

THE JOHN WAYNE MARINA



Background and Q & A

General questions raised by community members about the possible sale of the JWM are addressed below. More detailed information, including responses to additional questions, is available on the Port's website: portofpa.com/385/John-Wayne-Marina-Public-Information



Background

The Port built the John Wayne Marina (JWM) in the 1980s on acreage and tidelands at Pitship Point which had been donated by the actor John Wayne. Since then, it has become a highly-used and valued community asset for both local and visiting families, and outdoor recreationists. Also, the Jamestown S'Klallam Tribe has an oyster aquaculture operation at the marina.

In October 2017, developer Ron Cole approached Port staff about a possible sale of JWM to his company, Buffalo River Holdings of Bend, Oregon. The Port had not considered the sale of JWM in the recent past, though the topic had come up peripherally during strategic planning, business line reviews, and analysis of Port Angeles Boat Haven (PABH) agency proposals. In March 2018, Mr. Cole indicated he was interested in submitting a proposal if the Port was willing to receive one. The issue was brought to the attention of the Port Commissioners at a public board meeting on March 13 to seek Commission direction on the potential offer.

General Considerations

Why is the Port considering selling JWM?

In the 1980s when the Port developed JWM, Clallam County had a vibrant forest products and commercial fishing economy. This created a surplus reserve at the Port, allowing it to develop JWM intending that it would be self-sustaining in the long run. The strong natural resource-based economy in Clallam County has declined with restrictions on forest harvests and the collapse of fish stocks, and the Port's annual cash flow is now less than half of what it was 30 years ago. With fewer dollars for reinvestment, the Port must first fund capital projects that create the highest economic impacts and are aligned with the Port's core mission of economic development.

While JWM is used and enjoyed by many, moorage fees and other marina revenues have not covered costs. Detailed cash flow analysis of JWM shows that its operating surplus has not recouped the funds used to build and expand the marina, nor will it cover future marina improvements (anticipated float and pile replacement, plus repair to the breakwater and shoreline, is estimated to cost over \$22 million in 2035). Even if moorage rates were doubled, it would not cover the future costs to replace the floats and pilings.

If Port funds are used for JWM, then they are not available for other capital projects with a higher financial and economic return to the citizens of Clallam County. The Commission must determine whether it has the financial ability to subsidize the marina from its other business lines, and if doing so would be in the best economic interest of the county.

How would public access to the marina be maintained?

The Port would require that the marina remain publicly accessible. In a sale to a private party, the Port would include deed restrictions regarding public access that could be enforced by the Port. The Port could also grant access easements to the public, and those easements could be enforced by any member of the public, as well as the Port, the City of Sequim, or Clallam County. Also, the City of Sequim, through its Shoreline Master Program, will have regulatory oversight of all actions at the Marina that may adversely impact existing public access to the shoreline, including beach access, viewing areas, and parking. The state Shoreline Management Act authorizes the City of Sequim to require a substantial development permit for any activity that reduces existing public access, and it gives the City of Sequim enforcement authority to stop non-permitted development or activity that reduces existing public access, even if JWM is owned by a private party. With these safeguards in place, public access to JWM should continue as it is.

What is the relationship between the Port and John Wayne Enterprises?

The Port uses the John Wayne Enterprises' water supply system for JWM and pays for water usage. We have informed the John Wayne Enterprises land advisor of potential interest in the marina, the Port's public process for reviewing the inquiry, and provided the links to the JWM Information web page.

What is the plus side of selling JWM?

Proceeds from the sale and avoiding future capital expenditures would allow funds to be used for priority capital investments that generate more jobs, better economic impacts, and potentially higher financial returns so the Port can continue to invest in Clallam County. With measures to preserve public access to the marina, boat launch and shoreline, the community could have both the marina and more funds for capital projects to raise the economic well-being of the community.

What other options for funding JWM have been suggested?

- a. **Levy a property tax for those in Sequim School District:** The Port is a county-wide special purpose district and it must levy a tax for the whole district. The Port cannot levy a tax for just District 1.
- b. **Collect taxes to pay for the JWM like the county and cities do for parks:** County and city governments receive significantly more taxes than the Port in order to provide public services. The Port's share of property taxes is only 2.0%. Clallam County receives 14.3% and the City of Sequim receives 16.4%. Both the county and cities have Parks departments; the Port does not. Plus, the county and cities receive sales taxes, utility taxes, lodging taxes, gas taxes and other taxes to help provide public services. The Port must rely on revenues from its

business lines to support operations, capital projects and funding for economic development initiatives.

- c. Create a park district:** The City of Sequim has indicated an interest in JWM becoming part of a park district. The city or county could form a metropolitan park district and determine the boundaries to be the Sequim area and only tax those who live there. Additionally, the City of Sequim could levy a tax on everyone within the Sequim city limits. The Port doesn't have statutory authority to create a park district.
- d. Request money from the City of Sequim and Clallam County:** The most likely model for city or county participation in JWM would be through an interlocal agreement under which it would be operated jointly by the Port and either the city or the county, or both, with all participants contributing to maintenance, repair and capital costs in exchange for joint management authority over JWM operations. From the Port's perspective, this is a very inefficient method for managing a Port asset. It is also unlikely that either the city or county would be willing or able to contribute the necessary capital and staff support to make such an arrangement work.
- e. Build revenue-generating businesses on land around JWM:** The land around JWM is zoned as Planned Resort Community, with over 100 acres owned by John Wayne Enterprises. The Port has not approached Wayne Enterprises about selling land on which to operate businesses. While there is a small amount of undeveloped Port land that could be converted to other uses, the Port's focus is on industrial development and it doesn't have statutory authority to operate commercial, retail or other businesses appropriate for the marina. The Port can lease land to a business owner, but that is generally a much lower return than the profits from operating a business.

Why doesn't the Port use my taxes for community amenities like the JWM?

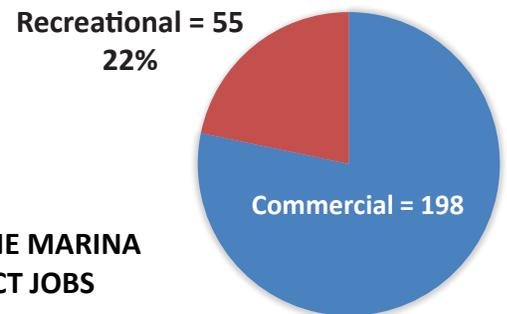
Cities, counties and ports have different missions based on statutory authority. They also have different sources of funding. The Port is charged with economic development. The Port builds capital intensive infrastructure that can be used by multiple companies. The Port earns revenues from its different business lines by charging businesses fees for using Port infrastructure to support operations and to re-invest capital to grow economic impacts (money that comes into the community). Cities and counties are charged with providing public services. They collect taxes from citizens to pay for law enforcement, streets, parks, and other services (money that comes out of the community).

What is the similar financial challenge of the Port Angeles Boat Haven (PABH)?

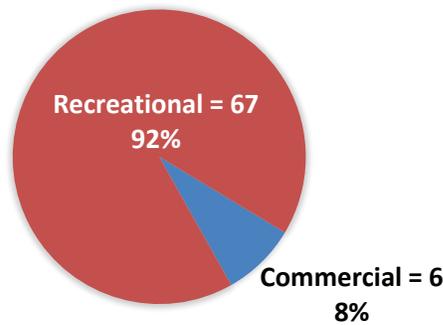
The replacement of the west half of PABH will likely occur within the next 10 years. The east half of PABH was replaced in 2006. There is a current bond of \$4.995 million. The Port looks at each business line based on both its financial return and its economic impacts, such as jobs created. PABH has created 253 jobs, whereas JWM has created 73 jobs, according to the last Economic Impact Study (2012). There has not been a significant shift in activity since then. The difference between the two marinas is that PABH is in an industrial area, is largely a commercial marina,

is co-located with a boat yard, and is close to the development of a new Marine Trades Industrial Park. The JWM is largely a recreational marina in a residential area.

PORT ANGELES BOAT HAVEN 253 DIRECT JOBS



JOHN WAYNE MARINA 73 DIRECT JOBS



Has there been any interest in developing marine trades at JWM?

The Port does not own enough uplands to create a marine trades area at JWM. Also, because of the cost of infrastructure and personnel, it would not be cost effective to duplicate services that are already available in Port Angeles. While some boat repair operators travel to perform work, much of the boat repair work requires a boat to be out of the water to perform inspections and work. This requires a travel lift crane and work area that must be in compliance with strict Department of Ecology rules. The two closest boat yards are Port Angeles and Port Townsend.

Has the mission of the Port changed since the JWM was built?

The core mission of the Port has always been to create economic prosperity in Clallam County. The Port looks at having the right assets in the right place to support commerce and jobs across Clallam County. This changes with market and other conditions, so while the core mission is constant, the methods to achieve it evolve over time.

According to 2015 US Census data, only 25% of employed Sequim residents work in Sequim. The other 75% work outside of Sequim, many for companies that use Port facilities. While the hub of Port infrastructure is in Port Angeles, residents from all over the county are employed by companies that depend on those public assets.

In considering investing in infrastructure, the Port looks for a county-wide benefit, including the direct financial and economic impacts of a business line. There are also other considerations. For example, without the airport, there would be no overnight mail, essential for many companies. Attracting and retaining national chains is often dependent on having an airport that their corporate jets can use. The airport also averages one life line flight per week to fly a patient to Seattle instead of taking an ambulance. Port infrastructure provides county-wide benefits even though the hub of activity is in Port Angeles.