



PORT OF KENNEWICK REGULAR COMMISSION MEETING

JANUARY 14, 2020 MINUTES

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
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 Finance Officer
Larry Peterson, Director of Planning and Development
Lisa Schumacher, Special Projects Coordinator
Bridgette Scott, Executive Assistant
Lucinda Luke, Port Counsel

PLEDGE OF ALLEGIANCE

Commissioner Barnes led the Pledge of Allegiance.

2020-2021 ELECTION OF OFFICERS

Ms. Luke stated on January 12, 2016, the Port Commission revised Section 6.1 of the Port Commission Rules of Policy and Procedure, to define the terms of office and the process in which the officers are elected. The process states:

- There shall be three Commission officers: a president, a vice president and a secretary;
- The terms of office for each officer shall be two years or until his/her successor is elected;
- Officers shall be elected at the first regularly scheduled Port Commission meeting in January in even years; and
- Newly elected officers shall take office effective the next regularly scheduled meeting following the election.

Ms. Luke stated officer nominations do not require a second and it is up to the Board if they desire to elect one officer at a time or to elect a slate of officers. Upon closing of nominations, elections shall take place, either as a slate of officers or individual officers.

MOTION: Commissioner Moak moved for the approval for the following slate of officers for the Port of Kennewick Board of Commissioners for the 2020-2021 years, effective January 1, 2020; President, Commissioner Barnes; Vice President, Commissioner Novakovich; and Secretary Commissioner Moak; Motion dies for lack of second.

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Commissioner Barnes called for a Point of Order and stated it is his understanding that nominations do not require a second.

Ms. Luke stated that is correct.

Commissioner Moak inquired if the Commission is ready to vote.

Commissioner Barnes confirmed that he is ready to vote.

Commissioner Novakovich stated he is ready to vote.

With no further discussion, motion carried. All in favor 2 (Commissioners Barnes and Moak):1 (Commissioner Novakovich).

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 3:0.*

PUBLIC COMMENT

No were comments were made.

CONSENT AGENDA

- A. Approval of Direct Deposit and E-Payments Dated December 17, 2019***
Direct Deposit and E-Payments totaling \$64,737.73
- B. Approval of Warrant Register Dated December 20, 2019***
Expense Fund Voucher Number 101694 through 101730 for a grand total of \$947,095.48
- C. Approval of Direct Deposit and E-Payments Dated December 31, 2019***
Direct Deposit and E-Payments totaling \$79,661.50
- D. Approval of Warrant Register Dated December 31, 2019***
Expense Fund Voucher Number 101731 through 101755 for a grand total of \$154,758.18
- E. Approval of Warrant Register Dated January 14, 2020***
Expense Fund Voucher Number 101756 through 101801 for a grand total of \$653,039.73
- F. Approval of Commission Business Meeting Minutes December 10, 2019***

MOTION: *Commissioner Novakovich moved for approval of the Consent Agenda as presented;*

Commissioner Barnes stated he has questions regarding the direct deposits and warrant registers and Moved that items A-E be moved down the Agenda, for discussion after the Consent Agenda.

Commissioner Moak confirmed that Commissioner Barnes is seconding the Motion, which is items C-F.

Commissioner Barnes stated there was a Motion on the floor to approve the Consent Agenda.

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Commissioner Moak confirmed that the Consent Agenda consists of Items C, D, E, and F.

Commissioner Barnes stated he would like to discuss and review items A-E and Moved items A-E be removed from the Consent Agenda and placed on the Agenda immediately following the Consent Agenda.

Commissioner Moak stated without objection and that the Consent Agenda now consists of Approval of the Commission Business Meeting Minutes for December 10, 2019. With no further discussion, motion carried unanimously. All in favor 3:0.

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Commissioner Barnes stated he does not see the Direct Deposit for December 17, 2019 in the packet.

Ms. Scott assisted Commissioner Barnes in finding the December 17, 2019 payroll warrant register.

Commissioner Barnes asked staff to comment on the payment made to City of Kennewick for almost \$232,000 on the December 17, 2019 warrant register. Commissioner Barnes read the detail and stated the summary states it is for the water system at Vista Field.

Mr. Peterson stated the payment to the City of approximately \$231,000 was identified in the Interlocal Agreement executed with the City for upsizing the water lines to help the overall Vista Field network and was capped at \$200,000 plus a 3% administration fee. The City initially estimated it to cost around \$1,000,000 and the Port was able to cap our share at \$200,000. The Port has had our first Vista Field partnership with the City, who has made off-site improvements that benefited the development.

Commissioner Barnes stated he is glad he brought it up because it is a pretty significant item in favor of the Port. The next item Commissioner Barnes had a question on was a Compunet charge of almost \$55,000 and inquired if it was for upgrades to the Commission Meeting Room.

Mr. Kooiker state that is correct.

Commissioner Barnes noted in two places the Port is being asked to pay for MLS (Multiple Listing Service) dues.

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Commissioner Moak inquired what Commissioner Barnes was referring to.

Commissioner Barnes stated it is his understanding that there are two individuals on Port staff that pay MLS dues and the Port covers that expense. Commissioner Barnes asked if that is true.

Mr. Kooiker stated that is correct.

Commissioner Barnes wanted to note that and stated if the Commission had any questions about real estate, the Port has two individuals on staff who have access to the MLS.

Mr. Kooiker stated the two staff members that have MLS access use it for Port related business such as verifying fair market value for properties for the Port.

Commissioner Moak stated those that work in real estate understand what the term MLS mean and others do not.

Commissioner Barnes stated MLS means Multiple Listing Service. Commissioner Barnes noted there was a firm assisting with public relations called Prominence Public Relations and stated he has not seen that before and asked for comment.

Ms. Bader Inglima stated Rochelle Olsen is the proprietor of Prominence Public Relations and she began assisting us when we had our staff transition. When Ms. Bader Inglima took over more duties, one of tasks that were adjusted was to hire a consultant to assist us with the newsletters, the website upgrade, and some of the writing and marketing assistance. Ms. Olsen has been our support for the last four years.

MOTION: *Commissioner Barnes moved for approval of the Items A-E that appeared on the Consent Agenda Items, which include the direct deposits and warrant registers; Commissioner Novakovich seconded.*

Discussion:

Commissioner Barnes would like to thank staff for the attention to the detail here and the history of the clean audits. And thank you for allowing Commissioner Barnes to ask some questions, which he appreciates it.

With no further discussion, motion carried unanimously. All in favor 3:0.

REPORTS, COMMENTS AND DISCUSSION ITEMS

A. Vista Field Update

Mr. Peterson stated today staff would like to discuss with the Commission several policy and procedural issues with Vista Field. Mr. Peterson stated staff is not expecting a decision today on the items that will be discussed; however, decisions and directions will be needed within the next few meetings. Mr. Peterson stated none of the items that will be addressed are new to the Commission and have been discussed previously. As construction nears completion, now is the time to move to the next phase of working with the private sector and going vertical and

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building that vibrancy that has been discussed over the past five years. The information that Mr. Peterson will cover today is also included in memo that was included in the Commission Agenda packet.

Mr. Peterson stated construction is approximately 80% complete and the roadways and alleyways have been paved and sidewalks will be installed soon. The concrete for Azure Drive and Constellation Way will go down in the next few weeks, weather permitting. The Port is moving closer to completion of the contract with Total Site Services; however, that does not mean the construction process is over. A lot of work needs to be completed with the City, such as as-built drawings and dedicating the main roadways to City for perpetual maintenance. The City will not take the improvements until every item works and is checked off the list. The process usually takes up to two months; however, Vista Field is unique because it deviates from the typical construction and the process could take up to three months for the City to accept because of the details and elements. Mr. Peterson emphasized that it is important to get the paperwork correct, as it will run with the life of the project. Staff will be working on that in parallel while working on some the identified items from today and future meetings. Mr. Peterson stated the Commission will approve a Resolution accepting the project once Parametrix, Hall Engineering, and the City Public Works Department have accepted all of the elements and improvements. Once the project is accepted by the Commission, then the project is reviewed by the Departments of Revenue and Labor and Industries and Employment Securities

Mr. Peterson stated the policy items to be discussed today are: Project Management (PM) approach, Property Owners Association (POA), and Property valuation and pricing. Mr. Peterson stated over the next several meetings staff will discuss the following items with the Commission: architectural theme, marketing decisions, Vista Arts Center Status, Hangar Remodel, Real Estate Commission Policy, Rural Capital County Funds and the Budget.

Project Management Approach: team or individual approach.

Mr. Peterson stated in May of 2019, Doris Goldstein gave a presentation to the Port on a Property Owners Association (POA), where she suggested the Port hire an individual property manager (PM) who would review the design review, marketing, negotiating, and working with the engineers. This was new information to the Port, who had previously discussed the team approach. If the Commission were to move forward with the team approach, the team would most likely consist of the Commission to oversee the process, Mr. Arntzen and the Directors, and a group of consultants including DPZ Partners (Miami and Portland office), Parametrix and Hall Engineering, David Robison of Strategic Construction Management, Ben Floyd of White Bluffs Consulting, and Doris Goldstein. Mr. Peterson has been in touch with Senen Antonio to discuss the role of DPZ Partners and how the pieces would fit together. The individual concept would include adding a new employee for the role of the Vista Field PM, and they would take over some of the consultant's roles and take on all of those various tasks. The questions for the Commission to consider is related to the team approach and timing. If the Commission were to approve the team approach, staff would like to have further discussion with Mr. Antonio and what the role of the particular team members might be, how much it will cost, and the timing. The team approach is scalable as we move from one phase to another and

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we can bring on more assistance as needed. With the team approach, there is no one person dedicated and workflow could be adjusted as needed to match what is in front of us. A PM would be dedicated to Vista Field and they would need time to get up to speed with the project, and someone who understands the concept of New Urbanism. Mr. Peterson stated there are potentially 11 acres of land to be sold in phase 1 of Vista Field, which could net up to 11 transactions. Mr. Peterson posed the question of what is the right size tool for phase 1, a team or individual. For example, Mueller Field in Austin, Texas, they had 300+ acres; however, with the Port Commission as the master developer in this process, would a team or individual be a better fit? Mr. Peterson mulled if a PM would feel pressure to close on deals whether it is right or not and it has been stated by Commissioner Barnes that it is important to “do it right, not right now.” Mr. Peterson would like the opportunity to further investigate the individual approach about pay, timing, and what it would mean to the project. Mr. Peterson asked for the Commission’s thoughts on the team or individual approach.

Commissioner Novakovich stated this is a great document and believes it is pretty self-evident that a team approach is your choice as well as the staff’s choice and it seems like it makes sense. Keeping Mr. Antonio and DPZ involved is huge and it is nice to hear that they would want to stay involved. To Commissioner Novakovich it makes total sense to use the team approach in this instance, time wise and everything else. Of course there are more questions to be answered regarding cost and other details. Commissioner Novakovich thinks the team approach is something that we should consider strongly and he is in favor of the team approach over any other approach.

Commissioner Barnes stated the team approach is what the Port of Kennewick has in place right now. The Port has close ties with the consultants in DPZ Miami and Portland and Commissioner Barnes thinks the point is well taken that this initial phase at Vista Field is only 11 acres, which leads to the a question, would there be enough work for an individual project manager. But on the other hand, there is going to be a lot of work to do and we are a small staff, and Commissioner Barnes thinks everyone has plenty of work to do. One concern Commissioner Barnes has is that we might be setting ourselves up for a continuation or situation or more concern, in the area of the amount of work it will take to properly implement Phase 1. In working with the developers and selecting the developers through the Port’s collaborative design process that we have discussed and put in place a few years ago in anticipation of reaching this point in the redevelopment of Vista Field. We have put in place a policy that will guide us through the selection of the private sector developers that will be working on these properties. Commissioner Barnes sees the team approach as being where we are now, and as he sees it, we could position ourselves to bring on a PM at any time that it might make sense. Commissioner Barnes is in favor to leave it as the team approach now, but closely monitor the situation because the Port of Kennewick has never done this exact thing with the private sector or use the collaborative design process where the spotlight will be on us at Vista Field. It could turn out that there would be a lot of work and Commissioner Barnes would not want staff to say the Commissioners told us to use this team approach, so we must carry on with that approach. Commissioner Barnes would rather leave it the way it is now with the team approach but monitor that closely and when it gets to be more work add another person with expertise.

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Mr. Arntzen stated Commissioner Barnes raised a lot of very important issues. Mr. Arntzen stated from the Commission comments, there is an interest at looking at team approach. Mr. Arntzen stated staff does not have the team approach fully fleshed out, such as who would it be, whether additional staff is needed, what is the cost, and what is the work load. Mr. Arntzen has spent time with the managers and asked them if the Commission were to move forward with the team approach, what might it look like. This is the team the Commission has seen for a number of years and Mr. Arntzen stated that we may have to reshuffle staff duties to accommodate the work for Vista Field, and quite possibly hire an additional maintenance person to keep up with all of our new buildings. Mr. Arntzen hears that there is some interest in the team approach and will rough out in more detail to answer these questions. Mr. Arntzen believes it is doable and thinks it may be about the same amount of money, but the team may be scalable and more effective. Mr. Arntzen likes the team approach because it gives us more opportunity to stay connected with DPZ. To his knowledge, many of the DPZ projects have been spun off and DPZ goes their way; however, Mr. Arntzen believes DPZ would like to stay involved at a reasonable level. The team does have some merit to it and Mr. Arntzen would like to have the opportunity to bring the Commission more detail.

Commissioner Novakovich addressed Commissioner Moak and stated we have heard a lot of comment about the team approach and he would hate to see staff spend time unnecessarily on any other approach right now and wondered if the Commission could give them direction to pursue team approach and come back with more information on it, rather than consider the individual at this time.

Commissioner Moak stated that is what we are talking about today and where we go with that and that is what we are hearing. Commissioner Moak thinks the team that has brought us here for the last 6 years needs to help us move to the next stage. Commissioner Moak thinks when we review the collaborative design project, the people who know best about that is DPZ, who have worked it. In Commissioner Moak's mind, he sees this as a transition and during this first phase, where there is not a lot of land to sell, he sees the importance of getting right. But as we move into the future phases, it probably behooves us to look for somebody who will be here all the time. Commissioner Moak is concerned that a lot of the consultants are not local. If we start getting real development, what will the availability of DPZ be and will they be able to be here and be hands on. Commissioner Moak is concerned that the key people are not here and if things begin to move quickly, would they be able to meet that. Commissioner Moak believes that these are the people we need to work with as we move into this first phase, but at some point, we will have enough business that we may need someone. As we attend conferences, we will be able to make contacts who have an understanding of New Urbanism. Right now it is bare ground out there and we still need to develop that and Commissioner Moak would like to work with the people who have some great knowledge of the project for the last six years, as helping us get that first phase completed. We've all said the first phase is critical to the success of this project and Commissioner Moak thinks we need to see what we can do to make that happen and that is what he would like to see.

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Commissioner Novakovich stated by consensus, can the Commission give Mr. Peterson an answer to use the team approach for this decision.

Commissioner Moak stated that is what the Commission has been discussing.

Commissioner Barnes stated it is important to maintain some degree of flexibility. Commissioner Barnes stated his limited experience in this area says anytime you are talking about real estate development, there is a lot of uncertainty. Commissioner Barnes believes it would be a mistake for the Port to view this today as a fork in the road where we will take the team approach, he does not support that. Commissioner Barnes reiterated the importance of maintaining flexibility and the importance for the Port of Kennewick to maintain flexibility because we do not have the experience with a 100+ acre project that is the focal point of this community and will be the focal point of a lot of developers and private sector investors that would like to be at Vista Field. In many ways we don't know yet what we don't know in some ways. Commissioner Barnes is not in favor of taking the team approach and moving on, he would like to stay the course with the team approach and would like to accept Mr. Arntzen's offer to provide additional detail and what he envisions going forward. At the same time, Commissioner Barnes thinks it's important to maintain flexibility, and if we reach a point where we need higher level help such as a PM, then he wants to maintain that as a possibility.

Commissioner Novakovich stated David Robison is in the audience and asked Commissioner Moak if it would be appropriate for the Commission to hear from him, since he has been involved with Vista Field for a long time.

Commissioner Moak stated Mr. Robison is identified as part of the team and stated it would be up to Mr. Arntzen.

Mr. Arntzen believes Commissioner Barnes's comments regarding maintaining flexibility can be folded. Mr. Arntzen will work on a detailed plan and bring it back at a future meeting. Mr. Arntzen would also like to maintain that flexibility for phase two and beyond and have flexibility to move towards an individual approach if needed. Mr. Arntzen believes this has been a good discussion and the comments has given staff the guidance we need. Mr. Arntzen asked Mr. Robison if he would like to make any comments. Mr. Arntzen stated he met with Mr. Robison regarding the team approach to see if he would be interested and believes he was. With that as a disclaimer, Mr. Arntzen does not believe Mr. Robison is a completely neutral third party.

David Robison thanked the Commission for the opportunity to speak to further the discussion on the team approach. As Mr. Arntzen pointed out, Mr. Robison's comments are a bit prejudiced in that he has been a member of the team for a number of years and has been very excited about it. The team approach allows the continuance of the team in place to ensure continuity and execution of the Master Plan in accordance with the vision of the Commissioners, the communities and your partners, the City of Kennewick, the Kennewick Fire Department, and Kennewick Public Works Department and the Public Utility District. The overall first Phase 1A land sales and development is relatively small but very intricate and complex in many

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ways. Getting it right and inviting and encouraging and selling vibrancy to prospective participants can only be done by those who have been entrusted by Commissioners over these many years; the members of the Port of Kennewick team, those who are passionate and require little more than Commissioners nod to continue in excellence. In additional, introduction of a new individual or individuals would require a significant investment of time to search out and then research and eventually hire such candidates with such a level of experience as those you already have in place. The selected individual or individuals would require significant staff and team member's time to introduce the intricacies of Vista Field to them. For example, as Mr. Peterson noted earlier, the \$200,000 in fees paid to the City and the negotiations this team put in place to save several hundred thousand dollars. That isn't done without the experience or knowledge this team already has. Mr. Robison stated no one individual could catch up or exceed what the team has invested time and whom the Commission entrusted the development to over the last 6-7 years. Lastly, no individual or individuals could ever instill the level of confidence in the Port of Kennewick partners or equally as important, the community, who so graciously and patiently have waited for the opportunity of the Vista Field vision to come to reality. Mr. Robison respectfully submits, although certainly prejudicially, he is also experienced after 30 years of developing properties, and as your team member, he thinks with staffs continuance, there is little concern on his part, that they will ever be able to keep up over 20 years of the development plans for Vista Field. Thank you for allowing Mr. Robison to speak and provide his opinion.

Commissioner Novakovich stated time is of the essence and the Commission needs to act as expeditiously and it has been discussed at length and stated if it is appropriate and the President will accept motion;

MOTION: Commissioner Novakovich moved to accept the team approach to the project management of Vista Field with the caveat, that in the future, if the Commission needs to look at some other individual or source of, the Commission can do so, as time allows and as necessary. Motion dies for lack of second.

Commissioner Moak stated that Mr. Arntzen will come up with a plan as to how the team approach will work, as he previously suggested and believes the Commission should move forward with that course of action.

Commissioner Barnes appreciates Commissioner Novakovich's willingness to move forward and give a green light, but it is his understanding that Mr. Peterson is asking for discussion today, not a firm decision. Commissioner Barnes would like to see more information about the team approach.

Mr. Peterson stated the discussion was helpful direction.

Maintenance Mechanism:

Mr. Peterson stated this is an update on the property owners association, which was previously called the business improvement district or home owners association. The Port hired Ben Floyd of White Bluffs Consulting, Doris Goldstein, and Steve DiJulio of Foster Garvey to put

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together the mechanics of a legally functioning document that would effectively collect money from each property owner in Vista Field to maintain the common elements that the City of Kennewick will not be accepting. The money would be collected to maintain the water feature, the landscaping on the shared residential streets, plowing snow in the non-City private alleys and vibrancy activities and marketing. Mr. Peterson stated the documents are about 85% complete and the mechanics are written up; however, it needs to have amounts plugged in. We need to work backwards and determine a budget and estimate how much it will be to maintain Vista Field long term. The consultants and staff will run through several scenarios and adjust the numbers as needed to determine the true costs of what it may cost a property/business owner so that the Port does not adopt something that may not work. Ideally, the team would like a number that is close and protects the Port if we are either too low or too high, we can adjust the amount to reflect the actual cost. Mr. Peterson believes it will take about 3 months to determine operational costs.

Commissioner Novakovich confirmed that this was an update and Mr. Peterson does not need a commitment or answer today.

Mr. Peterson stated this is an update and indicated if the Commission had chosen to go with the individual PM, that person would most likely want to be involved with the last remaining items on the property owners association document. Since the Commission directed staff to move forward with a team approach, the team can continue to move forward with the property owners association document.

Commissioner Novakovich confirmed that at the next meeting, Mr. Arntzen will provide the Commission information on the team approach and if we accept it, then the property owners association will go along with that.

Mr. Peterson stated that is correct.

Commissioner Moak stated in the initial phase, the Port is the main owner and we will be paying the major share of the ownership of Vista Field until such time as we sell property.

Mr. Peterson stated that is correct, for example, the owner of the Creekstone subdivision installed the improvements but had to maintain them until the subdivision was built out. The mechanism is set up to look at the future and will ensure the elements will retain its quality.

Commissioner Moak is concerned that once people live and work at Vista Field, there is an onsite manager, who can speak with the with home owners and business owners and keep the vibrancy going.

Pricing:

Mr. Peterson stated the last item is the issue of property evaluation and pricing which is the Commission philosophy together with some process that will equal final pricing. The Commission passed Resolution 2015-22 which read: "Return on Investment expectations, while fiscal consideration are important to the Commission, the Commission finds that it is

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more important for the Port to make the best urban place possible as opposed to making the greatest initial monetary return for the Port.” It is finding the balance and the Port is selling the idea of vibrancy on a vacant lot. Andres Duany stated in a residential development, you are selling the idea of privacy and each and every sale diminishes the value of the product; however, in an urban development, you are selling vibrancy in each sale, which adds to the value. The Port is starting from scratch with concepts and renderings, but someone has to be the first to buy in Vista Field. Some of the policy questions for the Commission to consider are:

- Is it better to have buildings go vertical sold at less than market value or is it more important to wait until a dollar amount is obtained?
- Does the price include every dollar spent on Vista Field?
- Does the Commission want to consider using an appraisal on properties, even though there aren’t any comparables to Vista Field? However, an appraisal could prove useful when combined with input from the local real estate and construction community and Kendall Yards in Spokane.

Mr. Peterson asked what information the Commission would like to see, to help establish those initial prices. Because of the Urban Mixed Use Zoning, each and every parcel could be anything from a single family house on a lot size up to 5,000 square feet to an office building, or retail or restaurant. The question remains on how you price the land because it is not the traditional lot and is flexible. Mr. Peterson stated there is the philosophy blended with additional information that the Commission could see for pricing that would then yield the initial offer prices.

Commissioner Moak stated one of the things the Commission decided for Vista Field was to pay as we go, and whatever the Port makes in Phase 1, pays for Phase 2. Commissioner Moak stated he would need to know what the approximate cost of Phase 2 is going to be and inquired if the Port could get a blended rate to sell in Phase 1. Additionally, if we aren’t going to get what we need out of Phase 1 for Phase 2, then we need to know, to be able to find other funding for Phase 2. Commissioner Moak mulled if we have an idea of what our expected costs will be and if we can we recover those, whether lower or higher rate in Phase 1. Commissioner Moak understands that perhaps the Port ought to be lower in Phase 1 to get the right property, philosophically, he believes in that; however, we still need to get enough money to pay for Phase 2 to move forward. Commissioner Moak is unaware of what that might be. Commissioner Moak stated people who believe in Vista Field, as our tenants, property owners, and property developers, those who believe in the concept of New Urbanism. Commissioner Moak does not want someone who wants to acquire property for cheap, but developers and home owners who believe in what the Port is trying to do. Mr. Peterson identified good ideas to get pricing information and speaking with Kendall Yards might be helpful in terms of how they positioned themselves within their market. And that is what we should look at, what is the Port’s position in the market.

Commissioner Novakovich asked Mr. Peterson when the Kendall Yards development started.

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Mr. Peterson stated the Master Plan was created in 2002 and neighborhood started in 2008; however, the development is 40 years in the making.

Commissioner Novakovich believes the Commission should continue to follow Resolution 2015-33 as far as Return on Investment expectations. Additionally, Commissioner Novakovich likes Mr. Peterson's approach with finding the value of Vista Field, which is a unique piece of property and there isn't anything like it in the Tri-Cities. By going to all these different sources and combining information, we should have an idea of where to price the property. Because it is unique and different property, it may command higher price; however, you have to start somewhere. The Port can start out lower and raise the next time. The first people that buy land and develop the area will only increase the land value next to them. Commissioner Novakovich is pleased with how Mr. Peterson came up with pricing outline for Vista Field.

Mr. Peterson asked if Commissioner Barnes has any comments about pricing a product that has not been previously sold.

Commissioner Barnes wanted to hear Commissioner Novakovich's comments before speaking and he agrees with Commissioner Novakovich's comments regarding Resolution 2015-22. Commissioner Barnes is very comfortable with that Resolution and does not think the Port should be bottom line-centric at Vista Field. He does not think the Port should be looking to maximize our price and maximize our return, but at the same time, we can't just ignore that. Commissioner Barnes is sure Mr. Kooiker is looking at our cost and how much money we have in Phase 1, and he believes we can get some general estimates about what Phase 2 may cost. Now we have Phase 1 under our belt and some construction cost experience and we also have qualified consultants to help us look at Phase 2. The Port can look at how much we need to recoup in land sales in Phase 1 that will not only repay the loan from Phase 1, but also add some equity for Phase 2. Commissioner Barnes is not sure how useful an appraisal would be because Vista Field is so unique. Commissioner Barnes does not think there is any question of whether or not there will be demand to be there. To Commissioner Barnes, there is going to be more than we can imagine at Vista Field. Commissioner Barnes thinks there are all sorts of people that will want to be there, not only residents but businesses. In Commissioner Barnes' limited circles as a real estate broker, he frequently hears people discussing their interest in Vista Field. Commissioner Barnes thinks there will be tremendous demand, but does not know how we should price it. Commissioner Barnes stated one way to price the land is to look at the collaborative design process and suggested not specifying a price, but opening up the opportunity to the private sector to accept proposals, where the developer can include their price proposal and the vision of the development. The price for land would need to be something that would allow there project to be feasible and then the Commission could review their proposal and see what kind of vibrancy their vision for development would bring and how that would match with the budget. If they have a vibrant idea, but are only offering fifty cents a square foot, the Commission would need to weigh it against other proposals that offer different variables. Commissioner Barnes mulled if the Port should be at exactly fair market price and the Port has demonstrated a willingness to work with people on price, with recent history. The Port can make some concessions on price they are meeting the vibrancy objectives

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or meeting the objectives that are a close match to what our team envisions at Vista Field. Commissioner Barnes would not be too hung up on getting an appraisal and is not sure how useful it would be. Maybe it would give the Port a ballpark figure, but to Commissioner Barnes, the appraised value is not going to be the most important feature. Commissioner Barnes believes the most important factor is what is the private sector developer going to bring to Vista Field in terms of vibrancy and does it match the Master Plan and does it work with the budget.

Mr. Peterson thanked the Commission for their comments and stated it is very helpful. The discussion even touched on the marketing process. A typical appraisal will hold up for the State Auditor; however the auction at Southridge allowed all parties an opportunity to bid on the property. The proposal process might address what the property is worth, much like the bid process, the Port receives the proposal and selects from a matrix that includes the Master Plan, vibrancy and possibly having a pool of proposals could answer any questions by the State Auditor. From a proposal standpoint, it gives prospective developers a fair chance to put their best proposal forward. Mr. Peterson stated he will include this discussion in the marketing memo.

Commissioner Barnes stated when we were discussing the team versus individual PM, he did not take into account the Port's collaborative design process and how it would be handled confidentially. Maybe the team approach is a much better set up to have for the initial collaborative design process. To bring in a new PM and include them in the collaborative design process would be a steep learning curve and an ambitious ask. Whereas, the team that we have in place now, these ideas from a private sector developer could be placed in their hands, by keeping the developers information confidential but yet working in the public with transparency and those concerns. Maybe the team approach would be a much better approach with this initial phase.

Mr. Arntzen thanked Commissioner Barnes for mentioning the collaborative design process and stated the process is a policy discussed thoroughly by the Commission and approved. Mr. Arntzen stated it is a timeless document and appropriate today more so then before. Mr. Arntzen believes the collaborative design process will be a good way to bring proposals before the Commission and it should touch on pricing. The process has some recognition that the Port could get a great project for less more money than the other way around. Mr. Arntzen thinks the collaborative design process might have been drafted with team approach in mind. Mr. Arntzen believes the process might help us with the team approach, pricing, and marketing, which Mr. Peterson will review next time. Staff will review the collaborative design process about issues identified today and touch on the marketing philosophy.

Mr. Arntzen expressed his concern over the Port possibly getting enough money from Phase 1 to cover Phase 2 because he does not know yet what Phase 2 is. Mr. Arntzen and staff will rough out some plans with an order of magnitude. Mr. Arntzen thinks the numbers could be anywhere between \$3,000,000 and \$6,000,000. Mr. Arntzen did like hearing the reiteration of what the private sector will bring us, including price. There could be a \$25,000,000 hotel complex with shops and restaurants and the developer could drive a hard bargain on price

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because of the price of the development. While it does not give us specific answers on the pricing, it raises enough information that staff can review this and bring back at a future meeting. Mr. Arntzen reiterated the Commission comments and stated it is not just about money, but the money related to the quality of the proposal.

Commissioner Moak inquired if the Port could put out a Request for Proposal (RFP) for parcel development and then establish a price based upon the proposals.

Ms. Luke stated yes, the Port could utilize an RFP for selling parcels and also gives the Commission a lot of control, if the proposals are not be acceptable.

Commissioner Moak stated the thing that intrigues him about this, much like the auction process, if there is a competitive situation, where you have this cool property, will there be competition among developers to get that particular parcel. This could lead to more money for the property than what the Port may have thought about initially, because of that competition.

Commissioner Novakovich inquired if Mr. Peterson will touch on this at the next meeting.

Mr. Peterson stated due to the carpeting remodel and the holiday, he is not sure he can hit all of those items, but will include additional discussion on the team approach, refine the pricing, and potential Phase 2 costs. There are some scenarios that have been priced out as far as connecting some of the roadways when we thought there might be some Benton County Rural Capital County Funds (RCCF) available and a partnership with the City of Kennewick. Mr. Peterson thanked the Commission for the healthy discussion and strong direction given.

Mr. Peterson stated when it comes to pricing, the density of this site, the percentage of land cost versus building is much lower. When the lot size is smaller, the land cost becomes less, which allows the developer to pay more without impacting their return benefit. Mr. Peterson hopes to bring back items such as architectural theme, which is touched upon in the Vista Field pattern language and design library. The Vista Field Arts Center agreement for property in the heart of the development, which has expired. Should the agreement be renewed even though it has been reported that they are looking at other sites. Mr. Peterson believes there needs to be additional discussion regarding the Vista Arts Center prior to marketing the site, as it is a key location and anchor building. Mr. Peterson stated Phase 1 includes significant front end elements such as the water feature, the plaza and additional water lines. Mr. Peterson stated later phases will yield more net acreage and the Port will not need to spend as much on open space, non-revenue generating space.

Commissioner Moak thanked Mr. Peterson for all the work on this and sounds like there is more to do.

Commissioner Novakovich stated it was a great report and a lot of decisions by the Commission need to be made. Please do not hesitate to let the Commission know when you need the answers.

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Mr. Arntzen asked Commissioner Moak, as the President of the Commission, if this discussion has been helpful. Mr. Arntzen and Mr. Peterson have discussed bringing the Commission 4-5 items related to Vista Field policies at regular intervals. For staff, the discussion has been helpful and gives us a direction to move towards.

Commissioner Moak believes it has and all three Commissioners have been able to express their thoughts, and we have been able to listen and process and ask questions and get answers. From Commissioner Moak's standpoint, it has been very helpful and it has been well led and it moved us in a direction and allowed for individual ideas to be expressed that staff is able to process back.

Mr. Arntzen stated staff will go ahead and continue with process and work with Mr. Peterson about how we bring the items forward, whether it is by resolution outlining the policy directives or some other way.

B. 1135 Project Update

Ms. Bader Inglima stated the United States Army Corps of Engineers (USACE) has the Architecture and Engineer (A&E) contractor under the task order contract to begin the A&E work. The Port signed the contract in May and had a walkthrough with the USACE and the contractor who would prepare the scope of work in August. The task order contract was signed by the USACE in December 2019. However, we had hoped the USACE would be further along because of the short construction work window. The timeframe that has been discussed had all of the A&E work completed by spring and the project would go out for bid in June while the current USACE Commander was still in place, who was very supportive of this project. Now, it is likely that bids will go out in late September and there will be a new Commander in place. Additionally, we received some disappointing news, that even though the Port received the A&E and construction funding for our project, the construction funding was swept. Because the bid is estimated to go out in late September, the USACE reallocated the construction funds back into the 1135 national pool because of the timing of their new fiscal year which starts in October 1, 2020. If there is money left in the previous fiscal year, those funds could be placed into our 1135 account, otherwise the Port would need to wait until the next fiscal year budget is allocated. The concern is that over the last few years, the USACE has been running on a continuing resolution and Ms. Bader Inglima believes they are finally finishing the continuing resolution and getting their budget approved for this year. With the A&E completed, the Port will stand at the highest priority in receiving new funds come October 1, 2020. Because our project has a limited in water work window which is November-February, all the stars would have to align for the Port to receive the construction funds, bid the project and line up a contractor to meet the in water work window. The Port is still moving forward on the 1135 project and the USACE feels fairly confident that the Port will receive funding in order to meet the initial time frame of November 2020 through February 2021. There is a possibility that the USACE will still be working on a continuing resolution, which would further delay the construction up to one year. Ms. Bader Inglima stated the USACE will continue moving forward on the A&E design and preparing for bid. Additionally, Ms. Bader Inglima will work with the new Commander to ensure that they are up to speed and making this a priority using our tribal contracts to continue emphasizing that

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this is a priority project for them and educating as we can, to make sure that we continue to move forward in a timely matter because we also have grant dollars associated with the project.

Ms. Bader Inglima updated Mr. Arntzen on the 1135 status and stated one of the projects for the 2019-2020 was the Clover Island Master Planning. Ms. Bader Inglima posed the question of timing of the Master Plan and if the Port should wait until we have confirmation that the USACE will complete this project or if the Port will take an off-ramp.

Mr. Arntzen stated this is a relatively new issue and spoke with Ms. Bader Inglima about it only yesterday and heard Ms. Bader Inglima's concerns related to the 1135 project and the Master Plan. Mr. Arntzen recalls that the direction from the Commission is to pursue the Master Planning process with Makers Architecture in January. Mr. Arntzen reviewed the minutes from the December 10, 2019 Commission Meeting, where there was discussion about breaching the causeway and what type of in-water scenarios does the Port want to pursue. The discussion touched on the potential ramifications and where we left it, our vision was to only discuss the upland only for the Master Plan; however, one Commissioner stated that once you open up the discussion to the community, there is no telling what you might get. Mr. Arntzen relayed that he will continue moving forward on the Master Plan, but Ms. Bader Inglima is concerned that that might create confusion with the 1135 project. Mr. Arntzen believes the yacht club, the tribes, and the environmental community will want to have input on the Master Planning document. If the Port can successfully say that it is a planning document for the surface area of Clover Island, where parking and building footprints might go. If we can separate it, Mr. Arntzen believes we have a good opportunity to keep everything on track, including 1135. However, once you open up to a public process, we lose the ability to completely direct the process. Mr. Arntzen does not need a decision today; however, this touches on policy issues because he was directed to move forward on both the 1135 project and the Clover Island Master Plan. Lastly, there is an additional concern that the two project could grate on each other in negative way. Mr. Arntzen spoke with Mr. Peterson who stated if the Master Planning process diverges from the intended direction, the Port could potentially cease the project. Mr. Arntzen understands the Commission directive is to pursue the Master Plan, but in light of this new issue, he thought it should be addressed by the Commission.

Ms. Bader Inglima stated the reason she brought this up to Mr. Arntzen is if the Port is delayed a year on the 1135, does it make sense to spend money on the Master Plan, now and wait to budget once we know the shoreline is going to get done. From a public relations perspective, if we get the community excited about the shoreline and Clover Island and the USACE doesn't get it done or the Port takes an off-ramp, then we have a planning document that could gather dust. Ms. Bader Inglima just found out about the construction funding on Friday and spoke with the 1135 project manager Monday, to confirm the potential new schedule.

Commissioner Moak stated the Port has been working on the Vista Field plan for 6 years, so he believes it will take time to do all of these things. Commissioner Moak is not sure he sees

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conflict between the 1135 project and the Clover Island Master Plan. Commissioner Moak thinks the 1135 project covers the in-water work and the Master Plan will be the building aspect on Clover Island and how we tie Clover Island to Columbia Drive. Commissioner Moak believes it is a comparison of apples and oranges.

Ms. Bader Inglima stated as she understands it, upland development cannot take place until the shoreline is completed.

Commissioner Moak does not believe a lot of this will take place for a number of years. Commissioner Moak is not expecting development to happen next year, but is expecting to have a plan in place, so people know what this area is going to be and start thinking about it. Commissioner Moak understands how long the process for Vista Field took and in some ways, this is as complex as Vista Field.

Commissioner Novakovich stated Ms. Bader Inglima raised some good points and the Port has a lot of projects on its plate. Commissioner Novakovich would hate to see the Port spend time on a Master Plan right now that may not be used in the future, depending on the 1135 project. As Ms. Bader Inglima indicated, a new Master Plan could sit on the shelf for a while. Commissioner Novakovich stated this is some new news that he did not contemplate. Commissioner Novakovich is in favor of holding off on the Master Plan until we know about 1135 project. Commissioner Novakovich would hate to see the community get excited about a project and then it did not happen. Commissioner Novakovich asked what is the percentage of the total budget.

Ms. Bader Inglima stated the USACE's commitment to the Port's project is \$3,500,000 and a portion of that is the A&E, but approximately \$3,000,000 is slated for construction and we have another \$1,500,000 from grants.

Commissioner Barnes appreciates the discussion and the update on the 1135 project. In 2020, the political environment is uncertain and there are many factors to this. Commissioner Barnes stated with respect to the Master Plan on Clover Island, he would like to see that it is placed on a future Agenda Item for discussion. Commissioner Barnes would like to make a fair evaluation and valid response to the Master Plan. Commissioner Barnes would like to receive the information in advance of meeting, to make a good decision regarding the Master Plan.

C. City of Kennewick Fire Chief Selection Process

Mr. Arntzen recently went through the interview process for a new City of Kennewick Fire Chief Selection process, where a number of applicants were interviewed. Mr. Arntzen assisted with the process along with Mr. Robison. The City interviewed a number of candidates and the field was narrowed down to two qualified candidates. As of now, the City has not made a final decision and believes they are vetting for City Council. Mr. Arntzen believes either candidate would be a great addition for the City. Mr. Arntzen stated many of the questions generated by the panel touched on how well the candidate could collaborate with Port. The City and Port

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have a great partnership and just recently, we collaborated on the new Fire Station at Vista Field.

D. 2020-2021 Committee Assignments

Ms. Scott contacted each agency and verified the dates, times and locations of the meetings and made the changes from December 10, 2019 Commission Meeting. Ms. Scott inquired if the Commission would like to discuss the Committee Assignments and what changes they would like to make.

Commissioner Novakovich is fine with what is listed.

Commissioner Moak is fine as well and asked is there a need for alternates. In the six years he has served on the Commission, he can only recall one occasion where he asked another Commissioner to attend. Commissioner Moak would not feel comfortable going to another meeting and representing the Port and has never been asked to cover for someone else. Commissioner Moak stated other than the meetings where Mr. Arntzen is listed as an alternate for the Washington Public Ports Association (WPPA), do we need alternates.

Ms. Scott has been asked before to find an alternate to attend a meeting, but stated it is at the Commissions discretion whether or not we have alternates.

Commissioner Novakovich stated the Council of Governments is requesting an alternate, but he agrees with Commissioner Moak.

Commissioner Barnes has attended a few meetings as an alternate and would abstain from voting if he were uniformed. Commissioner Barnes is fine with his assignments but requested, as the incoming President, he would welcome the opportunity to represent the Port on the WPPA Board of Trustees. Additionally, if anyone would like to represent the Port on the Visit Tri-Cities Board, he would welcome that, but is happy to keep serving.

Commissioners Moak and Novakovich declined the invite on the Visit Tri-Cities Board.

Commissioner Barnes inquired if Commissioner Novakovich would be willing to relinquish his role on the WPPA Board of Trustees.

Commissioner Novakovich likes the Committee, but if Commissioner Barnes insists, he would give it up.

Commissioner Barnes requested.

Commissioner Moak asked Ms. Scott to change the WPPA Board of Trustees from Commissioner Novakovich to Commissioner Barnes. Commissioner Moak stated Commissioner Barnes expressed at one time that he did not want to be on the WPPA Marina Committee and asked if that were correct.

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Commissioner Barnes stated the WPPA Marina Meetings are attended by other ports that have intricate details about the operations of their marinas. At the Commission level, we have our marina in the hands of an expert professionals and he does not deal with those details. What Commissioner Barnes has done in the past is take good notes and relay the information to Ms. Hanchette. Commissioner Barnes would invite Ms. Hanchette to attend the WPPA Marina Meetings.

Commissioner Moak asked if Commissioner Barnes would like off the committee.

Commissioner Barnes stated if someone would like to step into that position, he would relinquish his spot, but if there is no one else to step in, he is happy to stay and represent the Port of Kennewick.

Mr. Arntzen inquired if we need someone appointed to that if Commissioner Barnes would like to step down. Mr. Arntzen believes we could notify WPPA and ask to be removed.

Commissioner Novakovich believes the WPPA has done that on other committees, so precedence has been set.

Mr. Arntzen stated staff attends the WPPA Marina Conference every year.

Commissioner Barnes is happy to attend the Marina Meetings if he is attending the WPPA Meeting.

Ms. Hanchette has previously sat in on phone conferences and stated the Port does belong to the State Marina Organization as well, and some information is repetitive. Ms. Hanchette stated it would be Commissioner Barnes's choice if he would like to attend, but she is happy to step in as an alternate.

Commissioner Moak stated the assignments will stay the same except for WPPA Board of Trustees.

Ms. Scott will place the Committee Assignments on the Consent Agenda for January 28, 2020.

E. January 28, 2020 Commission Meeting

Ms. Scott stated the entire office is being re-carpeted and to ensure that everything is back in place, the January 28, 2020 Commission Meeting will be held at the Bechtel Board Room at 2:00 p.m.

F. Commissioner Meetings (formal and informal meetings with groups or individuals)

Commissioners reported on their respective committee meetings.

G. Non-Scheduled Items

1. Ms. Scott stated the TRIDEC Annual Meeting, where they will be reflecting on the past decade successes and celebrate the career of TRIDEC CEO and President, Carl Adrian on January 22, 2020. If you are interested in attending please let her know. Additionally, the

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Regional Chamber Meeting State of the Ports is scheduled for February 26, 2020. If you would like to attend, please let her know.

2. Ms. Bader Inglima stated staff is preparing a video presentation for the Chamber's State of the Port Luncheon. This year, the Chamber will not have a formal moderated question and answer session with the CEO's, but a speaker from each port. Ms. Bader Inglima had a conference call with the Chamber and the ports of Benton and Pasco, who are offering a Commissioner as a presenter. Now that we have completed our election of officers, Ms. Bader Inglima inquired if Commissioner Barnes is available to make the presentation.

Commissioner Barnes welcomes the opportunity.

3. Mr. Arntzen updated the Commission on some on-going items that has been discussed:
 - Land valuation procedure: is an appraisal needed for every property;
 - Buy-back clauses: properties that have buy back clauses and the Commission's philosophy;
 - Recording the meetings: staff is reviewing the software requirements.

Mr. Arntzen stated staff is working on these issues and if there are other issues the Commission would like to see addressed, please get in touch with him. It is not the intention of staff to prolong the issues, but there have been some bigger issues that have taken precedence.

Mr. Arntzen had an opportunity to meet with the two TRIDEC finalists and stated they are both very qualified.

Mr. Arntzen recently met with the CTUIR CEO Ted Wright, who reported that there are several new Board Members. They discussed the joint meeting but decided because of the changes it would be best if each CEO made a presentation to the respective boards about what we are doing. Mr. Arntzen reported that Kat Brigham is new Chairman of the Board of Trustees, who has a very positive outlook with respect to the Port of Kennewick.

4. Ms. Hanchette reported that the former Tri-City Raceway property and the Southridge auction sale closed and funded on December 31, 2019.

PUBLIC COMMENTS

No comments were made.

COMMISSION COMMENTS

No comments were made.

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ADJOURNMENT


With no further business to bring before the Board; the meeting was adjourned 4:08 p.m.

APPROVED:

PORT of KENNEWICK BOARD of COMMISSIONERS



Thomas Moak, President

Don Barnes, Vice President

Skip Novakovich, Secretary