



REGULAR COMMISSION MEETING

PORT OF KENNEWICK

SEPTEMBER 9, 2014 MINUTES

CALL TO ORDER

Commission President Don Barnes called the 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: Don Barnes, President
Skip Novakovich, Vice-President
Thomas Moak, Secretary

Staff Members: Tim Arntzen, Executive Director
Tana Bader Inglima, Director of Governmental Relations & Marketing
Tammy Fine, Director of Finance/Auditor
Amber Hanchette, Director of Real Estate & Operations
Larry Peterson, Director of Planning & Development
Bridgette Scott, Executive Assistant
Lisa Schumacher, Special Projects Coordinator
Lucinda Luke, Port Counsel

PLEDGE OF ALLEGIANCE

Mrs. Barb Carter led the Pledge of Allegiance.

PUBLIC COMMENT

No comments were made.

CONSENT AGENDA

The consent agenda consisted of the following:

- A. Approval of Direct Deposit Dated September 3, 2014*
Electronic payments totaling \$51,822.54
- B. Approval of Warrant Register Dated September 9, 2014*
Expense Fund Voucher Numbers 36066 through 36105 for a grand total of \$132,757.12
- C. Approval of Commission Meeting Minutes dated August 26, 2014*
- D. Approval of Special Commission Meeting Minutes dated August 26, 2014*
- E. Rescind Resolution 2014-04 and Approve Amending Port Commission Rules of Policy and Procedure to Permit Additional Public Comment; Resolution 2014-24*
- F. Approval of Emergency Repair of the Outdoor HVAC Unit for Vista Field Development Facility Building A (Bruker); Resolution 2014-25*
- G. Approval of Emergency Repair to the Main Water Line (219 E. Columbia Drive); Resolution 2014-30*

MOTION: Commissioner Novakovich moved for approval of the Consent Agenda, as presented; Commissioner Moak seconded. With no further discussion, motion carried unanimously. All in favor 3:0.



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NEW BUSINESS

A. *Vista Vision Task Force*

Mr. Novakovich stated at the last Commission Meeting he requested to add a member of the Kennewick Public Hospital District to the Vista Vision Task Force (V. V. T. F.) to the agenda for the Commissioner's consideration. Mr. Novakovich believes there will be action on this request and asked for public comment.

PUBLIC COMMENT

Victor Johnson, 1500 South Clodfelter Road, Kennewick. Mr. Johnson is here today, representing the Kennewick Public Hospital District. Mr. Johnson believes a member who is involved in health care should be a representative on the V. V. T. F.. Health care in the Tri-Cities is a very a large industry and approximately 4,500 to 6,000 citizens will be actively engaged in health care, including the three local hospitals. Currently the health care activities that surrounds Vista Field are the Cancer Center, the Medical Mall, and numerous doctor and dentist offices. With the large activity in the area, coupled with the numerous changes in health care, Mr. Johnson feels that there needs to be medical representative on the V. V. T. F.

MOTION: *Commissioner Novakovich moved to appoint a member of the Kennewick Public Hospital District to the Vista Vision Task Force; Commissioner Barnes seconded.*

Discussion:

Mr. Novakovich explained that the port has partnered with the Kennewick Public Hospital District for a number of years, and the city, hospital and port have regular joint meetings. The Kennewick Public Hospital District is a land owner in the area with numerous facilities and health care is an essential part of the Tri-Cities. Mr. Novakovich is in support of adding a representative from the Kennewick Public Hospital District to the V. V. T. F. The V. V. T. F. has met once, and he believes adding a member now would not put anyone in an adverse position.

Mr. Moak believes the Commission established a procedure for adding people to the V. V. T. F.. The Commissioners submitted names and specific agencies, and it was determined that although the Kennewick Public Hospital District was a priority, we were not able to include them on the task force. The goal of the Commission was to create a small, dynamic group of thirteen people, which has increased to sixteen people, plus three alternates. Mr. Moak relayed that Mr. Johnson or any member of the Kennewick Public Hospital District has the opportunity to participate at any of the task force meetings, any special Commission Meeting and the Charrette. Mr. Moak is not in favor of adding an additional member to the V. V. T. F..

Mr. Novakovich explained the Commission set precedence when Ben Franklin Transit was added and believes the Board overlooked an essential partner in the Kennewick Public Hospital District.

Mr. Barnes believes this issue was adequately addressed by the port in June. There were three meetings where the Commission deliberated and created a diverse group that represents our community, partners, and stakeholders. Mr. Barnes emphasized that every citizen who is not part of the advisory committee has opportunities to be heard and attend all meetings. Mr. Barnes stressed that the port values the community's opinions and their input is crucial.



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MOTION: Commissioner Moak moved to indefinitely postpone the consideration of the question. Motion dies for lack of second.

With no further discussion, all in favor to appoint a member of the Kennewick Public Hospital District to the Vista Vision Task Force, motion failed. 1:2. Ayes: Commissioner Novakovich; Nays: Commissioner Barnes and Commissioner Moak.

B. Plymouth Land Sale

Mr. Peterson stated AgReserves Inc. has offered to purchase 94.32 upland acres located at the Plymouth Industrial Area for \$265,000.00, which is above the assessed value. This property is graphically depicted in Resolution 2014-26, Exhibit "A-1". AgReserves Inc. operates a bulk fertilizer mixing facility with over 18 employees and desires to secure these properties to aid their continued operation and preserve expansion opportunities. The property involves two parcels comprising 94.32 acres located north of Christy Road and south of the Burlington Northern Santa Fe railroad mainline. Due to the proximity to the Columbia River and cultural significance of Plymouth Island to the Confederated Tribes of the Umatilla Indian Reservation (CTUIR), port staff worked with the CTUIR to understand potential cultural issues with the site. Following an investigation by the CTUIR Cultural Resource Protection Program, the CTUIR concluded that no cultural resources were identified on the property. The CTUIR thanked the port for the opportunity to review the issue prior to Commission consideration.

The 2011 Comprehensive Scheme of Development identified these parcels as surplus to the port's needs. Considering the intent of the buyer is to preserve present production capacity and retain the opportunity for expansion, this sale, as negotiated does not contain a construction requirement or repurchase provision.

PUBLIC COMMENT

No public comments.

MOTION: Commissioner Novakovich moved for approval of Resolution 2014-26, authorizing the Port's Executive Director to execute all necessary documentation associated with the land sale to AgReserves Inc. and to take all other action necessary to close this transaction; Commissioner Moak seconded.

Discussion:

Mr. Moak inquired how long the port has held this property and if there has been any particular interest in developing this property.

Mr. Peterson indicated the port has owned the property since 1969 and has seen plans for the island with development options; however, there were not any perspective purchase proposals. There was not anything related to development for the upland property, only a few surveys and soil samples. Mr. Moak appreciated the hard work by staff to get this moving forward.

Mr. Novakovich asked what the property appraised at.

Mr. Peterson indicated the property appraised at \$255,000.



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Mr. Barnes stated the property has been identified in 2011 Comprehensive Scheme as surplus property and it is in the ports best interest to gather resources and divest of the property.

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

C. Comp Scheme Update

Mr. Peterson stated, the Comprehensive Scheme (Comp Scheme) was last updated in 2011, with an amendment for direct closure and redevelopment of the Vista Field Airport. Many of the projects identified in the Comp Scheme have evolved to the point where additional details could be added to the document to inform all citizens the direction the port is headed. Port staff reviewed the Professional Services Roster, identified three firms which could assist with updating the Comp Scheme, and ultimately selected Anchor QEA to negotiate a scope of work for the Commission's consideration. Although the proposed expense is under the Executive Director's Delegation of Authority approval threshold, it was determined the Commission should officially consider the scope of work and contract with Anchor QEA.

Mr. Peterson explained there is tremendous benefit to updating our Comp Scheme, as it will help our jurisdictional partners, the public, and the Commission, by clearly defining the history of the port and where we are going in the future. Mr. Floyd, of Anchor QEA, will serve as the project manager; some of the main elements are:

- Public workshops
- On-lines survey(s)
- Meeting with key stakeholders
- Development of a thorough and accurate history of the Port's projects and role in the community over the last century
- Refine the vision and direction of the port as identified in the 2011 update
- Update the graphics throughout the document

Mr. Peterson requested approval of Resolution 2014-27, authorizing Anchor QEA to update the Port's Comprehensive Scheme of Development and Harbor Improvements.

PUBLIC COMMENT

Mr. Ben Floyd, Anchor QEA, 189205 East 36th Avenue, Kennewick. Mr. Floyd stated the Commission received an overview of work at the August 12, 2014 Commission Meeting. Presented today is a scope of work that will help the port clearly define their past, present and future. Mr. Floyd and Anchor QEA is excited to get to work on the project once the Commission approves the scope of work.

No further comments.

Mr. Novakovich stated that the Washington Public Ports Association (WPPA) has researched history for all the ports, which may be of assistance to Mr. Floyd.

Mr. Floyd reported that Ms. Bader Inglima informed him of the WPPA research and in anticipation of this work, port staff has provided information that Anchor QEA will be able to utilize.



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MOTION: Commissioner Novakovich moved for approval of Resolution 2014-27, authorizing the Port's Executive Director to execute the contract with Anchor QEA, LLC to update the Port's Comprehensive Scheme of Development and Harbor Improvements, for the sum of \$47,000.00; Commissioner Moak seconded.

Discussion:

Mr. Novakovich believes it is time for the Comprehensive Scheme to be updated and as Mr. Moak suggested, it is a very good idea to have the history of the port included. This will be a very beneficial document to the port, the public, and our partners.

Mr. Moak approved of the public outreach and believes the updated Comp Scheme will guide the port as we move forward. The port made a very big decision when they decided a few years ago to close Vista Field and redevelop the property. Mr. Moak believes this is an excellent time to update the Comp Scheme and looks forward to working with Ben Floyd and Anchor QEA.

Ms. Bader Inglima is very excited that Anchor QEA will be working on the port history, as she will be able to utilize the information for the port's 100 year anniversary. Ms. Bader Inglima hopes to publish vignettes throughout the year, to remind the community of the port's contributions over the years. To have a well skilled historian available that is able to bring together stories and frame our history is very exciting.

Mr. Moak inquired if there is any intent of the port to digitize documents that may be relevant for the public or historians.

Ms. Bader Inglima has asked Anchor QEA to include in their scope, identifying interesting maps or graphics, which will help communicate our story, in regards to our anniversary.

Mr. Peterson stated, as staff works through the scope, he suggested a Commission liaison, since there will be substantial public outreach, if there is time or interest from the Board.

Mr. Arntzen stated a Commission liaison would not replace the regular reports back to Commission.

Mr. Novakovich suggested we add the consideration of adding a Commission liaison to work with Mr. Peterson and Anchor QEA, to a future agenda.

Mr. Barnes believes the timing of this is excellent and there has been significant decisions made over the past few years, and our course has been altered considerably.

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

D. Columbia Drive Tenancy Policy

Mr. Arntzen reported he made minor changes on the draft Tenancy Policy, based on the comments received from the Commission at the August 26, 2014 meeting. Mr. Arntzen limited the applicability of the policy to the 421 East Columbia Drive properties (wine complex). With the



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previous Commission discussion, staff proposes that this policy be periodically reviewed for effectiveness. Mr. Arntzen stated the Commission can either pass the policy or, as another option, table the policy, as work product for future use.

PUBLIC COMMENT

No comments were made.

Mr. Novakovich stated staff has done a great job on the Tenancy Policy; however, he does not believe we need a policy at this time.

MOTION: Commissioner Novakovich moves to postpone the tenancy issue indefinitely; Commissioner Barnes seconded.

Discussion

Mr. Novakovich stated staff has taken the Commission comments and done a great job revising the document; however, he does not believe we need a policy at this time. He believes that postponing indefinitely allows the policy to be put aside and brought back when necessary.

Mr. Moak believes it is essential the port has a tenancy policy for the 421 East Columbia Drive properties, as well as all other port properties. He believes the port should be adopting the policy, not postponing the it, because as we move forward and lease the property, there should be some direction as to where we are heading as a port. Mr. Moak opposes the motion on the table.

Mr. Barnes stated the port plans to go out for bid in January of 2015 and the earliest the construction on the buildings may be completed is November of 2015. He believes the work product has value and does not see an immediate need for a tenancy policy. Mr. Barnes is in favor of postponing the tenancy issue, but keeping the work product for future consideration.

With no further discussion, motion carried. All in favor 2:1. Ayes: Commissioner Novakovich and Commissioner Barnes; Nays: Commissioner Moak.

E. 2015-16 Work Plan Schedule and Process

Mr. Arntzen stated numerous presentations to the Commission has been made regarding potential items that should be placed in the 2015-16 work plan. The process is an accumulation of data, staff and Commission comments, and public input. Once the Commission approves the final work plan, the plan is turned over to the finance department and the two year budget is developed around the final work plan. Mr. Arntzen stated the time frame is very tight and the final budget needs be adopted by the Commission by November 25, 2014; the final preliminary budget hearing should be held October 28, 2014. Mr. Arntzen further stated, the port has a very efficient finance department; however, they need time to research and build a two year budget, which we have not done before.



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Based on deadlines, Mr. Arntzen presented a time line to the Commission:

- September 23: Draft work plan presented to the Commission
- October 13: Special Commission Meeting to review the work plan, with public input
- October 14: Final Draft Work Plan Meeting, with 95% of work plan finalized
- October 15: Work plan turned over to Finance Department for creation of biennial budget
- October 28: Work Plan Approved and Preliminary Budget Hearing
- November 25: Budget Adopted
- November 30: Adopted Budget sent to Benton County (no later than November 30)

Mr. Arntzen asked the Commission to identify some larger issues they would like to see included in the draft work plan, but reminded the Commission that contracted projects, such as Columbia Drive and the 1135 Project, will be included in the work plan.

Mr. Peterson stated all previous work plans have identified a dollar amount associated with the projects; however, with the significant projects the port is taking on, an exact dollar amount is not available. Mr. Peterson indicated there are \$10,000,000 in projects that will not be making it into the 2015-16 work plan.

Mr. Arntzen stated the port has not undertaken a two year work plan or budget, and recommends the Commission be as accurate as possible. Mr. Arntzen indicated that a two year budget can be amended, if factors change.

Ms. Fine indicated the port will not have the same flexibility as it had in the past, since we do not have large reserve funds. The budget will be much tighter due to the large scale projects. Ms. Fine believes prioritization of the projects is very important.

Mr. Novakovich believes there are too many uncertainties and the Commission will honor their current contracts; however, we must do what is best, long term and financially, for the port. Mr. Novakovich stated the Commission will need to make some tough decisions regarding future port projects and carefully consider staff recommendations and port resources.

Mr. Barnes supports the presented schedule for the 2015-16 work plan and budget.

Mr. Moak believes the Commission will need to make many difficult decisions regarding the prioritization of projects, and understanding what the discretionary money the port has available versus port contracts. Mr. Moak stated this is a good start and looks forward to the opportunity to engage with Commission and staff.

It is the consensus of the Board, to proceed with the 2015-2016 work plan and budget schedule, as presented.



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F. Budget, Financial and Operational Philosophy

Mr. Arntzen stated that on August 12, 2014, Ms. Fine presented a presentation to the Commission regarding the Budget, Financial, and Operational Philosophy of the port. He further stated, the policy has been adopted twice by the Commission, and the philosophy expands and gets better each time. The final draft, as presented, captures and incorporates most of the suggested amendments which were provided in the first draft.

PUBLIC COMMENT

No comments were made.

MOTION: Commissioner Novakovich moved for approval of Resolution 2014-31, adopting the Budget, Financial and Operational Philosophy; Commissioner Moak seconded.

Discussion

Mr. Moak believes this is a good document and reflects the philosophy and the direction the port is headed. Mr. Moak supports the document and appreciates the work that has been involved over years.

Mr. Novakovich believes the public will approve of this document and to be able to “provide the public with high quality projects and services within a healthy work environment by encouraging efficiency, cooperation, honesty, integrity and respect” and “share with the public, port audited financial and operating data through print and online sources” is tremendous.

Mr. Barnes supports the document and confirmed that this document will take precedence over the previous documents.

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

G. Vista Field Closure Cost Analysis (Exhibit 1)

Mr. Peterson reported that the cost to close Vista Field was estimated to be \$3,000,000 including \$1,000,000 set aside for litigation. To date, the port has spent approximately \$917,000 since the decision to close Vista Field. The \$917,000 spent to date includes:

- Repaying State Aviation Grants
- Contracted obligations with existing tenants
- Removing underground fuel tanks and soil
- Painting X's on the runway

Mr. Peterson reported there were some concerns about environmental hazards; however, the only hazard found was the underground fuel tanks. The contaminated dirt was less than dump truck load and has been removed. The port still needs to demolish the former FBO building, which includes removing about \$5,000 worth of asbestos. Also, the T-hangar buildings will need to be removed, but the scrap metal value may be more than the cost for the contractor to remove the buildings.

Mr. Peterson stated, the port has committed \$520,000 for redevelopment, and most of that will cover the master planning process with DPZ. To date, the port has only spent approximately \$71,000 of



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the amount approved for master planning. Mr. Peterson indicated that total redevelopment costs have been estimated at \$8,100,000 for infrastructure improvements.

Mr. Novakovich inquired if the infrastructure costs will be under budget as well.

Mr. Peterson reported there are some unknowns, but unless the street pattern is radically altered, he believes the land development cost will be similar to the amount reported in the Environmental Impact Study (EIS).

The Commission appreciates the update and believes it is important to periodically advise the public of the amount spent on Vista Field.

OLD BUSINESS

A. *Esteem Lease Renewal*

Ms. Hanchette presented a lease renewal with Electronic Systems Technology (ESTeem) for consideration. Electronic Systems Technology (ESTeem) is a local technology manufacturing company led by Tom Kirchner and is located in the port-owned Vista Field Development Facility Building B. ESTeem Wireless has submitted a written request to exercise a three (3) year lease option per the lease agreement dated October 1, 2011, and has requested an additional three (3) year lease option. ESTeem has 17 employees with plans to add additional employees. The parameters of the negotiated lease are:

- Lease 8,617 square feet consisting of office, manufacturing and distribution services;
- One (3) year lease with an additional three (3) year option, commencing October 1, 2014.
- Lessee responsible for all separately metered utilities; excluding common area lighting, landscape, parking and garbage.
- Monthly rent for the premises is \$4,653.18, plus leasehold tax. (approximately \$54,000 annually)
- According to Port of Kennewick Policies and Procedures, POK-ED-001, 3.1.2(b). Leases in which the monthly rental amount exceeds \$2,000 per month shall be submitted to the Commission for approval.

Ms. Hanchette presented Resolution 2014-29 for the Commission's consideration to approve the lease as negotiated.

PUBLIC COMMENT

No comments were made.

MOTION: Commissioner Novakovich moved for approval of Resolution 2014-29 approving a new three (3) year lease and an additional three (3) year option with Tom Kirchner and Electronic Systems Technology Inc. (known as: ESTEEM Wireless) and authorizing the Executive Director to execute the contract; Commissioner Moak seconded.

Discussion:

Mr. Novakovich stated ESTeem is a good tenant and there is a good return on investment and is in support of the lease.



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Mr. Moak is concerned about the term and option in article three. He does not want to tie up the property for six years and would prefer tighter language in article three.

Ms. Hanchette stated in three years, the tenant can ask for an optional three year term lease, and it will come back to Commission for approval.

Mr. Moak does not believe this is the best use of this property next to the airport, since we do not have a master plan developed for the airport. Mr. Moak asked Ms. Luke for clarification regarding article three and the renewal. He does not object to the lease, just the language in article three.

Ms. Luke stated the language requires the port and tenant must mutually agree to extend the optional three year lease. Ms. Luke understands Mr. Moak's concern, and indicated language could be modified or add additional language to the article.

Mr. Barnes indicated that construction for the redevelopment of Vista Field could take over five years, which is an optimistic time frame. Mr. Barnes believes a three year agreement with ESTeem, which is an excellent tenant, would not interfere with the plan development and the execution of Vista Field. Mr. Barnes supports the lease renewal and doesn't believe it would hinder the development.

With no further discussion, motion carried. All in favor 2:1. Ayes: Commissioner Novakovich and Commissioner Barnes; Nays: Commissioner Moak.

B. AG Engineering Building Repairs

Ms. Hanchette reported that she addressed the Commission's concerns and questions regarding the AG Engineering Building with RC Engineering. Ag Engineering has been a tenant with the port since the building was constructed in 1985 and the port has not made many capital improvements in the past thirty years. The tenant manufactures farm equipment and 90% of Columbia Basin farmers have at least one piece of their equipment. Ag Engineering has been able to expand their business due to their established relationships in the Columbia Basin and have a large network nationwide, and currently exports to China. Ms. Hanchette reported the fiscal amount received is approximately \$60,000 annually, which contributes to the port's revenue stream.

RC Engineering previously reported that the Ag Engineering roof would need to be replaced within six years, at an estimated cost of \$600,000; however, Ms. Hanchette received an revised opinion from RC Engineering and due to the climate and good condition of the roof, the port is should reassess the roof in another 15 years and may only need to reseal the roof at that point in time. Ms. Hanchette requested RC Engineering to prepare a ten year estimate prioritizing the needed repairs. Ms. Hanchette stated that the \$50,000 allocated in the 2014 budget should be used to repair the water damage on the exterior of the building. She also recommended \$60,000 be included in the 2015-2016 budget cycle for additional repairs.

Mr. Barnes thanked Ms. Hanchette for the information and appreciates the review regarding the roof expenditure. Mr. Barnes believes it is in best interest of the port and our constituents, that the Ag Engineering building be repaired and maintained. Mr. Barnes believes it makes sense fiscally and



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financially, and supports the repairs. Mr. Barnes confirmed with Ms. Hanchette that the property repairs will be added to the 2015-16 work plan and budget for the amount of \$60,000.

Mr. Arntzen stated he would like Ms. Hanchette to bid out the entire project (\$110,000) for a potential cost savings. Mr. Arntzen appreciates the attention the Commission has given this and believes the larger projects will be addressed by Mr. Peterson and Mr. Floyd (Anchor QEA) in the Comprehensive Scheme. Mr. Arntzen asked the Commission to consider the overall vision of what they would like to see Oak Street could become.

REPORTS COMMENTS AND DISCUSSION ITEMS

A. *Consider Potential Names for Columbia Gardens*

Mr. Barnes has received comments, with mixed reviews and reactions, regarding the Columbia Gardens name. The name is becoming more prevalent with the printed material, the media and the conferences Ms. Bader Inglima has attended with city staff. Mr. Barnes believes the product is the most important element, but the Commission and staff should discuss and address the possibility of a name change.

Mr. Novakovich indicated he has not heard any negative feedback regarding the name. Currently, the name is historic and he does not see a reason to change it.

Mr. Moak believes it will be the experience, not the name of the project that will resonate with the community and tourists. Mr. Moak stated historic names, such as Columbia Gardens, Cable Greens and the Willows will not have any relevance to tourists, and believes they will not convey the experience we are looking to promote. He agrees the name needs to be changed, but not until the port looks at rebranding the area.

Mr. Arntzen has heard a few comments related to the name, but not all have been negative. Mr. Arntzen stated the issue has been identified and asked the Commission for direction.

Mr. Barnes explained there may be potential for rebranding that coincides with our 100 year anniversary.

Mr. Novakovich asked Ms. Carter her thoughts on the Columbia Garden name.

Ms. Carter has heard some negative comments and believes the name does not evoke excitement.

Mr. Barnes asked the Commission if the name should be addressed now or placed on a future agenda.

Mr. Moak believes the professionals should address the name.

Mr. Arntzen suggested to the Commission that staff formulate some ideas and bring back several options at a later date. Mr. Arntzen would like staff to make some outside phone calls for suggestions.



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Mr. Barnes inquired if Mr. Thornhill or Mr. Black, two port contracted consultants may be utilized.

Mr. Arntzen and Ms. Bader Inglima mentioned the port has many resources we can contact regarding the name, such as Mr. Floyd and PS Media.

The consensus of the Commission is for staff to research potential names for Columbia Gardens.

B. Clover Island Security Update

Ms. Hanchette provided a security update regarding port properties and the Island. At the beginning of the summer, the port hired Washington Executive Protection to conduct twice-nightly random patrols of Clover Island, Clover Island Marina and the Oak Street Industrial Park. Washington Executive Protection understands it is the port's objective to maintain a family-friendly and safe atmosphere; and he has made a positive effect with the visibility of a car and a uniformed officer. He has responded to people sleeping in their cars or on the island, loud parties, underage drinking, and container laws and on Oak Street, he interrupted an attempted theft. The port has received positive feedback from marina tenants, and believes this has been a positive addition.

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

Commissioners reported on their respective committee meetings.

D. Non-Scheduled Items

1. Mr. Moak reported there was an editorial in the local newspaper last week stating, the Tri-Cities would benefit from a cohesive development and reported on the Columbia Drive project and the Port of Pasco project. Mr. Moak would like to see a joint meeting scheduled with the Port of Pasco, to discuss current projects and the possibility of a partnership. Mr. Moak believes there are numerous opportunities that link the two ports.
2. Mr. Moak requested further information from staff regarding the cost of undergrounding utilities on Columbia Drive. He believes we need more definitive numbers and would like to see a cost analysis completed by an engineer.
3. Ms. Scott reported a joint meeting with the City of Richland is scheduled for October 21, 2014.
4. Mr. Arntzen stated he received an article from Commissioner Moak regarding the Port of Grays Harbor and a reporter's request for the Commission agenda packets. Mr. Arntzen spoke with Ms. Scott and would like to provide the agenda packet material on the port website. Mr. Arntzen believes the agenda, agenda reports, staff memos, and attachments should be available; however, the warrants and vouchers will not be posted on the website due to the number of pages associated with the vouchers. Mr. Arntzen's goal is to provide the public with the same information staff and the Commission receive on the Friday prior to the Commission Meeting. Mr. Arntzen stated currently the packet can be emailed, but to only those who have requested the agenda packet. Mr. Arntzen conveyed he would like to provide the public with the information and this may give the public an opportunity to speak at Commission meetings during the public comment section.
5. Mr. Peterson attended the Benton County Commission Meeting regarding the City of West Richland's Urban Growth Application. The application was well received and there was input from West Richland staff and Benton REA. The Benton County Commissioners postponed action



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for three weeks, for legal review. Mr. Peterson is cautiously optimistic the application will be approved.

PUBLIC COMMENT

No comments were made.

Mr. Barnes anticipates the Executive Session will last approximately 25 minutes, for Real Estate (site selection), per RCW 42.30.110(1)(b) and Real Estate (minimum price), per RCW 42.30.110(1)(c) with no action anticipated. Mr. Barnes asked the public to notify Port staff if they will return after the executive session.

Mr. Barnes recessed the Regular Commission Meeting at 4:03 p.m. for approximately 5 minutes.

EXECUTIVE SESSION

(Ask public if they are staying, and if not, where they can be located if the Executive Session ends early.)

- A. Real Estate (site selection), per RCW 42.30.110(1)(b)
- B. Real Estate (minimum price), per RCW 42.30.110(1)(c)

Mr. Barnes convened the meeting into Executive Session at 4:11 p.m. for approximately 25 minutes.

Mr. Arntzen exited chambers at 4:36 p.m. and extended session for 10 minutes.

Mr. Barnes adjourned the Executive Session at 4:43 p.m.

Mr. Barnes reconvened the meeting into General Session at 4:43 p.m.

ADJOURNMENT

With no further business to bring before the Board; the meeting was adjourned at 4:43 p.m.

APPROVED:

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BOARD of COMMISSIONERS

Don Barnes, President

Skip Novakovich, Vice President

Thomas Moak, Secretary

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RESOLUTION 2014-24

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF PORT OF KENNEWICK RESCINDING RESOLUTION 2014-04 AND APPROVING THE AMENDMENT OF THE PORT COMMISSION RULES OF POLICY AND PROCEDURE

WHEREAS, the Commission adopted Resolution 2011-05 approving the Port Commission Rules of Policy and Procedure (including public comments during Commission Meetings) on February 22, 2011; and

WHEREAS, the Commission received a public comment in February 2014 requesting additional opportunities for the public to comment on Port business; and

WHEREAS, on March 11, 2014, the Commission adopted Resolution 2014-04 amending the Port Commission Rules of Policy and Procedure to permit additional public comment for any item where a motion will be made; and to decrease the time limit from three minutes per speaker to two minutes per speaker, per item; and

WHEREAS, on August 12, 2014, the Commission discussed revising the public comments section of the Policy and determined that permitting additional public comment during Port Commission Meetings in a structured manner, would be in the best interest of the public, with the exception of allowing public comments on Consent Agenda items, as these items are of a routine nature.

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of the Port of Kennewick hereby rescinds Resolution 2014-04.

BE IT FURTHER RESOLVED, that the Board of Commissioners hereby approves amending the Port Commission Rules of Policy and Procedure, Resolution 2011-05, to permit additional public comment for any item where a motion will be made, with the exception of the Consent Agenda; and to decrease the time limit from three minutes per speaker to two minutes per speaker, per item.

ADOPTED by the Board of Commissioners of the Port of Kennewick this 9th day of September, 2014.

PORT OF KENNEWICK BOARD OF COMMISSIONERS


By:


DON BARNES, *President*

By:


SKIP NOVAKOVICH, *Vice President*

By:


THOMAS MOAK, *Secretary*

PORT OF KENNEWICK

Resolution No. 2014-25

**A RESOLUTION OF THE PORT OF KENNEWICK
BOARD OF COMMISSIONERS DESIGNATING THE EMERGENCY REPAIR OF
OUTDOOR HVAC UNIT FOR VISTA FIELD DEVELOPMENT FACILITY
BUILDING A AT 415 N. QUAY AS EXEMPT FROM PUBLIC WORKS
COMPETITIVE BIDDING REQUIREMENTS**

WHEREAS, in accordance with RCW 39.04.280, the Port of Kennewick (Port) is authorized to designate certain public works contracts as emergencies and, therefore, exempt from competitive bidding requirements; and

WHEREAS, the Port of Kennewick's Vista Field Development Facility (VFDF) #A, outdoor HVAC unit servicing the north side of building and affecting tenant production, assembly and packaging areas as described by tenant (Bruker) and threatening to negatively impact performance of essential functions for tenant; and

WHEREAS, under his delegation of authority, the Executive Director authorized emergency repairs with Bruce Heating and Air and each Commissioner was notified individually.

NOW, THEREFORE, BE IT RESOLVED that the Port of Kennewick Board of Commissioners designates the repairs and parts replacement to VFDF #A at 415 N. Quay, as an emergency public works project within the guidelines of RCW 39.04.280, and therefore exempt from competitive bidding requirements.

ADOPTED by the Board of Commissioners of the Port of Kennewick on the 9th day of September, 2014.

**PORT OF KENNEWICK
BOARD OF COMMISSIONERS**


DON BARNES, President


SKIP NOVAKOVICH, Vice President


THOMAS MOAK, Secretary

PORT OF KENNEWICK

RESOLUTION 2014-26

A RESOLUTION OF THE BOARD OF COMMISSISONERS OF PORT OF KENNEWICK AUTHORIZING A PURCHASE AND SALE AGREEMENT WITH AG-RESERVES INC.

WHEREAS, AgReserves Inc. (Purchaser), has offered to purchase 94.32 acres of the area graphically depicted on *Exhibit "A"* at the Plymouth Industrial Area, in Kennewick, Washington from the Port of Kennewick (Seller) for the of sum of \$265,000; and

WHEREAS, Port staff and the Port attorney have reviewed the proposed Purchase and Sale Agreement and find it is in proper form and is in the Port's best interest; and

WHEREAS, the Port Commission finds that said property is surplus to the Port's needs and the proposed sale is consistent with all previous Port policies, including its Comprehensive Scheme of Development.

NOW, THEREFORE; BE IT HEREBY RESOLVED that the Board of Commissioners of the Port of Kennewick hereby approves Resolution 2014-26 authorizing the Port's Executive Director to execute a Purchase and Sale Agreement with Agrium U.S. Inc. in the sum of \$265,000 and hereby authorizes the Port's Executive Director to execute all documents and agreements on behalf of the Port to complete the transaction as specified above.

BE IT FURTHER RESOLVED that the Port Commission declares that said property is surplus to the Port's needs and the proposed sale as referenced above is consistent with all previous Port policies, including its Comprehensive Scheme of Development.

ADOPTED by the Board of Commissioners of the Port of Kennewick this 9th day of September, 2014.

PORT OF KENNEWICK BOARD OF COMMISSIONERS

By:


DON BARNES, *President*

By:


SKIP NOVAKOVICH, *Vice President*

By:


THOMAS MOAK, *Secretary*



PORT OF KENNEWICK

RESOLUTION 2014-27

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PORT OF KENNEWICK SELECTING ANCHOR QEA, LLC TO UPDATE THE PORT OF KENNEWICK COMPREHENSIVE SCHEME OF DEVELOPMENT AND HARBOR IMPROVEMENTS

WHEREAS, State Law (RCW 53.20) requires port districts to have a Comprehensive Scheme of Development and Harbor Improvements (Comp Scheme); and

WHEREAS, the Port desires to consider updating the Comprehensive Scheme of Development and Harbor; and

WHEREAS, the Port, seeking professional assistance has reviewed of the Port's professional Services Roster which yielded three firms deemed to have qualifications most in-line with the task of updating the Comprehensive Port's RFQ and intentions; and

WHEREAS, a selection committee approved by the Port Commission interviewed these three firms and concluded that Anchor QEA, LLC was most suited to perform the task of updating the Port's Comprehensive Scheme of Development and Harbor Improvements ; and

WHEREAS, the Port has recently employed the professional services of key members of the Anchor QEA, LLC team and found their work professional and accurate.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of the Port of Kennewick does hereby select Anchor QEA, LLC to provide assistance in the areas of strategic planning and economic analysis to update the Port's Comprehensive Scheme of Development and Harbor Improvements, for the sum of \$47,000.

BE IT FURTHER RESOLVED that the Executive Director is authorized to sign any contract documents necessary to implement the work of Anchor QEA, LLC.

ADOPTED by the Board of Commissioners of the Port of Kennewick this 9th day of September, 2014.

***PORT OF KENNEWICK
BOARD OF COMMISSIONERS***

By:


DON BARNES, *President*

By:


SKIP NOVAKOVICH, *Vice President*

By:


THOMAS MOAK, *Secretary*

Scope of Work

Port of Kennewick Comprehensive Scheme Update

Introduction

The Port has hired Anchor QEA to assist with updating its 2011 Comprehensive Scheme Update (Scheme) for Port properties consistent with Washington state requirements, and Port objectives for this update. Several updates will be made to this document, including 1) Expanding the discussion on the Port's history (to support both the Scheme update and the Port's 100-year anniversary in 2015), 2) Update changes in properties bought, sold and improved, 3) Incorporating an updated capital improvement plan and associated financial plan, 4) Updated development plans and investment "triggers" for specific properties, 5) Updated graphics and 6) Other miscellaneous updates. Work will be closely coordinated with Port staff and commissioners, and public meetings and other opportunities for input will be provided, such as an online survey opportunity.

Task 1 – Meetings with Port Staff and Key Stakeholders

Ben Floyd (Anchor QEA) will meet with Port staff (individually or in workshop) to obtain individual and collective visions for the Port, and with key stakeholder agencies. Meeting findings will be summarized.

Assumptions: Total meeting time for Port elected and staff, and any coordination with stakeholder agencies will not exceed 20 hours. Ben Floyd will participate in all meetings in person.

Deliverable: Meeting summaries. Note common themes and ideas.

Budget: \$3,850

Task 2 – Develop Port History

For this task, Anchor QEA will work with the Port to review historical documentation and summarize the Port history for the last 100 years. This will include researching and cataloguing the historical information sources at the Port, Tri-City Herald and the East Benton County Historical Society, summarizing the information in an annotated bibliography, scanning in photographs and other documents, and preparing the port history. Information will be documented in a separate technical memorandum that will support both the Scheme update and also the Port's 100-year anniversary in 2015.

Assumptions: Port will provide Anchor QEA with all the existing documentation on file in the Port records. Three meetings with Port staff will be held to: 1) Confirm information sources, 2) Discuss

findings from historical documentation review and memo outline, and 3) Discuss Port comments on the draft memorandum. Staff research time is budgeted for up to 80 hours in reviewing and summarizing in annotated outline past documentation, scanning and organizing data and pictures, and up to five interviews of past Port elected officials/relatives and staff.

Deliverables: Annotated bibliography of Port historical information sources, electronic files of scanned documentation and photos, and draft and final history memorandum.

Budget: \$14,950

Task 3 – Prepare Updated Draft, Final Draft and Final Comprehensive Scheme Document

Several updates will be made to this document, including 1) Expanding the discussion on the Port's history (to support both the Scheme update and the Port's 100-year anniversary in 2015), 2) Update changes in properties bought, sold and improved, 3) updating rail market opportunities for the Port's Twin Tracks property, 4) Incorporating an updated capital improvement plan and associated financial plan, 5) Updated development plans and investment "triggers" for specific properties, 5) Updated graphics and 6) Other miscellaneous updates. Anchor QEA will prepare an updated draft plan for Port and a final draft for public review. Final draft will be used for the public meeting with follow on review period. Prepare final plan after public review period.

Assumptions: Incorporate updated CIP and Port financial plan summary tables and figures into the scheme. Assume only 20 public comments or less received and that only editing work in the report will be required, with no additional analysis or research required.

Deliverable: Updated Draft, Final Draft and Final Comprehensive Scheme Document

Budget: \$17,500

Task 4 – Conduct Public Workshops and Review Process

Plan and conduct 3-4 public workshops to obtain public input on Port mission, vision and conceptual updates to the scheme. Meetings will be held early in the update process. The Anchor QEA project manager will meet with Port staff to plan the meetings, including agenda, handouts, notification, reserving building location and other preparation items. Anchor QEA will also assist the Port with preparing an on-line survey and associated presentation for obtaining public input at meetings, and will assist with addressing public comments.

Assumptions: No other consultant staff will attend. Anchor QEA, one Port Commissioner and Port staff will work together to prepare survey, presentation and all other meeting materials, and summarize public input from the meetings.

Deliverable: Meetings plan with assignments and schedule; facilitated meetings and comments on meeting summary; online survey, presentation, and results.

Budget: \$6,800

Task 5 – Project Management and QC

Manage project team, review monthly draft invoices and coordinate with client on billings. Provide QC review on preliminary draft and final draft documents.

Assumptions: No written progress reports will be provided with monthly invoices. No more than four hours senior QC review time.

Deliverable: Monthly invoices, QC review comments on draft report.

Budget: \$3,900

Task #	Task Name	Budget
Task 1	Meetings with Port Staff and Key Stakeholders	\$3,850
Task 2	Develop Port History	\$14,950
Task 3	Prepare Updated Draft, Final Draft and Final Comprehensive Scheme Document	\$17,500
Task 4	Conduct Public Workshops	\$6,800
Task 5	Project Management and QC	\$3,900

Total Budget - \$47,000

PORT OF KENNEWICK

Resolution No. 2014-29

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PORT OF KENNEWICK APPROVING A ONE YEAR LEASE AGREEMENT WITH ELECTRONIC SYSTEMS TECHNOLOGY INC

WHEREAS, the Port of Kennewick (Port) is authorized to enter into certain leases upon such terms as the Port Commission deems proper; and

WHEREAS, a new three (3) year lease with a three (3) year option to Electronic Systems Technology Inc. (known as ESTeem Wireless) effective October 1, 2014, has been negotiated by Port staff; and

WHEREAS, the Port Commission has called a regularly scheduled public meeting with notice of such meeting given as provided by law and such public meeting was held at such time and on said date; and

WHEREAS, Port staff and the Port attorney have reviewed the proposed Lease Agreement and find it is in proper form and it is in the Port's best interest; and

WHEREAS, after consideration of the attached lease agreement, the Port Commission has determined that the lease is proper.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the Board of Commissioners of the Port of Kennewick hereby approve a new three (3) year lease and one (1) three year option with Electronic Systems Technology Inc. (known as ESTeem Wireless) as presented and authorizes the Port's Executive Director to execute all documents and agreements on behalf of the Port to complete the transaction as specified above.

ADOPTED by the Board of Commissioners of the Port of Kennewick on the 9th day of September, 2014.

**PORT of KENNEWICK
BOARD of COMMISSIONERS**


By:


DON BARNES, *President*

By:


SKIP NOVAKOVICH, *Vice President*

By:


THOMAS MOAK, *Secretary*

COMMERCIAL PROPERTY LEASE AGREEMENT

**BETWEEN
PORT OF KENNEWICK,
LANDLORD**

AND

**Electronic Systems Technology Inc.
(known as ESTeem Wireless),
TENANT – VISTA FIELD DEVELOPMENT FACILITY B**

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DRAFT

**PORT OF KENNEWICK LEASE AGREEMENT
(Commercial Property)**

Landlord hereby leases to Tenant and Tenant hereby leases and accepts from Landlord the premises hereinafter described on the terms and conditions set forth in this Lease Agreement, hereinafter called "this **Lease**".

BASIC LEASE PROVISIONS

The following Basic Lease Provisions are hereby incorporated herewith as part of this Lease:

- A. Lease Date: October 1, 2014.
- B. Landlord: Port of Kennewick,
a Washington municipal corporation
- C. Tenant: Electronic Systems Technology Inc.
- D. Premises: The Premises shall mean the real property located at 415 N. Quay, Building B, Rooms 110-110F 102, 109, 113A, 113B and 113C Kennewick, as described on Exhibit "A" attached hereto and incorporated herein by reference, and any improvements located thereon.
- E. Permitted Use: Check all that apply:
- F. ☒ Light manufacturing;
Wholesale receiving/shipping;
☒ Administrative offices
Other: (Describe) _____

- G. Term: Commencing on the Lease Commencement Date and terminating on the Expiration Date.
- H. Lease Commencement Date: The date which is the earlier of (a) October 1, 2014, and (b) the date Tenant begins using the Premises for any reason.
- I. Expiration Date: September 30, 2017.
- J. Lease Option: One (1) – three (3) year option to extend lease
- K. Price Per Square Foot: Year 1: .54/sq ft Year 2: .55/sq ft Year 3: .56/sq ft
- L. Total Square Feet Leased: 8,617 square feet.

M. Base Monthly Rent (not including LET): Year 1: \$4,653.18 Year 2: \$4,739.35 Year 3: \$4,825.52

N. Leasehold Tax (LET): Current Washington State Leasehold Tax shall be added to Base Rent. Current effective rate is 12.84%.

O. **Total Monthly Rent** (includes LET): **Year 1: \$5,250.65** **Year 2: \$5,347.88** **Year 3: \$5,445.12**

P. Monthly Utilities: See Article 7 of Lease.

Q. Rent Due Date: The Lease Commencement Date and the first day of each month thereafter.

R. Financial Security: Check all that apply:

_____ \$ _____ deposit;

 x Corporate surety bond;

_____ Personal Guaranty as set forth in Exhibit B;

_____ Other financial security: (Describe) _____

S. Landlord's Address for Notices and Rent Payments:

Port of Kennewick
350 Clover Island Drive, Suite 200
Kennewick, WA 99336

T. Tenant's Address for Notices:

415 N. Quay Building B
Kennewick, WA 99336

S. Exhibits: Exhibit "A" Legal Description of Premises

ARTICLE 1 PREMISES

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord the Premises, which Premises are more particularly described in the Basic Lease provisions above.

ARTICLE 2 USE OF PREMISES

Tenant shall occupy and use the Premises for such uses as described in the Basic Lease provisions above. Tenant may not use the Premises for any other business purpose except as may be authorized in writing by Landlord at Landlord's sole discretion. No smoking shall be allowed within any portion of the Premises and within twenty-five (25) feet of all entryways.

Landlord shall give Tenant and its authorized representatives, the nonexclusive and reasonable right to use the Common Areas in Tenant's ordinary course of business, provided however, that such use is consistent with the purposes of the Common Areas. The term "Common Areas" means areas and facilities outside the Premises that are provided for the general use and convenience of Tenant and of other Tenants and their respective authorized representatives, guests, and invitees. Common Areas include, without limitation, landscaped areas, public lobbies and hallways, sidewalks, loading areas, parking areas, service corridors and restrooms. Tenant shall not store any items or objects in Common Areas except as authorized in writing by Landlord.

ARTICLE 3 TERM

The Term hereof shall commence on the Lease Commencement Date defined in the Basic Lease Provisions and shall terminate on the Expiration Date defined in the Basic Lease Provisions, unless earlier terminated.

Tenant shall have the option to renew this Lease for one (1) additional three (3) year extension term by mutual agreement of the parties entered into at least sixty (60) days prior to the expiration hereof. If Tenant timely exercises this option, then the Lease shall continue in effect on the same terms and conditions; provided, however that a new rental rate will be negotiated for the renewal period based on the then current market rental rates for comparable facilities. Tenant's right to the renewal term shall be contingent upon Tenant not being in default hereunder at the time of notice of intent is given or at any time thereafter prior to the beginning of the renewal term.

ARTICLE 4 RENT

On or before the first day of each month of this Lease, Tenant shall pay to Landlord the Total Monthly Rent and all other assessment, charges, and fees as provided in this **Article 4** and as otherwise set forth in this Lease, at the Landlord's address set forth in the Basic Lease Provisions.

(a) Late Fee.

If any sums payable by Tenant to Landlord under this Lease are not received by the fifteenth (15th) day of the month in which they are due, Tenant shall pay Landlord an additional amount for the cost of collecting and handling such late payment as a late fee in an amount equal to the greater of (i) Fifty Dollars (\$50.00), or (ii) five percent (5%) of the overdue amount.

(b) Interest.

In addition to any applicable late fees, 12% APR interest (1% per month), shall be applied to the total unpaid balances calculated from the original due date to the date of payment.

(c) Non-Sufficient Funds (NSF).

If a Tenant check is returned by the bank for any reason, Tenant shall pay a NSF fee of Fifty Dollars (\$50) for administrative costs related to collecting and handling such returned check. The Tenant shall also pay any associated bank fees charged to the Port related to the returned check. Landlord may require, at Landlord's sole discretion that Tenant's future payments be made by cash, cashier's check or money order.

Landlord and Tenant hereby agree that these charges represent a fair and reasonable estimate of what the Landlord might incur by reason of Tenant's late or NSF payment. These fees are due and payable with the current rent payment. Landlord's acceptance of any late charge, interest or NSF fee shall not be deemed an extension of the date rent is due or prevent Landlord from exercising any other rights or remedies under this Lease.

The Landlord reserves the right to revise its policy regarding late payment, interest and NSF check charges without notice to Tenant.

ARTICLE 5

FINANCIAL SECURITY

In compliance with the requirements of the state law, Tenant agrees that it will secure the performance of the rental portion of this Lease by procuring and maintaining, during the term of this Lease, a corporate surety bond ("Bond"), in the amount of the annual rent plus leasehold tax.

The Bond shall be in a form and issued by a surety company acceptable to Landlord and shall comply with the requirements of Washington law. Tenant shall obtain such Bond and forward evidence thereof to Landlord within fourteen (14) days of execution of this Lease, but in no event later than the Lease Commencement Date. Failure to comply with this requirement shall be grounds for immediate termination of this Lease without notice by Landlord. Such Bond shall be kept in effect during the term of this Lease; failure to comply with this requirement shall render Tenant in default. The Bond shall be increased to reflect any increases in Rent.

Upon any default by Tenant of its obligations under this Lease, Landlord may collect on the Bond to offset the Tenant's liability to Landlord. Collection on the Bond shall not relieve Tenant of liability, shall not limit any of Landlord's other remedies, and shall not reinstate or cure the default or prevent termination of the Lease because of the default.

ARTICLE 6 TAXES & ASSESSMENTS

6.1 Property Taxes.

Landlord will pay property tax on Premise's real property and any building or structure that is permanently attached to the real property.

6.2 Personal Property Taxes

Tenant shall pay when due all license fees, public charges, taxes and assessments on the Tenant-owned trade fixtures, furniture, other fixtures, equipment, inventory and all other personal property of or being used by Tenant in the Premises, whether or not owned by Tenant.

6.3 Additional Taxes/Assessments; Leasehold Excise Tax (LET)

Tenant shall also pay: (a) all special taxes and assessments (including irrigation assessments) or license fees now or hereafter levied, assessed or imposed by law or ordinance, by reason of Tenant's use of the Premises; (b) all business and occupation tax and any tax, assessment, levy or charge assessed on the Rent paid under this Lease; (c) the statutory leasehold excise tax imposed in connection with the Rent due hereunder or otherwise due as a consequence of this Lease; and (d) any excise, transaction, sales, privilege, or other tax (other than net income and/or estate taxes) now or in the future imposed by the city, county, state or any other government or governmental agency upon Landlord and attributable to or measured by the Rent or other charges or prorations payable by Tenant pursuant to this Lease.

ARTICLE 7 UTILITIES

Tenant shall be solely responsible to Landlord for the payment of all assessments, charges and/or fees pertaining to the Premises, including but not limited to, water assessments, charges for public utilities, license and permit fees which may, during the Lease Term, be assessed, levied, charged, confirmed or imposed i) on the Premises or any part thereof, ii) on improvements now or hereafter comprising a part thereof, and iii) on the use or occupancy of the Premises. Tenant shall pay all such assessments, charges and/or fees to Landlord when due.

Landlord shall pay all assessments, charges and/or fees for sewer, garbage, common area utilities and maintenance. Landlord shall pay water assessments if water is not separately metered to the Premises. Tenant shall be solely responsible for payment of all separately metered electrical and water assessments charged to the Premises. Tenant shall pay all such charges directly to utility provider when due. Tenant shall be solely responsible for all separately metered electrical and water assessments which may, during the Lease Term, be assessed, levied, charged, confirmed or imposed i) on the Premises or any part thereof, ii) on improvements now or hereafter comprising a part thereof, and iii) on the use or occupancy of the Premises. Tenant shall pay all such assessments, charges and/or fees when due.

Electricity Meters Assigned to Tenant: 41509

Water Meters Assigned to Tenant: 44580979, 4169274

Interruptions: There shall be no abatement of rent and Landlord shall not be liable for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor

dispute, breakdown, accident, repair or other cause beyond Landlord's reasonable control or in cooperation with governmental request or directions.

ARTICLE 8 INSURANCE

8.1 Insurance

Tenant, at its own expense, shall provide and keep in force all insurance deemed appropriate for the purposes that the Premises are to be used and with companies reasonably acceptable to Landlord, including but not limited to the following:

(a) Commercial General Liability Insurance

Commercial General Liability (CGL) insurance for the benefit of Landlord and Tenant jointly against liability for bodily injury and property damage for a combined single limit of not less than One Million Dollars (\$1,000,000) for any one occurrence for this location, including coverage for contractual liability and personal injury, with a \$2,000,000 aggregate limit;. Landlord reserves the right to require higher liability limits and/or to change insurance requirements at any time during the term of the lease with thirty (30) days' notice to Tenant.

(b) Statutory Workers' Compensation

Statutory Workers' Compensation, including at least \$250,000 Employer's Contingent Liability (Stop Gap) coverage in Tenant's commercial general liability insurance;

(c) Automobile Liability Insurance

Automobile Liability Insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000; including all owned, non-owned and hired vehicles and covering claims for damages because of bodily injury or death of any person or property damage arising out of ownership, maintenance or use of any motor vehicle; and

(d) Property Insurance

Property insurance covering all leasehold improvements to the Premises, furniture, fixtures, equipment, inventory and other personal property located on the Premises (and, at Landlord's election, on all buildings and other improvements now or hereafter existing at the Premises) in an amount of not less than one hundred percent (100%) insurable replacement value minimum co-insurance of 80%, "Special Form—Causes of Loss", with Flood Insurance if Landlord reasonably deems such insurance to be necessary or desirable, and replacement cost coverage to protect against loss of owned or rented equipment and tools brought onto or used at the Property by Tenant.

8.2 Requirements

The foregoing insurance requirements shall be placed with an insurance company or companies admitted to do business in the State of Washington and shall have an A.M. Best's rating of A- or better. Tenant shall furnish Landlord with a copy of the certificate of such policies before the Commencement

Date of this Lease and, upon request by Landlord, shall provide proof satisfactory to Landlord that all such policies are in full force and effect. Tenant's liability insurance policies shall list Landlord as an additional insured and Tenant's property insurance policies shall reflect Landlord as a loss-payee as its interests may appear, and all of Tenant's insurance policies shall be primary and non-contributing with any insurance carried by Landlord. Such policies shall not be cancelable or materially altered without forty-five (45) days' prior written notice to Landlord. In addition, the policies shall provide for ten (10) days' written notice to Landlord in the event of cancellation for non-payment of premium. Tenant's failure to deliver the policies or certificates to Landlord as required above shall constitute an event of default pursuant to **Article 24** hereof.

8.3 Mutual Waiver of Subrogation

Each party hereby waives, and each party shall cause their respective property insurance policy or policies to include a waiver of such carrier's entire right of recovery (i.e., subrogation) against the other party, and the officers, directors, agents, representatives, employees, successors and assigns of the other party, for all claims which are covered or would be covered by the property insurance required to be carried hereunder or which is actually carried by the waiving party.

8.4 Destruction or Condemnation.

8.4.1 Damage and Repair. If the Premises are partially damaged but not rendered untenantable, by fire or other insured casualty, then Landlord shall diligently restore the Premises and this Lease shall not terminate. The Premises shall not be deemed untenantable if less than twenty-five percent (25%) of the Premises are damaged. Landlord shall have no obligation to restore the Premises if insurance proceeds are not available to pay the entire cost of such restoration. If insurance proceeds are available to Landlord but are not sufficient to pay the entire cost of restoring the Premises, then Landlord may elect to terminate this Lease and keep the insurance proceeds, by notifying Tenant within sixty (60) days of the date of such casualty.

If the Premises are entirely destroyed, or partially damaged and rendered untenantable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises to their previous condition. If, within 60 days after receipt by Landlord from Tenant of written notice that Tenant deems the Premises untenantable, Landlord fails to notify Tenant of its election to restore the Premises, or if Landlord is unable to restore the Premises within six (6) months of the date of the casualty event, then Tenant may elect to terminate the Lease.

If Landlord restores the Premises under this Article 8.4.1, Landlord shall proceed with reasonable diligence to complete the work, and the base monthly rent shall be abated in the same proportion as the untenantable portion of the Premises bears to the whole Premises, provided that there shall be a rent abatement only if the damage or destruction of the Premises did not result from, or was not contributed to directly or indirectly by the act, fault or neglect of Tenant, or Tenant's officers, contractors, licensees, subtenants, agents, servants, employees, guests, invitees or visitors. Provided, Landlord complies with its obligations under this Article, no damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises. Landlord will not carry insurance of any kind for the protection of Tenant or any improvements paid for by Tenant or on Tenant's furniture or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease, and Landlord shall not be obligated to repair any damage thereto or replace the same unless the damage is caused by Landlord's negligence or willful misconduct.

8.4.2 If the Premises are made untenable by eminent domain, or conveyed under a threat of condemnation, this Lease shall automatically terminate as of the earlier of the date title vests in the condemning authority or the condemning authority first has possession of the Premises and all Rents and other payments shall be paid to that date. In case of taking of a part of the Premises that does not render the Premises untenable, then this Lease shall continue in full force and effect and the base monthly rental shall be equitably reduced based on the proportion by which the floor area of any structures is reduced, such reduction in Rent to be effective as of the earlier of the date the condemning authority first has possession of such portion or title vests in the condemning authority. Landlord shall be entitled to the entire award from the condemning authority attributable to the value of the Premises and Tenant shall make no claim for the value of its leasehold. Tenant shall be permitted to make a separate claim against the condemning authority for moving expenses or damages resulting from interruption in its business, provided that in no event shall Tenant's claim reduce Landlord's award.

ARTICLE 9

ACCEPTANCE AND CARE OF PREMISES

Tenant has inspected the Premises and accepts the Premises "AS IS" in its present condition and acknowledges that Landlord is not responsible to provide, and has made no representations or warranties that it will provide, any improvements to the Premises whatsoever, except as set forth in Article 10, Alterations and Improvements, below. Tenant shall, at its sole cost, keep the Premises in as good working order, cleanliness, repair, and condition, as that which existed at the Lease Commencement Date. In the event that Tenant fails to comply with the obligations set forth in this Article 9, Landlord may, but shall not be obligated to, perform any such obligation on behalf of, and for the account of Tenant, and Tenant shall reimburse Landlord for all costs and expenses paid or incurred on behalf of Tenant in connection with performing the obligations set forth herein. Tenant expressly waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect.

ARTICLE 10

ALTERATIONS AND IMPROVEMENTS

Landlord agrees to make the following improvements to Tenant leased space that are considered reusable and to the benefit of future tenants:

1. Replace carpet in 1,759 square foot front office area
2. Paint walls in 1,759 square foot front office area

Tenant shall not make any alterations, additions, renovations or improvements to the Premises without first obtaining the written consent of Landlord. All alterations, additions, renovations and improvements made shall be at the sole cost and expense of Tenant and shall become a part of the real property and belong to Landlord and shall remain in and be surrendered with the Premises as a part thereof at the termination of this Lease. Tenant further agrees to indemnify, defend, and hold Landlord harmless from, and against, any and all damages, injuries, losses, liens, costs or expenses (including attorneys' fees) incurred, claimed or arising out of said work.

ARTICLE 11

ACCIDENTS AND INDEMNIFICATION

Tenant shall indemnify Landlord and hold it harmless from and against, and shall defend with counsel acceptable to Landlord, any and all suits, actions, damages, claims, liability, and expense in connection with loss of life, bodily or personal injury, or property damage arising from or out of any occurrence in, upon, at or from the Premises, or the occupancy or use by Tenant of the Premises or any

part thereof, or occasioned wholly or in part by any act or omission of Tenant, its agents, contractors, employees, servants, invitees, licensees, or concessionaires; provided that Tenant shall not be liable to Landlord to the extent such damages, liability, claims or expenses are caused by or result from the negligence or intentional misconduct of Landlord.

Tenant hereby expressly waives claims against Landlord, and Landlord shall not be responsible or liable at any time, for any loss or damage to Tenant's personal property or to Tenant's business, including any loss or damage to either the person or property of Tenant that may be occasioned by or through the acts or omissions of persons occupying adjacent, connecting, or adjoining property, unless and only to the extent due to Landlord's gross negligence or intentional misconduct, and in no event shall Landlord be liable for Tenant's consequential damages. Tenant shall use and enjoy the Premises and improvements at its own risk, and hereby releases Landlord, to the full extent permitted by law and except as expressly provided above, from all claims of every kind resulting in loss of life, personal or bodily injury, or property damage.

Solely for the purpose of effectuating the indemnification obligations under this Lease, and not for the benefit of any third parties (including but not limited to employees of Tenant), Tenant specifically and expressly waives any immunity that may be granted it under the Washington State Industrial Insurance Act, Title 51 RCW. Furthermore, the indemnification obligations under this Lease shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable to or for any third party under Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts. Tenant shall cause Contractors and their subcontractors and material suppliers to execute similar waivers of industrial insurance immunity. The parties, by their execution hereof, acknowledge that the foregoing provisions of this **Article 11** have been specifically and mutually negotiated between the parties.

ARTICLE 12

COMPLIANCE WITH LAWS

Tenant shall comply fully at its sole expense with all federal and state laws and local or city ordinances (including all applicable zoning ordinances) now or hereafter in force with respect to the Premises and Tenant's activities therein. Tenant warrants and represents to Landlord that Tenant shall use the Premises only for lawful purposes.

ARTICLE 13

MAINTENANCE

Tenant shall keep the premises in a neat, clean, and sanitary condition at all times. Tenant shall keep all improvements to the Premises in good condition.

13.1 Janitorial: Tenant will provide janitorial service inside the leased Premises. Landlord to provide janitorial service to common areas.

13.2 Landscaping and Common Area Sweeping: Landlord, at its cost, will provide landscaping care and common area repairs, maintenance, and sweeping outside the building.

13.3 Other Maintenance and Repairs: Landlord will maintain exterior of building, roof, foundation, and electrical, heating and plumbing, in a good state of repair. Tenant shall pay the reasonable cost of repairs of all damage caused by Tenant, its agents, servants, employees, or invitees within Ten (10) days of receipt of an invoice stating the repairs performed and the cost thereof. All light bulbs and fixtures are guaranteed by Landlord for sixty (60) days after Lease Commencement Date. After

this sixty-day period, Tenant shall replace light bulbs in Tenant's leased office space; Landlord will replace warehouse light bulbs in multi-tenant locations.

13.4 HVAC: HVAC and all mechanical systems shall be in satisfactory operating condition and will be maintained by Landlord during the term of the Lease.

ARTICLE 14 LANDLORD'S ACCESS

Landlord shall have the right to inspect the Premises at all reasonable times and enter the same for purposes of cleaning, repairing, inspecting, altering, exhibiting, or improving the Premises, but nothing contained in this Lease shall be construed so as to impose any obligation on Landlord to make any repairs, alterations or improvements not otherwise expressly set forth elsewhere herein.

The Landlord reserves the right to grant easements and other land uses on the Premises to others when the easement or other land uses will not unduly interfere with the use of the Premises by Tenant.

ARTICLE 15 SIGNS AND ADVERTISING

Tenant shall not inscribe, post, place, or in any manner display any sign, notice, picture, poster or any advertising matter whatsoever anywhere in or about the Premises, without first obtaining Landlord's written consent thereto.

ARTICLE 16 WASTE AND UNLAWFUL USE

Tenant shall not commit or suffer any waste upon the Premises, or make or suffer any nuisance, undue or unseemly noise, or otherwise, and will not do or permit to be done in or about the Premises anything which is illegal, unlawful, or dangerous, or which will increase Landlord's insurance rates upon the Premises.

ARTICLE 17 SUCCESSORS

All the covenants, agreements, terms and conditions contained in this Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors, marital communities and assigns. Any assignment or subletting of the Premises or any interest in this Lease shall not relieve Tenant of primary responsibility for the performance of the terms and payment of the sums to be paid by Tenant hereunder.

ARTICLE 18 HAZARDOUS MATERIALS

Tenant shall not dispose of or otherwise allow the release of any hazardous waste or materials in, on, or under the Premises, or any adjacent property. Tenant represents and warrants to Landlord that Tenant's intended use of the Premises does not involve the use, production, or disposal of any hazardous waste or materials. As used herein, "**hazardous waste or materials**" includes any substance, waste or material defined or designated as hazardous, toxic or dangerous (or any similar term) by any federal, state, or local statute, regulation, rule or ordinance now or hereafter in effect. In the event Tenant brings

or uses hazardous waste or materials on the Premises in violation of this **Article 18**, Tenant shall, at its sole cost, properly dispose of all such hazardous waste or materials. Tenant shall be responsible for complying with all federal, state and local laws and regulations in regard to the handling of and disposing of hazardous waste or materials, and agrees to indemnify, defend, and hold Landlord harmless from and against all losses, costs, and expenses (including but not limited to site cleanup, investigation, and remediation costs and attorneys fees and costs related thereto) arising from a breach by Tenant of its obligations under this **Article 18**.

ARTICLE 19

ASSIGNMENT AND SUBLETTING

Tenant shall not transfer, dispose, assign, mortgage, or hypothecate this Lease, in whole or in part, or permit the use of the Premises by any person or persons other than Tenant, or sublet the Premises, or any part thereof (any of which, a “**Transfer**”) without the prior written consent of Landlord in each instance, which may be given, withheld, or conditioned in Landlord’s sole discretion. In no event shall Tenant be released or relieved of any liability hereunder due to any Transfer whether or not consented to by Landlord.

Landlord shall have the right to transfer, dispose, assign, mortgage, or hypothecate this Lease, in whole or in part without the prior written consent of the Tenant. See also Landlord rights to terminate this Lease as set forth in **Article 23** below.

ARTICLE 20

SURRENDER OF POSSESSION

20.1 Surrender

At the expiration of the tenancy created hereunder, whether by lapse of time or otherwise, Tenant shall surrender the Premises in substantially the as good condition or better as they were at the Lease Commencement Date, and shall remove all of its personal property, furniture, non-permanent fixtures installed by or for Tenant, Tenant’s equipment, and all cabling and wiring installed by or for Tenant. Tenant’s obligations shall include the repair of any damage occasioned by the installation, maintenance or removal of Tenant’s personal property, furniture, non-permanent fixtures installed by or for Tenant, and Tenant’s equipment.

20.2 Removal of Property

In the event of any entry in, or taking possession of, the Premises or upon the termination of this Lease, Landlord shall have the right, but not the obligation, to remove from the Premises all personal property remaining on the Premises, and may store the same in any place selected by Landlord, including but not limited to a public warehouse, at the expense and risk of the Tenant thereof, with the right to sell such stored property, as per applicable statutory requirements. The proceeds of such sale shall be applied first to the cost of such sale, second to the payment of the charges for storage, if any, and third to the payment of any other sums of money which may then be due from Tenant to Landlord under any of the terms hereof, with the balance, if any, to be paid to Tenant.

20.3 Holding Over

If Tenant fails to surrender the Premises at the expiration or earlier termination of this Lease, occupancy of the Premises after the termination or expiration shall be that of a tenancy at sufferance. Tenant's occupancy of the Premises during the holdover shall be subject to all the terms and provisions of this Lease and Tenant shall pay an amount due on the first of each month of the holdover period, without reduction for partial months during the holdover, equal to 150% of the greater of: (1) the monthly Total Monthly Rent (including Leasehold Tax), and any other charge due, for the monthly period immediately preceding the holdover; or (2) the fair market value for gross monthly rental for the Premises as reasonably determined by Landlord. No holdover by Tenant or payment by Tenant after the expiration or early termination of this Lease shall be construed to extend the Term or prevent Landlord from immediate recovery of possession of the Premises by summary proceedings or otherwise. In addition to the payment of the amounts provided above, if Landlord is unable to deliver possession of the Premises to a new tenant, or to perform improvements for a new tenant, as a result of Tenant's holdover, Tenant shall be liable to Landlord for all damages, including, without limitation, consequential damages, that Landlord suffers from Tenant's holdover. Nothing herein shall be construed as Landlord's consent to such holding over. During the holdover Tenant shall remain responsible for payment of all utilities, taxes, and other assessments, charges and/or fees due under this Lease.

ARTICLE 21

NOTICES

All notices, requests and demands to be made hereunder shall be in writing at the address set forth in the Basic Lease Provisions, as applicable, by any of the following means: (a) personal service (including service by recognized overnight delivery/courier service, such as UPS or FEDEX); or (b) registered or certified first class mail, return receipt requested. Such addresses may be changed by written notice to the other party given in the same manner provided above. Any notice, request, or demand sent pursuant to clause (a) of this Article 21 shall be deemed received upon such personal delivery or service (or the date of refusal, if personal service or delivery is refused), and if sent pursuant to clause (b), shall be deemed received three (3) days following deposit in the mails.

ARTICLE 22

LIENS AND ENCUMBRANCES

Tenant shall keep the Premises free and clear of any liens and encumbrances arising out of the use and occupancy of the Premises by Tenant. Should Tenant fail to discharge any lien of the nature described in this Article 22 Landlord may, at Landlord's election, pay such claim or post a bond or otherwise provide security to eliminate the lien as a claim against title and the cost thereof shall be immediately due from Tenant as rent under this Lease.

ARTICLE 23

LANDLORD'S TERMINATION RIGHT

Notwithstanding anything to the contrary elsewhere in the Lease, in the event that Landlord elects to use the Land and/or Premises for industrial development or other public or port-related purposes, Landlord shall have the right to terminate this Lease by providing sixty (60) days' written notice. If Landlord elects to terminate the Lease early as provided herein, the early termination date chosen by Landlord shall operate as if that date is the Expiration Date set forth in the Basic Lease Provisions. The parties recognize that the foregoing early termination right is important to Landlord and that any delay caused by the failure of Tenant to vacate the Premises pursuant to this Article 23 when required can cause irreparable harm to the Landlord and future tenants. Therefore, Landlord and Tenant agree that time is of the essence of this Article 23 and that if any dispute arises between Landlord and Tenant with respect to the provisions of this Article 23, any other provisions of this Lease notwithstanding, Tenant will vacate

the Premises on or before the early termination date selected by Landlord, and Tenant shall be deemed to have waived any rights in law or equity to possession of the Premises.

In the event of the insolvency or bankruptcy of the Tenant, Landlord may, at Landlord's option, immediately take full possession of the premises to the exclusion of all persons. Exercising such option shall not alleviate Tenant's obligations under this Lease and Landlord shall have the right to seek all remedies set forth in this Lease.

ARTICLE 24

DEFAULT AND REMEDIES

24.1 Default

The occurrence of any one or more of the following events shall constitute a material breach and default of this Lease (each, an "**Event of Default**"):

- (a) Any failure by Tenant to pay Rent and Leasehold Tax when due, or any other assessment, charge and/or fee when due;
- (b) Any failure by Tenant to obtain and keep in full force and effect the insurance coverage(s) required hereunder to be carried by Tenant;
- (c) Any failure to immediately remedy an emergency condition that poses a significant risk of injury or damage;
- (d) Any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease; or
- (e) Tenant bankruptcy

24.2 Remedies.

(a) Re-entry and Termination

Upon and during the continuance of an Event of Default, Landlord, in addition to any other remedies available to Landlord at law or in equity, at Landlord's option, may without further notice or demand of any kind to Tenant or any other person:

- 1. Declare the Lease Term ended and reenter the Premises and take possession thereof and remove all persons therefrom, and Tenant shall have no further claim to the Premises; or
- 2. Without declaring this Lease ended, reenter the Premises and occupy the whole or any part thereof for and on account of Tenant and collect any unpaid Rent, Leasehold Tax, and other charges, which have become payable, or which may thereafter become payable; or
- 3. Even though Landlord may have reentered the Premises, thereafter elect to terminate this Lease and all of the rights of Tenant in or to the Premises.

(b) Express Termination Required

If Landlord re-enters the Premises under the provisions of this Article, Landlord shall not be deemed to have terminated this Lease, or the liability of Tenant to pay any Rent, Leasehold Tax, or other assessments, charges and/or fees thereafter accruing, or to have terminated

Tenant's liability for damages under any of the provisions of this Lease, by any such re-entry or by any action, in unlawful detainer or otherwise, to obtain possession of the Premises, unless Landlord shall have notified Tenant in writing that Landlord had elected to terminate this Lease. Tenant further covenants that the service by Landlord of any notice pursuant to the unlawful detainer statutes of Washington State and surrender of possession pursuant to such notice shall not (unless Landlord elects to the contrary at the time of or at any time subsequent to the serving of such notices and such election is evidenced by a written notice to Tenant) be deemed to be a termination of this Lease.

(c) Damages

If Landlord elects to terminate this Lease pursuant to the provisions of this Article, Landlord may recover from Tenant as damages, the following:

1. The worth at the time of award of any unpaid Rent, Leasehold Tax, and other assessments, charges and/or fees which had been earned at the time of such termination; plus
2. The worth at the time of award of the amount by which the unpaid Rent, Leasehold Tax, and other charges which would have been earned after termination until the time of award exceeds the amount of such loss Tenant proves could have been reasonably avoided; plus
3. The worth at the time of award of the amount by which the unpaid Rent, Leasehold Tax, and other assessments, charges and/or fees due for the balance of the Lease Term after the time of award exceeds the amount of such loss that Tenant proves could be reasonably avoided; plus
4. Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to any costs or expenses incurred by Landlord in (i) retaking possession of the Premises, including reasonable attorneys' fees, (ii) maintaining or preserving the Premises after the occurrence of an Event of Default, (iii) preparing the Premises for reletting to a new tenant, including repairs or alterations to the Premises for such reletting, (iv) leasing commissions, and (v) any other costs necessary or appropriate to relet the Premises; plus
5. At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by the laws of Washington State.

(d) Definitions

As used in **Paragraphs 24.2(c)1** and **24.2(c)2** above, the "worth at the time of award" is computed by allowing interest at the rate of twelve percent (12%) per annum compounded monthly. As used in **Paragraph 24.2(c)3** above, the "**worth at the time of award**" is computed by discounting such amount at the discount rate of the Federal Reserve Bank situated nearest to the location of the Property at the time of award plus one (1) percentage point.

(e) No Waiver

The waiver by Landlord of any breach of any term, covenant or condition herein contained in this Lease shall not be deemed to be a waiver of such term, covenant or condition of any subsequent breach of the same or any other term, covenant or condition of this Lease. The subsequent acceptance of Rent, Leasehold Tax, and other charges due hereunder shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular amount so accepted regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such amount. No covenant, term, or condition of this Lease shall be deemed to have been waived by Landlord unless such waiver shall be in writing and signed by Landlord.

DRAFT

PORT OF KENNEWICK

Resolution No. 2014-30

***A RESOLUTION OF THE PORT OF KENNEWICK
BOARD OF COMMISSIONERS DESIGNATING THE EMERGENCY REPAIR OF
MAIN WATER LINE NEXT TO 219 E. COLUMBIA DRIVE AS EXEMPT FROM
PUBLIC WORKS COMPETITIVE BIDDING REQUIREMENTS***

WHEREAS, in accordance with RCW 39.04.280, the Port of Kennewick (Port) is authorized to designate certain public works contracts as emergencies and, therefore, exempt from competitive bidding requirements; and

WHEREAS, a water line was broken during subsurface investigation at the Port of Kennewick's 219 E. Columbia Drive property temporarily affecting utility service for nearby residents; and

WHEREAS, under his delegation of authority, the Executive Director authorized emergency repairs with Mr. Rooter and each Commissioner was notified individually.

NOW, THEREFORE, BE IT RESOLVED that the Port of Kennewick Board of Commissioners designates the repairs at 219 E. Columbia Drive, as an emergency public works project within the guidelines of RCW 39.04.280, and therefore exempt from competitive bidding requirements.

ADOPTED by the Board of Commissioners of the Port of Kennewick on the 9th day of September, 2014.

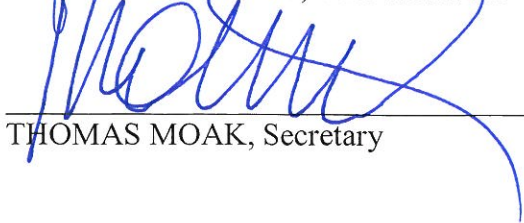
***PORT OF KENNEWICK
BOARD OF COMMISSIONERS***



DON BARNES, President



SKIP NOVAKOVICH, Vice President



THOMAS MOAK, Secretary

PORT OF KENNEWICK

RESOLUTION 2014-31

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PORT OF KENNEWICK ADOPTING THE BUDGET, FINANCIAL AND OPERATIONAL PHILOSOPHY

WHEREAS, on August 12, 2014 the Director of Finance presented a draft Budget, Financial and Operational Philosophy along with a number of other suggested financial and operational amendments; and

WHEREAS, the Board of Commissioners accepted the objectives and directed staff to present each of the objectives for Commission consideration; and

WHEREAS, staff presented the Budget, Financial and Operational Philosophy for Commission consideration, with additional elements to follow in the future.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of the Port of Kennewick does hereby adopt the Budget, Financial and Operational Philosophy (attached).

ADOPTED by the Board of Commissioners of the Port of Kennewick this 9th day of September, 2014.

PORT OF KENNEWICK BOARD OF COMMISSIONERS

By:



DON BARNES, *President*

By:



SKIP NOVAKOVICH, *Vice President*

By:



THOMAS MOAK, *Secretary*

PORT OF KENNEWICK BUDGET, FINANCIAL & OPERATIONAL PHILOSOPHY

This Budget, Financial and Operational Philosophy assists port commissioners in their analyses of information; assisting them in making the assumptions and estimates required to formulate high quality, timely and fiscally-responsible financial and operational plans, resulting in a well-run port that increases community confidence in port leadership and meets the needs of district residents.

- Produce and maintain a balanced budget;
- Provide a fiscally sound approach to finances by ensuring that expenditures and debt repayments do not exceed available resources in current budget and future years impacted;
- Provide for financial stability by:
 - ✓ Funding projects that provide a positive return on investment or which provide important identifiable non-economic benefits to the port district at large;
 - ✓ Eliminating or transferring to the private sector, holdings which provide minimal economic or community benefit;
 - ✓ Reducing costs and enhancing revenues when feasible while maintaining acceptable service levels;
 - ✓ Ensure the port's portfolio includes diversity of revenue streams to offset risk adverse projects;
 - ✓ Accurately forecasting funding sources;
 - ✓ Creating successful strategies for capital acquisitions;
 - ✓ Closely monitoring and accurately reporting all revenues and expenditures;
 - ✓ Leveraging funds by seeking grants and matching funds from the public and private sectors;
 - ✓ Accurately and honestly identifying potential financial issues and providing feasible potential solutions;
 - ✓ Identifying and recommending potential improvements;
 - ✓ Learning and sharing ideas for improvement.
- Promote fiscal responsibility among departments;
- Focus on long-term financial planning;
- Support intergovernmental cooperation by partnering with entities which demonstrate support; (e.g. matching funds; previous successes; political and taxpayer support; and enthusiasm);
- Provide the public with high quality projects and services within a healthy work environment by encouraging efficiency, cooperation, honesty, integrity, and respect;
- Evaluate economic development opportunities based on results to be derived district-wide versus project-specific or jurisdiction-specific results;
- Acknowledge the Port's limited staff and financial resources;
- Establish a project ranking and selection process which focuses on producing a limited number of projects in order to ensure successful and timely implementation;
- Encourage open competition and equal project consideration, fostering a reputation for fairness with the local business community;
- Seek to fund projects with available resources;
- Incur debt only when both the level and rate of growth of public debt is fundamentally sustainable, can be serviced under appropriate circumstances while meeting cost and risk objectives, can withstand economic uncertainties, while identifying in advance any legal or commission-directed restrictions on its use;
- Identify and report the return on investment (ROI) on projects as appropriate; and
- Share with the public port audited financial and operating data through print and online sources.