



PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

February 13, 2017

COMMISSIONERS PRESENT

Fred Gouge, President
David Preston, Vice President
Bruce Faires
Steve Johnston, Secretary (by phone)
Jim Orvis

STAFF PRESENT

Bob McChesney, Executive Director
Marla Kempf, Deputy Director
Tina Drennan, Finance Manager

OTHERS PRESENT

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

CALL TO ORDER

Commission President Gouge called the regular meeting to order at 7:00 p.m.

PLEDGE OF ALLEGIANCE

All those in attendance participated in the Pledge of Allegiance to the American Flag.

CONSENT AGENDA

COMMISSIONER ORVIS MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF JANUARY 30, 2017 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$258,495.02**
- D. AUTHORIZATION FOR EXECUTIVE DIRECTOR TO WRITE OFF \$4,393.60**

COMMISSIONER PRESTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

Jim Whitehead, Vice Commodore, Edmonds Yacht Club (EYC), expressed thanks to the Port staff and Commission for all the support the EYC received for their Holiday on the Dock event. About 20 boats were decorated and displayed at the guest moorage dock. He expressed his belief that the event is an asset to the Edmonds community. He also expressed appreciation for the good relationship between the Port and the EYC. He managed the EYC's boat show booth, which was located adjacent to the Port's booth. It was a benefit to have the two booths together, as it provided an opportunity for members of the EYC to meet Port staff and vice versa. The Port staff was helpful in directing people interested in joining a yacht club to their booth, and the EYC members also directed a number of people who were looking for moorage to the Port of Edmonds' booth. He emphasized that Port

staff has always been helpful, professional and courteous, and has provided tremendous support to the EYC throughout the past year.

Mr. McChesney agreed that the relationship between the Port and EYC is reciprocal. In particular, the Port appreciates the EYC's cooperation in relocating moorage spaces, which was an integral part of the Port's plan to use the area formerly occupied by Bud's Bait for the Chilkat Vessel (Puget Sound Express) this season. Commissioner Gouge added that the Holiday on the Docks event is an important waterfront activity. He said he hopes the EYC can work with the Port to do another type of activity during the summer. He encouraged representatives from the EYC to contact Port staff to share their ideas.

Darrell Haug, Edmonds, said he has been a resident of the Port District for 43 years. He clarified that when he last spoke before the Commission in January, his remarks were intended to represent his own viewpoint, and not the viewpoint of the Edmonds Economic Development Commission (EDC), of which he is a member. He emphasized that the comments he provides at this meeting also represent his thoughts as a private citizen, and not the EDC. Mr. Haug suggested that the Commission consider the following items for discussion at their upcoming retreat:

- The Port did a great job of protecting the Edmonds Marsh as part of the Harbor Square Master Plan, but this fact was not emphasized clearly to the public. He suggested that the Port must do a better job of educating the public and helping them understand that the Port is dedicated to preserving the marsh.
- The Port needs to do a better job of helping the public understand the Port's unique role relative to economic development, which is different than most government agencies. Few people know of the different duties, responsibilities and powers that ports have. He would like the Port to exercise these powers and responsibilities more for projects that benefit the Port District residents.
- The Port could do more as far as buying, selling and developing properties via public/private partnerships. They should consider opportunities for the public to invest in Port projects, such as selling bonds. The Port could use its bonding authority with greater direction towards development. He said he would not be opposed to a tax increase to support future projects.
- The Port should embark on a public campaign to help the public understanding more thoroughly the Port's duties, roles and responsibilities.

Mr. McChesney agreed that there is currently a lot of misunderstanding. Many people see the Port as a place, but not as an entity. Others view the Port as a maverick department of the City of Edmonds. The Port is currently working on a public outreach program to educate the public and re-energize the Port's message.

Jack Bevan, Edmonds, referred to the City of Edmonds proposed Shoreline Master Program, which would increase the setbacks around the marsh, making the current Harbor Square development nonconforming. He said he believes that the Environmental Protection Agency will eventually require that all roadways have tertiary treatment, and a portion of the marsh may be required to accomplish this requirement. The Port should prepare people ahead of time that this might be necessary.

RETREAT AGENDA

Mr. McChesney referred the Commissioners to the draft agenda for the Commission and Staff Retreat, which includes the following items:

- **Facilities and Operations Overview.** This discussion can include the fuel dock, which has issues with obsolete equipment. Staff can report on how the Dock-and-Pay System is working and advise on the capital investments that are needed for such things as pump replacement. The Commission could also discuss Puget Sound Express's (PSE) plans for 2017, including their relocation to the space that was previously occupied by Bud's Bait. Staff could also review projects moving forward.
- **Future of Boating.** Paul Sorenson has agreed to participate in a discussion, and he will meet with him on February 14th to discuss the details of his presentation. The retreat discussion could include marina capacity, boater demographics, and economic drivers.

- **Recreational Fishing.** Recreational fishing is an important part of the Port's business, but it is very unpredictable from year to year because of how the catch is allocated. It is important to develop a deeper understanding of how the process works.
- **Tourism Promotion.** The Port has been very successful over the last few years putting together a tourism program, and PSE has been an integral part of that effort. PSE served 5,000 passengers in 2015 and 11,000 in 2016. Their goal is to accommodate 15,000 passengers in 2017. They also anticipate purchasing a larger vessel and operating the business year-round. Staff would like to invite Amy Spain, the Executive Director of the Snohomish County Tourism Board and/or Patrick Doherty, Edmonds Economic Development Director, to participate in the discussion.
- **Economic Development.** This topic should include a discussion about what economic development is and how it can impact the marina side properties. The Port is currently in the process of getting shoreline permits to develop a vacant parcel and there are also opportunities for economic development at Harbor Square.
- **Policies, Ideas and Initiatives.** This discussion could include an overview of the Port's current recycling program (what has worked and what has not worked).

Mr. McChesney invited the Commissioners to share their thoughts on the draft agenda.

Commissioner Faires referred to Mr. Haug's earlier comments relative to the need to better communicate with the public and noted that the draft agenda does not include a discussion about Port's Public Relations/Communications strategy. He recalled that the Commissioners chastised themselves last fall for not doing a good job of communication with the public. While they have done a great job of coming up with ideas, they have not communicated them effectively to the public to help them understand why they are important. He suggested that a greater sense of urgency needs to be placed on public relations/communications. The item should be added to the retreat agenda for further discussion. Commissioner Johnston agreed.

Commissioner Preston said he would like the retreat agenda to also include a discussion about what can be done to expand the Sea Jazz and Artists in Action Programs. He also suggested that both Amy Spain and Patrick Doherty be invited to participate in the discussion about Tourism Promotions. In addition, he would like Paul Sorenson to focus on what the Port needs to do to fill the marina. He would also like him to share ideas on how to keep the marina full in the future.

Commissioner Orvis cautioned that before moving too far forward with the Public Relations/Communications Strategy, the Commission must come up with a solid plan and good direction for moving forward. There is little developable land in Edmonds, and there are significant legal constraints imposed on development. The Port must identify its focus for the future before embarking on a significant Public Relations/Communications Strategy. They must keep in mind that any future plans will require the support of the Edmonds City Council, and they should be very careful that what they do does not hurt future development that might be good for the community simply because the Port is associated with it. Commissioner Gouge agreed that the Commission must come up with a solid plan that identifies the Port's current plans, as well as plans for 5, 15 and 20 years out. The plan must provide clear information that allows the public to see where the Port is going.

Commissioner Gouge said it would be helpful for staff to provide an overview of the Port's bonding capacity and capabilities, as well as an overview of the financial Cash Flow Statements. There is no point in talking about a plan for the future if there is no financial capacity to implement it.

The Commission scheduled their retreat for Wednesday, March 1st, from 9 a.m. to 2 p.m. They cancelled their regular meeting of February 27th, which would be replaced with a special meeting (retreat) on March 1st.

HARBOR SQUARE 4TH QUARTER REPORT

Jan Conner, Northwest Country Management, presented the Harbor Square 4th Quarter Report, specifically noting the following:

- There were 8 late notices, totaling \$1,928.31, but no tenants were in default.

- October to December revenues showed a 7.53% increase over the same time period in 2015.
- Leasing activity was moderate. Space was shown in Buildings 2, 3 and 4. A new lease was signed for Building 4, and there were 7 lease extensions. Space was added to an existing lease in Building 2, and a one-man office space was vacated during the quarter.
- Tenant improvements were done to Suite 202, which included painting and replacement of bathroom vanities, flooring, mirror and light fixtures.
- Conference Room rentals resulted in net revenue of just \$145, but no set-up costs were incurred. Total net rental revenue for 2016 was \$2,464 compared to \$1,757.50 in 2015.
- Projects done during the quarter included annual sprinkler confidence testing, annual fire extinguisher service, and Port staff pruned trees around the buildings.
- There was a fire alarm incident at 120 West Dayton, and the fire department responded. The vendor was contacted to flush the lines so the system could be reset. There was a vandalism incident in Suite B-4 (120 West Dayton) related to the tenant's disgruntled customer. The graffiti that was painted on the 170 West Dayton Building has been taken care of.
- Occupancy increased to over 90%.

Commissioner Faires commented that 90% occupancy is very good. He asked if Ms. Conner had a sense of how the numbers compare to other properties in downtown Edmonds. Ms. Conner referred to a comment made by Commissioner Gouge at a previous meeting that 90% occupancy is very good compared to other commercial properties. Commissioner Gouge added that many commercial buildings in the downtown are below 70% occupancy. Harbor Square is unique given its location, and this had resulted in an advantage to the Port. The high occupancy rate is due, in large part, to Ms. Conner's work. She has a great following and knows everything about the property. She has done a great job of tenant retention, as well, which is often more important than tenant recruitment. Mr. McChesney agreed that Ms. Conner has done an excellent job and has been fun to work with.

YEAR-END MARINA REPORT

Ms. Kempf reviewed the Year-End Marina Report, specifically noting the following:

- Guest Moorage and Public Launch activities were both down. This is due, in large part, to the fishing closures. Roundtrip launches were down by 41% and guest moorage was down by 37%. Some of this decrease could also be related to tribal fishing activity, which significantly decreased after the Port implemented new policies and a fee for fish buyers. Because many of the fish buyers no longer come to the Port, the tribal fishermen have decided to go to other facilities, as well. However, the problems the Port was experiencing as a result of the high volume of fish buyers have been corrected.
- Although fuel prices were the lowest they have been in five years, the number of gallons sold was down. It is also important to note that the Port switched from E-10 to clear gasoline in June of 2016. On the day the switch was made, the price for clear fuel was \$.36 higher than for E-10 fuel. Gasoline sales were down by about 13% and diesel sales were up by 15%. The total gallons of fuel sold was down 2%. Commissioner Faires pointed out that the increase in diesel fuel sales was directly related to purchases made by PSE.
- The Travelift and Boatyard did well. Stall usage was up for the year by about 600 days. Some of this increase was due to a few boats that had extended stays. There was also additional business related to Jacobsen's Marine.
- Occupancy numbers for water moorage and dry storage will be provided as part of the Financial Report at a future meeting.
- In 2016, there was a reduction in the number of terminations in water moorage. About 82% of them were in the 32-foot and under categories. The fish closure caused small boaters to terminate earlier.
- The number of names on the waiting list increased to 106. The current demand is for the 32-foot-and-up categories, especially the 50-foot category.
- About 81% of the Port's tenants were compliant with the insurance requirement at the end of the 4th Quarter, and 69% were compliant with the registration requirement. If a tenant is not in compliance, it does not mean the boat is not registered. It just means that the tenant has not submitted a copy of the registration. The compliance numbers should increase significantly in the 1st Quarter of 2017 since proof of both insurance and registration must be on file in order to obtain a parking pass.

Commissioner Preston pointed out that, currently, there are seven boats in the marina that are too long for their assigned slips. Ms. Kempf recalled that there were originally about 30 boats that measured too long for their slips. All but seven have either been adjusted to fit in the assigned slips or been relocated to a larger slip. The owners of the seven remaining boats are currently on a waiting list for larger slips. Commissioner Faires recalled that, when the marina was rebuilt, the Port established a strict overhang policy, and many tenants spent a lot of money to make their boats fit in their assigned slips. He asked if the Port is still actively enforcing the overhang policy, and Ms. Kempf answered affirmatively.

Ms. Kempf referred to a pie chart that outlines the reasons why tenants terminated. She noted that in 2015, about 39% of the terminations were related to seasonal tenants, and the number increased to 49% in 2016. About 20% of the tenants who terminated indicated it was because of fishing closures. The boat show special goes through March 1st, so staff won't have final statistics until after that date.

Ms. Kempf also reviewed the 4th Quarter Marketing Report, which shows the different promotions the Port offered to attract and retain business at the Port. Most of the 2016 promotions were offered for the 2nd or 3rd time, and they were well received.

Commissioner Gouge asked staff's overall feeling about the success of the boat show. Ms. Kempf said staff felt that attendance was a little lower. However, in talking with vendors and brokers, it seemed that boats were selling well. Commissioner Gouge commented that he likes having the Port's booth located next to the EYC's booth, since it gives them an opportunity to cooperate and coordinate with each other to create a larger presence for Edmonds.

Ms. Kempf said the Port usually comes out of the show with more commitments and holds on moorage space than they did this year. Right now, they have 19 holds. In previous years, they have sold between 40 and 70 slips due to the boat show special. Staff is waiting to see what the final sales will be for 2017. Some potential tenants may be waiting to see what happens with the 2017 fishing season.

Commissioner Johnston asked if other marinas are experiencing similar trends as the Port of Edmonds. Ms. Kempf pointed out that the Port of Edmonds relies heavily on recreational fishing, while other marinas, like Shilshole, accommodate more sailboats. These are two different customer bases. However, she knows that the Port of Everett continues to have problems filling their slips. Ms. Drennan added that, anecdotally, the Port of Edmonds is doing well compared to other similar marinas. With the public launch and the good location, it is a great spot for fishing boats. About 60% of the Port's inventory is in the 30-foot-and-under categories, and other marinas may not be as impacted by the fishing closures.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney reported that the Port is ramping up recruitment for the new multi-task management position for Harbor Square.

Mr. McChesney also reported that he met with the Port of Seattle's Tourism Director to discuss ways to collaborate on tourism efforts. In particular, the Port of Seattle has established a grant program that offers up to \$10,000 for projects that promote tourism. The Port of Edmonds is collaborating with the City of Edmonds, the Chamber and the Snohomish County Tourism Bureau to put together a proposal and grant application. The application deadline is February 22nd.

Mr. McChesney announced that he attended the recent Alliance of Citizens for Edmonds (ACE) meeting where they talked about the status of the Edmonds Marsh buffers and setbacks. They also discussed the code rewrite status and received an update on the current redevelopment projects in process (Five Corners, Highway 99, Civic Field, and Phase 2 of the Spee Project in Downtown Edmonds).

Mr. McChesney reported that staff is working with the consultant to prepare a Shoreline Permit application for a vacant parcel. He was pleased to see that the project schedule anticipates the permit will be in hand by July of 2017, but this may be optimistic.

Mr. McChesney explained that, normally, the Hatchery's fish net pens are located by the fishing pier. However, because there are still some engineering and construction issues that have not been resolved, the City of Edmonds has advised that the net pens could not be placed in that location this year. The Hatchery approached the Port with a request to place the pens inside the breakwater. However, the Port determined there was no place to put the nets that would not encumber the fairway and become a hazard and/or inconvenience.

COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS

Commissioner Faires concurred with Mr. Haug's earlier comments that the Port needs to do more from an economic development standpoint. He also agreed that it is important to better inform the public about what the Port is responsible for and that it is their business to promote economic development. Communication needs to be a high priority in 2017. In terms of increased taxes, he said the Port Commission has an unwritten policy that they do not want to tax the owners of the Port facility unless there is an investment to be made in a good enterprise that will bring new economic vitality to the community. The Port does not want to tax its constituents for operational funding.

Commissioner Faires reported on his attendance at the January 18th Edmonds Economic Development Commission (EDC) Meeting where he provided input relative to the Port's activities in terms of tourism. He talked about the Puget Sound Express activities and opportunities for the Port to do things differently or more uniquely than other entities can. Because their responsibilities are different than those of the City of Edmonds, it is reasonable that the City will come to different conclusions than the Port. He emphasized that the Port's role is to always represent the economic vitality of the community. The EDC members understand what the Port is about and why it is an advocate for economic vitality.

Commissioner Faires said he and Mr. McChesney recently had lunch with Amy Spain, Executive Director of the Snohomish County Tourism Bureau, and Patrick Doherty, Edmonds Economic Development Director, to discuss opportunities for a grant application to the Port of Seattle. He explained that the Port of Seattle has put together a program to increase the number of people that come to Seattle through the airport or to get on cruise ships. They are seeking proposals from entities that can aid them in that regard. From that meeting, a project has been scoped, and he believes there is a reasonable chance that it will be selected for grant funding.

Commissioner Johnston congratulated the Edmonds Yacht Club for their outstanding and very festive displays during the Holiday on the Docks event. The event is a great addition to the waterfront. He also thanked them for their participation in the boat show.

Commissioner Johnston also agreed with Mr. Haug's comments and said he looks forward to a retreat discussion to consider how to increase communication with constituents.

Commissioner Preston referred to an email string he received from Carrie Hite, Edmonds Parks, Recreation and Cultural Services Director, related to the Hatchery's fish net pens. She indicated that the City would meet with the project engineer on Tuesday to determine if they can hold off on the work until June when the fish pens will be removed. Mr. McChesney said there appeared to be some urgency on the part of the Hatchery because the fingerlings were going to be delivered and they needed an immediate location for the pens. He said he is not sure if the window of opportunity has expired or not.

Commissioner Preston requested an update on plans for the 2017 Waterfront Festival. Mr. McChesney reported that he has been working with the Rotary Club. The layout for the 2017 festival has been confirmed, and the conditions of the contract have been accepted. They are scheduling planning meetings and the Port will participate in the discussions. If the Commission is interested, they could invite a representative from the Rotary Club to a future meeting to provide an update. However, staff is satisfied that the contract is being carried out as directed by the Commission.

Commissioner Preston reported that he attended the boat show. He also attended the Mayor's State of the City Address, where Mayor Earling did a great job of recapping everything that has been done and casting a vision for where things are going in the future. In addition, he reported that he attended the Affordable Housing Meeting with Edmonds Assistant Chief, Jim Lawless. The discussion centered on a number of alternatives for providing

affordable housing such as tiny homes and accessory dwelling units (ADU). He noted that many lots in Edmonds are large enough to accommodate an ADU if the City were to change its codes to allow the use. Commissioners Gouge and Orvis recalled that the concept of allowing ADU's in single-family residential zones was discussed years ago, and the City Council made a deliberate decision to adopt codes that created barriers for the use.

Commissioner Preston advised that he attended the EYC's TGIF meeting last Friday. One topic of discussion was recruitment of new members to the Sea Scout Program. Headway was also made in getting more adults involved in the program. Mike Jones is working with Skipper Jeremy Makin to consider how rapidly they can get rid of the existing boats. Mr. Jones has also talked with Skipper Makin about opportunities for the Sea Scouts to do more service to pay back what is owed to the Port. One idea involves removing the moss from the north side of the buildings at Harbor Square.

Commissioner Orvis pointed to a recent article in the Everett Herald's Northwest Coast Magazine regarding winter birding locations. He noted that the Edmonds Marsh was not even mentioned in the article.

Commissioner Orvis provided a brief legislative report, noting that not a lot is happening as the Legislature is focusing efforts on finding funding for schools. They were considering a \$125 fee for anyone coming from out of state with a boat as a means of funding the Invasive Species Act. However, the Washington Public Port Association and others testified and managed to kill the legislation, which could have had a negative impact on tourism.

Commissioner Orvis referred back to the previous discussion about communicating better with the public. He emphasized the importance of having direction and a plan in place before starting a public communications campaign. Relying on a "do something" syndrome can lead to dead ends and the misuse of resources. They need to move forward in a logical, well-thought-out manner.

Commissioner Gouge advised that he would meet with Mr. McChesney, Ms. Kempf and Paul Sorenson in preparation for the retreat discussion about the future of boating.

Commissioner Gouge said he was disappointed in the current status of the City of Edmonds' Shoreline Master Program (SMP). The City Council and Department of Ecology (DOE) are now discussing a third alternative without even talking to the major land owners who will be impacted. He felt this was disrespectful and disregards the fact that the property belongs to the residents of Edmonds and Woodway. The Port should be invited to participate in the process.

Commissioner Gouge commended the Port staff for their participation in the boat show. He said it provides a great opportunity for them to meet people and talk about the Port. He suggested it would also be good to provide opportunities for staff to visit other marinas, etc. He concluded that the Port has great staff and he appreciates all they do. They are in the business of keeping the marina full. He also thanked Council Member Teitzel for attending the Port Commission meetings as the City Council's liaison.

ADJOURNMENT

The Commission meeting was adjourned at 8:15 p.m.

Respectfully submitted,



Steve Johnston
Port Commission Secretary