease for the executive director's or commission's approval as appropriate.

#### IV. INCENTIVES

In order to attract or support tenants that will help the Port fulfill its mission, the Port may use incentives. Incentives, which can be proposed by the potential tenant or Port, can include long-term leases, rent adjustments, profit sharing, Port construction of tenant's improvements or any other negotiated incentive approved by the commission. Targeted incentives may be offered to incubators, start ups, business relocations, or projects that provide a substantial community benefit.

A. Long-Term Leases:

Long term leases may be necessary or desirable to attract and retain tenants and for the parties to amortize their investments.

B. Rent Adjustments:

The Port will consider making rent adjustments or agreeing to alternative rent schedule in the "start-up" phase of the tenant's business.

C. Profit Sharing: The Port may prefer leases that share revenue in a way that provides financial incentives to the lessee as well as gives financial advantages to the Port. The details of these rent plus profit sharing leases are negotiated on a case-by-case basis.

D. Port Constructed Tenant Improvements:

The Port will consider constructing tenant improvements or constructing a building for a qualifying tenant and amortize that cost over the term of the lease or longer.

E. Other Incentives:

The Port retains the right to craft whatever incentives it deems necessary to attract and retain businesses, industries, or uses on Port property that it considers will further the Port's mission.

**Commented [GB4]:** This whole section may not be necessary

#### V. BASIC POLICIES



The basic policies of the port commission regarding industrial/commercial land and buildings are as follows:

A. Property Utilization:

Utilize, improve, and develop port properties for lease. Some properties will be set aside for Port development projects targeting specific economic development goals for businesses with limited access to capital.

Commented [GB5]: I'm not opposed to this, but is it part of our mission? Should it be?

The commission may use published planning documents and outcome-based guidelines and for evaluating lease proposals. All final decisions for what tenants and activities are in the best interest of the Port and the community remain a case-by-case decision at the sole discretion of the commission notwithstanding any published or advisory planning documents.

B. Highest and Best Use:

Seek the highest and best use of all Port properties, consistent with proper land use planning. Highest and best use is not limited to return on investment or private capital investment. The commission may determine that achieving a specific economic development goal or environmental outcome is the highest and best use.

C. Rental Rates:

Conduct ongoing market analysis on Port land and buildings to establish and maintain appropriate rental rates.

D. Rent Adjustments:

The monthly Base Rent for all leases over five (5) years in length shall have an annual CPI adjustment and be subject to an adjustment based on appraised land or rental value on a cycle not less than five (5) years in length.

E. Incentives:

The Port may consider incentives to business that generate a significant number of sustainable community jobs, substantial Port development, or used to assist incubator, start up, relocation, and targeted programs based

~~on sound business practices.~~

**Commented [GB6]:** Delete? Stated above

F. Profit Sharing Agreements:

~~On selected properties that extend competitive advantages to the Lessee,~~

**Commented [GB7]:** I'm not sure we want to be on record as putting our tenants in a better position, i.e. competitive advantage. That feels like using public money to support one, say, restaurant over another restaurant that does not have public money. I think the sentence can start at ...the Port may prefer leases that share... Moved to Incentives, which is what profit sharing feels more like

G. Boilerplate Provisions:

Lease conditions vary from tenant to tenant. Good business practice requires certain "boilerplate" provisions, such as indemnity and hold harmless, environmental protections, the Port's right of entry for inspection, maintenance of the premises, taxes, fixtures and equipment, liability and casualty insurance, retention of air rights, FAA requirements, condemnation, default, costs and attorney fees, notices, waivers, utility services, month-to-month tenancy and holding over, termination of lease, and others. All leases will be executed using a template form provided by the Port's legal counsel.

H. Assignment:

It is the policy of the Port to prohibit any assignment or sublease by a tenant without the prior written consent of the Port. Approval will not be unreasonably withheld. The Port deems it reasonable to make assignments contingent upon requiring updated lease language as provided by Port legal counsel, payment of currently adopted transfer fees, and updated rents based on Port's adopted rate of return at the time of the transaction.

I. Structural Changes:

Structural changes to buildings require the prior written consent of the Port. State law requires that all improvements be either removed at the cost of the tenant or at the Port's option become the property of the Port upon termination of the lease.

J. Insurance:

Insurance provisions require the tenant to provide certificates of insurance with the port listed as additional insured and to prohibit cancellation of insurance without prior notice to the Port. General liability insurance must be provided for the benefit of the port usually in the amount of not less than \$1,000,000. Depending on the nature of the business, additional insurance coverages and amounts may be required.

K. Rent Security:

The commission considers three months' rent, including leasehold excise tax, as adequate rent security for all leases.

L. Executive Director Authority:

The Executive Director has the authority to enter into leases without commission approval for a term of up to and including 5 years. Leases longer than 5 years must receive commission approval.

M. Lease Extension:

Lease extensions approved by the commission that are incorporated into an original lease only required notice and performance metrics contained in that lease. Requests for any extension beyond the combined initial term and extensions of an original lease will be process as a new lease.

N. Maintenance Costs:

Port – owned buildings. The Port will schedule and coordinate all landscape, storm water, parking lot, and exterior maintenance, and selected mechanical systems maintenance. Tenants may be billed using a common areas maintenance fees, or the costs associated with these activities may be incorporated into the base rent, as negotiated between the parties.

Land leases. The Port will generally not assume any responsibilities or costs for maintenance associated with land leases.

**VI. RENT**

A. Rent Amount:

Rent rates for unimproved land leases shall be based on the Port's adopted rate of return and the market value of the bare land based on appraisals. The value of any Port improvements to Port lands (e.g., roads, utilities, common areas) may be recovered in any combination of rents based on improved land values or payments of a proportionate share of the infrastructure cost.

Rental rates for Port owned buildings shall be established using a rent determination appraisal or market survey. as determined by the commission or director based on the delegated authorities.

**Commented [GB8]:** I'd leave this sentence off at "survey"  
No need to complicate it.

B. Rent Adjustments:

The following shall apply to rent adjustments:

1. CPI: Adjustments based on the change in purchasing power of the dollar shall use the Consumer Price Index for all U.S. City Average, All Urban Consumers published by the United States Department of Labor Bureau of Labor Statistics for the Seattle-Tacoma-Bellevue Metropolitan area.
2. In addition to an Annual Adjustment, the Base Rent shall be subject to periodic adjustment every fifth (5<sup>th</sup>) year, on a Port wide cycle chosen at the discretion of Port, based on an MAI certified appraisal.
3. Month-to-Month Leases: Rates applying to all month-to-month leases shall be adjusted annually on January 1st. This may be done by CPI adjustment, fair market value or other appropriate means of establishing the reasonable rent.

**Commented [GB9]:** Are we saying that all leases are subject to an increase based on the CPI? That the CPI is the "Annual Adjustment"?

VII. **TERM**

A. Land Lease:

Initial Term and Extensions:

1. The initial term for a typical industrial buildings (e.g., hangars, storage, retail buildings) is 25 years with the option of 3 five year extensions, for a total possible lease term of forty (40) years.
2. The initial term for proposals having an investment lower than a typical industrial building will not exceed 15 years, with the option of 3 five year extensions for a total of thirty (30) years.
3. In cases of extraordinary investment or other compelling Port or community benefit the initial term plus extensions will not exceed 35 years with the option of 3 five year extensions for a total of fifty (50) years.
4. Original lease options to extent will be granted if the Lessee has met the requirements outlined in the lease.
5. Requests to extend beyond the original initial term and extensions

will be processed as a new lease. A new lease will only be considered if the Port does not have a higher and better (from the Port's perspective) use for the property, and;

- Will only be considered during the final extension of the original lease and ~~or~~ concurrent with, and contingent upon, significant new capital investments and/or providing of evidence of the remaining useful life of the building/improvements (in a form deemed sufficient by the Port) and such useful life exceeds the proposed term of the new lease.
- A new lease to extend the occupancy of an existing tenant improvement will not exceed a combined initial term plus extensions of twenty-five (25) years.

Commented [GB10]: Shouldn't this be an AND??

A. Building Lease:

1. Initial Term Plus Extensions. The initial term plus extensions may be up to thirty (30) years, and will be determined according to the needs of the tenant, design standards of improvements, useful life of the improvements, the generation of economic value to the community, and future needs of the port.<sup>1</sup>
2. Option to extend. Original lease options to extend will be granted if the Lessee has met requirements outlined in the lease.
6. Requests to extend beyond the original initial term and extensions will be processed as a new lease. A new lease will only be considered if the Port does not have a higher and better (from the Port's perspective) use for the property, and;
  - Will only be considered during the final extension of the original lease and ~~or~~ concurrent with, and contingent upon, significant new capital investments and/or providing of evidence of the remaining useful life of the building/improvements (in a form deemed sufficient by the Port) and such useful life exceeds the proposed term of the new lease.
  - A new lease to extend the occupancy of an existing tenant improvement will not exceed a combined initial term plus

Commented [GB11]: Shouldn't this be an AND??

extensions of twenty-five (25) years.

#### **VIII. TERMINATION OF LEASE**

At the termination of the lease, the port has the right to require the tenant to remove all tenant constructed improvements at their expense or, if consented to by the Port, leave the improvements in place with them becoming Port property.

#### **IX. PERFORMANCE REQUIREMENTS**

The Port recognizes its obligation to ensure development and continued operation of viable industry on its property. One means the Port may employ to accomplish this goal is to place performance requirements in its leases. Such requirements are established to ensure that the tenant will develop the property as the tenant has represented to the port. The performance requirements can take various forms depending upon the nature of the development, such as: stated capital investment amounts, employment of a minimum number of persons (from the local labor force when practical), type of jobs (sustainable community wage), production above a certain level, or some other reasonable measure to ensure a viable activity. Performance requirements are not intended to be established at a maximum level but, rather at a threshold level of viability for operation of the business.

The determination of whether to include performance requirements will be made on a case-by-case basis.

#### **X. RENT ABATEMENT**

The Port may consider rent abatements for leases proposing substantial investments, extended permitting periods, and/or significant construction. The abatement terms and durations are made on a case-by-case basis but will generally not exceed 50% or a total of 18 months.

#### **XI. VARIATION FROM POLICY**

The policy set forth above may be varied from time to time to fit particular instances as is deemed advisable by the Port Commission.

#### **XII. REVIEW OF POLICY**

This leasing policy shall be reviewed from time to time as deemed appropriate by the Port Commission.

**Commented [GB12]:** Proof that wages paid meet (our?) definition of a living wage job?

**Commented [GB13]:** We are not looking for viable activity. We are looking for activity that furthers the Port's mission.

**Commented [GB14]:** Again - this does not feel like the right word.

**XIII. Open Public Records:**

All information provided to the port is subject to the requirements of open public records laws. If a public records request is made, the port will notify the party submitting the records and said party will assume all costs of disclosure or non-disclosure of such documents.

**Friday Harbor Port District  
Resolution # 22-004  
By the Friday Harbor Port Commission  
July 27, 2022**

**Greenhouse Gas Reduction Policy for the Port of Friday Harbor**

WHEREAS, many local governments throughout the nation, both large and small, are reducing the production of global warming pollutants through programs that provide economic and quality of life benefits, such as reduced energy bills, green space preservation, air quality improvements, reduced traffic congestion, improved transportation choices, and economic development and job creation through energy conservation and new energy; and

WHEREAS, all state agencies must consider whether Ports receiving capital funds *have* adopted policies to reduce greenhouse gas emissions per RCW 70.235.070; and

WHEREAS, the Port of Friday Harbor finds the adoption of this resolution to be in the public's interest;

NOW THEREFORE BE IT RESOLVED, the Port of Friday Harbor hereby adopts the following policies as described *in* Exhibit "A", attached hereto, and incorporated by reference, for the benefit its natural resources and the reduction of greenhouse gas emissions.

\_\_\_\_\_  
Barbara Marrett, Commissioner

\_\_\_\_\_  
Victoria Compton, Commissioner

\_\_\_\_\_  
Graham Black, Commissioner

\_\_\_\_\_  
Todd Nicholson, Executive Director

\_\_\_\_\_  
Date Signed



**EXHIBIT A**  
**PORT OF FRIDAY HARBOR**  
**GREENHOUSE GAS REDUCTION POLICY**

**Public Buildings Policies:**

- New publicly funded buildings will incorporate cost-effective, energy efficient design.
- Initiate energy efficiency and weatherization programs for existing buildings, when possible.

**Equipment Oriented Policies:**

- Manage lighting needs by applying lighting standards and using lamps that will assure safe and effective illumination at minimum cost and energy use.
- Continue migration to an energy-sensitive fleet focused on electrification and fuel efficiency

**Waste Reduction & Use Oriented Policies:**

- Implement a solid waste strategy which:
  - o Reduces the solid waste stream by recycling and other means
  - o Investigates ways to facilitate effective on-island recycling/reuse

**Other Policies:**

- Pursue opportunities and partnerships to expand the use of solar panels to reduce the Port's energy footprint.
- Coordinate with other agencies in the district to develop and implement effective waste management strategies and waste-to-energy technologies.
- Install water-efficient landscapes and irrigation, including:
  - o Plant drought-tolerant, native species, and cover exposed dirt with moisture-retaining mulch.