

PORT OF ANACORTES

Minutes-Special Meeting

July 8, 2010

The Port Commission of the Port of Anacortes held a Special Commission Meeting on July 8, 2010. The purpose of the meeting was for the Commission and senior staff to hold a study session and take possible action regarding a resolution for establishing a business start-up lease policy. This meeting was held at the Commission Meeting Room of the Main Port Warehouse Building, 1st & Commercial Avenue, Anacortes Washington.

In Attendance: Commission President Rubin, Commission Vice President Mooney, Commission Secretary Niver, Commissioner Hopley, and Commissioner Short.

Also in attendance: Executive Director Hyde, Director of Finance & Administration Johnson, Director of Operations & Facilities Hachey, Tenant and Special Projects Administrator Pittis, and Executive Assistant Lindsey.

CALL TO ORDER

At 9:05 A.M. Port Commission President Rubin called the Special Meeting to order and announced the purpose of the Special Meeting.

PUBLIC COMMENT PERIOD

Commissioner Rubin opened the floor for public comment pertaining to items on the agenda. Hearing no one with a desire to address the Commission, the floor was closed.

SPECIAL AGENDA

STUDY SESSION

Resolution No. 1221 – Establishing a Business Start-up Lease Policy and Delegating Administrative Authority to the Executive Director for Leases to Start-up Businesses –

Commissioner Rubin noted that Commissioners Hopley and Mooney had volunteered to act as a committee to along with Executive Director Hyde and called on them for a report.

Commissioners Hopley and Mooney reported that they met with Executive Director Hyde on July 6, 2010 and had developed the following recommended procedures:

1. Staff meets with Business
2. Staff performs initial due diligence
3. Staff validates the potential lease against Commission developed criteria
4. Staff negotiates the lease
5. Staff presents any potential or requested variances to the Commission for discussion during an Executive Session

6. Commission authorization to the Executive Director to negotiate and execute the lease
7. Lease is executed

Commissioner Hopley noted that he, Commissioner Mooney and Executive Director Hyde had reviewed all existing lease documents and worked to consolidate these into a policy statement and discussed creating a document that sets a policy for potential leases and defines staff, Executive Director, and Commission roles. Commissioner Hopley and Commissioner Mooney reviewed the recommended procedures noted as a sequence of events.

The Commission discussed these procedures and the need for a formal document that would outline the process and provide a consistent basis for additional discussion. The Commission also discussed whether all leases should come back for their approval following negotiation by the Executive Director, or just those that included variances, such as those requesting catch-up or start-up lease plans.

Commissioner Mooney called on Administrator Pittis for her input. Administrator Pittis noted that outline the procedures would be advisable with anything outside of standard leases coming to the Commission for discussion. She observed that the Port has never used a truly boiler-plate lease and that some flexibility would still be needed, especially in dealing with partnering entities, such as the City of Anacortes as there is not a legal method at the City for setting parcels. Executive Director Hyde concurred, noting that that zoning, building codes and criteria, utilities, fire codes, and parking/ paving for a new structure were all requirements administered by the City. Administrator Pittis noted the Committee's idea was to give authorization to the Executive Director to negotiate and execute leases without coming back to the Commission except in those cases discussed.

Following additional discussion, the Commission was of a consensus that the Executive Director would present the results of lease negotiations, including any request for variances to the Commission in Executive Session. Following the Executive Session, the Commission would authorize the Executive Director to finalize negotiations and execute the lease or discontinue negotiations.

Other related topics discussed included lease security as noted in the Revised Code of Washington (RCW), leasehold taxes, length of leases, and a preference by staff to have salient criteria and definite parameters in regards to rates of return as a point of negotiation.

Commissioner Hopley observed the Port should maintain financial strength and viability of the lessee in considering each lease. He suggested that differing types of lease procedures be incorporated as appendixes in the final policy resolution.

Commissioner Rubin noted that new leases need to be consistent with the Port's Mission Statement, Strategic Plan, and Comprehensive Plan, all of which the Commission could elect to change, in the case of the Comprehensive Plan this would be via a public hearing process. Administrator Pittis noted recent examples of this included the T-Bailey lease and purchase of Port property at Marches Point, and the change in

the designation of the Parcel 1 property to accommodate the Marine Technical Center. Other options have included recommending that businesses with leasing needs not readily compatible with Port facilities or land use to other entities, such as the referral of Nordic Tug to the Port of Skagit County, with the focus being on the promotion, development, and retention of jobs in our region.

The discussion then moved to lease policy criteria and standard terms, resulting in the following:

Use of the property would be consistent with the Port's Comprehensive Plan
Use of the property would create jobs and commerce
The lessee's use of the property would be fully developed through a viable business plan
The lessee's business would be credit worthy and financially sound

Rate of Return for leases for standard terms would be 8.5-10%
Maximum terms of leases would be 30 years with two 10 year options.
Leases would be assignable with Port approval
Rent adjustments could occur for Consumer Price Index changes annually with a Fair Market Value adjustment every 5 years
Lease security of 1 year's rent, plus leasehold tax, in the form of cash, a bond, or letter of credit from a bank.

The Commission was for the most part in agreement that "catch-up" leases were applicable to standard lease terms while "start-up" leases were not and would require additional due diligence and additional criteria listed as an appendix to a new lease resolution. The Commission discussed lease security for start-up businesses, deciding one year's rent plus leasehold tax to be sufficient.

Staff will bring a draft of the new resolution to the Commission for consideration in August. Once adopted, the new resolution will supersede all prior lease resolutions.

PUBLIC COMMENT PERIOD

Commissioner Rubin opened the floor for public comment.

1. Mr. Pat Barrett of Anacortes addressed the Commission on behalf of the Anacortes Small Boat Center, noting concerns regarding the lease proposal sent to that group for use of a northern portion of the Port's Cap Sante Boat Haven upland property for small craft storage. Mr. Barrett explained that the ASBC is a community non-profit organization and felt the Port was treating the group no differently as they would a for-profit business. He noted that the ASBC is made up of volunteers who were discouraged by the length of the proposed lease process and what would be a lack of tenant business for them in the fall and winter months. Mr. Barrett observed that the Port had invested a great deal of time and funds in the installation of the P/Q Dock small craft hoist and dock replacement and asked the Port to further that by taking some additional financial responsibility not shown in the proposal to ASBC and partnering with them in the effort.

Commissioner Hopley responded that the Port was working to provide good governance consistency and transparency with a non-standard start-up lease proposal. No noted

that leases of this sort were not offered to everyone and that the Commission had taken care to develop certain criteria, one of which was need. He observed the start date of the proposed lease could be changed to accommodate the ASBC. Commissioner Rubin concurred, noting the Port wants the ASBC to succeed and that was among the reasons the Port had not elected to put up a fence and store boats without the ASBC.

In response to questions from the Commission, Mr. Barrett stated the ASBC was requesting that the Port allow their organization to pay a percentage of their revenue going forward, noting this would provide added incentive for the ASBC to fill the site. He projected the ASBC would have minimal income during the first 6 months at this point since the small boating season usually starts in April. Mr. Barrett also voiced concerns over how the group would cover a security bond, and stated the ASBC group viewed themselves as more of a partner with the Port than a tenant of the Port.

Hearing no others with a desire to address the Commission, the floor was closed.

Commissioner Hopley explained what Mr. Barrett was describing sounded more like the terms of a catch-up lease policy than a start-up lease policy. He observed that a catch-up lease had been proposed to the ASBC since it fell under the current lease policy and the Commission had understood that time was a factor for the group. Commissioner Rubin explained that the Commission was working to finalize a new lease policy that would include an appendix for start-up leases and that Port staff could negotiate under those terms once the new policy was adopted. Commissioner Niver observed that the ASBC might actually receive a larger benefit from the catch-up policy over a fifteen year period and encouraged the group to provide the Port with a viable business plan.

Commissioner Short noted that he was a member of the ASBC organization and attended their meetings. He observed their numbers were dropping due in inactivity and encouraged the Commission to consider putting up an enclosure to show work in progress. He noted the group has received input from the City regarding parking facilities on the east side of Rotary Park.

Commissioner Rubin inquired of Port staff how much time would be needed to enclose the proposed lease area if the Commission were to take action today. Executive Director Hyde responded that approximately 60 days would be needed to complete the enclosure. He explained that the Port had proposed a catch-up lease to the ASBC, but they had elected to wait to weigh the options of a possible start-up lease. The Commission was of the consensus that the Port consider putting up the fencing and running the dry storage of small craft vessels until such time as the ASBC is ready to negotiate and sign a lease.

COMMISSION DISCUSSION

Citizen Proposals –

Commissioner Rubin requested discussion regarding the process for citizen proposals brought to the Commission, as discussed at the last Commission meeting. He distributed copies of criteria he had developed as a first draft and asked the Commissioners to examine this at their leisure for discussion at a future date.

Consensus Decision Making –

Commissioner Rubin inquired whether the Commission wished to have further discussion on this topic and where it might be useful. The Commission was of a mind that so long as the Commissioners could voice their opinions, they would work to build consensus rather than have a formal vote to do so.

Rental Facilities Policy –

Commissioner Rubin inquired whether a decision had been reached on including rental facilities in the Port's Strategic Plan. Executive Director Hyde will review the discussion.

Commissioner Rubin called for any other topics from the Commission.

Proposed Resolution No. 1221 –

Commissioner Hopley observed that Resolution No. 1221, establishing a start-up lease policy, was listed on the agenda for possible action. He suggested the Commission approve the action to adopt the resolution and allow Executive Director Hyde to negotiate with the ASBC group under those lease terms. Resolution No. 1221 could then be incorporated into an all-inclusive lease policy resolution at a later date.

Commissioner Niver moved to adopt Resolution No. 1221, establishing a Business Start-up Lease Policy and delegating administrative authority to the Executive Director for leases to Start-up businesses. Commissioner Mooney seconded the motion. Commissioner Rubin called for any discussion. Commissioner Niver wished to see Executive Director Hyde also demonstrate the difference between the catch-up and start-up leases to the ASBC and to seek a business plan from them. Commissioner Hopley noted the need for a plan was included in the criteria. Hearing no further discussion, Commissioner Rubin called for a vote on the motion which carried unanimously.

COMMUNICATIONS

Executive Director Hyde reported that the Toyota Company has requested and had been granted permission for filming a commercial for their Tundra brand truck at the Former Scott Paper Mill Site.

In response to Commissioner Niver's inquiry regarding the potentially higher than anticipated costs for the Anthony's parking area. Executive Director Hyde noted that the Port would wait to see the upcoming bid results before having further discussion of funding options.

ADJOURNMENT

With no other business to discuss at this time, Commissioner Rubin called for a motion to adjourn. Commissioner Mooney moved to adjourn the special meeting. Commissioner Short seconded the motion, which carried unanimously and the special meeting adjourned at 11:20 a.m.

Attest:

Keith Rubin, President

Pat D. Mooney, Vice President

Ray Niver, Secretary

William L. Short, Commissioner

Steve Hopley, Commissioner

Julie Johnson Lindsey, Executive Assistant
July 8, 2010