



# PORT OF KENNEWICK REGULAR COMMISSION MEETING

AUGUST 14, 2018 MINUTES

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## 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 Inghima, Deputy Chief Executive Officer  
Amber Hanchette, Director of Real Estate and Operations  
Nick Kooiker, Chief Financial Officer/Auditor  
Larry Peterson, Director of Planning and Development  
Lisa Schumacher, Special Projects Assistant  
Bridgette Scott, Executive Assistant  
Lucinda Luke, Port Counsel

## PLEDGE OF ALLEGIANCE

Commissioner Barnes 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 August 2, 2018***  
Direct Deposit and E-Payments totaling \$79,534.59
- B. Approval of Warrant Register Dated August 14, 2018***  
Expense Fund Voucher Numbers 100327 through 100354 for a grand total of \$91,171.22
- C. Approval of Regular Commission Business Meeting Minutes July 24, 2018***

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***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.*

## PRESENTATION

### ***A. Columbia Gardens Tasting Room Lease Rates, Jazmine Murillo, NAI Tri-Cities Commercial Real Estate***

Ms. Hanchette stated Columbia Gardens Wine and Artisan Village, Phase 2B, will include the a 2,500 square foot Port owned building that will be home to two tasting room tenants. The building will be divided almost equally between two tenants and will include an open area for a tasting room bar (tenant installed), a prep room, restroom, and storage room. The tasting room is centrally located in Columbia Gardens, between Columbia Gardens Way and the walking trail. Ms. Hanchette recommended an annual lease rate of \$12.00 per square foot plus 12.84% leasehold tax, which is approximately \$13.50 per square foot. Ms. Hanchette stated it will be a modified lease rate with a proposed 3 year term, with a 3% rate escalation. The landlord will pay for water, sewer, and common garbage area (also used by the food truck tenants). The tenant will be responsible for a separate metered electric rate and one tenant will have a small natural gas meter. The tasting room is more of a commercial space, whereas the wine buildings leased by Bartholomew Winery and Palencia Wines are more industrial. The Port is providing a generic space and the tenant will be responsible for tenant improvements such as a tasting room bar, and prep and handwashing station. Ms. Hanchette reached out to Jazmine Murillo, a commercial real estate agent with NAI Tri-Cities, to assist with the rate recommendation and local comparables (comps). In addition to Ms. Murillo's comps, Ms. Hanchette utilized the West Marina Professional Building commercial space where the current tenant leases two-thirds of the space for \$12.00 per square foot. Ms. Hanchette introduced Ms. Murillo and asked that she share her perspective on the area and Downtown Kennewick.

In compiling the comps, Ms. Murillo took into consideration that the space was located in Downtown Kennewick and is a specialized lease space. It is important to be strategic with the lease rate, because the proposed tenant will be taking a risk because the location is in a new, revitalized development and if priced too high, the space could remain vacant. Ms. Murillo pulled several comps in the area and stated current lease rates vary from \$10.00-\$15.00 per square foot and are generally triple net leases, which means the tenant agrees to pay all real estate taxes, building insurance, and maintenance on the property.

Commissioner Barnes inquired about the current lease rates for the Wine Village buildings.

Ms. Hanchette stated the Wine Village buildings are considered industrial and the majority of the space is warehouse. The Port utilized an adjusted rate of .65 cents per square foot, with a yearly increase over five years.

Commissioner Barnes stated the Wine Tasting building is not considered industrial or commercial and it is difficult to find reasonable comps. Eventually, Columbia Gardens may be compared to Tulip Lane (J. Bookwalter Winery, Tagaris Winery, and Barnard Griffin Winery); however, those

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buildings are all owner-occupied. Commissioner Barnes appreciates Ms. Murillo's work and thanked her for attending the meeting.

Ms. Hanchette reported the Port received four applicants for the two tasting room spaces.

Commissioner Novakovich inquired if Ms. Hanchette discussed price with the applicants.

Ms. Hanchette gave the applicants a range of \$12.00 - \$15.00 per square foot and indicated that the rate is set by the Commission and subject to change. The applicants appreciate the stability of the three year lease term and what the Port has to offer as a landlord.

Commissioner Novakovich thanked Ms. Hanchette and Ms. Murillo and believes the rate is well justified.

Commissioner Moak stated with the leasehold rate, the rate is approximately \$13.50 and inquired if that rate is comparable to the private sector.

Ms. Hanchette stated the private sector has triple net costs associated with lease spaces, whereas the Port does not, but requires leasehold tax. Leasehold tax is pass-through to the State and is not a revenue generator for the Port.

Commissioner Moak stated the comps are not very desirable spaces; however, he understands that the Port's building is specialized and is in a revitalized area. Commissioner Moak inquired what will happen when the lease term ends in three years.

Ms. Hanchette stated the tenant can renegotiate the lease or move out.

Commissioner Moak inquired if the lease agreement will have an option for renewal.

Ms. Hanchette stated the lease agreement will not include a renewal option.

Commissioner Moak recognizes that it is hard to find comps in this area and stated the biggest competition is Tulip Lane. Commissioner Moak has learned a lot through the process and is comfortable with the staff recommendation.

Commissioner Barnes stated the current wine building tenants are on a five year lease and if the Port offers a three year lease for the tasting rooms, then all of the leases will expire at approximately the same time. Commissioner Barnes inquired if the Port should reconsider extending the three year term to a five year term, so that all of the leases do not expire at the same time.

Ms. Hanchette stated Ken Robertson, the Port's wine consultant discussed the space with wineries and one winery indicated that they would not sign more than a year lease, because of the risk they are assuming. Ms. Hanchette stated Commissioner Barnes makes a valid point and she would need to discuss the term change with the potential applicants; however, the Commission can adjust the term. Ms. Hanchette stated three years goes by quickly and recommends a three year term.

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Commissioner Novakovich inquired if there will be design standards the tenant needs to adhere to.

Ms. Hanchette stated the tenants will need to discuss potential improvements with the Real Estate and Operations Department.

Ms. Hanchette stated the applicants are very excited and want to be part of the revitalization and are willing to take a chance on the space.

Commissioner Moak inquired if the application process has closed.

Ms. Hanchette stated the application closed on July 31, 2018 and the Port received four quality applicants for two spaces. Ms. Hanchette believes that will encourage the private sector to purchase available lots and construct their own buildings.

## PUBLIC COMMENTS

No comments were made.

***MOTION:*** Commissioner Novakovich moved to adopt 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; Commissioner Barnes seconded.

### ***Discussion:***

*Commissioner Barnes recognizes there is an element of competition with the private sector; however, it is inevitable in order to create a catalyst that will spur revitalization on and around Columbia Drive. Commissioner Barnes thanked Ms. Murillo and Ms. Hanchette for their report and stated the lease rate is consistent with other Port properties and supports the recommendation.*

*Commissioner Novakovich agrees with Commissioner Barnes' comments and stated the property on Columbia Drive has been there for a long time and it was up to the public sector to make the first move to entice the private sector to invest in the area.*

*Commissioner Moak stated there is increased competition with Tulip Lane because the demand for wine has increased and expanded in Washington. The Port is doing more than leasing a building, it is trying to revitalize an area of our community and opening up opportunities along the water front for future development. Commissioner Moak appreciates the work of Ms. Murillo and Ms. Hanchette and is looking forward to Phase 2B and establishing great tenants for the building.*

*Commissioner Barnes stated there is a typo in Resolution 2018-16, director should be executive. Clerk's Note: The title was corrected in the Resolution.*

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

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## REPORTS, COMMENTS AND DISCUSSION ITEMS

### *A. Review of Clover Island Master Plan*

Mr. Peterson presented a video of Clover Island from 1999 and stated there have been many projects completed on Clover Island. Mr. Peterson reviewed the 2005 Clover Island Master Plan which included 18 upland projects and 11 in-water projects. Mr. Peterson reviewed the projects that the Port has completed on Clover Island in conjunction with the redevelopment of Spaulding Business Park, the Oak Street Industrial remodel, and creating the Vista Field Master Plan.

Mr. Peterson reported that 12 of the 18 upland projects have been completed since the 2005 Master Plan and an additional four items will be completed with the US Army Corps of Engineers (USACE) 1135 Shoreline Restoration project. Mr. Peterson stated 9 of 11 in-water projects have been completed and the remaining marina expansion was not included in the 2016 Comprehensive Scheme. Additionally, the tour boat dock was not completed because the City of Richland installed a tour boat dock at Howard Amon Park and the Commission did not want to compete with a development partner.

Mr. Peterson stated there has been continued and consistent activity on Clover Island since 2005 and the remaining items are large projects with significant costs that were not identified in the 2016 Comprehensive Scheme. Mr. Peterson stated upon completion of the USACE 1135 Project, Clover Island should be ready for private sector investment.

Commissioner Moak asked how much the Port has invested in Clover Island.

Mr. Peterson estimated \$25,000,000 has been invested in Clover Island since the implementation of the Master Plan.

Commissioner Novakovich stated investing in the West Marina Professional Building turned out to be a smart investment and the Clover Island Yacht Club invested additional funds in their marina. It became a very good return on investment for the Port.

Mr. Peterson stated the Yacht Club made over \$500,000 in tenant improvements.

Ms. Bader Inglima added there has been private investment as well, with the remodeling of individual boat houses. Ms. Bader Inglima stated ten years ago the perception of the Island was not great, but once the Port began making investments, the community embraced the Island. The community has taken ownership of the Island and you can see that every day, regardless of the time of year.

Mr. Peterson stated the Commission recently discussed refreshing the Clover Island Master Plan and today was a snapshot of projects that the Port has completed since the implementation of the Plan in 2005. Mr. Peterson will present a snapshot of Columbia Drive at a future meeting, in advance of the 2019-2020 Work Plan and Budget. This will assist the Commission in assigning tasks, in terms of a Master Plan for the Kennewick Waterfront (Columbia Drive and Clover Island).

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Commissioner Moak stated the lighthouse has become an iconic landmark in the last 10 years and created an overwhelming change in image and feeling. The addition of the USACE 1135 Shoreline Restoration Project will further the Port's investment on the Island and create more opportunities for private sector investment. Commissioner Moak congratulated everyone who has been a part of this dramatic change on Clover Island.

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

Mr. Peterson reported that utility work, including the special sewer system for the food truck site is almost complete. The street lights are ready for installation and the road configuration should begin to take shape soon.

### ***C. Vista Field***

#### ***1. Street Names Update***

Mr. Peterson has been working with City and GIS staff regarding road names for Vista Field. The GIS staff has been very flexible and see this as an opportunity to repair the grid system and fix some naming issues in the area. The City street naming protocol follows an A-Z system, which begins with trees, cities, old-timers (historical figures), and then states. The next step is to work with Lizz Plater-Zyberk and Senen Antonio of DPZ Miami to generate a list of potential street names for Commission consideration. Mr. Peterson estimates that the Port will need ten street names (five public/five private) and the City did ask that the Port break out public right-of- ways, alleys and private streets. Once the names have been vetted by the Commission, staff will present to City staff in September, then the names will be presented to the City Council with a Resolution to create/change street names.

Commissioner Novakovich inquired if DPZ had any recommendations.

Mr. Peterson stated we were not aware of how many street names we would need when we met in New Orleans, but they did have suggestions that tied to flight or wind.

#### ***2. Joint Funding Strategy***

Mr. Arntzen stated one of the goals set by the Commission was to come up with a joint funding strategy for the Vista Field infrastructure. Although the intent was to approach our partners for small commitments, Mr. Arntzen took a different approach to securing funding for Vista Field Infrastructure. Mr. Arntzen recently met with Benton County Commissioners and requested \$500,000 from the County's share of the Rural Capital County Funds (RCCF) for Vista Field Infrastructure. Mr. Arntzen was pleased to report that the Commission voted in favor of awarding the Port \$500,000 of the County's portion of RCCF for Phase 1A infrastructure at Vista Field. Mr. Arntzen stated the vote was a 2:1 vote, with one Commissioner expressing that the County had their own obligations for the RCCF funding. In addition to the County's portion, the Port signed an Interlocal Agreement with the City of Kennewick, who pledged \$1,000,000 of RCCF funds to assist the Port with Vista Field. The \$1,500,000 is in addition to the recent Port loan of \$5,000,000 for Vista Field Phase 1A.

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Mr. Arntzen stated County Administrator David Sparks offered comments in support of the process the Port used to bring the proposal forward and the use of funds. Mr. Sparks indicated the Vista Field request and the Port's previous request for RCCF funding for Columbia Drive infrastructure was well within the State's definition of an economic development project.

Commissioner Novakovich had an opportunity to speak with Benton County Commissioner Shon Small, who offered positive comments regarding the presentation and his support of the Port.

Mr. Arntzen stated Adam Fyall, Sustainable Development Manager, and Shyanne Faulconer, Community Programs and Public Relations Coordinator, for the County assisted the Port and went above beyond. Port and County staff have created a tremendous working relationship and we will continue to foster that partnership.

Commissioner Novakovich stated staff has done a good job fostering support and believes staff is excited about the project.

Mr. Arntzen reported that Mr. Peterson is working with Parametrix, DPZ, JF Engineering and Strategic Construction Management on construction cost estimates for Phase 1A.

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

Mr. Peterson reported that Vista Field Phase 1A construction plans were submitted to the City for review on July 27, 2018. Mr. Peterson stated once the City approves the documents, the Port will begin the bid process for construction of the infrastructure. Mr. Peterson stated based upon the Commission's approval of Resolution 2017-17 and 2017-18 to adopt the Vista Field Master Plan and Developer's Agreement, he anticipates the work at Vista Field will encompass most of the 2019-2020 Work Plan. Mr. Peterson proposed the following schedule:

- September 25, 2018: Draft 2019-2020 Work Plan presented to the Commission;
- September 26-October 5, 2018: Incorporate Commission Comments;
- October 9, 2018: Present final 2019-2020 Work Plan for Commission consideration.

In addition to Vista Field construction, the Port is focused on the completion of Columbia Gardens Wine Village, with Phase 2B construction of the Wine Tasting Building.

Commissioner Moak stated it is important to discuss projects, but the Commission must be mindful of not spreading the Port too thin.

Mr. Arntzen stated in addition to the regular budget discussion, he has asked each director to discuss a project within their budget that is interesting and critical to their department.

Commissioner Novakovich likes the concept because it gives the Commission insight into staff and why the projects are important to the Port.

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

Commissioners reported on their respective committee meetings.

### *F. Non Scheduled Items*

1. Commission Moak stated recently, the Port and City received the Governor's 2018 Smart Communities Smart Partnership Award for the Vista Field Redevelopment Master Plan. Commissioner Moak stated the strong partnership between the Commission, City Council, and Port and City staff has allowed the Port and City to embark on some tremendous projects. Commissioner Moak stated the Commission may disagree at times; however, we discuss the issue, create a plan of action, and follow through, and this enables us to create solid partnerships with other entities.
2. Ms. Bader Inglima stated the Commissioners will be at the Historic Downtown Kennewick Partnership (HDKP) Market tonight, from 4:00 p.m. to 7:00 p.m.; each Commissioner will participate in the community booth to talk about Port projects for one hour.

Ms. Bader Inglima reported that on September 9, 2018, Monarcha Wines and Bartholomew Winery will be hosting a harvest event at Columbia Gardens.

Ms. Bader Inglima stated the Port issued a Request for Proposal (RFP) to overhaul the Port's current website. The RFP was distributed to 30 companies, requesting a website redesign. Once the RFP is awarded, there will be an opportunity for Commission discussion and input on the website redesign.

Commissioner Moak inquired when will the RFP be awarded.

Ms. Bader Inglima stated the RFP will be awarded by the end of September, with a contract following in October. Ms. Bader Inglima anticipates the website design will be completed by February 2019.

Ms. Bader Inglima contacted DPZ Miami regarding assistance in Vista Field branding and logo development; however, due to their workload, they are unable to create the logo. Ms. Bader Inglima reported that the RFP was recently distributed for Vista Field branding and logo development and DPZ will assist the Port in vetting proposals and work with developing three concepts.

Ms. Bader Inglima recently reported that the USACE signed a Memorandum of Understanding (MOU) for the Port to complete a Hydrographic Survey report. This report will help the Port and USACE determine which alternative is best for the 1135 Shoreline Restoration Project. The hydrology survey will also serve as in-kind credit that goes towards the Port's 25% match.

3. Mr. Arntzen recently attended the Rivershore Reconveyance meeting at the Clover Island Inn and was surprised with the number of people who are opposed to the reconveyance. Mr. Arntzen stated the underlining theme of the meeting was lack of public outreach regarding the reconveyance and what would happen if the reconveyance moved forward. Mr. Arntzen



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reported that he did not offer testimony on behalf of the Port and believed the public was perplexed that the discussion had progressed this far without meaningful public input.

4. Mr. Kooiker reported that the loan documents for the Vista Field Phase 1A construction project were signed and will officially close August 15, 2018.

## PUBLIC COMMENTS

Boyce Burdick, 414 Snyder Street, Richland. Mr. Burdick inquired if the City is not requiring alleys in Vista Field to be named, how will emergency response know where to go.

Mr. Peterson stated according to the City, an alley is identified by the main street that it runs parallel with.

No further comments were made.

## COMMISSION COMMENTS

Mr. Moak anticipates the Executive Session will last approximately 20 minutes, Potential Litigation, per RCW 42.30.110(1)(i) with possible action anticipated. Mr. Moak asked the public to notify Port staff if they will return after the executive session so staff can advise if the session concludes early.

## EXECUTIVE SESSION

### *A. Potential Litigation, per RCW 42.30.110(1)(i)*

*Commissioner Moak recessed the meeting at 3:52 p.m. for 8 minutes and will reconvene at approximately 4:00 p.m.*

Commissioner Moak convened the meeting into Executive Session at 4:00 p.m. for approximately 20 minutes.

Ms. Scott exited the meeting at 4:17 p.m. and extended the session 15 minutes.

Ms. Scott exited the meeting at 4:35 p.m. and extended the session 10 minutes.

Ms. Scott exited the meeting at 4:45 p.m. and extended the session 5 minutes.

Ms. Scott exited the meeting at 4:50 p.m. and extended the session 5 minutes.

Ms. Scott exited the meeting at 4:55 p.m. and extended the session 5 minutes.

Ms. Scott exited the meeting at 5:00 p.m. and extended the session 10 minutes.

Commissioner Moak adjourned the Executive Session at 5:04 p.m.

Commissioner Moak reconvened Regular Commission Meeting at 5:04 p.m.

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**ADJOURNMENT**

With no further business to bring before the Board; the meeting was adjourned 5:04 p.m.

***APPROVED:***

**PORT of KENNEWICK  
BOARD of COMMISSIONERS**



*Thomas Moak, President*



*Don Barnes, Vice President*



*Skip Novakovich, Secretary*

**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 Officer 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*