



PORT OF KENNEWICK SPECIAL COMMISSION MEETING

FEBRUARY 19, 2019 MINUTES

Commission President Thomas Moak called the Special Commission Meeting to order at 9:00 a.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 Financial Officer
Larry Peterson, Director of Planning and Development
Lisa Schumacher, Special Projects Assistant
Lucinda Luke, Port Counsel via Phone

PLEDGE OF ALLEGIANCE

Commissioner Moak led the Pledge of Allegiance.

APPROVAL OF THE AGENDA

MOTION: Commissioner Novakovich moved to approve the Agenda; Commissioner Barnes seconded. With no further discussion, motion carried unanimously. All in favor 3:0.

PUBLIC COMMENT

No comments were made.

Commissioner Moak anticipates the Executive Session will last approximately 30 minutes, Potential Litigation, per RCW 42.30.110(1)(i) with possible action anticipated. Commissioner Moak stated there is no public in attendance to notify when Executive Session ends.

Commissioner Moak recessed the Special Commission Meeting at 9:02 a.m.

EXECUTIVE SESSION

A. Potential Litigation per RCW 42.30.110(1)(i)

Ms. Hanchette extended the Executive Session 20 minutes at 9:32 a.m.

Commissioner Moak adjourned the Executive Session at 9:52 a.m.

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Commissioner Moak reconvened Regular Commission Meeting at 9:52 a.m.

Commissioner Barnes believes that the property in question is a strategic piece of property that may have a significant impact on the redevelopment of Vista Field. Commissioner Barnes researched some of the previous Vista Field documents and stated the Pattern Language discusses the site pattern, which is a long, thin site. "The strong axis generated by this long, thin site, sets up the natural expectation that it have something of significance at either end and possibly toward the middle. Additionally, the document states trying to place a destination at each end of the long, thin site. Commissioner Barnes stated if this particular piece of property is included the Vista Field redevelopment project, it nearly doubles the frontage along Kellogg Street on the North East end of the property. Commissioner Barnes believes it is an opportunity for the Port and understands the potential for liability if the Port tries to purchase the property; however, Commissioner Barnes would like to see if the Port has the ability to purchase the property.

Commissioner Novakovich agrees with Commissioner Barnes that it is strategic piece of property; however, the Port made a commitment to this community and borrowed funds to develop Vista Field "inside the fence." Commissioner Novakovich mulled what kind of response the Port could offer to the community that would explain why the Commission is revisiting the plans for Vista Field and the potential for liability and criticism.

Commissioner Barnes understands Commissioner Novakovich's concerns; however, the Commission has always maintained "let's get it right, not right now." Commissioner Barnes feels the public could say that the Port had an opportunity to add five acres along Kellogg Street to include in the Vista Field Master Plan and failed to act upon that opportunity. Commissioner Barnes stated the Commission recently received a document which outlined the 2017-2018 budget and stated the Port performed well in operating profit and in the 2019-2020 budget, set aside money in the Opportunity Fund and an additional \$1,000,000 is allocated to an ROI project. Commissioner Barnes believes if the Port were to take action, it would be a strategic investment and understands that it would take additional time and effort on the part of staff to get the property incorporated into the Vista Field Master Plan and work with the City on the zoning issues. Once the administrative tasks are completed, the property could be marketed in short order. Commissioner Barnes stated it is a tough decision, but would like staff to look at the possibility of pursuing this piece of property.

Commissioner Moak asked why staff feels that the Port could not come up with the funds to purchase the property, when there are funds available in the Opportunity Fund and the ROI project.

Mr. Arntzen stated staff will wholeheartedly follow any direction the Port Commission gives and this is just an opportunity for staff to provide the Commission with facts and thoughts to assist the commission if there is a decision made today. Mr. Arntzen stated staff has spent a lot of time trying to anticipate what the funding might be for the Columbia Gardens tasting rooms. The Port consulted with professional estimators, engineers' estimates, and even conducted a mock bid to determine the cost of the tasting rooms and all the estimates vary. In this challenging construction environment, it is difficult to anticipate what the bids might come in for the tasting rooms; however, staff believes we have the funds to have a viable shot at the tasting rooms building. Mr. Arntzen believes the same analysis applies to Vista Field Phase 1A infrastructure, which is also out to bid. Until the bid numbers come in for the

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tasting rooms and Vista Field, staff is uncertain how much extra funding will be needed for the priority projects. While I am hoping that this is unlikely, there could come a point where the Port may fall short of the funding necessary for those two projects.

Commissioner Moak stated that staff's main concern is the uncertainty of the tasting rooms and Vista Field Bids.

Mr. Arntzen stated that is correct and the Port has two, large, almost once in a lifetime projects out to bid and he is uncertain that the Port will be able to cover them because of the construction climate. Mr. Arntzen believes the Opportunity Fund is \$100,000, not \$1,000,000 and asked Mr. Kooiker to elaborate on the budget.

Mr. Kooiker stated the Opportunity Fund is \$100,000 and the ROI project fund is \$1,000,000. Mr. Kooiker spent some time reviewing the budget so he would be prepared if the Commission decided to move forward with this property; working with the presumption of awarding bids for Columbia Gardens and Vista Field based on previous discussions. Mr. Kooiker used the numbers provided by the estimators and the mock bid, and had to find extra funding for the Port to complete these two projects. Mr. Kooiker stated \$1,000,000 ROI project fund would be used to cover the overage on Vista Field and the tasting rooms, based upon the current projections. Mr. Kooiker stated staff will know more when the bids come in.

Commissioner Barnes inquired when the bids are due.

Mr. Peterson stated Columbia Gardens tasting rooms bid is due on Tuesday, February 26 at 10:00 a.m. and Vista Field Infrastructure Phase 1A is due on Thursday, February 28 at 2:00 p.m.

Mr. Kooiker stated based upon those numbers, staff pulled together all available funds, including the interest savings, to pay for the current estimates. Mr. Kooiker stated there is an opportunity that the bids will come in low, but is not confident based on the estimations the Port has received. Additionally, there is a lot of partnership money on the line, for example, if the Port did not award the tasting rooms bid, it would forego approximately \$1,000,000 of City and insurance money, likewise, with Vista Field, the Port could lose more than \$1,000,000 in matching funds.

Commissioner Moak stated Vista Field and the tasting rooms are the top two priorities that he would want to make sure are funded; however, if the bid numbers came in right, the Port could still consider the Ivy purchase.

Commissioner Barnes agrees with Commissioner Moak's comment.

Mr. Peterson stated from a planning aspect, the Master Plan has the development growing from the core out, sequentially. Per the Master Plan, the Port would need to modify the Development Agreement and City zoning, and would possibly need to revisit the Transportation Plan with the City. Mr. Peterson stated this would not be a quick profit in six months or a year, as the Master Plan identified that the development will grow from the core outwards and not leapfrog to either end, at Kellogg or at Young Street. This would be a long term investment, with a ten to fifteen-year hold.

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Commissioner Barnes inquired if the Port could revisit that stipulation and adjust it.

Mr. Peterson stated the Commission can revisit that stipulation; however, the general concept the Port presented to the City was that this will not be a sprawling development and that the Port will work from the core out. If the Port were to stay true to the principles that came out of the Charrette and be lean in the core, this property in question would be a long-term hold based on when the Port develops that particular phase. Although the Port would not defeat ourselves if some phases were developed at the same time, it would contradict everything the Port has said for the last five years regarding the development.

Commissioner Barnes sees this as a strategic opportunity, which could have a significant impact to the redevelopment at Vista Field. Commissioner Barnes believes our partners would recognize this as a strategic opportunity, if the Port were to take action, try and capture this opportunity and incorporate the property into our Master Plan.

Commissioner Novakovich verified that unless the Commission reallocated funds from Columbia Gardens and Vista Field, there is no other source of funds that the Port could use to purchase this property.

Mr. Kooiker stated that is correct, based upon the estimates.

Commissioner Novakovich stated the transaction is expected to close on March 4, 2019 and there are too many unknowns, and too many liabilities with a limited time frame, that it does not make sense to pursue. Commissioner Novakovich stated the Port is investing almost \$7,000,000 in Phase 1A and developing 20 acres, why would the Port consider marketing property outside the fence when we have 100 plus acres of property inside the fence that we have invested money in to market.

Commissioner Moak is reminded of an article in the *Tri-City Herald* recently, related to Columbia Basin College (CBC) purchasing an office building that was not on their radar, but was in the sphere of influence, and acquired it, even though it was not in their comprehensive scheme. Commissioner Moak believes this property is within the Port's sphere of influence and agrees that it is a strategic piece of property.

Commissioner Novakovich stated the Port is developing two major properties and has a limited amount of staff and resources, and does not believe the CBC purchase is comparable.

Commissioner Moak believes it falls within the Port's sphere of influence and in two weeks the Port will know for certain if we are able to fund our projects at Columbia Gardens and Vista Field. Commissioner Moak would like more time to consider the property and understands there is a risk for some liability, but there is also a risk to Mr. Ivy, who has known about repurchase agreement and did not do anything remove the clause over the past thirteen years. Commissioner Moak believes the Port can do its due diligence, now that Mr. Ivy has requested the removal of the clause, and extending the closing date is part of the real estate transaction.

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Commissioner Novakovich asked would the Commission agree, that if we were to wait until the last bid was open on the February 28, 2019 and there were not enough funds to purchase this property, without affecting our two other projects, that the Commission would give the CEO the right to exercise the release of the repurchase option, as requested.

Commissioner Moak would still like staff to see if there is a way to come up with the funds to purchase the property.

Commissioner Barnes stated the 2017-2018 budget cycle just ended and according to his calculations, we have quite a surplus left over from that budget cycle.

Mr. Kooiker stated that ending fund balance was projected and then carried over to the 2019-2020 budget, and thus effectively accounted for in the 2019-2020 budget. Mr. Kooiker stated as part of the budget process, the Port has to predict the fund balance five months in advance of approving the budget. Mr. Kooiker would not look at that amount as extra money since it is included within the new budget cycle.

Commissioner Moak would like to hear from staff as to how the Port could come up with the funds to purchase the property; however, is there is no way that the Port can feasibly fund the purchase, then he would agree with Commissioner Novakovich's comments and give the CEO the right to release the repurchase clause.

MOTION: Commissioner Novakovich moved that the Commission postpone a decision regarding the Ivy property until February 28, 2019, to allow staff time to review the Columbia Gardens and Vista Field bids, and advise the Commission on any monies that may be in excess that allow the Port to purchase this property and if those funds are not available, then give the CEO the right to release the repurchase option.

Motion dies for lack of second.

Commissioner Novakovich expressed his concern regarding the liabilities associated with the potential transaction and does not want to misuse funds and resources of the Port of Kennewick to do something that has not been presented to the public.

Commissioner Barnes reiterated that this is a strategic piece of property and could have a tremendous impact on the redevelopment of Vista Field. The location is one of the primary gateways into Vista Field. Commissioner Barnes inquired if staff has contacted DPZ regarding the property.

Mr. Arntzen spoke with Lizz Plater-Zyberk of DPZ briefly, but did not get any substance as to whether or not this would be a strategic purchase or not.

Commissioner Barnes called DPZ; he apologized, but said he had a question regarding the property.

Mr. Arntzen inquired if Mr. Peterson got any substantive answers from DPZ.

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Mr. Peterson stated DPZ called and informed him that a question had come up and asked what the various pieces of the puzzle are. The discussion was brief, as these are policy questions for the Commission: policy on money and policy of when the property would be developed. Mr. Peterson did not hear the urgency of purchasing the property and then turning it around to put on the market. The conversation centered on the core development and as long as the purchase does not take away from the potential of going vertical, moving forward with the hangar remodel and creating vibrancy within the development. Additionally, they discussed preserving the core 20 acres and putting funds into that location and using extra funds to construct a building in the core development. Mr. Peterson concurred that it is a strategic piece of property; however, could the Port go back to our development partners and the community to say we are going to work on both the core and the North East end of the site, which would dilute our own Master Plan. Mr. Peterson would lobby that if the Commission were to acquire the property, to think of it as a long term hold, not a piece that would be marketed to recoup the funds that were spent. That would deviate from the strategy that has been in place for 5 years.

Commissioner Novakovich stated it would be similar to the race track; holding for a long term development.

MOTION: Commissioner Moak moved to hold a Special Commission Meeting on March 1, 2019 or shortly thereafter, for the purpose of making a decision regarding the property in question.

Motion dies for lack of second.

Commissioner Barnes stated he is scheduled to be out of town, but can be available via phone.

Mr. Arntzen that per Port policy, he does not believe that is an option.

Commissioner Novakovich inquired when the representatives wanted a response.

Ms. Hanchette stated she received an email this morning from their real estate agent asking for a status update.

Commissioner Novakovich inquired if they gave the Port a timeline.

Ms. Hanchette stated no, they did not, but the listing indicated that they are trying to close by March 4, 2019.

Mr. Arntzen asked based on the discussion today, if all communication should go through Ms. Luke.

Ms. Luke agrees with Mr. Arntzen and will communicate with the representatives moving forward

Commissioner Moak stated the Port will be awarding bids on the tasting rooms and Vista Field on March 12, 2019.

MOTION: Commissioner Moak moved to make a decision regarding the property in question at the March 12, 2019 Regular Commission Meeting; Commissioner Barnes seconded.

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Discussion:

Commissioner Novakovich believes before a decision is rendered, the Commission needs to know the anticipated closing date.

Commissioner Barnes stated that is a valid point.

Commissioner Moak confirmed that they cannot close until the Port releases the clause.

Commissioner Novakovich stated then the liabilities will start mounting.

Commissioner Barnes stated from his experience in commercial real estate, this is something that came up in title search and if there is a delay in closing, it is not taking it to a different year and does not see an issue with extending the closing. Commissioner Barnes has seen deals extended for matters like this, without much of a problem; however, that is not to say this deal would be exactly like that.

Commissioner Novakovich agrees but believes it is important to find out when the closing date is and make a decision before that date.

With no further discussion, all in favor, 1 Aye (Commissioner Moak): 1 Nay (Commissioner Novakovich); 1 abstain (Commissioner Barnes). Motion Dies for lack of Majority.

Mr. Arntzen asked Ms. Luke to reiterate the course of action.

Ms. Luke will notify the agent that reached out to Ms. Hanchette and let them know that the Commission is considering its course of action and will be making a decision on its next Regular Commission Meeting on March 12, 2019, as to what action to take related to the repurchase option. Ms. Luke will keep communications straight forward and simple and let them know to communicate with her if there are any questions. Ms. Luke anticipates that they will extend the closing date in order to accommodate this.

Mr. Arntzen will instruct staff to not have further contact on this without going through Ms. Luke first.

Commissioner Moak inquired if there were any further comments.

Commissioner Novakovich clarified that the next meeting is February 26, 2019 not March 12. Furthermore, Commissioner Novakovich verified that the Commission did not define March 12 as the date to make the decision.

Commissioner Moak stated the Commission did not make any decision.

Commissioner Moak asked staff to place this on the February 26, 2019 Agenda.

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Commissioner Novakovich stated there will be some information on February 26, 2019 because staff will have the tasting rooms bid in, so we may have more information regarding the numbers.

Ms. Luke stated when she communicates with the agent, she will let them know that the Commission continues to consider its options and but not commit to a decision being made on February 26, 2019.

COMMISSIONER COMMENTS

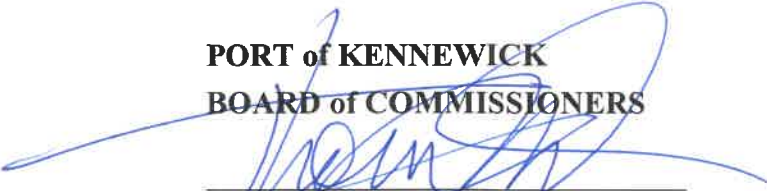
No comments were made.

ADJOURNMENT


With no further business to bring before the Board; the meeting was adjourned 10:29 a.m.

APPROVED:

**PORT of KENNEWICK
BOARD of COMMISSIONERS**



Thomas Moak, President



Don Barnes, Vice President



Skip Novakovich, Secretary