

**FIRST ADDENDUM TO
CITY OF KENNEWICK AND PORT OF KENNEWICK
INTERLOCAL AGREEMENT REGARDING
COLUMBIA DRIVE ECONOMIC DEVELOPMENT
COLUMBIA GARDENS-PHASE 1**

1. AGREEMENT ADDENDUM. This First Addendum ("1st Addendum") to the Interlocal Agreement Regarding Columbia Drive Economic Development, Columbia Gardens - Phase 1 ("Agreement") is between the Port of Kennewick ("Port") and the City of Kennewick ("City"). The City and Port are Washington municipal corporations and each a "Party," and collectively the "Parties," to this 1st Addendum. The Parties agree as follows.

2. RECITALS

2.1 The Agreement became effective on November 5, 2013. Subsequently, the Parties have considered preliminary plans and designs for the Project Area, including the management of wastewater.

2.2 The Parties determined a more economical means of managing wastewater is available. The Port's existing building at 211 Columbia Drive will not accommodate the installation of a City wastewater treatment system for the purpose of treating winery effluent. The Port has further determined that the building is not desirable for housing the wastewater treatment system and may be repurposed for other activities.

2.3 It is the purpose of this 1st Addendum to amend the Agreement to address wastewater management, extend the Agreement term, clarify the buildings to be constructed by the Port, and continue the City's existing cap on investment under the Agreement.

2.4 Except as otherwise stated in this 1st Addendum, the Agreement remains in full force and effect.

3. PORT BUILDINGS AND IMPROVEMENTS

3.1 Section 3.1 Amended. Agreement Section 3.1 is amended to read as follows:

3.1 421 Building. The Port shall demolish the 421 Building.

3.2 Section 3.2 Amended. Agreement Section 3.2 is amended to read as follows:

3.2 New Buildings. The Port shall design, permit and construct three new buildings in proximity to and east of the former 421 Building. The total square footage of the new buildings shall be not less than 10,000 square feet. The new buildings shall be designed for wine-related activities, including wine production, storage, distribution and sales (including tasting room(s)). The Port shall commence construction of the buildings in coordination with the City's construction of the Wine Effluent Treatment System. The

details of the three new buildings shall be outlined in a separate Memorandum of Understanding (MOU). The Port shall establish building rental rates as set forth on the rate sheet attached hereto as "Exhibit A". These rates shall remain in effect for five years from the date of this Agreement.

Section 3.3 Amended. Agreement Section 3.3 is amended to read as follows:

3.3 211 Building. The Port intends to make a future determination regarding the use of the 211 Building, following consultation with the City.

4. WINERY EFFLUENT PROJECT

4.1 Section 4.1 Amended. Agreement Section 4.1 is amended to read as follows:

4.1 Wastewater System Project. The original concept was to design and construct a facility to treat Total Suspended Solids (TSS), Biological Oxygen Demand (BOD), and pH chemicals on site. Upon further investigation and research, a determination was made that acidity treatment was the most critical treatment needed to prevent failure in the infrastructure, and if neutralized, the wastewater treatment plant is capable of managing the TSS and BOD effluent loadings. The City preferred approach, based upon treatment needs, was determined to be through use of in-ground tank(s) for storage and timed release of winery effluent that has only been treated for pH adjustment. The effluent can then be discharged at appropriate times into the City sewer system for final treatment with other wastewater at the wastewater treatment plant. The final determination of the method of wastewater treatment shall be at the discretion of the City.

4.2 Section 4.2 Amended. Agreement Section 4.2 is amended to read as follows:

4.2 City Local System. In cooperation with the Port, the City shall design, permit, install, own, operate and maintain winery effluent tank(s) with ancillary infrastructure for the local system sufficient to serve the Project Area. Ancillary infrastructure shall mean trunk lines leading from each tank(s) to the City sewer system. The local system shall have the capacity to treat wine production necessary for approximately 50,000 cases annually. Tank(s) shall be installed to provide sufficient capacity to the "Columbia Gardens" portion of the site (attached hereto as "Exhibit B") in coordination with the Port's construction of the three winery buildings. The details of the local system will be outlined in a separate MOU. The City shall establish a rate structure necessary to reasonably reimburse the City utility for capital costs, treatment costs of BOD & TSS, and maintenance and operation of the local system, on a reasonable and equitable basis consistent with RCW 35.67.020. The initial rate structure shall be as set forth in "Exhibit C" to this Agreement and will be indexed annually in January to reflect 100% of any change from the Consumer Price Index (U.S. Cities – Urban Wage Earners and Clerical Workers – CPI-W) for October, or other comparable index if not published to reflect the additional costs to maintain and operate the system. In no event shall the change in rates be less than zero percent nor more than four percent per year. The rate structure shall reflect a "general" discharge rate (which includes reimbursement for capital costs and maintenance and operations), and an

“incubator” discharge rate (which would reflect delaying the capital reimbursement portion). The incubator rate shall be available to any user purchasing or leasing property from the Port for a three-year period following said lease or sale. Upon the expiration of said three-year period, users shall pay the “general” rate established in “Exhibit C” and as increased based on Consumer Price Index (CPI) annually. These rates shall remain in effect for five years from the date of this Agreement. The Port will establish separate accounts for each winery to appropriately track usage for purposes of billing. Upon completion of the “Columbia Gardens” portion of the site, the City and Port will mutually evaluate the achievement of the desired outcomes and determine if any additional addendums would be appropriate to continue working in partnership to fulfill the vision and desired outcomes in the “Willows” and “Cable Greens” sites.

4.3 Section 4.3 Amended. Agreement Section 4.3 is amended to read as follows:

4.3 Financial Contingency. The City agrees to spend no more than \$800,000 for the completion of the effluent treatment vaults with ancillary infrastructure.

7. ADMINISTRATION

7.1 Section 7.2 Amended. Agreement Section 7.2 is amended to read as follows:

7.2 Timeframes and Staffing for Processing and Review. In recognition of the importance of timely processing and review of permits, approvals and discretionary actions (“approvals”), the City agrees to work with the Port to establish time frames for processing and reviewing such further agreement(s) and approvals that may be necessary to further this Agreement. Furthermore, the City shall expedite all requests by the Port for approvals, if any. Unless this Agreement provides otherwise, improvements identified in Sections 3, 4 and 5 shall be completed by the respective parties no later than October 30, 2016. This date may be extended for time necessary to satisfy SEPA compliance or other unanticipated delays that are beyond the control of the Port or City.

7.3 Section 7.3 Amended. Agreement Section 7.3 is amended and adds a new subsection 7.3.2 to read as follows:

7.3 Cooperation And Implementation.

7.3.1 Upon satisfactory completion by Port of all required preliminary actions and payment of applicable processing fees, including the fee for processing this Agreement, the City shall commence and diligently process all required steps necessary for the implementation of this Agreement and development of the Project Area in accordance with the terms of this Agreement. Port shall, in a timely manner, provide the City with all documents, plans, fees and other information necessary for the City to carry out its processing obligations under this Agreement.

7.3.2 To further the objectives of the Columbia Drive Economic Development, the Port intends to sell all, or portions of, its property holdings in the Project Area (and

adjacent properties) to private entities. The Port may assign, transfer, sell or encumber all such property consistent with its statutory authority. Prior to any transfer, sell or assignment of property within the Project Area, the City and Port shall mutually enter into agreement regarding the successor or assignee rights and obligations under this Agreement.

8. GENERAL

8.8 Section 8.8 Amended. Agreement Section 8.8 is amended to read as follows:


8.8 Agreement Term. The term of the Agreement shall commence on its execution by both Parties and end December 31, 2025 ("Agreement Term").

IN WITNESS WHEREOF, the Parties have signed this 1st Addendum on the dates below shown.

PORT OF KENNEWICK BOARD OF COMMISSIONERS


By: 
DON BARNES, President

By: 
SKIP NOVAKOVICH, Vice President

By: 
THOMAS MOAK, Secretary

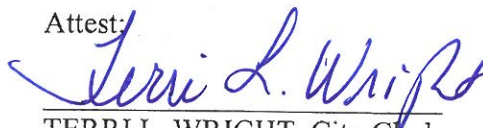
Date: 7-14-2015

CITY OF KENNEWICK


STEVE YOUNG, Mayor

Date: 7/21/15

Attest:


TERRI L. WRIGHT, City Clerk

Approved as to Form:


LISA BEATON, City Attorney

EXHIBIT A

COLUMBIA GARDENS WINE VILLAGE – PHASE I LEASE RATES

Lease rates as approved by the Port of Kennewick Commission on Tuesday, July 14, 2015 for Phase I of the Columbia Gardens Wine Village shall be established at:

- An initial rate of \$0.65 - \$0.75 per square foot per month, plus applicable Washington State leasehold tax; and
- A not to exceed rate of \$1.00 per square foot per month plus applicable Washington State leasehold tax for a period of three years from execution of this Agreement.

EXHIBIT "B"

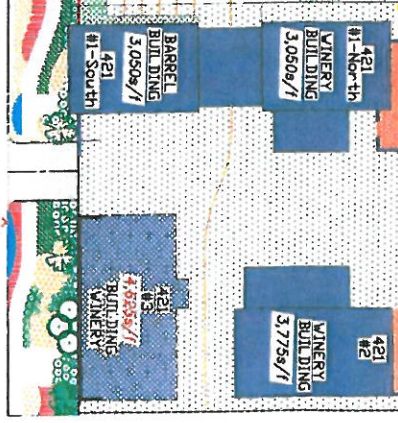
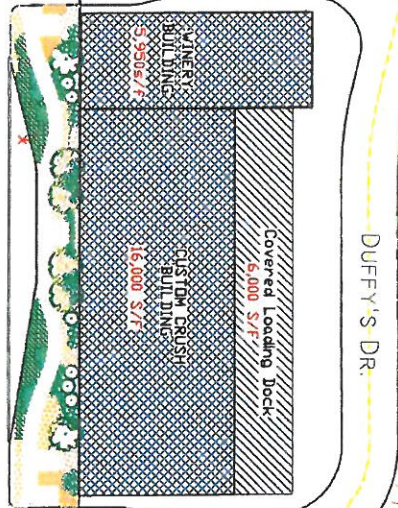
CEDAR ST.

CEDAR DR.

COLUMBIA DR.

DATE ST.

DUFFY'S DR.



COLUMBIA GARDENS PROJECT TOTALS		
WINERY Buildings	52,250s/f	
Non-Winery Buildings	10,150s/f	
TOTAL BUILDINGS	62,400s/f	

4.21 SITE		
PHASE #1 BUILDINGS		
WINERY Building #1 North	3,050s/f	
BARREL Building #1 South	3,050s/f	
WINERY Building #2	3,775s/f	
TOTAL PHASE 1	9,875s/f	
PHASE #2 BUILDING		
WINERY Building #3	4,625s/f	
TOTAL PHASE 1 & 2	14,500s/f	
MARKET/ARTS		
211 Building	8,675s/f	
TOTAL	8,675s/f	

DUFFY'S POND FRONTAGE		
WINE PRODUCTION		
WINERY Building #1 NW	3,050s/f	
WINERY Building #2 Central	3,050s/f	
BARREL Building #3 NE	3,050s/f	
BARREL Building #4 SW	12,200s/f	
TOTAL WINERY	12,200s/f	
RESTAURANT Building	1,475s/f	
TOTAL POND FRONT	13,675s/f	
CENTRAL CORE		
WINE PRODUCTION		
WINERY Building #1 SW	3,600s/f	
WINERY Building #2 Central	5,950s/f	
WINERY Building #3 NE	16,000s/f	
TOTAL WINERY	25,550s/f	

Exhibit C – Pretreatment cost per bottle

General Discharge Rate (following the first 3 years or property sold)

Cost per bottle including yearly M&O & capital recovery costs				
Surcharge per CES design calculations	\$1,613.00			\$0.02
M&O costs	\$9,158.54			\$0.05
Capital Recovery Costs	\$16,176.00			\$0.03
	\$/year	\$26,947.54	\$/bottle	\$0.10

Incubator Discharge Rate (for first 3 years of production)

Cost per bottle with subsidizing the capital recovery costs				
Surcharge per CES design calculations	\$1,613.00			\$0.02
M&O costs	\$9,158.54			\$0.05
	\$/year	\$10,771.54	\$/bottle	\$0.07

PORT OF KENNEWICK

Resolution No. 2015-16

***A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF THE PORT OF KENNEWICK APPROVING THE FIRST ADDENDUM TO THE
INTERLOCAL AGREEMENT WITH THE CITY OF KENNEWICK RELATED TO THE
COLUMBIA GARDENS WINE VILLAGE, PHASE I***

WHEREAS, Resolution 2013-24 adopted an Interlocal Agreement between the Port and the City of Kennewick establishing a joint redevelopment strategy for the Columbia Gardens Wine Village, located in the City's the Bridge to Bridge redevelopment area; and

WHEREAS, the original Interlocal called for certain capital improvements to be made by each partner; and

WHEREAS, after discussion, planning and engineering between the parties, the parties have found better and more cost-effective methods of implementing the intent of the Interlocal Agreement; and

WHEREAS, the Port and the City recognize that incorporating design efficiencies into the joint vision through an Addendum to the Interlocal Agreement is in the best interests of the partners and the public.


NOW THEREFORE, BE IT RESOLVED that the Port of Kennewick Commission does hereby adopt the attached First Addendum to the Columbia Gardens Interlocal Agreement and instructs the Executive Director to take all action to implement the First Addendum.

ADOPTED by the Board of Commissioners of Port of Kennewick on the 14th day of July 2015.

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

By: 
DON BARNES, *President*

By: 
SKIP NOVAKOVICH, *Vice President*

By: 
THOMAS MOAK, *Secretary*