

## **AGENDA**

***Port of Kennewick  
Regular Commission Business Meeting  
Port of Kennewick Commission Chambers  
350 Clover Island Drive, Suite 200, Kennewick, Washington***

Tuesday, August 14, 2018  
2:00 p.m.

- I. CALL TO ORDER**
- II. PLEDGE OF ALLEGIANCE**
- III. APPROVAL OF AGENDA**
- IV. PUBLIC COMMENT** *(Please state your name and address for the public record)*
- V. CONSENT AGENDA**
  - A. Approval of Direct Deposit and ePayments Dated August 2, 2018
  - B. Approval of Warrant Register Dated August 14, 2018
  - C. Approval of Regular Commission Business Meeting Minutes July 24, 2018
- VI. PRESENTATION**
  - A. Columbia Gardens Tasting Room Lease Rates, Jazmine Murillo, NAI Tri-Cities Commercial Real Estate (**AMBER**)
- VII. REPORTS, COMMENTS AND DISCUSSION ITEMS**
  - A. Review of Clover Island Master Plan (**LARRY**)
  - B. Columbia Drive Update (**LARRY**)
  - C. Vista Field
    - 1. Street Names Update (**LARRY**)
    - 2. Joint Funding Strategy (**TIM**)
  - D. 2019-2020 Work Plan (**LARRY**)
  - E. Commissioner Meetings (formal and informal meetings with groups or individuals)
  - F. Non-Scheduled Items
- VIII. PUBLIC COMMENT** *(Please state your name and address for the public record)*
- IX. EXECUTIVE SESSION**
  - A. Potential Litigation, per RCW 42.30.110(1)(i) *(Ask public if they are staying, and if not, where they can be located if the Executive Session ends early.)*
- X. ADJOURNMENT**

***PLEASE SILENCE CELL PHONES***



# PORT OF KENNEWICK REGULAR COMMISSION MEETING

**DRAFT**

**JULY 24, 2018 MINUTES**

---

## CALL TO ORDER

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

### The following were present:

**Board Members:** Thomas Moak, President  
Don Barnes, Vice-President  
Skip Novakovich, Secretary

**Staff Members:** Tim Arntzen, Chief Executive Officer  
Tana Bader Inglima, Deputy Chief Executive Officer  
Nick Kooiker, Chief Financial Officer/Auditor  
Larry Peterson, Director of Planning and Development  
Bridgette Scott, Executive Assistant  
Lucinda Luke, Port Counsel

## PLEDGE OF ALLEGIANCE

Commissioner Novakovich led the Pledge of Allegiance.

## APPROVAL OF THE AGENDA

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

## PUBLIC COMMENT

No comments were made.

## CONSENT AGENDA

- A. Approval of Direct Deposit and E-Payments Dated July 17, 2018***  
Direct Deposit and E-Payments totaling \$52,403.91
- B. Approval of Warrant Register Dated July 24, 2018 and E-Payments Dated July 31, 2018***  
Expense Fund Voucher Numbers 100281 through 100326; and E-Payments; totaling \$454,062.32
- C. Approval of Regular Commission Business Meeting Minutes July 10, 2018***

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

# PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

**DRAFT**

---

## NEW BUSINESS

### A. *Vista Field, Approval of LTGO Bond; Resolution 2018-15*

Mr. Kooiker stated the Commission appointed myself, Mr. Arntzen, and KeyBanc Capital Markets (loan arranger) to the Vista Field Financing Loan Committee on June 24, 2018, to review the Request for Proposal (RFP) and term sheet for the financing package for Vista Field. The RFP was distributed on June 25, 2018 and the Committee reviewed the term sheets from potential lenders on July 18, 2018. Mr. Kooiker stressed that the Committee is only making a recommendation based on objective factors and the Commission will make the final decision regarding which financial institution will carry the Vista Field loan. Mr. Kooiker stated there are no statutes in the Bid Law for the Port to follow; however, the State Auditor's Office could write the Port up for an accountability audit if the Port used a proposal that cost more money. Mr. Kooiker stated the interest rate spread may not seem significant; however, the difference between the lowest interest rate bid and the second lowest interest rate bid was \$140,000.00 over the term of the loan. The interest rate between the highest and lowest interest rate was \$500,000, about \$40,000 a year in debt service.

Commissioner Barnes inquired if those assumptions are for the outstanding balance of the loan.

Mr. Kooiker stated yes, some assumptions have been made; however, he does not expect loan to go the full 15 year term.

Caitlin Caldwell stated KeyBanc Capital Markets sent out the RFP and term sheet to over two dozen banks and received eight proposals. Ms. Caldwell reviewed the matrix (*EXHIBIT 1*) with the Commission, which outlined terms of each proposal. The Vista Field Finance Committee agreed that the Cashmere Valley Bank proposal fit the Port's objectives the best. The interest rate is the lowest and the prepayment flexibility and lack of other conditions made this the best option for the Port.

Commissioner Novakovich inquired if it is normal that interest rates vary for each proposal.

Ms. Caldwell stated a bank's cost of capital fluctuates which is what determines the interest rate.

Commissioner Novakovich inquired if Ms. Caldwell has had any prior experience working with Cashmere Valley Bank.

Ms. Caldwell has worked with Cashmere Valley Bank previously and stated they work with a lot of municipalities and she has had a good experiences with them.

Commissioner Barnes clarified that the interest rate would be payable on the outstanding balance of the loan, for example, \$5,000,000 is the authorized amount of the bond and the Port pays interest on amount drawn out for Vista Field, not the \$5,000,000.

Ms. Caldwell stated that is correct.

# PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

**DRAFT**

---

Commissioner Barnes stated some of the prepayment penalties seem to be more complex than others and inquired what the callable option would mean to the Port.

Ms. Caldwell stated it is called a call option, where the Port retains the call option, but is not required to use it. The call option is different from a put structure, where the bank retains the option to put back on the Port.

Commissioner Moak stated Cashmere Valley Bank has the only variable interest rate and inquired if that was common for them to offer that.

Ms. Caldwell stated the rate is variable, but it is unique in that it is a fixed variable rate that is set for a specific time frame. The committee reviewed the variable rate in detail and the affective cost of capital is by far the lowest and best option.

Commissioner Moak inquired if the interest rates go down over next five years, is it possible for the Port to re-issue the bond and if the Port chooses to re-issue the bond, do we have to go through the same process.

Ms. Caldwell stated re-issuing the bond is an option for the Port.

Mr. Kooiker stated yes, the Port would need to go through a process if the Port utilized the call option. However, there is no requirement to do so, but for the sake of transparency the Port would go through the process and would need a new bond document from Foster Pepper. Mr. Kooiker stated a great tool for the Committee was the Comprehensive Scheme, which outlined the financial forecast and helped us determine the interest rate risk for years 11-16 of the long term plan.

Commissioner Novakovich inquired what the savings to the Port would be if the bond was paid off early.

Mr. Kooiker estimated the last five years interest might be approximately \$200,000 to \$300,000 if the Port paid the bond off early. Mr. Kooiker introduced Bill Tonkin from Foster Pepper, the Port's bond counsel, who is here to answer any Commission questions regarding the bond resolution.

Mr. Tonkin stated before the Commission is Resolution 2018-15, which the Commission received on June 26 for review. Mr. Tonkin stated the only changes that have been incorporated is the addition of the term sheet provided by Cashmere Valley Bank for the bond. By adopting Resolution 2018-15, the Commission authorize the execution of a single bond to Cashmere Valley Bank that will evidence the Port's payment obligations. Mr. Tonkin stated section four specifies the terms in the proposal and section eight outlines the pre-payment terms of the bond. Under the bank's proposal, the Port can prepay the bond without receiving a penalty. Additionally, the bond has various covenants that the Port undertakes to maintain the tax exempt status.

Resolution 2018-15 approves a federal tax compliance policy for complying with the tax exempt bond requirements after the date the bond is issued and directs the CFO to implement the policy.

# PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

**DRAFT**

---

Assuming Resolution 2018-15 is approved by the Commission, Foster Pepper will work with Cashmere Valley Bank to prepare the closing documents, which will occur in approximately two weeks. Once bond is in place, the Port can begin to draw from the bond once it has expenditures that need to be paid. Mr. Tonkin reiterated that the Port will only pay interest on what has been drawn and on the outstanding principal.

Commissioner Barnes stated Cashmere Valley Bank requires principal and interest payments on a semi-annual basis and inquired if there are requirements by the bank that the Port pay on the principal payment amounts as well.

Mr. Tonkin stated under the proposal, during draw period, up until June 1, 2020, the Port can draw on bond and incur principal obligations; however, the Port will pay interest on whatever amount is drawn from for the current period until June 1, 2020. From that point forward, the bank will provide an amortization schedule to the Port, based upon the amount of principal that is outstanding at that time. That amount will be calculated as if bond will be outstanding until the final maturity date of 2023. If the Port pre-pays a portion of the bond, the bank is required to reissue an amortization schedule, based on adjusted balance.

Commissioner Barnes stated if the Port has an unanticipated delay and has not completed the construction by June 2020, is there a requirement that the Port shows that the expenditures are used for Vista Field only.

Mr. Kooiker stated if by May 2020 the Port has funds remaining, the Port can draw the remaining amount, but will pay interest.

Mr. Tonkin stated Resolution 2018-15 summarizes the project as capital improvements included in the Comprehensive Scheme, including, without limitations, Phase 1 facilities in the Vista Field Redevelopment project.

## **PUBLIC COMMENTS**

Amanda Jones, 9342 West 5<sup>th</sup> Place, Kennewick. Ms. Jones offered her congratulations to the Port on moving Vista Field forward. Ms. Jones, a banker from Community First Bank, stated their proposal offered a 4.17% interest rate, at the date of submission, which was a fully fixed rate throughout construction and life of the loan. Additionally, Community First provided multiple interest rate options, including a fixed rate draw period for 78 months, not 60 months like the others. Community First Bank put our best foot forward for the Port and Ms. Jones respects and appreciates what the Port is doing for our community.

Boyce Burdick, 414 Snyder Street, Richland. Mr. Burdick stated the last paragraph on page 3, which stipulates a new rate based on a calculation and if the Port uses percentages, it looks like it would be a negative rate. Mr. Burdick would like to see the numbers that go into the calculation.

Mr. Kooiker stated KeyBanc calculated that at 3.85%, today's prime rate and will get that information to Mr. Burdick.

# PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

**DRAFT**

---

**MOTION:** *Commissioner Barnes moved to adopt Resolution 2018-15 authorizing the Port to issue an up to \$5,000,000 limited tax general obligation bond to Cashmere Valley Bank for the purpose of financing Phase I projects in the Vista Field Redevelopment Master Plan; Commissioner Novakovich seconded.*

***Discussion:***

*Commissioner Barnes appreciated all of the lending institutions that took their time to submit a term sheet for Vista Field and stated it is encouraging to see this level of interest. Commissioner Barnes thanked Mr. Kooiker, Ms. Caldwell, and Mr. Tonkin for their work on the Vista Field financing. KeyBanc received several complex proposals and narrowed each proposal down and formulated an excellent matrix to determine which package fit the best. Commissioner Barnes thanked Ms. Jones for her comments and understands that it was difficult to capture every nuance of the proposal. Commissioner Barnes stated the proposal by Cashmere Valley Bank is superior in this instance for Vista Field and he feels it is in the best interest of the constituents to keep the Port's costs as low and as reasonable as possible.*

*Commissioner Novakovich congratulated staff, Ms. Caldwell, and Mr. Tonkin for their work on the process and stated because of the process in place and the Vista Field Financing Committee, the Commissioners were not involved. Commissioner Novakovich stated it is in the best interest of the Port constituents to follow the recommendation of the Financing Committee and seek financing with Cashmere Valley Bank for Vista Field.*

*Commissioner Moak stated the process was set up to make it easy for the Commission to accept the recommendation that was based on the matrix outlined by the Financing Committee. The work of Ms. Caldwell and her team was very helpful by breaking down the pertinent information and weighing all of the terms. As stewards of tax payers' money, the Commission needs to look at the lowest costs and the best value for the tax payers. Commissioner Moak is pleased that Vista Field is starting off in a positive financial position because of Cashmere Valley Bank's proposal and stated in the spirit of transparency that the Port operates under, the spreadsheet clearly illustrates why the decision was made.*

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

## **REPORTS, COMMENTS AND DISCUSSION ITEMS**

### ***A. Vista Field Update***

#### ***1. Business Improvement District (BID), Ben Floyd of White Bluffs Consulting***

*Mr. Peterson stated Ben Floyd of White Bluffs Consulting is working on a mechanism that outlines the maintenance for Vista Field, which will go above and beyond City requirements. Mr. Floyd has been working closely with Doris Goldstein, a consultant that works with DPZ Partners and Steve DiJulio of Foster Pepper. The BID needs to be established prior to the Port selling any land, so buyers and developers are aware of any additional costs.*

*Mr. Floyd stated it has been a pleasure working with Ms. Goldstein, who assists DPZ with the transition of the master plan to a successfully implemented project and addresses the smallest details of the development. Mr. Floyd presented the proposed Vista Field Organizational*



# PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

**DRAFT**

---

Structure, which outlines key aspects of the development. Mr. Floyd stated the term BID is not seen on the handout, because through the Covenants, Conditions, and Restrictions (CCR), the Port can achieve a streamlined set of objectives for controlling the development and ensuring that Vista Field is developed and maintained in an efficient and effective manner.

Mr. Floyd outlined the proposed Vista Field Organizational Structure, which addresses the overall maintenance requirements of the development, a merchant oriented overlay, which are additional CCR's for commercial businesses, and a design review process (optional at this time). The design review process addresses specific details that are not outlined in the City of Kennewick code and the Development Agreement between the Port and the City.

Mr. Floyd stated the overall maintenance will take care of all the property at Vista Field, which serves residences, businesses, and special events. Any common area would be managed and maintained by that organization. The merchant overlay focuses primarily on services that commercial businesses seek, such as a festival or event. Mr. Floyd stated under the Uniform Common Interest Ownership Act (UCIOA), allocated interests are determined by voting rights for most issues and the Port may elect a majority of the board until the development is 75% complete.

Mr. Floyd stated Ms. Goldstein suggests incorporating the design review process, because for the first few projects that go into Vista Field, the architectural standards, look and layout need to be on-point, to ensure that the standards are set up front.

Mr. Floyd, Mr. Peterson, Ms. Goldstein, and Mr. DiJulio will continue to work on a memo, which details the discussion that goes with the proposed Vista Field Organizational Structure. Mr. Floyd stated once there is consensus regarding a recommendation, the Port will invite Ms. Goldstein or Mr. DiJulio to present the detailed memo at a future Commission meeting. Mr. Floyd outlined the time line and anticipates the memo will be completed in August and the team will present the documents for management of Vista Field to the Commission, no later than October.

Commissioner Novakovich inquired if there will be three separate boards for the overall maintenance organization, the merchant-oriented overlay, and the design review process.

Mr. Floyd believes there will be one overall maintenance organization and then a sub-organization that focuses on the commercial aspect. The Port will be the overall umbrella organization and set up a board to monitor the development. The Port could have two boards/organizations, which include a board for the overall maintenance and a board for the merchant-oriented overlay.

Commissioner Novakovich inquired if the board/committee would be responsible to the Port.

Mr. Floyd stated the Port would govern the board/committee until Vista Field is 75% complete and then the Port could turn it over to the committees.

# PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

**DRAFT**

---

Commissioner Moak inquired if the UCIOA is unique to Washington or based on other state statutes.

Mr. Floyd stated UCIOA exists in other states and provides Washington with more flexibility. Ms. Goldstein was pleased the UCIOA was adopted, because she feels it is the best mechanism to use.

Commissioner Moak asked how fees will be assessed.

Mr. Floyd stated the Port can outsource the services by contracting with a property management firm, who can assess fees, but can also address other issues such as landscaping and light maintenance.

Commissioner Moak inquired how the assessments will be determined for the property owners.

Mr. Peterson stated there are multiple mechanisms for fee assessment; however, the most defensible would be to base it on the County Assessor's property value. The Commission would set up how much is collected per \$1,000 assessed value and determine the services needed.

Commissioner Moak inquired if the assessment will flow into the Port or will it be a separate organization with fiduciary responsibilities.

Mr. Floyd stated the Port can set up an organization and be a governing member, where funds will be assessed through that organization. Or, if the Port contracts with a property management firm, the assessments will go through the firm.

Mr. Peterson stated during the first year, when the Port is the major property owner, the Port will fund the Vista Field property management to care for the maintenance because we own 100% of the development; however, once property is sold, owners will start sharing the costs.

Commissioner Moak inquired if the Commission will be part of the board/committee or appoint members to the board/committee.

Mr. Floyd stated the Port owns the property and will govern the board/committee and as more property owners are added, more people can be added to the board. Mr. Floyd stated the memo the Commission will receive next month identifies several options to consider for the set-up of structure.

Commissioner Moak inquired if there is a timeframe the Port needs work with to set up the structure.

Mr. Peterson stated the mechanism needs to be in place before property is offered for sale. A developer needs to be able to factor in all of the costs associated with development. Mr. Peterson stated the Port needs to factor several items, such as the cost of maintaining properties,



# PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

**DRAFT**

---

allies, and rights-of-way and hopes that the Port will have a mechanism in place by the end of the year for Mr. DiJulio to review and approve.

Mr. Floyd stated the budget will increase as more business and residences come in.

Commissioner Barnes confirmed that the assessments will be on assessed value, but they will not be collected by the County Assessor. Commissioner Barnes stated sometimes the assessed value lags behind improvements that are made and suggested using the building permit value. Commissioner Barnes stated the Port has a small staff and believes it would be prudent to contract out to relieve the burden from staff.

Mr. Peterson stated the proposed organizational structure could also apply to Columbia Gardens, to pay for the common improvements.

Commissioner Moak thanked Mr. Floyd and Mr. Peterson for their work and stated it is important to find a structure that fits the development.

## **2. *Street Naming Update***

Mr. Peterson shared slides of the existing street name alignments and potential future streets through Vista Field. Mr. Peterson recently met with Miles Thomas, Economic Development Coordinator for the City of Kennewick, to discuss the City's street network. The City will maintain the major roadways in Vista Field but will not service the alleys or woonerfs. Mr. Peterson suggested that Crosswind Blvd. and Grandridge Blvd. are the major roads used to access Vista Field from Columbia Center Blvd. or Canal Drive. Mr. Peterson expects to hear from the City within the next week regarding the street naming structure and will share the results at a future meeting. Mr. Peterson estimates the Port will need to propose 5 to 8 street names for City review.

Commissioner Moak inquired if Mr. Peterson has met with the City's GIS staff.

Mr. Peterson has only met with Miles Thomas, who has been an advocate for Vista Field and agrees with the logic behind the selection of street names. Mr. Thomas will share the Port's vision with GIS staff and Mr. Peterson is scheduled to meet with them next week. Mr. Peterson stated the City's response could impact the theme of Vista Field.

Commissioner Barnes supports the process and agrees with the justification and rationale that Mr. Peterson presented. Commissioner Barnes believes it is important to get some street names in place that set the theme for Vista Field.

## **B. *Columbia Drive Update***

Mr. Peterson stated construction continues on Columbia Gardens Way and the Date and Cedar Street extension and the screening wall is nearly complete. Mr. Peterson along with Thomas Kastner from Meier Architecture recently met with the City regarding the tasting room. Mr. Peterson stated the tasting room plans are being prepared for City review and the Port will bid the

# PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

**DRAFT**

---

tasting room in sequence of the completion of the roadway work. Additionally, the bus shelter and artwork piece will be bid as small works projects in August.

Commissioner Moak inquired when the design work for the tasting room building will be completed.

Mr. Peterson stated the construction plans are 95% complete and staff will present the plans to the Commission at a future meeting.

## ***C. Clover Island Master Plan Update***

Mr. Arntzen recalls it is the intention of the Commission to include a line item in the 2019-2020 Budget to refresh the Clover Island Master Plan and will include The Willows and Columbia Gardens. The refresh could also dovetail in with the City's Master Planning efforts. Mr. Arntzen relayed that Commissioner Moak feels it would be helpful to have background information and Mr. Arntzen asked Mr. Peterson to get the applicable documents to Commission. Furthermore, Mr. Arntzen asked Mr. Peterson to give a short presentation regarding the history of Clover Island and the 2005 Clover Island Master Plan.

Commissioner Moak feels it would be helpful for the Commission to walk through the key points of the 2005 Master Plan and the vision for Clover Island.

## ***D. 2019-2020 Work Plan and Budget***

Mr. Arntzen stated staff is working on the Draft 2019-2020 Work Plan and Budget and hope to capture the direction given by Commission. The 2017-2018 Work Plan and Budget took long term projects into consideration, which were forecasted out in the Comprehensive Scheme. The 2019-2020 Work Plan and Budget will include constants such as funding for Vista Field, the USACE 1135 Clover Island Shoreline Rehabilitation project, and funding for infrastructure in The Willows for CBC's Culinary Institute. Additionally, there will be fewer larger capital projects, but the document will also offer some flexibility for smaller projects. Mr. Arntzen stated the Work Plan is policy adopted by the Commission and it is the intent of staff to capture the direction set by the Commission.

Commissioner Barnes stated in addition to the two year capital budget, the Port also has a ten year Capital Projects Plan and inquired if the Commission should review those projects as well.

Mr. Arntzen stated Commission will review the current work plan and the long term capital projects plan and make any necessary changes, based on the two year budget.

## ***E. Wayfinding Update***

Ms. Bader Inglima shared that the Wayfinding Master Plan has been completed, which was coordinated through Visit Tri-Cities Rivershore Enhancement Council. Now that the plan has been completed, the technical committee has been working on phasing and has agreed (with approval from the Strategic Committee) that Phase I will begin in 2018 and include welcome and monument signs. Phase II will begin in 2019 and include directional signage in general areas within the communities. Each of the large cities have confirmed they have set aside funding (actual budget

# PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

**DRAFT**

---

approval varies by entity) for both 2018 and 2019 to support the monument and directional signs; however, at this time, the City of West Richland has not set aside funding.

The cities of Richland, Pasco and Kennewick have been working together to put out an RFP for Landscape Architecture and Project Management. They held a meeting in June for any potential bidders to provide additional information. The RFP was issued in late June and responses were due last week. Richland, with consultation from the other two cities, will make a selection and award the contract for Richland. They designed the process so that once selected, the other two cities will also be able to award bids to the selected contractor.

Commissioner Moak inquired if the Port would need to budget for Wayfinding for 2019-2020.

Ms. Bader Inglima stated the Port development sights were not identified within the plan for monument or directional signage for 2018 or 2019.

Commissioner Moak stated the Port contributed to the study and at some point would need to install signage in Port developments, in accordance to the plan.

Mr. Arntzen has been concerned about implementing someone else's plan from the beginning. Mr. Arntzen believes it is up to the Commission to decide what signage is placed in Port developments and hopes that our portion of the wayfinding project is complete. Mr. Arntzen stated the Port recently installed blade signs for the wineries and received positive responses from the tenants. The signs that were installed are consistent with the Pattern Language Committee's desires for the development and Gary Black's suggestions for the Pattern Language of the development.

Commissioner Moak feels there will be monument signs for Downtown Kennewick and Columbia Drive and that the City may ask the Port to contribute to a monument sign.

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

Commissioners reported on their respective committee meetings.

## ***G. Non Scheduled Items***

1. Commissioner Novakovich stated recently the *Tri-City Herald* reported on the Washington Department of Ecology study regarding the ozone (smog) problem in the Tri-Cities. Federal levels for smog is 70 parts per billion and for the last several years the Tri-Cities has been over that amount. The biggest contributor to the ozone issue is transportation and if the rail proposal is approved for the 240 Bypass Highway, the ozone levels will continue to increase.
2. Commissioner Moak shared that former Commissioner Hanson's wife recently passed away.
3. Ms. Bader Inglima reported that freelance writers for WineX Magazine recently visited the area and published an article on the wineries of the Tri-Cities. Columbia Gardens, Monarcha, and Bartholomew were mentioned and the only photo attached to the online article is of Duffy's Pond.

# PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

**DRAFT**

---

Ms. Bader Inglima stated on July 31, 2018, at 11:30 a.m. the Port and City will be receiving the Governor's Award for the Smart Partnership Award for the Vista Field Master Planning. The ceremony and small reception will be held at Hangar B at Vista Field.

Ms. Bader Inglima stated Karen Sullivan, manager of the Historic Downtown Kennewick Partnership (HDKP) Market invited the Port to participate in the community booth to talk about Port projects; the booth is scheduled for August 16, 2018.

Ms. Bader Inglima recently attended the U.S. Army Corps of Engineers Change of Command Ceremony and thanked Lieutenant Colonel Damon Delarosa for all his help with supporting Port projects. On the day before Lt. Col. Delarosa left his post at Walla Walla, he approved the Memorandum of Understanding (MOU) for the Hydrographic Survey report for the 1135 Clover Island Habitat Restoration Project.

Ms. Bader Inglima met incoming commander, Christian Dietz, and welcomed him to the district. During their transition meetings, Lt. Col. Delarosa relayed how important the 1135 project is to Clover Island. Ms. Bader Inglima will meet with Commander Dietz and tour Clover Island. Once the Port determines the hydrology of Clover Island and selects the alternative, the USACE is obligated to move forward with the 1135 project.

4. Mr. Arntzen commended the Commission for the decision on the Vista Field financing package. Mr. Arntzen believes it was the correct path and a major milestone for the project. Mr. Arntzen also commended Mr. Kooiker for the process and his ability to select and work with a great team.

Mr. Arntzen shared that he will be meeting with the Eric Queampts, the Interim Executive Director for the Confederated Tribes of the Umatilla Indian Reservation (CTUIR).

## **PUBLIC COMMENTS**

Boyce Burdick, 414 Snyder Street, Richland. Mr. Burdick inquired who will pay for the operating costs, such as irrigation and electricity for street lighting under the Vista Field Proposed Organizational Structure.

Mr. Arntzen asked Mr. Peterson to address Mr. Burdick's question at a future Commission Meeting.

Amanda Jones, 9342 West 5<sup>th</sup> Place, Kennewick. Ms. Jones congratulated the Port Commission, Mr. Arntzen, staff and especially Mr. Kooiker on moving forward with the recent decision for financing Vista Field. Ms. Jones is very excited about Mr. Peterson and Mr. Arntzen defining the assessments on the properties and naming of streets, because once completed that will mean lots are available. As a citizen, Ms. Jones is looking forward to enjoying the project and her interest and support of what the Port is doing has never wavered.

No further comments were made.

# PORT OF KENNEWICK REGULAR COMMISSION MEETING

JULY 24, 2018 MINUTES

**DRAFT**

---

## ADJOURNMENT

With no further business to bring before the Board; the meeting was adjourned 4:15 p.m.

**APPROVED:**

**PORT of KENNEWICK  
BOARD of COMMISSIONERS**

---









*Thomas Moak, President*

---

*Don Barnes, Vice President*

---

*Skip Novakovich, Secretary*

Prospective Purchasers and Terms In Connection With: Port of Kennewick Washington: Limited Tax General Obligation Bond, 2018								
Contact Location	Banner Bank Kennewick, WA	Capital One Albuquerque, NM	Cashmere Valley Bank Bellevue, WA	Columbia Bank Seattle, WA	Community First Bank Kennewick, WA	OpusBank Roseville, CA	Umpqua Roseville, CA	Washington Federal Seattle, WA
								
Term / Amortization:	Annual Principal Payments Dec. 1, 2020 - Dec. 1, 2033* (*maturity not directly stated)	Annual Principal Payments Dec. 1, 2020 - Dec. 1, 2033	Semiannual Principal Payments June 1, 2020 - June 1, 2033	Annual Principal Payments Dec. 1, 2020 - Dec. 1, 2033	Annual Principal Payments Dec. 1, 2020 - Dec. 1, 2034* (*maturity not directly stated)	Annual Principal Payments Starting Dec. 1, 2020 - Dec. 1, 2033	Annual Principal Payments Starting Dec. 1, 2020 - Dec. 1, 2033* (did not directly state first maturity)	Annual Principal Payments Starting Dec. 1, 2021 - Dec. 1, 2033
Indicative Fixed Rate (%):	3.66%	3.45%	2.85% from closing to June 1, 2023; 3.45% from June 1, 2023 - June 1, 2028; 3.85% at current rates from June 1, 2028 to maturity <sup>(1)</sup>	3.47%	4.17%	3.68%	3.69%	N/A (3.45% rate only through 12/1/2028; thereafter, bank can put loan or reset rate)
Upfront Fee (\$):	None	None	\$500 (as a discount to the first draw, unless full loan amount drawn with first draw)	10 basis points (\$5,000)	None	\$1,000 (COI wire / draw processing)	20 basis points (\$10,000)	10 basis points (\$5,000)
Other Fees (\$):	Bank Counsel fees of \$3,000	None	None	Bank Counsel fees NTE \$4,000	None (if CFB prepares any loan documents, will charge legal fee)	Bank Counsel fees NTE \$6,000	Bank Counsel fees NTE \$5,000	Bank Counsel fees set at \$5,000
Effective Cost of Capital* (%):	3.72%	3.45%	Dependent on prime rate in 2028; 3.17% at current rates	3.49%	4.17%	3.70%	3.73%	3.48% (could be higher if interest rates are higher in 2028)
Closing Date:	Not specified	August 3, 2018	Note stated; estimated two weeks from selection to full credit approval	August 3, 2018 (rate locked until August 15, 2018, if needed)	Not clearly stated; if CFB prepared loan docs., no earlier than 8/13/18	Not specified; bank believes it can fund within 4 weeks of being awarded transaction	Week of August 13	August 24, 2018 (estimated)
Prepayment Provisions / Redemption Features	Callable in whole or in part on any payment date without penalty	Callable in whole without penalty beginning 12/1/2026; callable in part (\$100K - \$500K once per year) on any interest payment date	Callable in whole or in part at any time without penalty	Callable in whole or in part at any time without penalty	No prepayment penalty	Either: 1. Prepayment penalty of 5-5-5-5-5-4-4-4-4-4-3- 3-2-2-1% (year 1-15) OR 2. No prepayment for first 10 yrs; then prepayment w/out penalty thereafter -Up to 10% prepayment allowed w/out penalty each year as long as not refinancing	Prepayable at 103% of par in years 1-3, declining to 102% in years 4-6, and 101% in years 7-9. Redeemable at par beginning in year 10 and thereafter.	Only prepayable without penalty at the option of the bank (if the bank is able to redeploy the funds..."at a satisfactory higher rate (determined solely by the bank)
Conditions:	Nothing beyond resolution, opinions, and bond/loan documentation customary for this type of transaction	Nothing beyond resolution, opinions, and bond/loan documentation customary for this type of transaction	Nothing beyond resolution, opinions, and bond/loan documentation customary for this type of transaction	Nothing beyond resolution, opinions, and bond/loan documentation customary for this type of transaction	Nothing beyond resolution, opinions, and bond/loan documentation customary for this type of transaction	Average life not to exceed 8.95 years	Rate requires \$1mm average depository relationship with bank	Nothing beyond resolution, opinions, and bond/loan documentation customary for this type of transaction
Financial Covenants:	None stated	None stated	None stated	None stated	None stated	Annual budgeting and appropriation of the lease payments	None stated	Usual and customary for transactions of this type
Financial Reporting Covenants:	Port's annual financial statements / reports, audit reports, audited financial statements, as soon as available but no later than 240 days from fiscal year end.	Audited financial statements within 270 days of FY end; bank may request other reasonable and customary information relevant to the Port's credit quality	Port to make annual financial audit available to the bank.	-Port to provide or make publically available a copy of its financial statements within one year of FY end. -Port of provide its annual budget within 60 days of adoption.	None stated	-Annual audited financial statements -Annual budget -Regular project progress reports -Other information as may be determined during due diligence process	Not stated explicitly; implied to be normal and customary for a transaction of this nature	Audited financial statements within 270 days of FY end.

\*Includes all fees proposed by the Lender. Excludes the Placement Agent's fees and Borrower's Counsel fees, which do not differ among alternatives and are not expected to be funded out of loan proceeds. Assumes Port draws full amount of loan at closing.



# **PRICING ADVISORS REPORT**

## **TO**



**By**

A Pacific Northwest  
Financial Services  
Company



**Martin  
Nelson &  
Company**

**Jim Blumenthal  
Vice President  
(206) 695-7116**

**Date of Bond Sale: July 17, 2018**

---

*Pricing Advisor Report – Port of Kennewick*

---

Port of Kennewick  
Nick Kooiker  
Chief Financial Officer and Auditor  
350 Clover Island Dr., Suite 200  
Kennewick, WA 99336

**Ref: \$5,000,000 Limited Tax General Obligation Bond, 2018 (Tax-Exempt)**

Dear Nick:

**Overview.** On July 17, 2018, the Port received bids from competing banks for the above referenced bond (the “Bond”) to (i) fund public infrastructure improvements related to the Port’s redevelopment of 103 acres of land at Vista Field, a former general aviation airfield owned by the Port (the “Project”); and (ii) pay all or a portion of the costs incidental to the foregoing and to the issuance of the Bond.

The bid process was run by KeyBanc Capital Markets (the “Loan Arranger”).

**Bond Structure.** The Bond was structured to: draw down during an anticipated construction period of 18 months, followed by the amortization of principal of all draws over a remaining 15 year term.

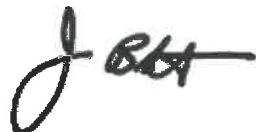
**Bond Rating.** The Port demonstrates strong credit quality characteristics with its high reserve balances, no outstanding debt except for the Bond about to be issued, large assessed value (12,195,468,762 indicating robust statutory debt capacity) and conservative regular tax levy draws (73% of available capacity). While not currently rated by a national bond credit rating agency, we estimate that the Port would qualify for at least a AA Standard and Poor’s bond rating. While there is an argument to suggest that the Port would not be unreasonable to consider that they might qualify for a credit rating in the “AAA” range given its objective credit factors, our view is that the rating agencies would focus on the Port’s ratio of per capita effective buying income relative to the United States and would use this factor to notch the Port into the “AA” range, among other factors. Therefore, it is from a “AA” credit rating basis that we draw our conclusion as to the competitiveness of the interest rate offered by the winning Lender as we compare their proposals to market benchmarks.

**Interest Rates.** Our interest rate review of the Port’s limited tax general obligation bond financing covered a survey of rates across the United States (including Washington State) and a study of the spread between national market benchmarks (FHLB, Bond Buyer etc.). Exhibit A provides details of this survey.

This survey accounted for credit quality factors, maturity sizes, call features and interest rate type (bank qualified tax-exempt). In addition, Martin Nelson & Company utilized the resources of its own bond underwriting desk and incorporated the fair price opinions of its underwriters and traders into the comparison of proposed interest rate offers of the Lender RFP on July 17, 2018.

**Conclusions.** On July 17, 2018, KeyBanc Capital Markets RFP results reflected a very competitive financing bid process, particularly in numbers of bids received (8). The Loan Arranger did not bid. In addition, differences in rates, fees and features were reasonably narrow suggesting a good sampling of market conditions occurred. Our conclusion from the bid results was that either the Cashmere Valley Bank or the Columbia Bank bids offered the most attractive pricing given the goals and objectives of the Port and either of the interest rates offered represented a competitive choice.

Sincerely,

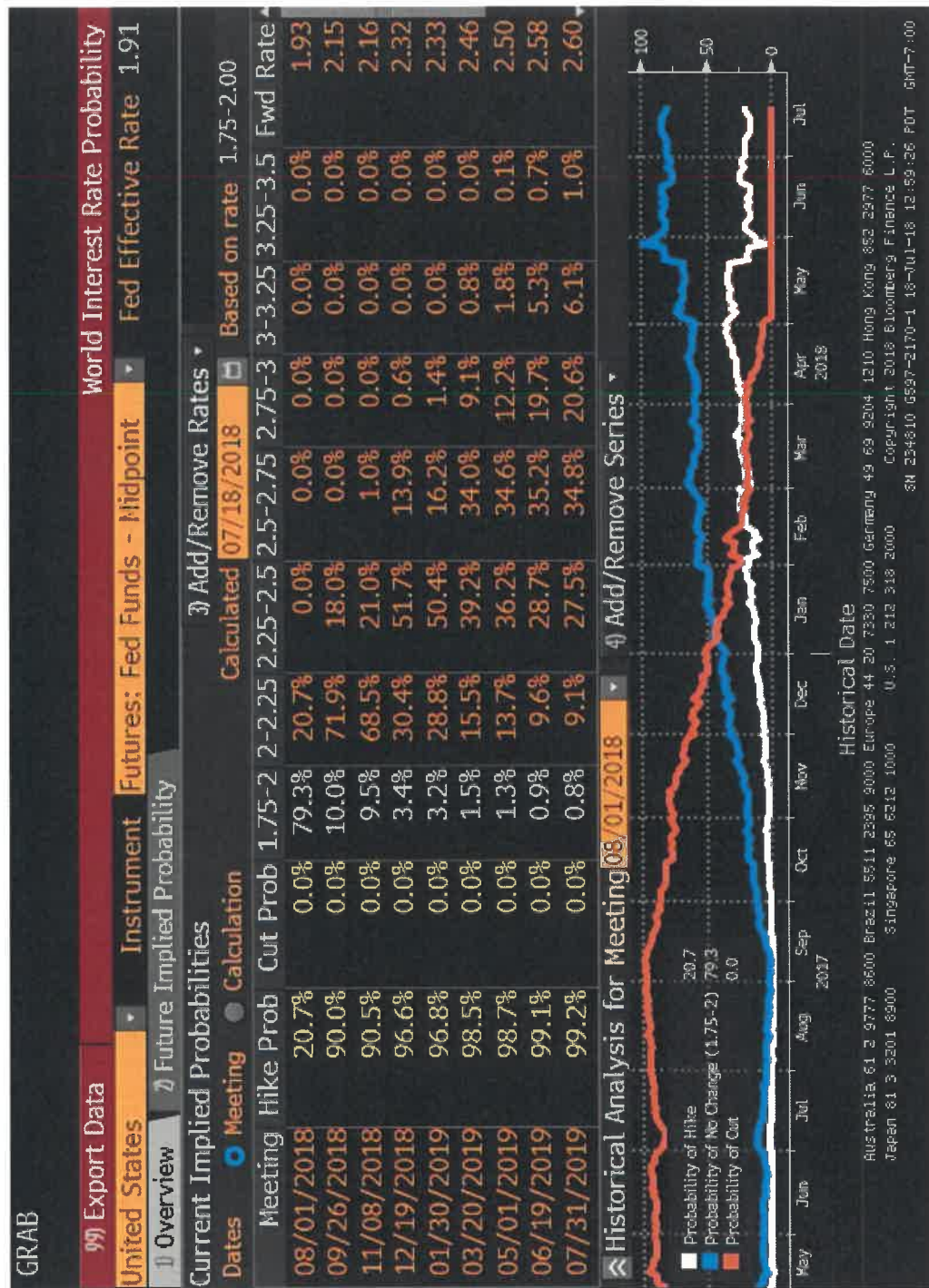


Jim Blumenthal  
Vice President

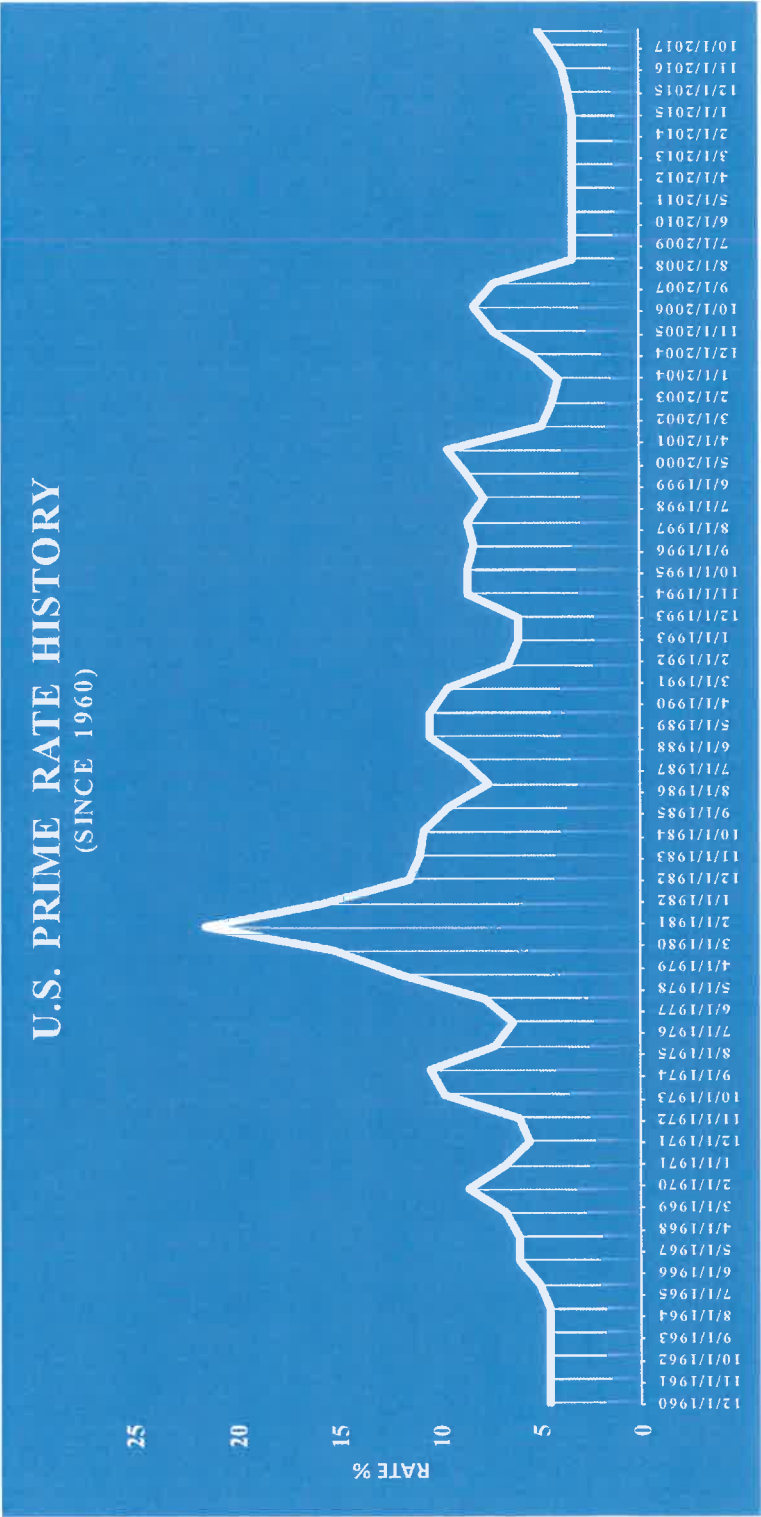


## Exhibit A

## Current Interest Rate Climate – Probability of Future Rate Increases by the Federal Reserve Board



**Exhibit A (continued)**  
**U.S. Prime Rate History**



Data extends to July 18, 2018



Exhibit A (continued)  
Available Cost of Funds from Commercial Banks

Commercial Bank Interest Rate Indications for Amortizing Advances as of July 17, 2018 <sup>3</sup>						
Term	Amortization	Amortization Delay	Amortization Frequency	Pre-Pay Option	[a] Offered Commercial Rate	Estimated & Interpolated Tax-Exempt Bank Qualified Interest Rate [a] *78% <sup>1</sup>
15 Years	15 Years	None	Annual	5 Years	3.87%	3.02% <sup>2</sup>

<sup>1</sup> Assumes new max U.S. corporate tax rate is 22%.

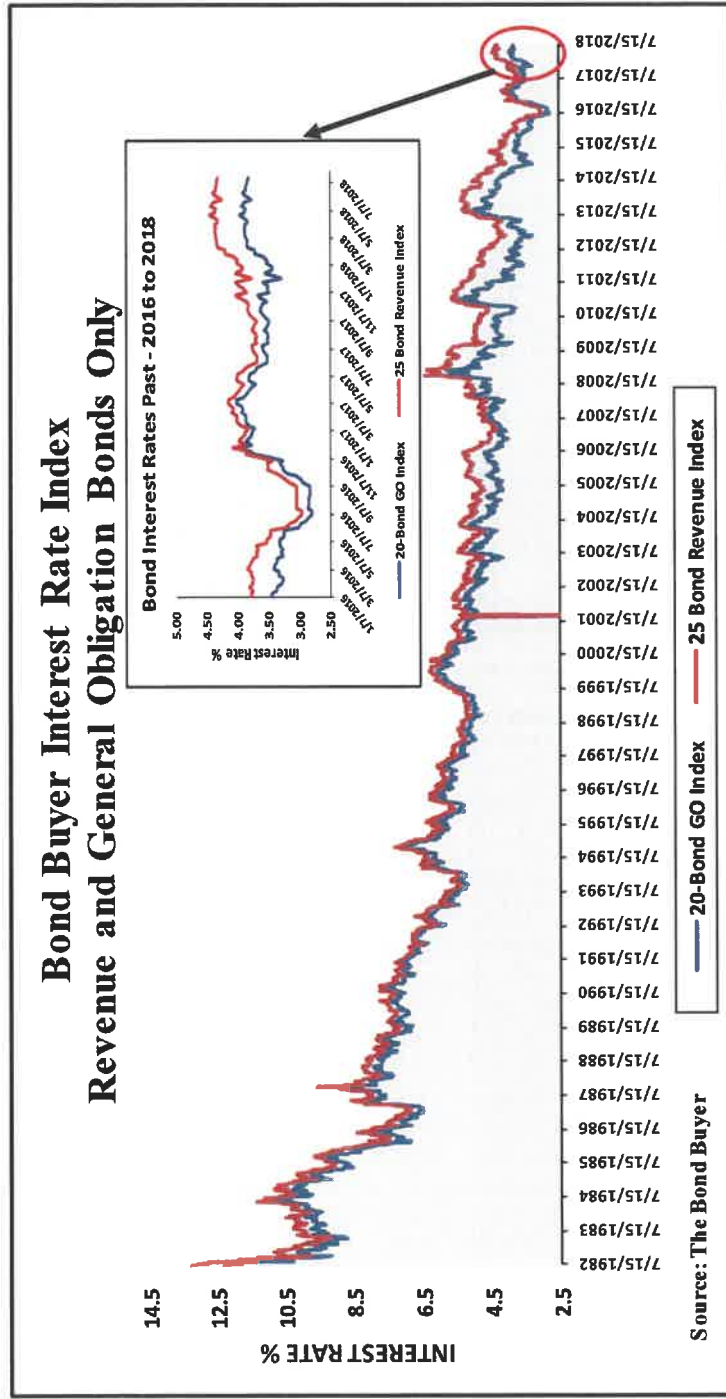
<sup>2</sup> Excludes profit margin to be incorporated in final lending rate to customer.

<sup>3</sup> Source: Federal Home Loan Bank





# Exhibit A (continued) Index of 20 Year Term Tax-Exempt General Obligation Debt



Note: The "20-Bond GO Index" is a compilation of 20 year term general obligation bonds offered in the current market with an average credit rating equivalent of AA by Standard & Poor's or Aa2 by Moody's. The "25 Bond Revenue Index" is a compilation of up to 30 year term revenue bonds offered in the current market with an average credit rating equivalent of AA by Standard & Poor's or Aa2 by Moody's.





## AGENDA REPORT

**TO:** Port Commission

**FROM:** Amber Hanchette, Director of Operations & Real Estate

**MEETING DATE:** August 14, 2018

**AGENDA ITEM:** Resolution 2018-16; Lease Rates for Columbia Gardens Tasting Room Building, Phase 2B

---

**I. REFERENCE(S):** Resolution 2018-16; Lease Rates Columbia Gardens Tasting Room Building, Phase 2B  
Preliminary Site Plan  
Opinion of Value and Market Factors

**II. FISCAL IMPACT:** None at this time.

**III. DISCUSSION:** By utilizing insurance proceeds from the 211 E. Columbia Drive building collapse of January 2017, a 2,500 square foot port-owned building is planned to begin construction in fall of 2018. This building will consist of two, nearly equal tenant spaces owned by the Port of Kennewick. The proposed building use is winery tasting rooms with open space, prep room, restroom, storage and outdoor patios on each side of the building.

Centrally located on the north side of Columbia Gardens Wine and Artisan Village the building design is inspired by the Columbia River and reflects a boat house/cabin style.

Following the construction of three wine production buildings, parking improvements, road/sewer/utilities, food truck plaza and artwork the new building will bring additional jobs, businesses and opportunity to the port's redevelopment efforts in the Columbia Gardens Wine and Artisan Village.

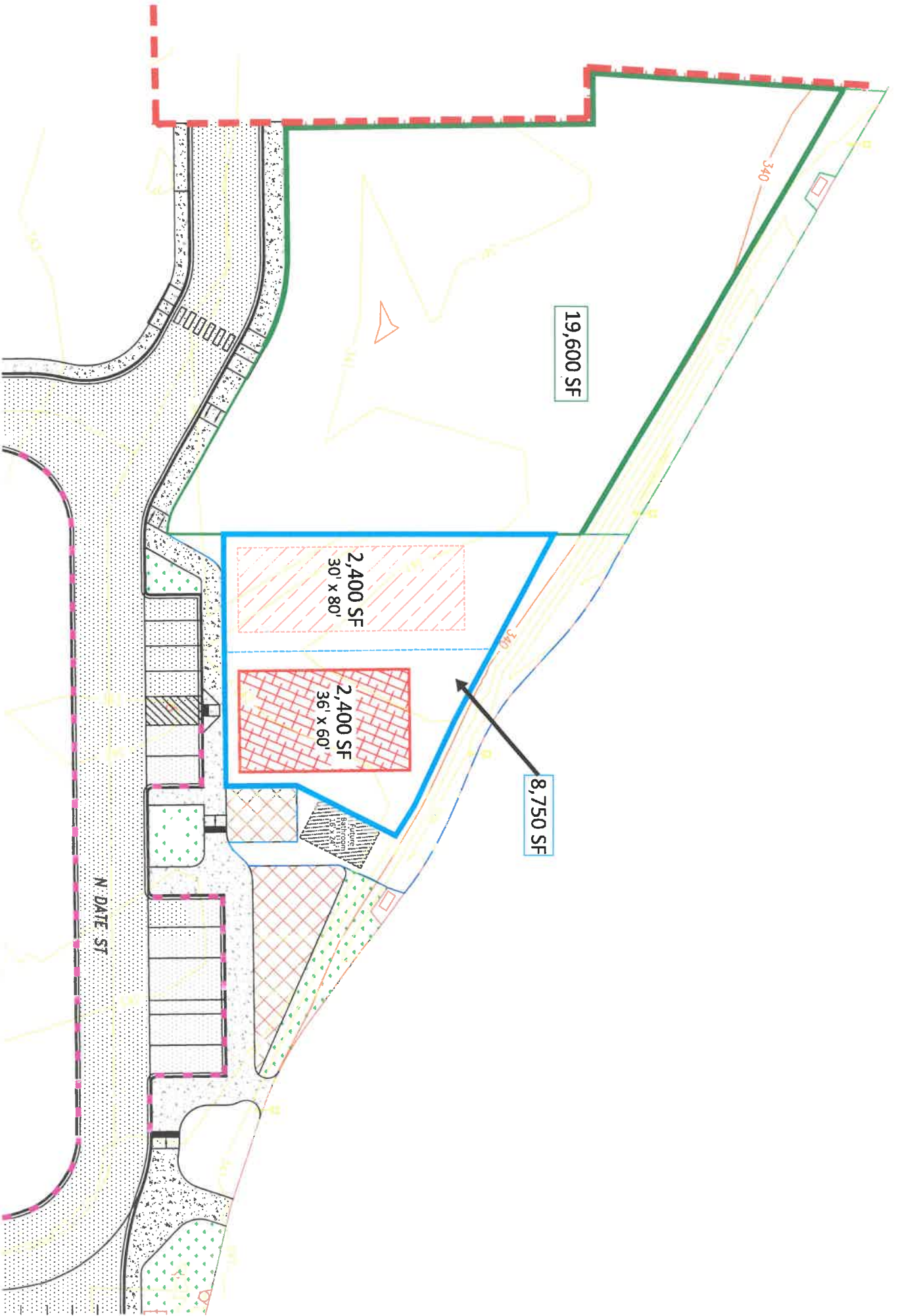
An analysis of comparable commercial spaces for lease was obtained by a knowledgeable commercial real estate professional who researched the broader market factors, potential location challenges and lease rate comparisons.

**IV. STAFF RECOMMENDATION:**

Accept independent opinion of value and direct port staff to market new 2,500 square foot commercial building within Columbia Gardens Wine and Artisan Village as a two tenant tasting room development building at an annual lease rate of \$12.00 per square foot plus leasehold tax.

**V. ACTION REQUESTED OF COMMISSION:**

***Motion:** I move approval of Resolution 2018-16 authorizing an annual lease rate beginning at \$12.00 per square foot plus leasehold tax for the Phase 2B Columbia Gardens development building.*





## Broker Opinion of Value

### PORT OF KENNEWICK



**NAI Tri-Cities**

Commercial Real Estate Services, Worldwide

Jazmine Murillo

NAI Tri-Cities Commercial Real Estate

tel 1.509.943.5200

cell 1.509.792.0428

fax 1.509.943.5244

[jazmine@naitc.com](mailto:jazmine@naitc.com)

# Table of Contents



3	Section 01 Executive Summary
4	3. Subject Property
8	Section 02 4.- 7. Available Comparable
14	Section 03 8-13. Leased Comparable
	Section 04 13. Pricing

# Subject Property

Columbia Drive Kennewick, WA 99336

The proposed building will be approximately 2,500 square feet with 2 separate built out tasting rooms totaling approximately 1,250 square feet of usable space each. The subject property is located on Columbia Drive.

Neighboring properties consist of Winery's, restaurants, antique shops, a car lot, small and large retail stripes. The property is situated an area that is currently being rebuilt.

The Tri Cities has maintained a stable, steadily growing real estate market for the past 10 years, relatively immune for the recession experienced by most of the country. A speculative tenant will most likely discount the value based on the following: location, neighboring businesses, traffic counts, cost and age of the building.



## Comparable



## Overview

### Address

100 N. Fruitland  
KENNEWICK, WA 99336

### Specs

Size: 2,507 Sq. Ft & 3,910 Sq. Ft.  
Acres: .12

### Use

Office

### Year Built

1979

### Asking Rent

\$10- \$12 psf (Gross lease)

Space is designed for commercial office space, can be separated into smaller units if needed.

## Comparable



© PACMILS

## Overview

### Address

3360 Deschutes Ave  
KENNEWICK, WA 99336

### Specs

Size: 6,400 Sq. Ft.  
Acres: 0.47

### Use

Office

### Year Built

To Be Built

### Asking Rent

\$18 psf (NNN)

Space is designed for commercial office space, preferred legal use.



3 Comparable

## Leased Comparable



## Overview

### Address

224 W Kennewick Ave  
KENNEWICK, WA 99336

### Specs

Size: 1,200 Sq. Ft. — 900 sq. ft. above grade

### Use

Retail

### Year Built

1952

### Rent at

\$10 psf (Modified Gross)

### Contract date

08/01/2017





## Leased Comparable



## Overview

### Address

101 W Kennewick Ave  
KENNEWICK, WA 99336

### Specs

Size: 2,600 Sq. Ft.

### Use

Retail/ Entertainment

### Year Built

1918

### Rent at

\$5.84 psf (Modified Gross)

### Contract date

07/15/2017



3 Comparable

## Leased Comparable



## Overview

### Address

500 West 1st  
KENNEWICK, WA 99336

### Specs

Size: 1,240 Sq. Ft.

### Use

Retail/Office

### Year Built

1976

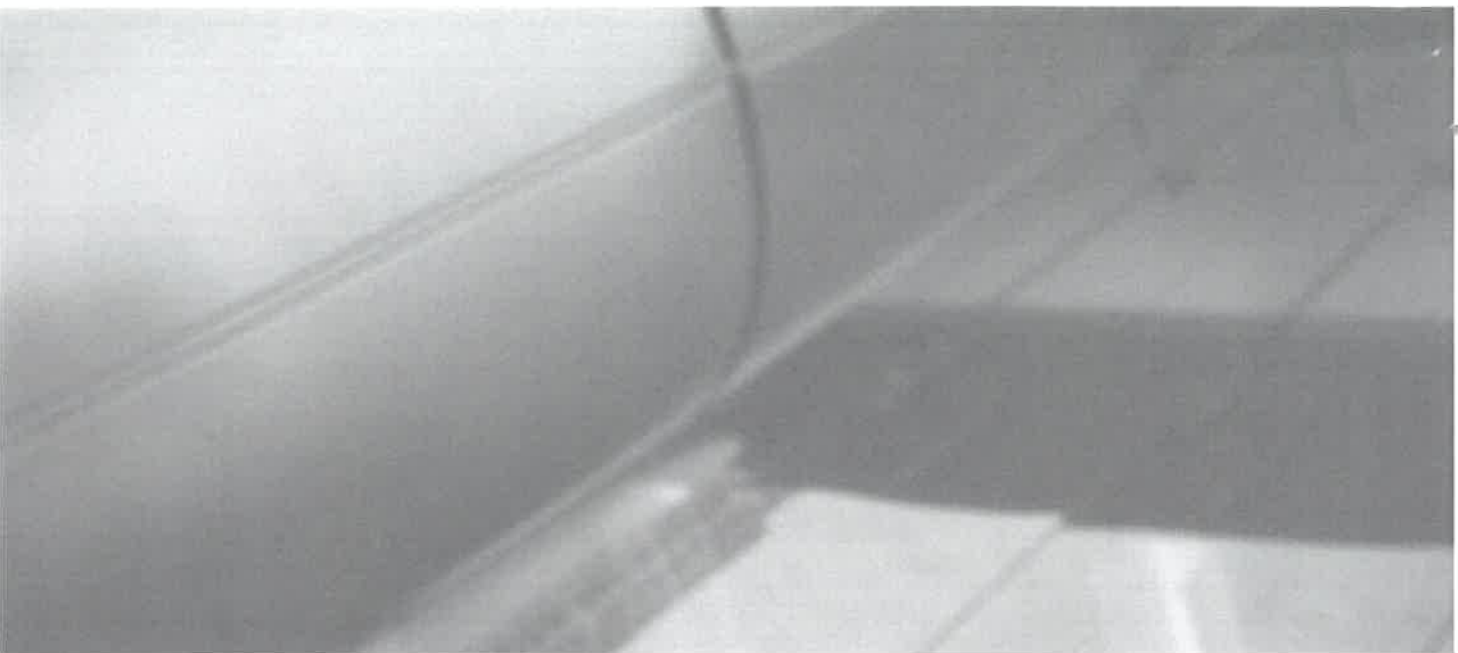
### Rent at

\$11 psf (Modified Gross)

### Contract date

04/18/2017

Space was rented as is, tenant was responsible for improvements.



## Recommended

### Pricing

#### Sale Comparables

The comparable properties were similar in location to the subject property, however differ in age and use. The leased properties averaged out to \$8.95 per square foot. Several of the comparable were modified gross lease, which is similar to how the subject property will be marketed. Although the properties were primarily retail and office they all needed a large about of updated or TI Improvements.

The most similar comparable at this time is the available property at 3360 Deschutes. The properties are similar due to the age and being build to suit per clients needs. I believe Deschutes price per square ft is higher due to the tenant they are marketing to, however this has hindered the listing because the property has been listed since March 11<sup>th</sup> of 2016.

Keeping in mind the cost to tailor the proposed building to fit a tasting rooms needs. In my opinion the future space will lease at \$12-\$13 psf as a modified gross lease.

Thank you,  
Jazmine Murillo  
NAI Tri-Cities



***PORT OF KENNEWICK***

**Resolution No. 2018-16**

***A RESOLUTION OF THE BOARD OF COMMISSIONERS  
OF THE PORT OF KENNEWICK ESTABLISHING LEASE RATES FOR  
A COLUMBIA GARDENS WINE DEVELOPMENT BUILDING, PHASE 2B***

**WHEREAS**, upon completion of infrastructure improvements for Phase 2A of the Columbia Gardens Wine and Artisan Village, Phase 2B construction shall commence on a 2,500 square foot port-owned development building; and

**WHEREAS**, lease rates shall be established for new tenants occupying the development building upon completion; and

**WHEREAS**, the Columbia Gardens Wine and Artisan Village is a one-of-a-kind waterfront destination in Kennewick with wine production facilities, tasting rooms, food truck plaza, public restrooms, parking facilities, artwork and walking trail; and

**WHEREAS**, a comparable rate analysis was performed of nearby commercial spaces for lease.

**NOW THEREFORE, BE IT RESOLVED** that the Port of Kennewick Commission does hereby establish initial lease rates for the Phase 2B Columbia Gardens Wine and Artisan Village development building at an annual lease rate of \$12.00 per square foot, and further authorizes the Chief Executive Director to take all action necessary.

**ADOPTED** by the Board of Commissioners of Port of Kennewick on the 14th day of August 2018.

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

By: \_\_\_\_\_  
THOMAS MOAK, *President*

By: \_\_\_\_\_  
DON BARNES, *Vice President*

By: \_\_\_\_\_  
SKIP NOVAKOVICH, *Secretary*