



MEMORANDUM

TO: ROB FIX
DATE: MARCH 28, 2017
FROM: SHIRLEY MCFEARIN 
COPIES: BRADY SCOTT 
SUBJECT: WATER RELIANT COMMERCIAL MARINE RENTAL POLICY

ACTION REQUESTED

Motion by the Port Commission approving the Water Reliant Commercial Marine Rental Policy.

BACKGROUND

The Water Reliant Commercial Marine Rental Policy would provide a consistent and predictable structure for determining rents for the Port's marine properties for those tenants that meet the definition of a Water Reliant Commercial Marine Business.

Water Reliant Commercial Marine businesses are commercial marine businesses that (i) require access to the water and (ii) where the economics of the business use create a reliance on a waterfront location, and therefore cannot reasonably be located elsewhere.

Unless otherwise approved by Commission per RCW 53.08.080, rent for Water Reliant Commercial Marine business will be as follows:

- Ground lease rates will be set based on the fair market rental rate using a land value based for Water Reliant Commercial Marine uses at the Port's then rate of return.
- Building rent rates will be provided at a 10% discount from the rental revenue standards for certain port owned facilities.

This policy will be implemented as new leases are issued and when existing leases are renewed. As new leases arise or lease renewals occur where rent is subject to adjustment, the Port will determine if the proposed use is a Water Reliant Commercial Marine use and then apply this Water Reliant Commercial Marine Rental Policy for those tenants determined to be a Water Reliant Commercial Marine use.

FISCAL IMPACT

It is expected that revenue generated from current Water Reliant Commercial Marine Business tenants will go down as this policy is implemented, however, this policy is likely to attract new commercial marine businesses which could offset this loss. Because this policy will be instigated over time the budget impact can be planned and accounted for. Specific impacts to revenue will be tracked and measured.

STRATEGIC PURPOSE

The purpose of the Water Reliant Commercial Marine Rental Policy is to provide a consistent and predictable structure for determining rents for the Port's marine properties which provides a fair rate of return for public resources while enhancing economic development, strengthening the harbor core of the County's maritime sector, promoting marine trade development and job growth on the Port's waterfront properties, and continuing to offer attractive lease rates to commercial marine businesses in order to preserve and maximize marine trade occupancy where marine trades businesses must rely upon water access.

RECOMMENDATION

Approval.

Water Reliant Commercial Marine Rental Policy

I. Purpose Statement

The purpose of the Port of Bellingham's Water Reliant Commercial Marine Rental Policy is to provide a consistent and predictable structure for determining rents for the Port's marine properties which provides a fair rate of return for public resources while enhancing economic development, strengthening the harbor core of the County's maritime sector, promoting marine trade development and job growth on the Port's waterfront properties, and continuing to offer attractive lease rates to commercial marine businesses in order to preserve and maximize marine trade occupancy where marine trades businesses must rely upon water access.

II. Definition-- Water Reliant Commercial Marine

Water Reliant Commercial Marine businesses are: commercial marine businesses (as defined below) which (i) require access to the water (as defined below) and (ii) where the economics of the business use (as defined below) create a reliance on a waterfront location and therefore cannot reasonably be located elsewhere. The Water Reliant Commercial Marine use must be reflected in the "authorized use" section of the lease.

"Commercial Marine business" are businesses that are substantially engaged in marine trade related activities and exclude government agencies and not for profit organizations.

"Access to the water" means: (i) the use and activity of the business requires property that has access to marine waters without use of public roads, or (ii) work performed by employees/staff of a business requires frequent access to vessels moored at port facilities.

"Economics of the business use" means: the majority of the business profit from the Commercial Marine Business is derived from uses and activities that require access to the marine water, wherein if the business were in a location without such marine access it would not be economically viable.

Water Reliant Commercial Marine business, may include but are not limited to:

- Boat yard, shipyard, and marine transportation facilities.
- Boat storage and boat repair services that require vessel-launching facilities that cannot be otherwise routinely accessed by using public roads to reach a vessel-launch facility.
- Fish processing facilities that receive fish from vessels.
- Tour, taxi service, boat services or other companies that own and rely upon a vessel moored in the harbor for their business operations.
- Boat sales and charter companies that are Merchant leaseholders, as defined by the Harbor Operations, Policies and Rates Handbook. *An upland leasehold tenant of the Port that has multiple vessels that are for sale or charter.*

- Businesses that, as a major part of their activities, require employees to routinely board vessels in order to install or repair equipment.

Water Reliant Commercial Marine businesses, do not include:

- Retail and marine supply businesses.
- Yacht clubs and other not for profit organizations.
- Restaurants and other non-marine trade related businesses.
- Tour, sales and charter companies that are not merchant leaseholders.
- Boat manufacturing where the product can routinely be transported on public roads to a launch facility.
- Boat storage businesses that do not require vessel launching facilities.
- Government agencies.

III. Rate Structure

Unless otherwise approved by Commission per RCW 53.08.080, rent for Water Reliant Commercial Marine business will be as follows:

Ground Lease rates—Estimated FMV \$/sq ft x Ports then Rate of Return (currently 9%) = Annual Rent/sq ft

Estimated FMV rent shall be based on the: *fair market rental rate for the Premises using a land value based for Water Reliant Commercial Marine uses, so long as the Premises continue to be used for Water Reliant Commercial Marine uses. For the sole purpose of determining Rent by appraisal Water Reliant Commercial Marine uses shall include uses which cannot logically exist in any location but on the water and uses which were historically dependent on a waterfront location.*

Building Rent—10% discount off Rental Revenue Standard Rates will be provided to Water Reliant Commercial Marine uses at the following facilities:

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|--------------------------|------------------------------------|
| • Squaticum Esplanade | • Bellingham Cruise Terminal |
| • Marina Square | • BCT- Warehouse 4 |
| • Harbor Center Building | • Fairhaven Marine Industrial Park |
| • Harbor Mall | • BST- Warehouse 1 & 2 |

Additional Rent—Set per Rental Revenue Standards

Port Management Area (PMA) Rent—Charged pursuant to State law

Leasehold Tax—Set per State law, currently 12.84%.

Terminals, Moorage and Weblocker—Set by applicable Tariff.

IV. Implementation

This policy will be implemented as new leases are issued and when existing leases are renewed. The goal is to determine the rent for all Water Reliant Commercial Marine users in accordance with this Policy thereby providing consistency and predictability for all the Water Reliant Commercial Marine users.

As new leases arise or lease renewals occur where rent is subject to adjustment, the Port will determine if the proposed use is a Water Reliant Commercial Marine use and then apply this Water Reliant Commercial Marine Rental Policy for those tenants determined to be a Water Reliant Commercial Marine use.

In the case of a Lease renewal, if there is any inconsistency between this Policy and the underlying Lease provisions concerning determining rental rates on renewal, the underlying Lease provision shall control unless application of this Policy would result in a more favorable rental rate for the Water Reliant Commercial Marine user.

Where appropriate, the "authorized use" section of the lease will be drafted or modified to reflect the Water Reliant Commercial Marine use.

In the case of a tenant with multiple parcels or leases, only those parcels or leases where Water Reliant Commercial Marine uses occur will be subject to this Policy.