

PORT DISTRICT OF SOUTH WHIDBEY ISLAND

Minutes of the Special Meeting

September 6, 2007

Freeland, Washington

Present at the meeting were:

Commissioner Lynae Slinden, Clinton
Commissioner Rolf Seitle, Langley
Commissioner Geoff Tapert, Freeland
Ed Field, Port Manager
Chuck Edwards, Port Accountant
Molly MacLeod-Roberts, Port Clerk

Paul Sorenson, BST Associates
Greg York, Art Anderson Associates

Absent: None

1. MEETING CALL TO ORDER:

The Special Meeting of the Port District of South Whidbey Island's Board of Commissioners was convened on September 6, 2007, in the conference room at the Port office at 5492 S. Harbor Avenue in Freeland, WA. Commissioner Geoff Tapert, President, called the meeting to order at 9:05 am. As announced, the primary purpose of the Special Meeting was for the Commissioners to meet with Paul Sorenson of BST Associates and Grey York of Art Anderson Associates (AAA) to review BST's strategic business planning study for the Port and the status of the AAA engineering contract.

2. PRESENTATION:

Paul Sorenson of BST Associates' presented his report "Strategic Planning Services" dated August 31, 2007 (**EXHIBIT A**).

Sorenson began by addressing Marina Market Considerations, noting that BST's recent work on Oak Harbor's Master Plan showed most of Oak Harbor's marina users are from Whidbey Island, so BST focused mainly on the Island and the size of the fleet here. He added that there a lot of summer homes on the Island, and Sorenson said they also looked at the regional users from Seattle, eastern Washington, Oregon, etc. BST attempted to quantify the market size and determine what the Port's share of the future demand might be, as well as dry storage versus wet moorage and the resulting financial considerations for the Port.

Sorenson noted that boats up to 26 ft. in length are easily trailered, so the boats that over 27 feet would be the ones utilizing dry storage or wet moorage. BST's report therefore focuses on the 30 ft. range. Sorenson pointed out that boating is a discretionary expenditure and is negatively impacted by economic recession, and although there is concern with the housing market, . the demographics for growth are still very good. Currently there is a real shortage of longer slips for moorage of boats over 35 ft. Two marinas are coming on line; Bremerton and the 12th Street Marina in Everett. Shilshole Marina in Seattle is rebuilding to

accommodate bigger boats as well. Sorenson said there are currently way too many small slips and not enough longer slips in the marketplace.

Sorenson reviewed rates at various marinas in the Sound, noting that location, proximity to users, and convenience factors such as ferry travel are all applicable. Regarding boat usage, Sorenson said BST's marina surveys have shown that 15%-20% of boat owners are active boaters who use their boats extensively and travel throughout the Puget Sound. Sorenson said a lot of boat owners do not use their boats extensively and take just one or two trips per year, usually in July or August. Commissioner Slinden said those boaters are driven more by destination rather than proximity to a metro area. Sorenson said BST's surveys in La Conner have also shown several boaters who use their boats as a second home and stay on board for the weekends without necessarily leaving the marina. He said from that perspective, the access to the City of Langley is an attractive feature. Port Manager Ed Field said there are 3 or 4 people on the waiting list for permanent moorage already.

Sorenson discussed the housing market and populations of South, Central and North Whidbey. He said South Whidbey has about 25% of the population base, but a much larger size of seasonal housing with 16% of the units being seasonal. Sorenson said the Port will need to be as flexible to draw from a lot of different markets: transient moorage, permanent moorage for Island residents that are active boaters, permanent moorage for boaters who are not very active and some moorage for boaters who treat their boats as a 2nd home.

BST looked at the number of boats 27 ft. and longer, noting that due to customer add-ons, there may be a 10%-15% increase between the manufacturer's length (per Dept. of Revenue data) and the actual length of the boat. Regarding boat quantities, the number of boats on South Whidbey is increasing more rapidly than the population base based on the zip code of the boat owner.

Regarding dry storage area, there are a couple of different kinds of systems. Sorenson said Edmonds' older style dry stack operation goes up to about 28 ft. Newer ones such as Twin Bridges go to 35 or 36 ft. and Foss Landing in Tacoma goes up to 38 ft. Those buildings charge based on the amount of cubic feet the boat takes up. It is a unique market that saves boat owners in maintenance expenses, but owners don't have the ability to stay on their boat and entertain guests on board. The newer marinas with dry storage provide more of a hotel concierge type service. They prep the boat for the owners, they supply and fuel the boat, and the owner can telephone ½ hour ahead and they will put the boat in the water.

Sorenson then discussed Wet Moorage (Marina) Considerations, including demand and financial considerations. The rates have to be set to cover the costs, but they are limited by what is acceptable in the marketplace.

In discussing the new marinas, Sorenson said Bremerton was of particular interest because they were able to get federal grants. Grants are available for transient moorage. There are two programs: the Interagency Committee for Outdoor Recreation/Recreation and Conservation Office (IAC/RCO) program and the Boating Infrastructure Grant (BIG) program, which is federally funded. Sorenson thought Bremerton got \$1 million in BIG money. Greg York of Art Anderson Associates (AAA) said the Port of Bremerton had received several grants, partly because the breakwater could be used for public recreation as well. Sorenson said Bremerton also received an Economic Development Administration grant for \$2.5 million, based on their assertion that the new marina would create jobs and help revitalize Bremerton and the new marina was necessary for a waterfront community. Sorenson said he hasn't seen another marina in Washington that has received economic

development funds like that. He said the grants helped to defray some of the costs of the new marina, but the grants provided only \$4.5 million of the \$30 million total. Sorenson said some of the new slips at Bremerton are being offered to tenants in the adjacent housing units with right of first refusal basis. Sorenson said that similar to the Langley Marina, the Bremerton marina does not have a lot of parking. He also discussed the Port of Everett's new marina that focuses on larger boats to compliment what the existing marina offered. They mainly focused on 40 ft.-70 ft. boats with the ability to have boats up to 140 ft. on the end ties. The Port of Everett wanted to become the high-end price leader, so they are in the \$9-\$12 per ft. range. Ed asked how the slips were selling. Sorenson said they were doing pretty well. About ½ of the slips are the Port's responsibility and the Port has tenants for those, and the other ½ are right of first refusal for the developer.

Sorenson discussed the Swinomish Northern Lights Marina/Resort. He referred to it as "the 900-lb. gorilla in the marina business" as the project began back in the mid-70s and it still hasn't happened. The proposed marina would have 1200 slips, and if it is ever built, it would definitely impact the market for the Langley marina. In terms of absorption, Sorenson said one of the best examples is in Blaine where 300 slips were added about 7 years ago. They absorbed 60 slips per year, so in 5 years they had absorbed all 300 slips. At that rate, the Swinomish marina would take 20 years to absorb all of that. .

Sorenson said the Port of Bellingham is planning a 350- to 450-slip marina. There are also potential new or expanded marinas at Seabeck and Port Ludlow and the Lummi Indians are looking into one in Bellingham. He said the bottom line is that from a regional perspective, there are other marinas being planned, but if the current growth of 300 new over 30-ft. boats per year continues, the demand for slips is not keeping up with the supply of boats. Commissioner Seitle said the condo marinas in Anacortes and Skyline are interesting, where the people basically buy a facility for their boat. Sorenson said he doesn't think condo marinas are a panacea because it's more difficult for a public sector to get into condo moorage. Edwards agreed because that would involve selling public property.

Sorenson then discussed marina reconfiguration, noting the problems of high off-season vacancy rates and poor slip-size ratios for older marinas. Noting Oak Harbor's problems with financing their rebuild, he said it really underscores the problems with city-owned marinas,. Sorenson said to build a marina, an entity needs to make sure it can look 25 years down the road and have flexibility and some financing capability for maintenance, etc. Sorenson detailed how construction costs have risen in recent years with skyrocketing costs of steel, cement and flotation materials. In Port Orchard only 1/3 of their Capital Improvement Plan will be paid for by ratepayers and 2/3 will be paid for by the larger Port District.

In discussing Transient Moorage Trends, Sorenson pointed out that the activity for transient is very seasonal, especially farther north in Puget Sound. Sorenson said the City of Langley reported gross revenues of \$43,000 in 2005 from transient moorage and \$7,500 from winter moorage. Commissioner Seitle said the historical data on revenue showed the average over the last 10 years was more like \$75,000 in gross revenue. Ed wondered if the City's report was a net total and Sorenson said he would check into it.

Sorenson said that transient moorage accounted for only 3% of the Port of Edmonds moorage revenues, and Commissioner Seitle said that Edmonds is not really a destination. Sorenson agreed, and explained his point in showing the data is that most marinas get their "bread and butter" from permanent moorage. If the Langley marina has no transient activity from October through April, it doesn't make much sense to focus too much on the transient

moorage, and Sorenson suggests focusing on more permanent moorage. Commissioner Slinden said the question is whether there is enough demand for permanent moorage and Sorenson said he thinks they do, but the trade-off is the parking. Commissioner Seitle said that permanent moorage requires much more infrastructure and Sorenson agreed that it did. Sorenson said the least amount of parking BST has seen at a marina is .3 parking spaces per slip (one parking slip per three slips) and up to .5 (one parking space per two slips).

Commissioner Slinden asked if Commissioner Seitle as a Langley resident knew what was the capacity of the sewer system there. Commissioner Seitle said he has not gotten any information out of Langley about the plant's capacity, but in light of the ongoing upstream development, he thinks they will soon hit 80%. The Commissioners briefly discussed whether the permanent moorage would include "live-aboards" and therefore require sewer hook ups. Commissioner Seitle said there is already a limiting factor in the InterLocal Agreement (ILA) with the City of Langley regarding how many slips they will tolerate. Sorenson said having live-aboards creates more of a load on utilities, parking, garbage, etc. Ed said there are some benefits for security and things like that. Sorenson agreed, but added that some marinas have gone awry with its use as cheap housing and undesirable tenants. Sorenson noted that La Conner has made plans to get rid of their live-aboards. He said depending on how the live-aboard issue is approached and dealt with and limited, it could be run in a way that makes it a very charming and delightful addition to the area. Regarding the permanent/transient mix, Ed said he had heard some marinas open up their slips for transient moorage for the three summer months and then the market for the remaining nine months is for those owners with boats out on a hook who want it to be somewhere that is protected in the off season. Sorenson said yes, that's the winter moorage and Des Moines has done well with that, making \$60,000-\$70,000/year off it. Sorenson said there are a lot of boats that are anchored or have private docks in front of homes whose owners want the boats moved into a secure area during non-peak times, and that would definitely be a market for the Langley marina. He said the combination of winter moorage plus transient moorage still may be less than permanent moorage revenues. Ed asked if the combination would require less parking and Sorenson said yes. Commissioner Slinden asked if the recommended expansion to 200 slips included the current slips and Sorenson said it did. Commissioner Slinden said the recommended 40 transient slips is what the marina currently has, so everything the Port does that is new will be permanent moorage, and the IAC/RCO does not fund permanent moorage, which Sorenson agreed with.

Sorenson asked York if he was looking at transients along the breakwater in his layouts. York said the breakwater is intended for some transient, as well as ferries or cruises. Sorenson recommended maintaining that flexibility and said the amount of transient moorage could go up from 40. He said BST understands that 200 is probably more slips than the Port can get in. Commissioner Seitle said that 200 has been the break even number forever. Commissioner Slinden said that is why she is frustrated with the number of 120 slips coming from the City of Langley. Commissioner Seitle said if they take the 200 slips and apply the parking spaces of .3 per slip, there are upland restrictions that can be immediately seen. Sorenson asked if the City actually has a code with parking requirements and Commissioner Seitle said "No, none." Sorenson said that Bremerton's new marina has just 12 parking spaces for their new 300-slip marina. Regarding upland development and parking demands, Sorenson said there might be an opportunity for shared parking if there are commercial buildings with parking spaces not used on the weekends, etc. After further discussion of possible marina size, Sorenson said BST thinks there is absolutely demand for up to 200 slips, so there is no problem with building a marina smaller than that.

Sorenson said there are “hot berthing programs” where someone who has a permanent slip lets the marina know when they are gone and therefore not using the slip, and the slip can be used for transient moorage while they are away. He said in some cases the revenue is shared with 50% to the slip owner and 50% to the Port and in some cases 100% goes to the Port.

Port Manager Ed Field read aloud from Paragraph 8 of ILA: noting that there is nothing “hard and fast” on numbers in the ILA, but with economic and size considerations, he doesn’t think the Port would get funding or Langley’s concurrence on 200 slips.

Greg York asked if there was a way demographically to break down the size of the transient vessels to show if they are large or small. Sorenson said they are going to range from a local person with a 14 ft. boat to someone coming in with a 100-ft. boat. Commissioner Slinden said the Port is limited by the IAC/RCO requirements for transient moorage.

In terms of funding, Sorenson recommended going for the BIG program which is for boats 26 ft. and above. Commissioner Slinden asked if that would be for permanent moorage and Sorenson it would be for transient. Commissioner Slinden said the Port would then have to look at reconfiguration due to IAC/RCO constraints and would just be re-doing what they have. Sorenson said the Port could get funds from the BIG program to replace the existing slips. Regarding the existing wood breakwater, Sorenson and York agreed it would have to be replaced, and York added that in the long run the existing marina is not in the Port’s future. Commissioner Seitle said it should however be retained for a reasonable period of time to capture the revenue, and Sorenson agreed. There was additional discussion about IAC/RCO restrictions, which need to be researched further.

Commissioner Tapert said from a strategic point of view that once the new breakwater is in its permanent location, it could be considered as transient moorage. He said it would be very flexible because it is all linear, and the Port could potentially go after IAC/RCO funding to get a pier or ramp connected to it. Commissioner Tapert said that would temporarily put the Port above 40 transient slips, but as the marina was built the breakwater would revert to permanent moorage and the Port would have to find other funding. Ed said the Port would need to be very careful because if it is RCO money, it is non-commercial. Ferries and tour boats would be commercial. Ed said the RCO’s initial recommendation was “Don’t go for any of our money for acquisition and be very careful how you portion it out for development.” Commissioner Tapert asked when the Port matches grant money 50/50, can the Port use its 50% for commercial. Ed explained that if there is \$1 of RCO money, it comes under these guidelines and applies to the scope of the project, including the Port’s 50%.

Sorenson then discussed Dry Stack Operations. He noted that the Port of Edmonds was really a leader in developing its dry storage to supplement its wet moorage. The facility was rebuilt in 1998 after sustaining snow damage, and the dry stack storage operation has been very successful. Sorenson explained that the ideal dry stack facility is right on the water, because the farther you have to travel, the more expensive it is to launch every boat. The rule of thumb for the dry stack storage places is 200 or more spaces. Sorenson said that Twin Bridges is charging on a cubic foot basis and their rates for dry stack storage are in fact more than Anacortes’ rates for wet moorage. He said if the Port of South Whidbey had some uplands, they might be able to park a few boats using the system Granville Marine uses. Commissioner Seitle said rather than associating the dry storage with the Langley Marina, he was thinking about the other Port facilities that are only boat ramps right now, such as Possession Park. Commissioner Slinden said Possession is not the most accessible location and there are issues concerning the estuary there. Sorenson said a concern would be

lawsuits from homeowners whose view would be blocked by a dry storage building. Commissioner Slinden said Possession wouldn't have that problem and Edwards agreed because the Port owns all the uplands. Ed said Mutiny Bay is the obvious choice geographically, but the view issue would be huge there. Commissioner Seitle said Possession wouldn't have a view problem and has the potential property available. Commissioner Slinden pointed out there is not a lot of flat property at Possession, there is the possible estuary restoration to consider, and the other flat parts are pretty well obligated. Sorenson said he is not as enamored of the dry stack for the Port of South Whidbey. He said it's only been successful in real urban areas like the Seattle market or emerging markets like Tacoma and Everett. Commissioner Slinden asked about the possibility of making the trailer area at Possession a second tier so people could lease trailer spaces. A brief discussion followed and it was determined it would be an issue of overnight parking, and would probably not generate much revenue. Commissioner Seitle brought up the possibility of charging to use the boat ramp at Bush Point, and Ed pointed out that Anacortes and others had problems with that because the cost to implement the program ate up the fees collected. Ed and the Commission agreed that charging for parking might work and should be considered for Port facilities.

Sorenson explained that Anacortes ran into problems when reconfiguring their marina by removing smaller slips and replacing them with bigger slips. The Planning Commission in Anacortes forced the issue and would not give the go-ahead for the reconfiguration until Anacortes came up with a plan that would continue to take care of the small boats.

Sorenson asked about the status of land acquisition regarding the Nichols property.. Ed said he would be submitting a formal decline letter to Nichols for the Commissioners to sign. The Port declined for a number of reasons including cost and possible permitting problems. It is also a popular industrial use area that is providing jobs.

3. PROJECT ACTION ISSUES:

A. Langley:

1. Master Plan Issues: Ed said that the City's Park & Ramp Reconstruction project was now out to bid, although he noted that he had not yet received a set of plans and would be calling Langley to do so. The Commissioners expressed concern that the extent of the Park & Ramp project (especially paving) could complicate Master Planning for effective utilization of the limited uplands area for an expanded marina. They also expressed concern over the final configuration of Phil Simon Park. There was discussion regarding how to best undertake the process of Master Plan revision, after the Port's development of technically- and financially-feasible conceptual design(s) for the expansion. Since the original Master Plan for the harbor area was prepared by J.A. Brennan Associates, the Commissioners asked Ed to contact Jim Brennan to see if his firm would be interested in participating in the Master Plan revision. It was also noted that design project manager Greg York from Art Anderson Associates has requested that another design workshop be scheduled to continue the conceptual design effort. A Special Meeting was tentatively scheduled for the morning of October 4. It was agreed that the meeting would be conducted in workshop format, but that it would be designated as a Special Meeting so that Commission decisions could be made. Since the marina expansion seems to be trending to the south and east, the Commissioners also agreed with Ed's recommendation that project surveyor Fakkema & Kingsma be authorized to extend their shoreline property-line mapping south and east, to the Section 34/35 line.

2. Breakwater Moorage Issues: York reported that he had tasked subconsultant Coast + Harbor Engineering with a risk analysis comparing the Holmes Harbor and Langley temporary moorage locations for the breakwater, utilizing the recently-acquired wind and wave data and CHE's computer-modeling capabilities. York noted that there was sufficient room remaining in CHE's Task 2.2 Site Investigation budget to allow them to do this additional work without exceeding the original NTE amount, and he said he expected the results to be ready for the Commissioners' use at their September 12 Regular Meeting. With respect to permit status at Holmes Harbor, York reported that the US Army Corps of Engineers (USACE) reviewer is due back from vacation on Monday Sept. 10, at which time permit specialist Joe Callaghan with subconsultant GeoEngineers will check with her as well as for the pending US Coast Guard permit. York added that he was estimating the Langley moorage to be about \$30,000 for installation, while the Holmes Harbor moorage could be \$60,000 (possibly plus monthly anchor rental fees). Given the continuing permit and engineering expenses arising from the unexpectedly-prolonged temporary moorage analysis as summarized by York, Ed recommended that the Commissioners authorize additional funding for AAA's Task 2.1 Temporary Breakwater Moorage budget. He suggested that the \$10,000 as recently approved for the Task 2.3 Concept Design work (ref. Board of Commissioners 8/29/07 Meeting Minutes) could be shifted to additional funding for Task 2.1, and the Commissioners could then more thoroughly review and address the Task 2.3 Concept Design scope and issue full direction at the September 12 Regular Meeting. The Commissioners agreed and directed Ed and York to proceed accordingly.

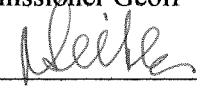
4. ADJOURNMENT:

The meeting was adjourned at 10:45 am.

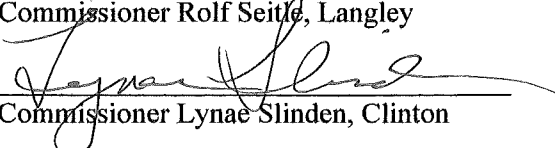
Approved:



Commissioner Geoff Tapert, Freeland



Commissioner Rolf Seitle, Langley



Commissioner Lynae Slinden, Clinton

Minutes prepared by:



Edwin S. Field, Port Manager

Exhibit A: "Strategic Planning Services" report, BST Assoc, draft dated August 31, 2007