

MARINA STATUS REPORT October 2011

In 2006 the Hat Island Community voted to proceed with improvements to and an expansion of the HI marina. In response to numerous requests, this report summarizes the current status of the marina project.

The Marina Project

The marina project approved in 2006 includes a new steel breakwater, repairs to all existing interior bulkheads (rock and wood walls), replacement of our old docks and gangways (completed) new electrical and water, new Elsie/ boat launch ramp, an expanded basin with 46 additional slips, fire protection systems, and a complete dredge of the basin.

Assessments Levied

Marina Improvement Assessment: a \$2105 assessment was levied in 2007 to purchase new docks and create a new breakwater. Lot owners had (and have a choice) of paying this off early or paying it over a 10 year period. If paid over time the interest rate on the unpaid assessment amount is 7% annually.

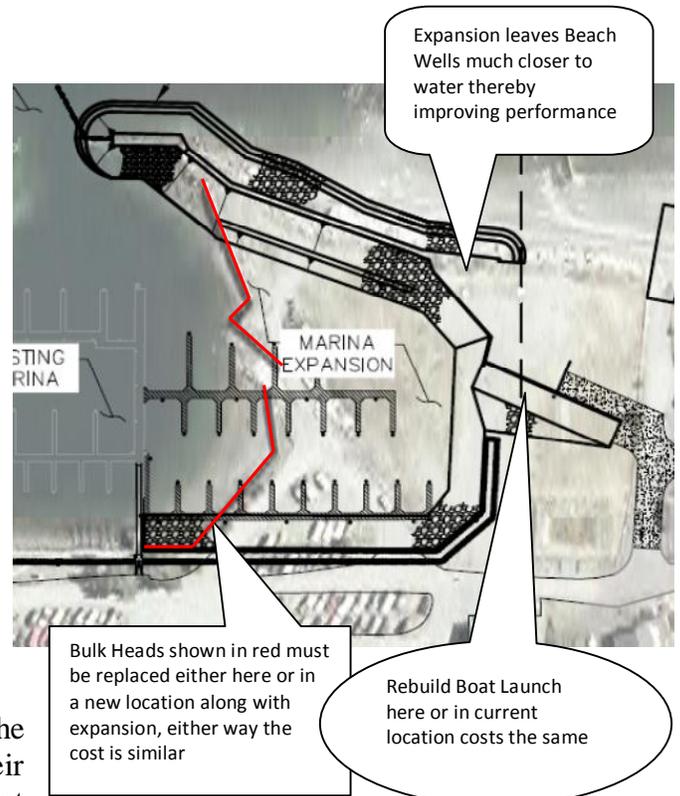
Marina Expansion Assessment: a \$2105 assessment (plus the same interest if repaid over 10 years) was billed to each lot in 2009 for the marina expansion.

About one-third of owners have paid both marina assessments off early to avoid paying interest. Many have paid off the first assessment, and are paying the expansion assessment over time.

HI currently has about \$1 million in the bank available for the project and a large majority of lot owners are current in their payments. However, a few lot owners, including a major lot owner on the Island, are delinquent in assessments. The Community is progressing quickly to litigation with all owners that are substantially delinquent. The total number of lots being billed is 946. The assessments collected and that are owed to the Community cannot be diverted to other purposes. They were voted on specifically for the expansion.

Current Marina Status:

- To date, approximately \$1 Million has been spent on the project:
 - a) \$46,268.39 has been spent on permitting with Snohomish County.
 - b) \$317,232.39 has been spent on design engineering and permitting approval support with Coast and Harbor Engineering and a number of subcontractors.
 - c) The rest of the money has been spent replacing the current docks, replacing the dock ramps, upgrading the electrical system on the docks and purchasing approved Coast Guard private aids to navigation and new harbor entrance lights and signs.
- Snohomish County is prepared to issue all the necessary permits pending final resolution of the following:
 - a) The Corps of Engineers is reviewing the archeological significance of the project, and also is reviewing any possible issues with endangered species, neither issue should be major.



- b) The Coast Guard requirements have all been met.
- c) WA State Dept of Fish & Wildlife is satisfied with our design as is and is ready to issue their approval document - we are opening up more room for wildlife and fish with our expansion plans.
- d) WA State Dept of Natural Resources is conducting research to determine if our new breakwater would be in public lands rather than on land owned by Hat Island Community; if they find we will be in waters of the State, we will have to send them \$170/year for leasing the underwater property. This should not be significant, just time consuming, plus we believe we can prove that it is on our land.
- The Indian Nations have unanimously agreed that they have no issues with our marina design and plans.
- Puget Sound Yacht Club was formerly the Everett Elks. In the distant past the Elks helped build the original marina. In exchange for that they were given docks and access to the main dock leading up to the bus stop. They pay annual moorage for those docks. Some years back Hat Island Community and Puget Sound Yacht club (formed from the Everett Elks) were handed a judgment by the local courts that included a section where PSYC would be responsible for up to 18% of any improvements to the marina. This has no bearing whatsoever on the expansion of our current marina. Hat Island maintains that PSYC should pay 18% of the improvements that have been done to the marina and 18% of the breakwater. Both sides have agreed to mediation. The mediation firm has been chosen and the date for the meeting will be sometime in December.
- Coast & Harbor Engineering estimated the cost to complete the project in 2006 at some \$4.6 Million dollars. We think we can do a portion of that work (such as digging the new marina, repairing the wooden bulkhead and setting some of the rock around the perimeter) ourselves. Also, because the project was quoted in 2006, the economic downturn now has created an opportunity to get the work done at a lesser price since many construction firms are looking for work.
- Depending on the above permits could be in hand in as little as 3 - 6 months and construction could begin in 2012.

Side Benefits of Marina Expansion

1. The expanded marina will potentially benefit our RO water production. The expansion of the marina basin will leave the wells on a narrow peninsula with water on two sides instead of one. Additionally, the water on the expanded marina side of the peninsula will be significantly closer to the wells, especially at low tides this could significantly improve well function.
2. The marina is a very important community asset. Improvements to and expansion of the marina will increase the property values on the Island. The project involves much needed repairs to the existing marina in addition to the expansion.

Additional related issues if the project is postponed or cancelled

- Cutting off the expansion at this time means new permitting and new engineering and significant extra costs and time delays
- If we had to reimburse all owners who have paid the assessments, where would the money come from? How will it be distributed?
- A significant amount of the funds need to be spent on the existing marina, including bulkheads and the Elsie ramp. If an expansion occurs in the future, these would need to be redone at additional costs.
- We expect permits to be received soon. If the decision is made not to proceed with the marina, at some point the permits will be out of date. It will be very difficult, if not impossible to obtain the permits in the future. Regulations inevitably will be more stringent in the future, so there is no better time than the present to get this expansion project done.

Please feel free to contact a Board member or the office to answer any questions you may have.