



PORT OF KENNEWICK REGULAR COMMISSION MEETING

JANUARY 23, 2018 MINUTES

CALL TO ORDER

Commission President Thomas Moak called the Regular Commission Meeting to order at 2:00 p.m. in the Port of Kennewick Commission Chambers located at 350 Clover Island Drive, Suite 200, Kennewick, Washington 99336.

The following were present:

Board Members: Thomas Moak, President
Don Barnes, Vice-President (*Excused Absence*)
Skip Novakovich, Secretary

Staff Members: Tim Arntzen, Chief Executive Officer
Tana Bader Inglima, Deputy Chief Executive Officer
Amber Hanchette, Director of Real Estate and Operations
Nick Kooiker, Chief Financial Officer/Auditor
Larry Peterson, Director of Planning and Development
Lisa Schumacher, Special Projects Coordinator
Bridgette Scott, Executive Assistant
Lucinda Luke, Port Counsel

Mr. Moak stated Mr. Barnes is ill and will not be in attendance today.

MOTION: *Commissioner Novakovich moved to excuse Commissioner Barnes from this meeting; Commissioner Moak seconded. With no further discussion, motion carried unanimously. All in favor 2:0.*

PLEDGE OF ALLEGIANCE

Mr. Novakovich led the Pledge of Allegiance.

APPROVAL OF THE AGENDA

MOTION: *Commissioner Novakovich moved to approve the Agenda; Commissioner Moak seconded. With no further discussion, motion carried unanimously. All in favor 2:0.*

PUBLIC COMMENT

No comments were made.

CONSENT AGENDA

Consent agenda consisted of the following:

A. Approval of Direct Deposit and E-Payments Dated January 17, 2018

Direct Deposit and E-Payments totaling \$95,694.25

B. Approval of Warrant Registers Dated January 23, 2018

Expense Fund Voucher Numbers 39788 through 39832 for a grand total of \$116,383.04

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MOTION: Commissioner Novakovich moved for approval of the Consent Agenda; Commissioner Moak seconded. With no further discussion, motion carried unanimously. All in favor 2:0.

PRESENTATION

A. Potential Real Estate Auction (Information only), Scott Musser, Musser Brothers Auctioneers

Mr. Arntzen introduced Scott Musser and Harold Musser of Musser Brothers Auctioneers, who will present an informative marketing plan for real estate by auction. Mr. Arntzen and Ms. Hanchette have discussed the possibility of using the auction method to sell Port property with Mr. Musser. Mr. Arntzen stated the presentation will give the Commission an opportunity to learn about the auction process.

Scott Musser thanked the Commission for the opportunity to present today and stated there are ten basic differences between a standard real estate sale and an auction. Mr. Musser stated an auction creates competition between buyers; whereas, in a traditional transaction, it is buyer against seller. An Auction exposes the property to a large pool of pre-qualified prospects with a laser focused marketing plan, where the seller dictates the exact auction terms, which accelerates the sale. In a traditional real estate transaction, it is the buyer that dictates the transaction; whereas in an auction the seller stipulates rules, terms, and barriers. The auction method is a perfect price discovery tool to determine what something is worth. For example, in a traditional sale, the agent uses historical data (appraisals and comparables) to determine the sale price, whereas the auction determines the market value of the property on a specific date. Harold Musser stated in an auction, the seller controls the transactions, not the buyer and the auctioneer only negotiates the price of the property. Scott Musser stated in a traditional real estate transaction, the price is a small component, where terms and conditions can change. The auction process removes the seller from the negotiations with a contract that stipulates all the terms prior to the sale of the property. The auction process increases the visibility of the property, with a focused 45 day marketing tool. The auction process is transparent and all parties are given an equal opportunity to purchase the property and each potential buyer receives the same information. Mr. Musser stated the marketing fees are funded up front by the seller and the buyer pays a buyer's premium, which is 6% of the end price. Musser Brothers utilize Power Parcels® a trademarked process where they can offer and sell multiple parcels as an individual or combination, until they discover the highest and best offer.

Mr. Musser outlined several successful local auctions:

- Kennewick Irrigation District (Red Mountain): 650 acres sold for \$8,756,500;
- Department of Natural Resources (Pasco): 230+ acres sold for \$10,316,250;
- Franklin County (TRAC): 3 parcels sold for \$1,105,875; and
- Estate of Ms. Shaw (Richland): 17.62+ acres sold for \$1,979,500.

Mr. Novakovich inquired if Musser Brothers has any local competition.

Scott Musser stated Booker Auction Company in Eltopia performs auctions, but not at the same level.

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Mr. Novakovich inquired if Musser Brothers has completed an analysis comparing what a seller would receive in an auction versus a traditional sale.

Scott Musser stated that would be hard to determine, because it is an either or option. Mr. Musser indicated that Musser Brothers does have a 95% closure rate on projects.

Mr. Moak asked why the Port's Southridge property would benefit from an auction versus the traditional method of sale.

Mr. Musser stated Ms. Hanchette has done everything correctly regarding Southridge, however, the property does have its challenges. Although the area has experienced commercial and residential growth, the property is not centrally located. Mr. Musser stated the Port does not have a call to action that will get the people in the room. Additionally, an auction shows buyers how serious the Port is about selling the property. Mr. Musser stated there are inherent challenges with Southridge, however, it is great land and with the Bob Olsen Parkway open, transition traffic and development will increase. An auction will bring buyers who are ready to purchase the property at that specific moment in time, allowing the property to be sold for the maximum amount. This is especially important to a public entity because of the responsibility to the constituents.

Mr. Moak stated Musser Brothers advertising is very noticeable and eye catching and believes it is something the Port should consider. Mr. Moak thanked Musser Brothers for their presentation today and looks forward to exploring the auction process further.

Mr. Novakovich stated the Port has several vacant parcels and inquired if there is a minimum price for the seller.

Mr. Musser stated there are several things we can do with smaller properties, such as create a portfolio of properties with other sellers, however, the seller would still be responsible for the marketing costs.

Mr. Novakovich inquired what the cost is to the seller to auction a property.

Mr. Musser stated Musser Brothers would determine a marketing plan, which the seller would finance up front and once there is a confirmation, the marketing process would begin.

Mr. Arntzen thanked Scott and Harold Musser for their presentation and inquired if they would be able return when Mr. Barnes is present, for additional discussion.

Mr. Musser would be happy to come back at a later date for further Commission discussion.

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REPORTS, COMMENTS AND DISCUSSION ITEMS

A. Clover Island

1. Ground Lease Discussion

Mr. Arntzen stated the Port currently has a number of tenants on Clover Island that have long term ground leases. A current business has requested to extend the ground lease from 25 years to 45 years. Mr. Arntzen inquired if the Commission would entertain extending the ground lease to facilitate a potential business transaction.

Mr. Novakovich does not see any issues with that as long as the company is vetted. Mr. Novakovich inquired if there are any limitations on the length of time that the Port can grant on a ground lease.

Ms. Luke stated there are limitations on the number of years for a ground lease and will verify but she believes the potential lease would fall within the lease parameters.

Mr. Novakovich is in favor of extending the lease.

Mr. Moak does not personally agree that the Port should enter into long term leases, however, this is a tool that the Port uses to recoup capital. Mr. Moak stated if the terms outlined for the lease extension are favorable to the Port, he is willing to entertain further discussion. Mr. Moak believes there should be a positive outcome for both the Port district and the tenant.

Mr. Arntzen stated it is important to be able to bring amenities to the Island and in some instances that may require incentives. Mr. Arntzen will work with staff to compile the information and outline current and potential benefits to the Port, should the Commission vote to amend the terms of an existing lease for the February 13, 2018 meeting.

B. Vista Field Update

1. DPZ Work Session

2. Open House

Mr. Arntzen stated the Port has biddable construction for Vista Field Phase I at 75% completion, which the City currently is reviewing. In an effort to complete the construction documents, Lizz Plater-Zyberk and Senen Antonio of DPZ suggested a team meeting in a neutral location to finalize the plans. Mr. Arntzen and Mr. Peterson will meet with Ms. Plater-Zyberk, Mr. Antonio, Michael Mehaffy, Laurence Qamar and Sam Nielson, from Parametrix in New Orleans in March. The objective of this two day work session is to add the remaining elements to complete the plans. Mr. Arntzen anticipates presenting the plans to the Commission following the work session. Mr. Arntzen stated staff continues to work on the details of the open house to reveal the Vista Field illustrations to the public.

Mr. Peterson stated the Port submitted the construction documents to the City for review and will meet on February 5, 2018 to discuss the plans. Mr. Peterson explained that when he and Mr. Arntzen meet with the DPZ team, approximately 10% of the plans, such as textures, pop-up retail, and the private roadway will be discussed because much has already been determined with the Development Agreement which was approved December 5, 2017.

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Mr. Moak inquired if there will there be written questions/topics for DPZ, to help frame the discussion.

Mr. Arntzen stated he has submitted a detailed agenda to DPZ which outlines what we want to accomplish, what we can and cannot change, and a memo with 5-6 topics for discussion. Mr. Peterson will add additional topics to the agenda for discussion.

Mr. Moak inquired if the agenda will include pop up retail.

Mr. Arntzen confirmed that pop up retail is on the agenda and stated there may be lessons staff learns with Columbia Gardens as we incorporates pop-up retail at that site. Mr. Arntzen stated Mr. Peterson hopes to discuss some of the items for Phase II, such as the central park that will be located in front of the Vista Arts Center. Mr. Arntzen stated Andres Duany has given Mr. Mehaffy his comments regarding Phase I, and asked him to lead a tour of a post-Katrina housing development.

Mr. Arntzen stated the Port has a current contract with DPZ and Ms. Scott was able to secure a hotel with conference rooms to utilize for the two day work session. Mr. Arntzen has spoken with Mr. Barnes regarding the trip and he asked Mr. Arntzen to convey that he is supportive of the trip and believes it is absolutely necessary to get the plans completed. Furthermore, the Port has spent a great deal of time, effort, and money and it is prudent to complete the project in the same manner and not cut corners on the remaining details.

Mr. Novakovich stated the work trip is far more advantageous than a big roll out and the cost is small in the grand scheme of things. For staff to work with DPZ to finalize the plans is invaluable and money well spent.

Mr. Moak believes meeting with the DPZ team is an important part of wrapping up the final documents. Mr. Moak expressed his interest in pop-up retail and stated he would like to see it up and running at Vista Field, sooner, rather than later.

C. *Commissioner Meetings (formal and informal meetings with groups or individuals)*
Commissioners reported on their respective committee meetings.

D. *Non Scheduled Items*

1. Mr. Novakovich received the Washington Public Ports Association Legislative Report and reviewed some highlights:
 - The final budget appropriates \$8,000,000 for the Community Economic Revitalization Board (CERB) grant program for traditional projects;
 - Additional \$5,000,000 to CERB for broadband projects;
 - House Bill (HB) 2647 regarding campaign contribution limits for port commission candidates creates a uniform campaign contribution limit among all ports of \$800 per individual contributor, per candidate, per election cycle, for port districts over 200,000 registered voters;

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- HB 1999 would align the election structure of the Port of Seattle with King County Council, electing nine port commissioners from nine defined voting districts. The bill prohibits election-at-large and allows for only voters from each district to elect that districts' commissioner.
 - State Bill (SB) 6329 and HB 2690 would allow ports to waive competitive bids for public works projects less than \$40,000.

Mr. Novakovich recently received an inquiry about the possibility of renting out the former Shannon hangar and asked if Mr. Arntzen could discuss that with DPZ. There is the potential for income and exposure, however, a business could be impeded by construction.

Mr. Moak asked what the particular purpose for the hangar would be.

Mr. Novakovich stated it would be used for commercial/recreation purposes.

Mr. Arntzen asked Mr. Novakovich to bring this topic to the floor for Commission discussion and understands the business would want to lease rather quickly and would require a minimal amount of work.

Mr. Peterson stated the Shannon hangar is farthest east and the road would go between the Shannon and the Musser hangar. Mr. Peterson stated the access to the roadway would be torn up for the entire duration of construction. Mr. Peterson explained that the Shannon hangar is classified as a storage/hangar building and does not have a bathroom or interior walls and may be a potential code issue with the City.

Mr. Moak confirmed that the three hangars are not equal and inquired if the Port was going to utilize the Gant hangar for the community black box space.

Mr. Peterson stated the remodel plans were focusing on the two hangars that were bisected by the main entrance. The vibrancy will be between the Shannon and Musser hangars, whereas the Gant hangar may be the candidate for a public rent space where a variety of activities can take place. Mr. Peterson stated the working design is focused on hospitality or retail businesses that will benefit from the bisected roadway.

Mr. Moak inquired if the business is specifically interested in the Shannon hangar.

Mr. Novakovich believes they may be interested in either hangar.

Mr. Arntzen will discuss the possibility further with Mr. Peterson and do additional research and report back to the Commission. Mr. Arntzen stated receiving inquiries for Vista Field is a good thing and the Port has received almost a dozen since the Master Plan was adopted.

Ms. Bader Inglima stated the Port will be celebrating the completion of the Wine Village, Phase 1, on February 9, 2018, at 2:30 p.m., in partnership with Palencia Wine Company,

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Bartholomew Winery, and the City of Kennewick.

Ms. Bader Inglema confirmed that the Port will recognize the recipients of the 2017 “Friend of the Port” at the February 13, 2018 Meeting.

Commissioner Moak will be representing the Port at TRIDEC’s Regional Economic Outlook on February 15, 2018, 7:30 a.m. to 1:30 p.m. Addition information is available on TRIDEC’s website.

Ms. Bader Inglema reported that David Robison of Strategic Construction Management (SCM) has been nominated for the Tri-City Regional Chamber of Commerce’s “Business on a Roll” award. Ms. Bader Inglema stated the Port has worked with Mr. Robison on several projects and submitted a letter of support for SCM.

2. Mr. Arntzen stated Kandy Yates, the Port’s Marina Manager did a fine job with the Oath of Office for Mr. Novakovich at the January 9, 2018 Meeting.

Mr. Arntzen stated Mr. Moak requested a recent copy of the Commission Policies and Procedures. Mr. Arntzen believes it may be time for the Policies to be reviewed, due to the modifications over the last several years.

Mr. Arntzen recently met with Ferdouse Oneza, who worked on the West Richland Former Raceway Master Plan. Mr. Arntzen believes Ms. Oneza may be able to assist the Port with West Richland and reach out to City staff and answer Councilman Engleman’s recent questions.

3. Ms. Luke stated the Port recently sold the last remaining Port parcel at Spaulding Business Park and will now begin the process to transfer the management of the Park to the owners. Ms. Luke and Ms. Hanchette will begin reaching out to property owners and provide notice of the Port’s intent to transfer the responsibility to the current owners.

Ms. Hanchette will reach out to the City of Richland Energy Services to discuss the transfer of the street lights. Previously, the City indicated their willingness to maintain the lights if the Port switched to standard cobra heads street lights. Ms. Hanchette stated the Port will change the lights in an effort to transfer the lighting to the City of Richland to facilitate the transfer. Ms. Hanchette stated if the City takes over lights and property owners take over the CCR’s, the Port will have significantly less responsibility at Spaulding Business Park.

PUBLIC COMMENTS

Boyce Burdick, 414 Snyder Street, Richland. Mr. Burdick reported the Arts Center Task Force recently held a retreat to discuss the 2018 goals. Mr. Burdick stated the visual artists were represented to assist with ideas for the gallery space, including an art professor from Heritage University, who stressed the need for a place to make the art. Mr. Burdick stated the third hangar could be utilized as a black box for the dirty arts. On February 7, 2018, Justin Raffa arranged for local artists to perform in Olympia for Arts and Heritage Day, as well as meet with local representatives.

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Mr. Burdick stated the Mid-Columbia Symphony will present “Something Old, New, Borrowed and Blue,” which features Bach/Stokowski’s “Toccata and Fugue in D Minor,” Strauss’ “Blue Danube” and Ryan Hare’s “Harkening 2 Hindemith” on January 28, 2018 at 3:00 p.m.

Cal Coie, 705 South Oklahoma Street, Kennewick. Mr. Coie appreciated listening to the presentation from Scott and Harold Musser and stated it may be a good option for the Port to sell property quickly.

No further comments were made.

COMMISSIONER COMMENTS

No comments were made.


Mr. Arntzen stated the Commission comments during Open Session provided staff guidance and there is no need for an Executive Session.

ADJOURNMENT

With no further business to bring before the Board; the meeting was adjourned 3:50 p.m.

APPROVED:

PORT of KENNEWICK
BOARD of COMMISSIONERS



Thomas Moak, President

Excused Absence
Don Barnes, Vice President



Skip Novakovich, Secretary