

AGENDA

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

Tuesday, October 8, 2019
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 Warrant Register Dated October 1, 2019
- B. Approval of Direct Deposit and ePayments Dated October 2, 2019
- C. Approval of Warrant Register Dated October 8, 2019
- D. Approval of Regular Commission Business Meeting Minutes September 24, 2019
- E. Approval of West Richland Purchase & Sale Agreement; Resolution 2019-22 (Ratifying decision from September 24, 2019 Commission Meeting)

VI. OLD BUSINESS

- A. West Richland Purchase & Sale Agreement; Resolution 2019-25 (**AMBER/TIM/LUCY**)
- B. Citizen Complaint Update
 - 1. Selection of Neutral Update (**LUCY**)

VII. REPORTS, COMMENTS AND DISCUSSION ITEMS

- A. Commission Meeting Audio Recordings Posted on Website (**DON**)
- B. Commission Meetings (**TANA**)
 - 1. October 22, 2019 rescheduled to October 29, 2019
 - 2. November 12, 2019 Regular Commission Business Meeting
 - 3. November 15, 2019 at 11:00 am Special Meeting at Musser Auction Facility
 - 4. November 26, 2019 Possible Cancellation
 - 5. December 24, 2019 Possible Cancellation
- C. Commissioner Meetings (formal and informal meetings with groups or individuals)
- D. Non-Scheduled Items

VIII. PUBLIC COMMENT *(Please state your name and address for the public record)*

IX. ADJOURNMENT

PLEASE SILENCE CELL PHONES



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Commission President Thomas Moak called the Regular Commission Meeting to order at 2:01 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
Amber Hanchette, Director of Real Estate and Operations
Nick Kooiker, Chief Financial Officer
Larry Peterson, Director of Planning and Development
Lisa Schumacher, Special Projects Coordinator
Bridgette Scott, Executive Assistant
Lucinda Luke, Port Counsel

PLEDGE OF ALLEGIANCE

Commissioner Barnes led the Pledge of Allegiance.

APPROVAL OF THE AGENDA

MOTION: Commissioner Barnes moved to approve the Agenda; Commissioner Moak 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 September 17, 2019

Direct Deposit and E-Payments totaling \$57,359.66

B. Approval of Warrant Register Dated September 24, 2019

Expense Fund Voucher Number 101428 through 101462 for a grand total of \$165,314.24

C. Approval of Special Commission Business Meeting Minutes September 10, 2019

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

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PRESENTATIONS

A. *Vista Field Element Naming, Rusty George, Senen Antonio & Rochelle Olsen*

Ms. Bader Inglima introduced the consultant team for the Vista Field Element Naming: Senen Antonio via teleconference, of DPZ Partners, Rochelle Olsen of Prominence Public Relations, and Rusty George and Kitura George of Rusty George Creative. Ms. Bader Inglima expressed her appreciation to the Commission for giving the team time to be thoughtful and strategic in coming up with names, which reflect the Vista Field brand and supported the Master Plan. The Commission identified Cross Wind Boulevard as a major arterial and asked staff to consider that the naming theme set should focus on air or wind. Rusty George Creative collaborated with DPZ Partners to name the elements: the park, streets, and plaza. There were a number of constraints on the process, in that the names had to make sense for the theme and region, be cohesive, and have a positive connotation. Ms. Bader Inglima stated in spite of the constraints, the team did a great job and she is very pleased with the names.

Rusty George thanked the team for their patience and tenacity to go through this process. The names that will be presented are the consensus of the team. The team focused on atmospheric elements and colors and were inspired by the Vista Field logo. The names are not obvious, but there is a subtle appreciation to the energy and vibrancy that the logo promotes.

Inspired by Nature & Elements

- Vista Field Boulevard;
- Vista Field Place;
- Crosswind Boulevard (wind direction);
- Azure Drive (cloudless blue sky);
- Orion Drive (prominent constellation);
- Constellation Way (a group of stars);
- Daybreak Commons (sunrise; first light);
- Helio Plaza (relating to the Sun).

Mr. Antonio stated the team felt the brand mark was strong and unique and that attitude and thinking outside the box guided the naming exercise. The team challenged themselves to be progressive in developing the brand mark and extended that to the naming exercise. The team came up with a cohesive brand, not only visually, but verbally, which represents a unified and integrated brand for Vista Field.

Ms. Bader Inglima stated Vista Field Boulevard is one of the main roads and reinforces the brand mark from a marketing perspective.

Mr. Antonio stated the brand mark represents a young and fresh, optimistic attitude and the team matched the names that were equally optimistic and unique. The team looked at spelling, wayfinding, and if the names related well with existing street names. The addresses should carry a special meaning for place making and DPZ suggested for further exploration, if the name Vista Field could be included on the street addresses as a distinguisher, for example, the Miami Design District.

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Mr. George believes the names have staying power and will be timeless.

Commissioner Moak asked Mr. Antonio if adding Vista Field as a distinguisher is done through the postal service or City or is it just a common expression and therefore optional.

Mr. Antonio stated he is not sure of the process, but offered to research the topic and report back at a later date.

Ms. Bader Inglema stated staff has been working closely with City staff; however, Port staff wanted direction from the Commission on the elements before moving forward with the City. Mr. Peterson has been working with Miles Thomas, City of Kennewick Economic Development Manager and GIS staff, who will present a Resolution to Kennewick City Council to adopt and approve the Vista Field street names. Ms. Bader Inglema stated adding Vista Field District is part of that process, whether it is a second line in the postal address or putting a boarder around the Vista Field district to control use of the names. Ms. Bader Inglema stated staff could explore the Vista Field District name with the City if the Commission is interested in adding the distinguisher.

Commissioner Moak called for public comment regarding the presented names or concepts for Vista Field.

PUBLIC COMMENT

Boyce Burdick, 414 Snyder Street, Richland. Mr. Burdick asked if staff could review the names for the “scissors” area.

No further comments were made.

Ms. Bader Inglema explained the names and locations and the City GPS staff has been very open to our suggestions and sees this as an opportunity to fix some other naming issues.

Commissioner Novakovich likes the names and believes they will be recognizable to Vista Field and thanked the team for tying the elements together.

Commissioner Barnes is also pleased with the proposed names for Vista Field and how they tie into logo. Commissioner Barnes appreciates the subtle acknowledgement to the aviation history without being overly focused on aviation. Commissioner Barnes inquired if the City has approved Crosswind Boulevard

Ms. Bader Inglema stated staff will present the names to the City as a package.

Commissioner Barnes likes Crosswind Boulevard and hopes the City approves of the proposed changes. Commissioner Barnes thanked the team for their work and believes it will serve the community well going forward.

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Commissioner Moak stated when the team presented the names, he was very taken by them and believes they are unique and memorable and will have a positive meaning outside of Vista Field. Commissioner Moak resisted using “Field,” however, he has come around to using Field and thinks the names resonate and tie nicely to Vista Field. Commissioner Moak is appreciative of what the team has come up with and likes the idea of using Vista Field District. Commissioner Moak understands that the Port is obligated by the City to continue some streets, such as Taft or Lincoln, and he would like to see Vista Field District added to those within the development. Commissioner Moak hopes the names are met positively by the City and inquired if the streets are public and private.

Mr. Peterson stated yes, Vista Field Boulevard, and Crosswind Boulevard will be City streets; however, several streets are private, which offers the Port flexibility in naming.

Mr. George stated this was an exciting project and wished the Port luck on the Vista Field development.

Mr. Antonio is very grateful for the continued opportunity and trust, on behalf of Lizz Plater-Zyberk and design team, that the Port continues to go down this route of real place making. DPZ could not be more pleased with the way Vista Field is heading and cannot wait to see people living, working, and enjoying Vista Field as a real place.

Commissioner Moak thanked the team for their efforts.

Ms. Bader Inglima inquired if the Commission approves the names.

It is the consensus of the Commission for staff to move forward with the presented names to the City of Kennewick for approval and adoption.

NEW BUSINESS

A. Approval to Sell & Convey Surplus Property

Mr. Kooiker stated for Commission consideration is Resolution 2019-21, which authorizes staff to surplus items that are obsolete, broken and/or no longer needed for Port purposes.

MOTION: *Commissioner Novakovich moved for approval of Resolution 2019-21, authorizing the Port’s CEO to surplus Port property no longer needed for Port purposes as attached in “Exhibit A” and further ratifies and approves all action by port officers and employees in furtherance hereof; Commissioner Barnes seconded.*

PUBLIC COMMENT

No comments were made

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

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OLD BUSINESS

A. Southridge Real Estate Auction Services Update

Ms. Hanchette stated Musser Brothers (Bros.) Auctions will be auctioning the Southridge property on November 15, 2019 at 11:00 a.m. at Musser Auctions in Pasco. Ms. Hanchette stated Musser Bros. is moving forward on an aggressive marketing plan and advertising in the *Tri-City Journal of Business*, direct mailings and their website. Ms. Hanchette proposed a Special Commission Meeting on November 15, 2019 at the auction site to approve bids at the time of the auction. Ms. Hanchette stated Kennewick Irrigation District (KID) did something similar when auctioning the land on Red Mountain. The KID Commission convened into executive session to discuss the price and then reconvened the meeting and the prices increased and then they made a decision. Ms. Hanchette inquired if the Commission could check their calendars to see if they are available on November 15, 2019. If the Commission is free on November 15, Ms. Hanchette will solidify date with Mr. Musser.

Commissioner Moak inquired if there were any legal impediments to taking action outside the Port jurisdiction.

Ms. Luke stated there are no impediments and RCW does not prohibit it.

Commissioner Moak inquired if Ms. Hanchette knew how the procedure would work.

Ms. Hanchette will work with Mr. Musser and Ms. Scott on the details and stated the Special Commission Meeting would be the only item on the agenda.

Commissioner Moak inquired if the auction would be in conjunction with another property.

Ms. Hanchette is not sure if there will be another property up for auction at the same time; however, they have a very large auction schedule for November 14, 2019.

Ms. Luke stated Musser Bros. does have a room available for executive session to discuss price.

Commissioner Moak asked the Commissioners to email Ms. Scott regarding their availability on November 15, 2019.

B. West Richland Purchase & Sale Agreement

Ms. Luke stated before the Commission is an updated version of the Purchase Sale Agreement (PSA) related to the proposal from West Richland. The packet includes the PSA with a redline, a clean version of the PSA, and a deed of trust and promissory note. Ms. Luke recently received additional input from Mayor Brent Gerry regarding additional revisions to the documents and staff has been working through those revisions. Ms. Luke reviewed the terms of the revised PSA (EXHIBIT A).

Ms. Luke asked for Commission direction regarding the PSA and moving forward to finalization and potential approval at the next Commission Meeting.

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Commissioner Novakovich stated page 1, section 6.2 Limitation on Property Use, the Port is leaving in the statement “Refrain from leasing or selling the site or portions thereof for winery uses with an initial stated production goal of less than 10,000 cases annually.”

Ms. Luke stated that is correct, the City has indicated that clause may stay in.

Commissioner Moak stated 6.2 states “It is the intention of the Parties that this restriction will help minimize duplication of efforts” and inquired which restriction it is referring to.

Ms. Luke stated “it is the intention of the parties that this restriction” refers to the restriction described in the following paragraph.

Commissioner Novakovich confirmed that the purpose of 6.2 was to assure that the Port abides with the Memorandum of Understanding (MOU) with the City of Kennewick.

Ms. Luke stated that is correct, the Port has an agreement with City of Kennewick and the proposed language fulfills our obligations with the City of Kennewick.

Commissioner Moak stated it was previously discussed that Mr. Arntzen was going to meet with Marie Mosley, City of Kennewick City Manager regarding the MOU and inquired if the City is satisfied with the language.

Mr. Arntzen stated the City is satisfied with the language.

Commissioner Novakovich stated the Commission received a staff report and requested action requested; however, he confirmed that staff would like to bring the PSA back October 8, 2019.

Ms. Luke stated that is correct, as she received some of the input today and has not had time to thoroughly work through the details and have the Commission’s input approving the details and price. Staff will bring back the final draft on October 8, 2019.

Commissioner Novakovich asked if postponing the decision will affect City of West Richland’s timeline.

Ms. Luke stated the closing that is set forth in the PSA complies with their timeline.

Commissioner Moak stated item 6.3, current leases states the current leases will be assumed by the City and inquired if the tenants are they aware of this pending transaction.

Ms. Luke has not communicated with the current tenants and stated the Port’s lease allows for assignment of lease.

Mr. Arntzen stated this has been a pretty fluid process with a living document and as Ms. Luke pointed out, we would like to move the process as far as we can get. Mr. Arntzen

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invited the City to speak, to ensure that we are all on the same page. Mr. Arntzen asked the Commission to consider approving the terms in the PSA, excluding or including the price today. Staff would like to further the process along to meet the City's deadline and for staff to present a complete package at the October 8, 2019 meeting for Commission approval. Mr. Arntzen stated, with all due respect, he requested that the Commission vote one way or another at the next meeting.

Commissioner Moak invited Mayor Gerry of the City of West Richland to speak.

Mayor Gerry thanked the Commission for the opportunity to speak and stated the offer price is \$1,250,000 which takes into consideration the value of the Port's water rights on the property. The property has approximately 182 acre feet of water rights and the Port's Master Plan for the former raceway identified approximately 18 acre feet to implement the Master Plan. That leaves 164 acre feet remaining at approximately \$6,000 per acre foot, which totals \$984,000 for the Port. When you consider the \$1,250,000 offer and the value of the water rights, the value of the property is now \$2,340,000. Mayor Gerry does not believe the offer of \$1,250,000 is very far off when you consider the water rights. The Port paid \$1,750,000 for the property, which sat vacant for 11 years and degraded to a point where there isn't any consideration to demo in the Master Plan. One of the Port's obligations is to entertain economic development opportunities within communities. Mayor Gerry consented to the Port's partnership with the City of Kennewick and is willing to put that partnership agreement in the PSA that excludes the City of West Richland from doing things. Mayor Gerry's priority is to secure property, build police station and bring economic development to our community through an anchor tenant and bring approximately \$1,000,000 in infrastructure to the site and use that same philosophy that we used at Belmont Business District when we built City Hall. We turned dirt with no utilities into a prosperous economic driver for our City and he intends to do the same thing with the former racetrack. At the closing of the sale, the Port would have approximately \$600,000 of Rural Capital County Funds (RCCF) available in the bank transfer at the Port's disposal. Additionally, the Port would have a total payoff of RCCF funds within 18 months. Lastly, the Port's Master Plan revolves around the I-82 interchange; however, the I-82 interchange is dead. The City has agreed to pay the 2% art fee and up to \$20,000 for attorney fees and staff time, which was not included in original request. Mayor Gerry believes the City is making a personal investment in this endeavor and believes the Commission should give the City the same respect and consideration as a partner in their jurisdiction that they give the City of Kennewick.

Mayor Gerry requested that the Commission hold a Special Meeting on October 1, 2019 to address the sale to assist meeting the City's timeline. Mayor Gerry has given back 95% of the requests of the original document and asked the Commission to respect his sentiment of trust in the Commission to do the right thing.

Jessica Platt, West Richland finance director believes this is a great community partnership between the Port and the City and stated there is a tight timeframe to go out for the bond proceeds. The City is trying to save tax payers money by taking advantage of the great interest rates for borrowing, as opposed to waiting until next year. The City cannot move

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forward until we have secured the property. Once the property is secured, it takes approximately ten weeks to go through the bond process to draft official statements and work with the rating agency review.

Commissioner Moak asked what is the difference between October 1 and 8 in terms of the City's ability to proceed with the bond.

Ms. Platt stated the bond underwriter is looking for the City to bring them the paperwork by the second week in October. The City is proposing a Special Meeting on October 1, 2019 to meet that tight timeframe and move the process along with the bond underwriter and attorney.

Ms. Hanchette stated the City has offered \$1,250,000 for the former raceway, which is approximately 92.61 acres. Ms. Hanchette has been in contact with the appraiser, who is diligently working on the final report and wants to provide a quality product. Ms. Hanchette stated the previous 2016 appraisal assessed the property at \$1,750,000; however, this appraisal will come in in excess of that. Ms. Hanchette stated some factors of the appraisal are that it is a dry land appraisal and does not take the water rights into consideration or factor in removing the racetrack and improvements.

Commissioner Barnes asked how much does it cost the Port to hold the property.

Ms. Hanchette stated approximately \$5,000 per year.

Commissioner Moak stated the estimated value of the water rights is \$6,000 and inquired if that number is accurate.

Ms. Hanchette stated the \$6,000 per acre foot is what staff has been hearing in the real estate community as a typical valuation of water rights.

Commissioner Moak confirmed that the Port is able to sell, redistribute, or convey the excess water rights once this transaction closes.

Ms. Hanchette stated that is correct, staff is working through a report on the net water rights for the former racetrack. Ms. Hanchette stated if the Port has the water rights, then we would convey 18 acre feet with the PSA and retain the balance.

Commissioner Moak stated it is anticipated that the Commission will take action on this proposal and inquired if anybody wishes to comment on the sale of the former Tri-City Raceway.

PUBLIC COMMENT

There were no comments.

Commissioner Novakovich stated the Commission has discussed this at length and as far as the purchase price, it is more than justified if you include the water rights and the fact that

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the race track needs to be demolished. Considering the timeline, Commissioner Novakovich believes it is in the best interest to move ahead with the PSA.

MOTION: Commissioner Novakovich moved for approval of Resolution 2019-22, authorizing the Port's CEO to execute all necessary documentation associated with the land sale of 92.61 acres to the City of West Richland and to take all other action necessary to close this transaction; and further ratifies and approves all action by port officers and employees in furtherance hereof, considering that the draft document the Commission received today with the updated information be the document that is used; Commissioner Moak seconded.

Discussion:

Commissioner Barnes stated again that he cannot support this transaction. Commissioner Barnes is looking through the eyes of the Port of Kennewick and the constituents of the Port of Kennewick and understands how this makes abundant sense to the City of West Richland, with a purchase price is approximately 34 cents per square foot. Nor is the payment in cash, and though a payment would be made promptly, cash would be more prompt. It has been Commissioner Barnes' experience that land held goes up in value over time and we have seen a recent example of that right here at the Port of Kennewick. We saw what happened to five acres off the end of the runway at Vista Field and that was held over a period of time and more than tripled in value. We are talking about a similar holding period here, though not quite the same duration as the example Commissioner Barnes sighted. The point is well taken by the Mayor regarding the Red Mountain Interchange, but the cost to the Port to hold this land, for a Return on Investment (ROI), which is what the Port's Work Plan says, what our Comprehensive Scheme of Harbor Developments says, this is an ROI and to hold and that is why the Port invested in the property. Commissioner Barnes does not think the return is here in this example, it is not here in monetary terms, and he does not think it is here at a sufficient non-monetary term. Commissioner Barnes thinks there would be a way to help the City of West Richland, by providing land for the police station, we are talking about 5 acres of land. Commissioner Barnes thinks we could talk about a transaction that is 5 acres, it could be done quickly and for a fair and reasonable price. Then we could have a cooling period and discuss the other 80 + acres as we go forward. Commissioner Barnes has stated why he does not support this and is looking through the eyes of the constituents of the Port of Kennewick and does not think there is enough here to justify the transaction. Commissioner Barnes cannot support this.

Commissioner Novakovich stated the Port of Kennewick or any port's mission is to promote economic development. At this time the Port of Kennewick has a number of large projects currently that we are undertaking with a small staff and small financial resources. And we do not have the resources to develop this property and West Richland has immediate need and the ability to do so. Commissioner Novakovich stated by selling this property to West Richland, at what he thinks is a reasonable price considering the Port has the right to retain the water rights, will promote economic development, will increase tax dollars in the Port district, and he thinks it is a great economic development partnership with the City. Commissioner Novakovich does not believe the Port needs an appraisal to do this and

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believes the Port can actually transfer the property at no cost to the City of West Richland for economic development purposes. Commissioner Novakovich thinks this is a very good partnership for the Port to undertake and thinks it is very wise and the constituents of the Port of Kennewick will benefit because of the additional tax dollars and the Port does not have to do anything, West Richland will shoulder all of the responsibilities that the Port would have to do at some point in the future.

Commissioner Moak is not sure if he is prepared to vote on this or not today and has questions related to that for staff. Commissioner Moak would like to speak to the substance of this. The Port has held this property, we saw it as a long term purchase 15 years ago, and held it, and did some work with it. The Port was looking at the Interchange as being a key factor in the development of this property, which is not happening. The Mayor has said that and we have heard that from Commissioner Novakovich and his work with the Governmental Conference. The Port said we were going to hold it, but Commissioner Moak sees in another five years, the Port will still be holding it. Commissioner Moak really does not see, to do the plan that we envision, and he believes it was a good plan or the thought behind it, to support Red Mountain. Commissioner Moak has not seen over the last five years, any interest by Red Mountain in working with us on that property, and they are doing their own thing. Commissioner Moak thinks we could hold this another five years and he is not sure that we would be in any better shape to move forward on this and how long do we hold? Holding and doing nothing for twenty years is not promoting economic development and Commissioner Moak is not sure that it is going to do any better in another five years or that it is going to be worth more to us, than the money that we will get in the next eighteen months. Where we have current identifiable needs throughout the district that will benefit the entire district. The City of West Richland wants to do something on the property and they are prepared to move forward on that property where we are not. Commissioner Moak wishes that the Port were working on that plan, but timing has not been right for that and he does not see it being right for us to move forward on that. Commissioner Moak stated if it is a different way of doing economic development on those 93 acres than what we envisioned, is that bad? Only time will tell and Commissioner Moak is prepared to believe that West Richland will do something to benefit not only the City of West Richland, but hopefully benefit others. And Commissioner Moak hopes that we do with the proceeds of this sale, something that will benefit West Richland and others too. Commissioner Moak appreciates some of the language that was put back into the PSA related to the no compete clause and that respects jurisdictional parity and at some point, that after five years, some things can change. Commissioner Moak thinks we are all in competition at some point and you cannot keep from refraining from competition forever. Commissioner Moak does appreciate some of the changes that are here today than what we saw over the weekend. Commissioner Moak would like to see the appraisal since we commissioned it and asked when the appraisal be done.

Ms. Hanchette believes the appraisal will be completed within the next few days. The appraiser has been working on it; however, she is out of town teaching a seminar.

Commissioner Moak stated the City has proposed that the Port have a Special Meeting on October 1, 2019 to make a final decision. Commissioner Moak inquired if the appraisal will

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be ready at that time and is that something we should consider, in order to finish the transaction on October 1, 2019.

Commissioner Novakovich asked if the appraisal comes in at some other number, what affect is that going to have on this transaction.

Commissioner Moak does not know and thinks if we commissioned an appraisal and we spent money on an appraisal, you would like to think that you are going to look at it or we wouldn't have done it in the first place. Commissioner Moak's feels that commissioned the work so we should see it.

Mr. Arntzen stated when the question is asked if we should wait for an appraisal, the obvious answer is yes, if we take the belt and suspender approach. When it is asked that way, on the record, Mr. Arntzen has no other answer but to say yes, you should. Mr. Arntzen thinks Commissioner Novakovich is correct, the Commission could sell the property for \$1.00 if they wanted to, but if the question is, we ordered an appraisal, should we wait for that, again, that begs the answer, yes you should, if that is the level of confirmation you need on the numbers.

Commissioner Novakovich asked if the appraisal comes at something other or higher than the \$1,250,000, what is going to happen to this deal. Is the City of West Richland willing to pay a higher price or does this deal just disappear?

Commissioner Moak stated the Commission has not made a decision on what we would do if it came in at a higher price and he does not believe the City would be making a decision based upon conjecture any more than he would be making a decision based upon conjecture. Commissioner Moak does not know what that number is going to be, if there was an appraisal that was out there, he would want to look at that and ask for the best advice from our staff as to what they think. We have heard from the Mayor, who has given a reason of why \$1,250,000 is a good number. Commissioner Moak would like to hear, once the appraisal has come in, he would like to hear from staff to either confirm or not confirm a direction of where to go on this. Commissioner Moak thinks we have commissioned the appraisal and we have a due diligence to our community to look at it if we paid for it.

Commissioner Novakovich agrees that if we have an appraisal we should probably take a look at it, but he is wondering if the appraisal comes in at higher price, what is that going to do with this. If we go back to the table to negotiate, we are violating their timeline and this number of \$1,250,000 has been discussed for a long time. Commissioner Novakovich is concerned that we may have to go back and negotiate this deal all over again and West Richland is going to lose their opportunity to do what they have to do with the funds they have.

Commissioner Moak thinks there are two votes who say that we are not trying to hinder their ability to go and meet their needs and he does not see that we are. Ms. Hanchette believes

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we should have an appraisal by October 1, and Commissioner Moak does not see a problem with waiting and looking at that.

Commissioner Novakovich stated but then if the appraisal comes in at a higher price than the \$1,250,000, what is this Commission going to do?

Commissioner Moak stated that is what we would decide on October 1, 2019, or whatever the date was, that we were choosing to meet. We would have to make a decision and that would be the three of us making a decision and it would take two votes to move the decision on and that's the way it always works.

Commissioner Novakovich thinks a decision could be made today, are we going to stick with the \$1,250,000 or are we going to stick with the higher number of appraisal.

Commissioner Moak does not know and without seeing that, as Ms. Hanchette indicated, the number is higher, but we don't know how much higher: is it a dimminimus or is it a significant number. Commissioner Moak does not know the number and has said he is in favor of a deal with the City of West Richland and he is.

Commissioner Novakovich thinks it might be fair to ask West Richland right now, if the appraisal came in at a higher number and this Commission would want to look at that appraisal at a higher number, what would West Richland do?

Commissioner Moak stated that is a hypothetical question, and if the mayor wants to answer that, then...

Mayor Gerry thanked the Commission for the motion and second for discussion. The \$1,250,000 offer was considered with what the value of water rights are and he has shared that with you. The Port's value on that property is \$2,200,000. Regardless of what the appraisal comes in at, Mayor Gerry has seen the Port invest \$200,000 in infrastructure to develop two acres of property and sell for \$10,000. Mayor Gerry does not think there is anything different here than what occurred with Benton County Fire District Four or other jurisdictions. Everything that is planned, time factor wise is going to be difficult for the City. If the City has to put this off until mid-October, we missed our deadline. The City has to collect funds in 2020 to build this police station, otherwise everything we promised to the voters is not going to be delivered. Mayor Gerry asked Ms. Hanchette to share what the previous appraised price was and what year it was appraised.

Ms. Hanchette stated the appraised price was \$1,750,000 in August of 2016 and that it was a dry land appraisal only.

Mayor Gerry stated the appraisal was completed in August 2016 and was dry land only. The City intends to bring another \$1,000,000 in infrastructure to the property and the Port would have to do all of that and make that investment themselves if they intended to develop the property. Those costs are going to escalate as time goes on. So the longer you wait, if you

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sit on the property, then you will be investing millions more to get any type of infrastructure in there. Mayor Gerry understands the Commission's discussion and appreciates it, but we have delivered everything we can possibly deliver to what the Commission's requests been. It has been \$1,250,000 through the entire conversation. With that, Mayor Gerry would like to hear the Commission take a vote on that this afternoon, if they could please.

Commissioner Novakovich asked Mayor Gerry if the appraisal comes in higher, which we suspect it will, and this Commission decides to go somewhere over the \$1,250,000, either at the appraised price or somewhere in the middle, what would West Richland's response be.

Mayor Gerry stated his Council has authorized him to offer \$1,250,000 purchase, taking into consideration the expenditures the City would have to put in to the property to make it a viable property. That is not counting the infrastructure the City would need to install: utilities, roads, curb, gutters, and sewer. Basically what the Port has is dry dirt, so the investment the City would need to put into it would be astronomical and anything higher than the \$1,250,000 doesn't get us anywhere.

Commissioner Barnes asked Ms. Hanchette to expand on the dry land term in the appraisal.

Ms. Hanchette stated the appraisal is for dry land only with no water rights, with the race track and improvements removed.

Commissioner Moak asked if the current appraisal will have the same conditions attached to that, as the previous 2016 appraisal.

Ms. Hanchette stated that is her understanding from speaking with the appraiser yesterday, that she would use the same conditions, but different comparables.

Commissioner Moak asked staff if the Commission were to meet on October 1, 2019, would that be a possibility to entertain this item or some other time prior to October 8, 2019 for that purpose.

Mr. Arntzen stated the reason why we are doing this in open session is because of a Supreme Court case from Vancouver, Washington that said all negotiations related to real estate have to be done in open session, except price, which can be addressed in Executive Session. Prior to that case, this would be done behind closed doors and we are following the law by discussing this in open session. With that said, Mr. Arntzen inquired if the Commission agrees with everything in the PSA except the price. He then proposed if staff can start working on the PSA and West Richland City Council reviews, staff can come back to the Commission, whether it is the first or eighth of October, we can confidently say that all of the language has been agreed to both sides. We would like to give our partners every opportunity to review the PSA. Mr. Arntzen asked if the Port Commission agrees on everything but the price. Staff will work as diligently as possible to get the appraisal; however, he has seen appraisals, he has seen appraisers work, he is married to an appraiser, and appraisers work on their own schedule and it can be the most important deal in the world

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and its done when it's are done. Mr. Arntzen appreciates Ms. Hanchette trying to get the appraisal earlier; however, he would not want to set a meeting for October 1, 2019 and not have an appraisal. We can discuss a meeting on October 1, 2019 and let the media know it is our intent, but if we cannot get the appraisal within that time frame and have a chance to analyze the appraisal, then it might be best not to schedule a Special Meeting. Mr. Arntzen would like to get all of the language agreed to today and staff will work on getting the numbers for the appraisal, and then the Commission could see what property is worth, and at that point, decide how much are the Commission is comfortable discounting the property. That will also require staff working with the City of West Richland to see what their number might be. Theoretically, the Commission could approve something on the first or the eighth with the price in it and then the City may say that is a price that is workable. Mr. Arntzen stated at least we will have gone through this process, touched all the bases here and we will have numbers out there that we can see, and see how comfortable we are discounting it. Mr. Arntzen inquired if this sounds like a fair way to move forward.

Commissioner Moak stated it does to him and he supports the rest of the agreement here. Commissioner Moak believes what is here is better than what he saw earlier and he believes it reflects motion on both sides, trying to get something that is acceptable to both parties. From Commissioner Moak's standpoint, the non-monetary part is very good and he would accept the idea of a Special Meeting.

MOTION: *Commissioner Novakovich amended his motion to approve everything in the Purchase and Sale Agreement except the price, which will be considered at the next possible meeting that we can have, when the appraisal is available, but certainly no later than October 1, 2019; Commissioner Moak seconded.*

Discussion:

Commissioner Moak stated he is not sure that the appraisal will be available by October 1, 2019 according to Mr. Arntzen.

Mr. Arntzen stated staff will try and we will provide notice, if the Commission can be flexible and if West Richland can be flexible, we will try to get it on the first and we will work to get the all the notices out there. Mr. Arntzen asked for Ms. Luke's input.

Ms. Luke believes Mr. Arntzen's comments are fine and staff will do their best. It is the appraisal that will be determining this and we do not know yet if that will be coming in on time.

Commissioner Moak stated if the appraisal came in by the end of the week or Monday, would there be enough time for analysis by staff? How much time do you think it would take for the analysis by staff?

Ms. Hanchette does not believe the analysis will take very long and texted the appraiser about the conversation in the meeting and asked if she could have it completed by the first of October. The appraiser responded that she is trying very hard and is actually out of the state

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for a few days and has a previous annual event scheduled for this weekend. Ms. Hanchette reiterated that the appraiser is working on the appraisal very diligently. Ms. Hanchette does not believe we can meet the October 1 date.

Commissioner Moak inquired if there are dates between October 1-4 that would work. It sounds like West Richland would prefer it not be the eighth. Which would mean October 1-4, if that would be helpful to the City and Commissioner Moak is interested in being helpful to the City to that extent, but it needs to have everybody on board to do that.

Mr. Arntzen would like to ask for Ms. Scott and Ms. Luke's input on a Special Meeting. Mr. Arntzen stated once we receive the appraisal, it should not take staff too long to analyze the information. Once staff has the number, we can forward it on to the Commission and continue the debate in a Meeting. Staff does not need a lot of time to analyze the information, but procedurally, we need to be able to provide the proper notices for a Special Meeting.

Ms. Scott stated the Tri-City Herald would like to receive the Public Hearing Notice three business days before it needs to be published; however, legally, the Port needs to publish the notice 24 hours prior to the meeting.

Commissioner Moak asked Ms. Scott if the Tri-City Herald needs or wants three days notice.

Ms. Scott stated they have always said they need three days before the advertisement is to be published. Ms. Scott tries to work within their limits, but can call to see if they would make an exception.

Mr. Arntzen sees that we are down to a matter of days and it may just be easier to wait until October 8, because there are too many moving parts. Mr. Arntzen apologized to Mayor Gerry; however, he does not want to get caught up in a procedural snafu. Mr. Arntzen thinks it would be best to discuss on October 8, which gives us time to get the appraisal in. Although Mr. Arntzen is not supposed to comment on process, he believes the Commission has been as responsive as possible to this request and staff and City staff have put a lot of time into this. Sometimes dates on the calendar have to be moved back and Mr. Arntzen appreciates the fact that we have moved as quickly as can on this; however, he feels uncomfortable of picking a date on the calendar if we haven't given time for the meetings. Mr. Arntzen recommends further discussion on October 8, which leaves time for the appraisal to come in and for staff to analyze. In the meantime Mr. Arntzen will speak with Mayor Gerry regarding any contingencies in the PSA.

Commissioner Moak stated there is an amendment on the floor.

Commissioner Novakovich asked to strike the comment no later than the first and add as soon as possible after the appraisal is received. Commissioner Novakovich would ask the appraiser to get this into us as absolutely as soon as possible because there is a lot of money riding on this and let them know it is very important.

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Commissioner Moak asked if the entire statement is part of amendment.

Commissioner Novakovich stated it can be, the amendment would be to strike no later than the October first and add the words as soon as possible after the appraisal is received.

MOTION: *Commissioner Novakovich amended his motion to approve everything in the Purchase and Sale Agreement except the price, which will be considered at the next possible meeting that we can have, when the appraisal is available, as soon as possible after the appraisal is received; Commissioner Moak seconded.*

Discussion:

Commissioner Barnes asked for the amended motion to be restated in its entirety.

Ms. Scott restated the Amended Motion:

MOTION: *Commissioner Novakovich amended his motion to approve everything in the Purchase and Sale Agreement except the price, as soon as possible after the appraisal is received; Commissioner Moak seconded.*

Commissioner Moak asked if there is any possibility that the Commission would call a Special Meeting if the appraisal came in sooner rather than later or is it the belief of staff that it will be October 8. The amendment presumes as soon as possible might be sooner than the eighth. Commissioner Moak assumes that when the appraisal is received, staff will notify the Commission.

Mr. Arntzen stated that is correct, staff will notify the Commission when the appraisal is received and of the price. Then staff would set the Commission meeting at the earliest opportunity to do so, meeting the Public Notice requirements. Then we could discuss the price because all of the other terms have been negotiated and agreed to.

Commissioner Moak called for further discussion on the amendment.

Commissioner Barnes stated this has been fast moving and as Ms. Luke noted, a fluid document where changes were being received today. The Commission is being asked to look at all of this beginning Friday evening and then fold in changes received today, on the spot, during the meeting. Commissioner Barnes would feel more comfortable if he had more time to review the documents and concentrate on them.

Commissioner Moak stated the Commission has two weeks to review the documents and other than the price, nothing else will change.

Mr. Arntzen stated that is his understanding.

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With no further discussion, motion carried. All in favor 2 (Commissioner Moak and Commissioner Novakovich); 1 Nay (Commissioner Barnes).

Mr. Arntzen stated for the public, he has heard some discussion and questions regarding the price. Mr. Arntzen stated a port district is a unique creature and we try to act like a private entity when possible and it is good for the overall district. In that case you try to get top dollar for some of your assets and then take the proceeds and invest into another project and continue rolling over the public equity in the investments we make. Sometimes the Port buys property, for example the trailer park, and pays too much for it and spends too much cleaning up. Which results in a bare piece of property that you might have \$8.00 per square foot into and can hopefully sell it for \$3.50 per square foot. Sometimes ports' do things that do not make a lot of economic sense at first sight. Mr. Arntzen believes the West Richland transaction has a little bit of both sides, good points of letting property the go for too cheap, and he understands that. But on the other side, studies have shown, it would take \$5,000,000 in infrastructure to get the property ready to go. Mr. Arntzen has been on both sides of the transactions and at the end of the day, you get a big sense that the Port is the loser because we subsidized a piece of property. The Port invested a lot of money into the Spaulding Business Park; however, the property is now on the tax rolls and over 400 jobs were created. Mr. Arntzen appreciates everyone's viewpoints and believes there is no right or wrong with this transaction.

Commissioner Novakovich called for point of order and stated the Commission voted on amendment but not on the motion as amended.

Commissioner Moak asked Ms. Scott to state the motion as amended.

Ms. Scott stated:

MOTION: *Commissioner Novakovich moved for approval of Resolution 2019-22, authorizing the Port's CEO to execute all necessary documentation associated with the land sale of 92.61 acres to the City of West Richland and to take all other action necessary to close this transaction; and further ratifies and approves all action by port officers and employees in furtherance hereof, with the amendment to approve the Purchase and Sale Agreement except the price, as soon as possible after the appraisal is received;*

With no further discussion, motion carried. All in favor 2 (Commissioner Moak and Commissioner Novakovich); 1 Nay (Commissioner Barnes).

C. Benton County Water Rights Purchase & Sale Agreement

Mr. Arntzen stated before the Commission is the proposed PSA with Benton County, related to the former racetrack's surplus water rights. The PSA authorizes the Commission to sell 46 acre feet of water from the former racetrack property to Benton County, to be used at the Benton Franklin Fairgrounds. Benton County continues to expand the green space at the fair and this transaction would provide a low cost transfer to assist them in their expansion. The Benton Franklin Fair is a vital event in our community and this transaction enhances the

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quality of life and allows the Port Commission to assist our jurisdictional partner. As a partner, Benton County assisted the Port by investing \$500,000 into Vista Field Phase 1 infrastructure and Mr. Arntzen believes this transaction would return the favor. The PSA outlines a low cost transaction where the water rights would be transferred to Benton County for use at the Benton Franklin fairgrounds at the value of \$6,000 per acre foot.

Commissioner Novakovich stated the total value of the water rights at the former racetrack is \$6,000 per acre foot equals \$276,000. Commissioner Novakovich stated this is another situation where the Port does things that maybe aren't financially appealing to the Port district, based on face value, but there is a lot more involved to it, for example our continued partnership with Benton County. Commissioner Novakovich fully supports the PSA.

PUBLIC COMMENT

No comments were made

MOTION: *Commissioner Novakovich moved for approval of Resolution 2019-23, authorizing the Port's CEO to execute the water rights Purchase and Sale Agreement and further ratifies and approves all action by port officers and employees in furtherance hereof as presented; Commissioner Barnes*

Discussion:

Commissioner Moak thinks this is a good partnership and there has been discussion about the fairgrounds needs and the importance of that particular piece of property to our community and it is located in the east part of our district. Commissioner Moak supports Resolution 2019-23.

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

D. Chief Executive Officer Evaluation Process

Ms. Luke stated on August 13, 2019 Special Commission Meeting the Commission made a motion:

**** MOTION:*** *Commissioner Barnes moved that the CEO Annual Evaluation Process revert to the original paragraph 6 language and use of the Exhibit D format that existed prior to Resolution 2017-27; Commissioner Moak seconded. With no further discussion, motion carried. All in favor 2 (Commissioners Barnes and Moak):1 Nay (Commissioner Novakovich).*

**** Clerk's Note***

Before the Commission is Resolution 2019-24, which returns the evaluation process for the CEO to the paragraph 6 language. This Resolution documents, for ratification purposes, the action made at the August 13, 2019 Special Commission Meeting.* Ms. Luke alerted the Commission to the time line and stated staff is working on putting together the packet for review that the Commission receives prior to conducting the evaluation process. Ms. Luke requested that the completed evaluation form materials back by around October 11, 2019, to compile the documents for the Special Meeting on October 29, 2019. This is in order for

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the Commission to meet the November 15, 2019 deadline for completion of the evaluation process.

PUBLIC COMMENT

No comments were made

Ms. Luke stated the Commission have already moved, this is a matter of formalizing this by signing Resolution 2019-24. That motion was made on August 13, 2019 Special Commission meeting to revert to paragraph 6 language for the evaluation.

MOTION: *Commissioner Barnes moved to ratify the earlier decision by approving and signing Resolution 2019-24; Commissioner Moak seconded. With no further discussion, motion carried unanimously. All in favor 2 (Commissioners Barnes and Moak):1 Nay (Commissioner Novakovich).*

E. Citizen Complaint

1. Selection of Neutral

Ms. Luke updated the Commission on the ongoing process associated to the hearing requested by Commissioner Barnes related to the citizen complaint outcome and we are in the process of selecting a neutral. Ms. Luke reached out to Commissioner Barnes' council on whether they had names of any neutrals they wish to propose. Ms. Luke did not receive a response; however, she believed Commissioner Barnes was out of town and may not have had an opportunity to speak to his council. Ms. Luke inquired if Commissioner Barnes had any names of neutrals he wishes to propose today.

Commissioner Barnes proposed Paris Kallas or Thomas McPhee.

Ms. Luke thanked Commissioner Barnes and will work on that and report back to the Commission once she knows the availability.

Commissioner Barnes stated the complainant is present and he understands that the decision could be made now.

Commissioner Novakovich stated he would need time to research the names.

Commissioner Barnes stated the names are from the provided list of candidates that would be acceptable.

Ms. Luke stated that is correct, Commissioner Barnes has selected persons on the list that was proposed.

Commissioner Novakovich stated if they are on the list then he is fine with it.

Ms. Luke will look at their availability and get back to the Commission regarding scheduling.

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Commissioner Barnes stated that he prefers Ms. Kallas as his first selection and Mr. McPhee as an alternate.

Commissioner Novakovich is fine with that.

REPORTS, COMMENTS AND DISCUSSION ITEMS

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

Commissioners reported on their respective committee meetings.

B. Non-Scheduled Items

1. Commissioner Barnes came across an article in the *Tri-City Herald*, where local jurisdictions are posting live broadcasts of their meetings and he would like to see the Port of Kennewick follow suit. The Port already records the audio and Commissioner Barnes would like to see that topic placed on a future Agenda for discussion. Commissioner Barnes thinks it would be in the best interest of Port citizens to have at least the audio of the Commission meetings posted on the website.
2. Commissioner Moak does not know if with the new equipment in the Commission Meeting room would make it more feasible. Commissioner Moak agrees with Commissioner Barnes and was surprised at the low cost that the City is employing with their audio. Commissioner Moak believes it is a rather reasonable cost for the City and he would like to see some discussion of that, as to whether we have the capabilities, when staff has a chance to look into that.

PUBLIC COMMENTS

Mayor Brent Gerry, 5401 Kalakaua Court, West Richland. Mayor Gerry thanked the Commission again for their conversation regarding the PSA for the former racetrack. Mayor Gerry stated this may not be the appropriate time, but he had one question. As the CEO stated, he is married to an appraiser and understands that they work on their own schedule, Mayor Gerry is concerned that if the Commission does not receive the appraisal by October 8, 2019, would they be ready to take action on October 8, 2019.

Commissioner Moak stated that it is not appropriate to answer those type of questions, but he intends to vote on the transaction on October 8, 2019 and expect to have the appraisal. Commissioner Moak is prepared to vote on that item and does not intend to delay it; however, he would like to see that appraisal.

Mr. Arntzen stated for the record, he is married to an appraiser, but not the specific appraiser who is working on the appraisal for the former racetrack.

No further were made comments.

COMMISSION COMMENTS

No comments were made.

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ADJOURNMENT

With no further business to bring before the Board; the meeting was adjourned 4:09 p.m.

APPROVED:

**PORT of KENNEWICK
BOARD of COMMISSIONERS**

Thomas Moak, President

Don Barnes, Vice President

Skip Novakovich, Secretary

PORT OF KENNEWICK

RESOLUTION No. 2019-22

***A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PORT OF KENNEWICK
AUTHORIZING A PURCHASE AND SALE AGREEMENT WITH
CITY OF WEST RICHLAND***

WHEREAS, City of West Richland (Purchaser), has offered to purchase approximately 92.61 acres of the area graphically depicted on “*Exhibit A*” at the Port of Kennewick’s West Richland Industrial Site in West Richland, Washington from the Port of Kennewick (Seller); and

WHEREAS, this transaction between two governmental agencies shall benefit the public and nearby port properties with enhanced public safety protection through the construction of a new police station and may further economic development efforts within West Richland’s geographic boundaries; and

WHEREAS, the Port Commission agrees to accept no earnest money deposit in lieu of the 5% earnest money deposit requirement per Resolution 2015-29 (Chief Executive Officer Delegation of Authority for Real or Personal Property Purchases and Sales, 1.8.b); and

WHEREAS, Port staff and the Port attorney have reviewed the proposed Purchase and Sale Agreement and find it is in proper form.

WHEREAS, during the September 24, 2019 Commission Meeting, the Port Commission approved the Purchase and Sale Agreement and all terms (EXHIBITS B, C & D), except for the price, and authorized the Port CEO to execute all necessary documentation associated with the land sale of 92.61 acres to the City of West Richland and to take all other action necessary to close this transaction.

BE IT RESOLVED that the Port Commission declares that said property is surplus to the Port’s needs.

BE IT FURTHER RESOLVED that the Comprehensive Scheme of Development will be amended at a future meeting to reflect this decision.

BE IT FURTHER RESOLVED that all action by port officers and employees in furtherance hereof is ratified and approved; and further, the port Chief Executive Officer is authorized to take all action necessary in furtherance hereof.

ADOPTED by the Board of Commissioners of the Port of Kennewick on the 8th day of October, 2019.

***PORT of KENNEWICK
BOARD of COMMISSIONERS***

By: _____
THOMAS MOAK, President

By: _____
DON BARNES, Vice President

By: _____
SKIP NOVAKOVICH, Secretary

RESOLUTION No. 2019-22

EXHIBIT A

**COMMONLY KNOWN AS: 47615 E. SR 224, WEST RICHLAND
(FORMER TRI-CITY RACEWAY)**



REAL ESTATE PURCHASE AND SALE AGREEMENT

1. PARTIES. THIS AGREEMENT is made and effective on the _____ day _____, 2019, by and between the

**Port of Kennewick
a Washington Municipal Corporation
350 Clover Island Drive, Suite 200
Kennewick, Washington 99336**

hereinafter "Seller", and

**City of West Richland
a Washington Municipal Corporation
3100 Belmont Blvd., Suite 100
West Richland, WA 99353**

hereinafter "Purchaser".

Collectively referred to as the "Parties".

2. PROPERTY. The Seller agrees to sell, and the Purchaser agrees to purchase, upon the terms and conditions herein specified, that certain real property located in Benton County, State of Washington, legally described in Exhibit "A" attached hereto and incorporated hereby reference (hereinafter referred to as the "Property"). The Property includes 18 acre-feet of water rights. The Parties acknowledge that the water rights allocated to the Property are currently under review and confirmation of the availability of such rights is pending. If the 18 acre-feet of water rights are not available for transfer with the Property, Purchaser agrees that the purchase shall proceed without inclusion of water rights.

Tax Parcel Nos.: See Exhibit "A" attached.

3. PURCHASE PRICE. The total purchase price is _____ (\$_____). The Purchase Price, shall be paid by a Promissory Note and secured by a Deed of Trust of even date in forms mutually acceptable to the Parties. Additionally, the Parties shall enter into an interlocal agreement of even date with Benton County, Washington confirming the Purchaser's transfer of Rural County Capital Funds ("RCCF") allocated to Purchaser equal to the full Purchase Price. Such interlocal agreement shall be in a mutually acceptable form between the Parties and Benton County. In addition to the

Purchase Price, Purchaser agrees to pay Seller in cash at closing an additional amount identified by Seller not to exceed 2% of the Purchase Price in compliance with the Seller's Art Policy.

4. EARNEST MONEY. Purchaser shall make no earnest money deposit.

5. TITLE INSURANCE. The Seller shall provide Purchaser with a standard form owner's policy of title insurance in the amount of the purchase price. The title policy to be issued shall contain no exceptions other than those provided in said standard form plus encumbrances or defects approved by Purchaser as provided below.

As soon as reasonably possible after escrow is opened Purchaser shall be furnished with a preliminary commitment therefore issued by Benton Franklin Title Company. Said preliminary commitment shall include legible copies of all documents forming the basis for any special exception set forth.

6. SELLER'S CONTINGENCIES.

6.1 Seller's amendment of its Comprehensive Scheme of Harbor Improvements allowing for the sale of the Property.

6.2 It is the intention of the Parties that this restriction will help minimize duplication of efforts with the Port's Columbia Gardens Wine Village being developed with assistance of the City of Kennewick. Additionally, the pursuit of larger-scale wineries may assist the Red Mountain AVA by allowing valuable vineyard land there to be preserved for grape growing while the Racetrack Site would offer Red Mountain vintners the ability to utilize the Project Area for supportive ancillary activities such as processing, treatment, barrel-making and repair, barrel and case goods storage and other activities which may not be desirable for location within the AVA. Finally, siting larger-scale wineries within the Project Area will assist the City in amortizing the capital and operational costs of its winery effluent treatment system much more efficiently than if the Project Area were to be built out by smaller, boutique wineries with substantially smaller effluent outputs.

Therefore, the statutory warranty deed transferring the property to the City shall include the following restriction:

Limitation on Property Use. For a period of five years from Closing, the City shall:

Refrain from leasing or selling the site or portions thereof for winery uses with an initial stated production goal of less than 10,000 cases annually.

6.3 The City shall assume all current leases and rental agreements at Closing, as follows.

- a. Derek Alexander Farms, Inc. lease dated January 1, 2017.
- b. Sand and Sage Sports Car Club rental agreement dated January 1, 2009.

7. PURCHASER'S CONTINGENCIES. Purchaser's obligation to purchase the Property shall be contingent upon the following:

7.1 Condition of Title. Title is to be free of all encumbrances or defects except those approved by Purchaser. The Purchaser shall be considered to have accepted the condition of title unless the Purchaser provides notice of specific written objections within ten (10) business days after Purchaser's receipt of a preliminary commitment as provided for above. If the Seller is not able to provide title in accordance with the Purchaser's written objections prior to closing, this Agreement shall terminate and earnest money shall be refunded.

7.2 Approval of Seller's Disclosure Statements. Purchaser shall have ten (10) business days to review Seller's Disclosure Statements. This contingency shall be deemed waived or satisfied unless Purchaser provides written notice to the contrary within said ten (10) business days. If Purchaser provides such notice, this Agreement shall terminate and the earnest money shall be refunded.

7.3 Feasibility Determination/Environmental Due Diligence. For a period of 45 days from the date of this Agreement, Purchaser may engage consultants or engineers of the Purchaser's choosing to conduct surveys, site studies and tests of the Property, as the Purchaser deems necessary. The Purchaser or its agents shall have the right to enter the Property at reasonable times to make such tests, inspections, studies and other investigations as the Purchaser may require, at the Purchaser's expense and risk. During its investigation of the Property, Purchaser shall also have the right to determine if the Property is suitable for Purchaser's contemplated use. Purchaser and its agents shall have full access to the Property for the purpose of conducting Purchaser's inspections and evaluation. Purchaser's feasibility study shall include environmental due diligence. The Purchaser shall indemnify and hold the Seller harmless from any loss, damage or claim arising out of the Purchaser's access to the Property for purposes of making tests, inspections, studies and other investigations. This contingency shall be deemed waived or satisfied unless Purchaser provides written notice to the contrary within said 45 days, in which case this Agreement shall terminate, and earnest money shall be refunded. If this transaction fails to close due to a default by Purchaser, Purchaser shall immediately deliver to Seller copies of any studies or inspections, appraisals or surveys and any and all information which either the Purchaser or Purchaser's consultants have obtained in connection with the feasibility study.

Seller hereby grants Purchaser and its/his agents to go upon the property for purposes of inspection and Purchaser hereby agrees to defend, indemnify and hold Seller harmless from any injury to person or property while performing such inspections.

7.4 Survey. A survey has been conducted on the Property and a copy of all survey documents and data will be provided to the Purchaser. This contingency shall be deemed waived or satisfied unless Purchaser provides written notice to the contrary within ten (10) business days after Purchaser's receipt of all survey documents and data.

8. CONDITION OF PROPERTY/"AS IS" SALE. Except as otherwise expressly set forth in this Agreement, Seller makes no representations or warranties and shall not in any way be liable for any representations or warranties, including, without limitation, representations and warranties concerning (a) the physical condition of the Property (including, without limitation, the environmental condition, condition of the soils and groundwater conditions); (b) the Property's suitability for Purchaser's intended use; (c) any applicable building, zoning or fire laws or regulations or compliance therewith or any required permits of any governmental entities or agencies or compliance therewith; (d) the availability or existence of any water, sewer or other utilities (public or private). Purchaser acknowledges that Purchaser is relying on its own examination and inspection of the physical condition of the Property and all matters relating thereto. Seller shall have no obligation to make any repairs to the Property, and Purchaser shall accept the property in its "as is" condition at closing. Purchaser shall assume, as of closing, the responsibility for and risk of all defects and conditions of the Property, including any defects and conditions that cannot be observed by casual inspection.

9. RISK OF LOSS. Risk of loss or damage to the Property or any part thereof prior to closing shall be assumed by the Seller. If such loss or damage occurs prior to closing, this Agreement shall terminate and the earnest money shall be returned to the Purchaser.

10. CLOSING.

10.1 Closing Agent. This transaction shall be closed by Benton Franklin Title Company ("Closing Agent").

10.2 Closing Costs. Closing costs shall be allocated as follows:

Seller	Purchaser
Excise Tax	Recording Fees
Title Insurance Premium	½ Closing Fee Costs
½ Closing Fee Costs	

Purchaser shall pay Seller at Closing an amount up to Twenty Thousand Dollars (\$20,000.00) as reimbursement for Seller's actual legal fees and administrative costs incurred for this transaction.

As noted above in Paragraph 3, Purchaser shall also pay Seller at Closing an amount not to exceed two percent (2%) of the Purchase Price per Seller's Art Policy.

Other incidental closing costs shall be paid and/or allocated in accordance with local practice.

10.3 Items to be Prorated. Taxes and assessments for the current year, water and other utilities, if any, constituting liens shall be prorated as of date of closing.

10.4 Closing Date - Possession. This transaction shall be closed when all contingencies have been satisfied but in any event no later than December 6, 2019. "Closing" shall be the date on which all documents are recorded and funds are available for disbursement.

10.5 Conveyance. At Closing Seller shall deliver to Purchaser i) a Statutory Warranty Deed that includes the deed restriction set forth in Paragraph 6.2 above, but otherwise free of any encumbrance or defect except as permitted herein, or otherwise accepted by Purchaser, and ii) Assignment of Lease for each of the leases identified in Paragraph 6.4.

10.6 Assignment. Neither this Agreement nor the rights hereunder shall be assigned without the prior written consent of Seller.

11. Notices. All notices required by this Agreement shall be considered properly delivered when (1) personally delivered, (2) when transmitted by facsimile or email showing date and time of transmittal, or (3) sent by regular overnight courier, delivered or mailed by U.S. registered or certified mail, return receipt requested, and, if mailed, shall be considered delivered three (3) business days after deposit in such mail. The addresses to be used in connection with such correspondence and notices are the following, or such other address as a party shall from time to time direct:

Purchaser:
City of West Richland
3100 Belmont Blvd., Suite 100
West Richland, WA 99353
Phone No.:(509)967-3431
Fax No.:(509)967-5706

Seller: Port of Kennewick, a Municipal Corporation
350 Clover Island Drive, Suite 200
Kennewick, WA 99336
Attn: Tim Arntzen, Chief Executive Officer
Phone No.: (509) 586-1186
Fax No.: (509) 582-7678

With copy to: Lucinda J. Luke
Carney Badley Spellman, P.S.
701 Fifth Avenue, Suite 3600
Seattle, WA 98104-7010
Phone No.: (206) 607-4111
Fax No.: (206) 467-8215
Email: luke@carneylaw.com

12. MISCELLANEOUS.

12.1 Default Remedies. If either party defaults under this Agreement, the non-defaulting party may seek specific performance of this Agreement, damages or any other remedy available at law or equity.

12.2 Dispute Resolution/Attorney's Fees. In the event of any claim or dispute arising under this Agreement, the parties agree to submit the same to arbitration at a location to be mutually agreed upon in Benton County, Washington. In the event the parties are unable to promptly agree upon an arbitrator, the same shall be selected by the presiding judge for the Benton County Superior Court at the request of, and upon seven (7) days' notice from either party.

The arbitrator so appointed shall be a retired superior court judge or an attorney having at least ten years' experience in matters similar to the subject of the claim or dispute.

The court may establish the ground rules by which the initial arbitrator fees are to be paid. The mandatory arbitration rules, as implemented in Benton County Superior Court, shall be binding as to procedure. The arbitrator shall determine an award of reasonable attorneys' fees to the substantially prevailing party. If any suit or other proceeding is instituted by either party that is alleged not to come within the foregoing agreement for arbitration, the substantially prevailing party as determined by the court or in the proceeding shall be entitled to recover its reasonable attorneys' fees and all costs and expenses incurred.

12.3 Time of Essence. Time is of the essence of this Agreement.

12.4 Calculation of Time Periods. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday. The final day of any such period shall be deemed to end at 5:00 p.m., Pacific [Daylight] Time.

12.5 Governing Law and Venue. This Agreement shall be governed by and construed according to the laws of the State of Washington. Jurisdiction and venue of any suit arising out of or related to this Agreement shall be exclusively in Benton County Superior Court, Benton County, State of Washington.

12.6 Authority to Execute Agreement. Each of the undersigned represents and warrants that, if not signing on his own behalf, he has the authority to bind the entity for which he/she is executing this Agreement.

12.7 Entire Agreement. There are no verbal or other agreements which modify or affect this Agreement, and Purchaser and Seller acknowledge that this Agreement constitutes the full and complete understanding between Purchaser and Seller.

12.8 Amendments. This Real Estate Purchase and Sale Agreement may be amended or modified only by a written instrument executed by Seller and Purchaser.

12.9 Broker Compensation. Both Purchaser and Seller warrant to the other that it has not incurred a brokerage commission for which the other party would be responsible. Except as specifically disclosed herein, neither party has had any other contact or dealings regarding said property, or any communication in connection with the subject matter of this transaction, through any licensed real estate broker or other person who can claim a right to a commission or finder's fee as a procuring cause of the purchase and sale contemplating this Agreement. If any broker or finder perfects a claim for a commission or finder's fee based upon any other contract, dealings or communication, the party through whom the broker or finder makes his or her claim will be responsible for that commission or fee and shall indemnify, defend and hold harmless the other party from and against any liability, cost or damages, including attorney's fees and costs, arising out of that claim.

12.10 Obligations to Survive Closing. The obligations contained herein shall survive closing.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

Port of Kennewick,
a Washington Municipal Corporation
By Authority of its Board of Commissioners

By: _____
Tim Arntzen, Chief Executive Officer

City of West Richland,
a Washington Municipal Corporation
By Authority of its City Council

By: _____

Printed Name& Title: _____

ACKNOWLEDGEMENTS

State of Washington)
)ss:
County of Benton)

On this day personally appeared before me **Tim Arntzen** to me known to be the **Chief Executive Officer** of the **Port of Kennewick**, the municipal corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation for the uses and purposes therein mentioned, and on oath stated he is authorized to execute the said instrument.

GIVEN under my hand and official seal this ____ day of _____, 2019.

Notary Public in and for the State of
Washington
Residing at: _____
My Commission Expires: _____

State of Washington)
)ss:
County of Benton)

On this day personally appeared before me _____, to me known to be the _____ of City of West Richland, the municipal corporation that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said company for the use and purpose therein mentioned, and on oath stated he is authorized to execute the said instrument.

GIVEN under my hand and official seal this _____ day of _____, 2019.

Notary Public in and for the State of
Washington
Residing at: _____
My Commission Expires: _____

EXHIBIT A
(Legal Description & Survey)
1-1197-101-2751-002

WHEN RECORDED RETURN TO:

Lucinda J. Luke
CARNEY BADLEY SPELLMAN, P.S.
701 Fifth Avenue, Suite 3600
Seattle, WA 98104

DEED OF TRUST

THIS DEED OF TRUST, made this ____ day of September, 2019, between City of West Richland, Washington, GRANTOR, whose address is 3100 Belmont Blvd., Suite 100, West Richland, Washington 99353, Benton Franklin Title Insurance Company, TRUSTEE, whose address is 510 N. Colorado Street, Suite B, Kennewick, Washington 99336, and Port of Kennewick, Washington, BENEFICIARY, whose address is 350 Clover Island Drive, Suite 200, Kennewick, Washington 99336.

WITNESSETH:

Grantor hereby bargains, sells and conveys to Trustee in Trust, with power of sale, the following described real property in Benton County, Washington:

Tax Parcel No. See Exhibit "A" attached hereto and incorporated herein by reference

which real property is not used principally for agricultural or farming purposes, together with all the tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the rents, issues and profits thereof.

This deed is for the purpose of securing performance of each agreement of Grantor herein contained, and payment of the sum of _____ and 00/100 Dollars (\$_____) without interest, in accordance with the terms of a promissory note of even date herewith, payable to Beneficiary or order, and made by Grantor, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon.

To protect the security of this Deed of Trust, Grantor covenants and agrees:

1. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvement being built or about to be built thereon; to restore promptly any building, structure or improvement thereon which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property.

2. To pay before delinquent all lawful taxes and assessments upon the property; to keep the property free and clear of all other charges, liens or encumbrances impairing the security of this Deed of Trust.

3. To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

5. To pay all costs, fees and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.

6. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property hereinabove described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured by this Deed of Trust.

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the

obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.

2. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.

3. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto, on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

4. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of the Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled thereto.

5. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had the power to convey at the time of his execution of this Deed of Trust, and such as he may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchaser and encumbrancers for value.

6. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

7. In the event of the death, incapacity, disability or resignation of Trustee, Beneficiary may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.

8. This Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their assigns. The term Beneficiary shall mean the holder and owner of the

note secured hereby, whether or not named as Beneficiary herein.

9. Except for the building of Grantor's new police station on the property, if Grantor, without written consent of Beneficiary, (a) conveys, (b) sells, (c) leases, (d) assigns, (e) contracts to convey, sell, lease or assign, (f) grants an option to buy the property, (g) permits a forfeiture or foreclosure or trustee or sheriff's sale of any of the Grantor's interest in the property or this deed of trust, Beneficiary may at any time thereafter either institute an interest rate on the balance of the purchase price or declare the entire balance of the purchase price due and payable. All amounts secured by this Deed of Trust shall become immediately due and owing upon sale of the premises described herein.

City of West Richland,
a Washington Municipal Corporation
By Authority of its City Council

By: _____

Printed Name& Title: _____

State of Washington)
)ss:
County of Benton)

On this day personally appeared before me _____, to me known to be the _____ of City of West Richland, the municipal corporation that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said company for the use and purpose therein mentioned, and on oath stated he is authorized to execute the said instrument.

GIVEN under my hand and official seal this _____ day of _____, 2019.

Notary Public in and for the State of
Washington
Residing at: _____
My Commission Expires: _____

PROMISSORY NOTE

\$ _____

[DATE]

FOR VALUE RECEIVED, without grace, the undersigned does hereby promise to pay to the Port of Kennewick, or order, the principal sum of _____ and 00/100 Dollars (\$_____), without interest at or before the date of maturity which date shall be April 15, 2023.

Said principal is to be paid pursuant to an Interlocal Agreement between the Port of Kennewick, City of West Richland, and Benton County. However, if any balance remains unpaid at April 15, 2023 such remaining balance shall become immediately due and owing and shall be paid by the City of West Richland to the Port of Kennewick in one cash lump sum on or before such date.

If default be made in the payment of this note, or any part thereof, then the principal sum shall at once become due and collectible without notice, time being of the essence of this contract. After maturity this note shall bear interest at the highest rate permitted by law.

In the event this note is referred to an attorney for collection the undersigned shall pay all costs and attorney fees necessitated thereby.

This note is secured by a deed of trust of even date hereof, executed and delivered by the undersigned to the said Payee, covering certain real estate described therein, situated in the County of Benton, State of Washington.

This contract is to be construed in all respects and enforced according to the laws of the State of Washington.

The undersigned has signed this note as a maker and not as a surety.

City of West Richland,
a Washington Municipal Corporation
By Authority of its City Council

By: _____

Printed Name& Title: _____



AGENDA REPORT

TO: Port Commission

FROM: Amber Hanchette, Director Real Estate & Operations

MEETING DATE: October 8, 2019

AGENDA ITEM: West Richland Industrial Park – City of West Richland
Purchase and Sale Agreement

- I. REFERENCE(S):** Resolution 2019-25
City of West Richland Letter of Interest
Appraisal of West Richland Industrial Park

II. DISCUSSION:
Timeline Summary:

On July 25, 2019 the port received an offer from the City of West Richland to purchase approximately 92.61 acres of land and improvements at 47615 E. SR 224 Hwy (former Tri-City Raceway). The offer indicates that 5 acres would be used for a new police station and the remaining acreage would be used to attract economic development opportunities and accommodate multi-purpose recreational fields for various youth sports.

At a Special Commission meeting on July 30, 2019 the offer was presented to the Commission and after considerable discussion, staff was given direction to move forward with land sale negotiations and research several issues including financing and worth of the property.

An appraisal was requested on August 8, 2019 and the subsequent weeks were filled with ongoing negotiations between the port and city staff, discussions between legal counsel for both entities regarding purchase and sale agreement terms, and regular staff updates at Commission Meetings.

At the regular Commission Meeting on September 24, 2019, purchase and sale terms (excluding price) were approved by a majority vote of the Commission.

Port staff received a restricted appraisal report of the property on September 30, 2019.

- Hypothetical Conditions Assumed: (1) that all improvements related to the former use as the Tri-City Raceway have removed; (2) that all improvements related to the current use for production of alfalfa have been removed; and (3) only 18 certificated feet of water rights inure to the benefit of the site.
- Concluded Value: \$3,000,000 [\$32,394 per acre / \$0.74 per square foot]
- Sales Comparison Approach
- Industrial Use

Staff Notes:

- In 2018 Benton County assessed value of land and improvements (no water rights) listed as \$1,816,000 [\$19,609 per acre / \$0.45 per square foot].
- On October 4, 2019, City of West Richland representative, Brent Gerry informed port staff that a special City of West Richland council meeting will be held on Monday, October 7, 2019 at 5:30 p.m. to discuss the appraisal and a potential revised offer. Any new offer will be presented to Port of Kennewick Commissioners at the October 8, 2019 meeting.

III. ACTION REQUESTED OF COMMISSION: To approve or deny Real Estate Purchase and Sale Agreement between the Port of Kennewick and the City of West Richland.

***Motion:** I move approval of Resolution 2019-25 amending Resolution 2019-22 establishing a purchase price of \$_____ with payment terms of _____, and authorizing the Port's Chief Executive Officer to execute all necessary documentation associated with the land sale of 92.61 acres to the City of West Richland and to take all other action necessary to close this transaction; and further ratifies and approves all action by port officers and employees in furtherance hereof.*

EXHIBIT A
VICINITY MAP



PORT OF KENNEWICK

RESOLUTION No. 2019-25

***A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PORT OF KENNEWICK
AMENDING RESOLUTION 2019-22 AND
AUTHORIZING A PURCHASE AND SALE AGREEMENT
WITH CITY OF WEST RICHLAND***

WHEREAS, on September 24, 2019, the Port Commission approved Resolution 2019-22 for the Purchase and Sale Agreement and all associated terms, with the exception of price, for the City of West Richland's offer to purchase approximately 92.61 acres of the area graphically depicted on "Exhibit A" at the Port of Kennewick's West Richland Industrial Site in West Richland, Washington from the Port of Kennewick; and

WHEREAS, the City of West Richland (Purchaser) held a Special Meeting on October 7, 2019 to consider amending their offer to revise terms, conditions and the price for the property; and

WHEREAS, the City of West Richland offers to purchase approximately 92.61 acres of the area graphically depicted on "Exhibit A" at the Port of Kennewick's West Richland Industrial Site in West Richland, Washington from the Port of Kennewick (Seller) for \$_____ of which \$_____ to be paid at closing; and

WHEREAS, this transaction between two governmental agencies shall benefit the public and nearby port properties with enhanced public safety protection through the construction of a new police station and may further economic development efforts within West Richland's geographic boundaries; and

WHEREAS, the Port Commission agrees to accept no earnest money deposit in lieu of the 5% earnest money deposit requirement per Resolution 2015-29 (Chief Executive Officer Delegation of Authority for Real or Personal Property Purchases and Sales, 1.8.b); and

BE IT RESOLVED that all action by port officers and employees in furtherance hereof is ratified and approved; and further, the port Chief Executive Officer is authorized to take all action necessary in furtherance hereof.

ADOPTED by the Board of Commissioners of the Port of Kennewick on the 8th day of October, 2019.

***PORT of KENNEWICK
BOARD of COMMISSIONERS***

By: _____
THOMAS MOAK, President

By: _____
DON BARNES, Vice President

By: _____
SKIP NOVAKOVICH, Secretary

RESOLUTION No. 2019-25

EXHIBIT A

**COMMONLY KNOWN AS: 47615 E. SR 224, WEST RICHLAND
(FORMER TRI-CITY RACEWAY)**



Submission of Offer to Purchase by Offeror to Port Staff

- a. Identify the full legal name of the purchasing party and be executed by an authorized party;
City of West Richland, executed by Mayor Brent Gerry
- d. Identify the party to use and occupy the property, if different from the offering party;
Same
- e. Legally describe the property subject of the offer:
Benton County Parcel #1-1197-101-2751-002
Section 11 Township 9 Range 27 Quarter NE; SHORT PLAT #2751 LOT 2,
9/23/2003, AF#03-046136. RECORDED IN VOLUME 1 OF SHORT PLATS AT
PAGE 2751, RECORDS OF BENTON COUNTY, WASHINGTON.
- f. Indicate the total offer price;
\$1,250,000
- g. Indicate any terms for payment of purchase price;
Transfer of \$1,250,000 from West Richland's Benton County Rural County Capital Fund (RCCF) account to Port of Kennewick's RCCF account.
- h. Identify any proposed contingencies:
 - 1) Benton County's approval of transfer of RCCF from West Richland's account to Port of Kennewick's account.
 - 2) Port acquiring road right-of-way and utility easements from the Alexander family to provide access to Keene Road.
 - 3) Transfer of a portion of water rights G4-28319 and or G4-26382 to the City of West Richland to meet Ordinance 10-17 that adopted the City's Water System Plan and associated service area policies. Specifically section 1.6 that requires the agricultural irrigation systems and associated water rights to be converted to an urban irrigation system as part of development to mitigate irrigation demand on the City's potable water system.
 - 4) 60 day due diligence period.

Provide following documents, if available, for City review during the 60 day due diligence period.

- 1) Current Title report
- 2) Documentation that the KID inundation clause has been relinquished.
- 3) Documentation of WSDOT approval of intersection plans and or access points to SR 224 associated with Port's raceway property.
- 4) Documentation of BPA permit for proposed roadway and utility crossings.
- 5) Topographic survey data and map.
- 6) Copies of plans, as-build drawings, etc. for existing facilities and infrastructure.

- 7) Well logs of two existing groundwater wells on property.
- 8) Copies of any geotechnical and hydrogeological reports.
- 9) Copies of any phase 1 environmental assessments.

i. Identify a proposed closing date;

After 60 day due diligence period has ended

j. Detail the proposed use of the property and timing for construction and development;
Proposed use would be for construction of a new police facility. The projected timeline would be as follows:

September 2019 – Selection of project management firm.

Sept. – Dec. 2019 – Selection of contractor, design and architect firms and approval obtained through the state board.

December 2019 – June 2020 – Design phase

September/October 2020 – Begin construction

Fall 2021 – Completion of construction phase

December 2021/January 2022 – Close out phase

Initially market the property implementing the Port's original master plan, as amended by City Council to attract economic development opportunities and accommodate multi-purpose recreational fields for various youth sports.

k. Identify size and type of building to be erected, if applicable;

22,500 square foot single story police facility. Proposed facility would include public lobby and meeting room, Department of Correction offices, police administrative offices, patrol and investigation work areas, indoor/outdoor kennels, secured and unsecured parking and garage facilities. 5 acres of property would be required to allow for appropriate setback.

l. Identify anticipated number of employees with approximate wage levels; Twenty-five (25) total employees. Twenty (20) commissioned positions with wage levels from \$65,000.00 to \$144,000.00 yearly dependent on rank and position. Four (4) civilian staff with wage levels from \$35,000.00 to \$60,000.00 yearly. One (1) Department of Correction's officer with a wage level of \$85,000.00 yearly. Staffing levels may be increased by two (2) additional commissioned positions by the time of construction completion.

m. Indicate whether or not any new positions shall be created as a result of the real property purchase, and if so, indicate number of new employees with approximate wage levels;

One FTE for building/property maintenance with approximate wage level of \$30,000.00 yearly. One additional Department of Correction's officer with approximate wage level of \$75,000.00 yearly.

Real Property Appraisal
Restricted Appraisal Report

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Washington 99320



Effective Date of Valuation
September 19, 2019

Date of the Report
September 30, 2019

Prepared for
Port of Kennewick
Ms Amber Hanchette

Prepared by
Nikki Griffith, MAI, CCIM
Sandollar LLC | Appraisal Group SEWA
2001 S Washington St, Suite 104
Kennewick, WA 99337
509.628.9817
www.AppraisalGroupSEWA.com
AppraisalGroupSEWA@gmail.com

Internal File Number *Tri-City Raceway Site, SEWA #2019-159*



September 30, 2019

Port of Kennewick
350 N Clover Island Dr #200
Kennewick, WA 99336

Attention: Ms Amber Hanchette

Internal File Number: *Tri-City Raceway Site, SEWA #2019-159*

Re: Tri-Cities Raceway (Former), addressed as 47615 E SR 224 Hwy in West Richland, Benton County, Washington 99320

Dear Ms Hanchette:

In accordance with your authorization, I have conducted the investigation necessary to form an opinion of the value in the subject property as above referenced. A copy of your authorization is included in the Addenda of the report. The reader is aware that this property was previously appraised by this firm. The effective date of that report was July 21, 2016. Many of the elements contained in that report are repeated here for ease of the reader's reference.

The subject property is comprised of a 92.61-acre parcel of land located on the south side of S.R. 224 between Keene and Red Mountain Roads, Benton County, WA. The site was annexed into the City of West Richland from Benton County in 2015, and is zoned CLI, Combined Commercial/Light Industrial Use District by the City of West Richland. It has a mailing address of 47615 E SR 224 Hwy, Benton City, WA 99320.

The site has several improvements:

1. This site was originally improved with the Tri-Cities Raceway (TCR) which was opened in 1969 for NASCAR style racing; and had its last full season in 2004. Today the majority of grandstands and other infrastructure have been removed, although the track still occasionally serves motocross enthusiast events. There are also two small stick-built structures which previously supported the racetrack; condition unknown. The reader is referred to the Hypothetical Assumptions and Conditions as the property is being appraised as if those improvements did not exist.
2. Currently, about 50% of the site or 47 acres is leased to Derek Alexander Farms, Inc. Tenant; this portion of the site is irrigated and currently in production with alfalfa. The current lease represents an extension of an original 10-year lease that expired in 2011, during which time the tenant installed the solid set irrigation system that serves the site.

The reader is referred to the Hypothetical Assumptions and Conditions as the property is being appraised as if those improvements did not exist.

3. Benton REA has (1) a substation on site; (2) transformers 277/480 3-Phase, less than 15 years old; and (3) 120/240 3-phase.
4. The site has certificated water rights for 270-acre feet. The reader is referred to the Hypothetical Assumptions and Conditions as this appraisal assumes that only 18-acre feet are included for valuation purposes; the remainder will be transferred to another of the Owner's property.
5. There are two wells on site, although both have a high concentration of nitrates and one is deemed of limited or no value. Municipal potable water and sewer service would need to be extended to the site prior to development; alternatively, wells and septic systems could be utilized.
6. Of note, a 100' BPA Easement bisects the site from the southeast to the northwest; no permanent building improvements could be developed under the easement; and thus, the total acreage could only be used for calculation of permitted improvements, but not necessarily for improvements.

The report that follows is a **Restricted Appraisal Report** which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice for a **Restricted Appraisal Report**¹. Accordingly, the report includes only a summary of the data and analysis with additional information retained in the appraiser's file. Nikki Griffith, MAI, CCIM observed the property and prepared this report.

NOTE: The reader is cautioned that the use of this **Restricted Appraisal Report** is limited only to the client and that the rationale for how the appraiser arrived at the opinions and conclusions set forth in the report may not be understood properly without a review of additional information contained in the appraiser's workfile. Accordingly, the report includes only a brief summary of the data and analysis with additional information retained in the appraiser's file. Nikki Griffith, MAI, CCIM observed the property and prepared this report.

Please pay particular attention to the Extraordinary Assumptions and Hypothetical Conditions listed below. The value estimate in this appraisal could be different without these assumptions.

ASSIGNMENT CONDITIONS

*Extraordinary Assumptions & Limiting Conditions*²

- It is an extraordinary assumption that there are no adverse environmental issues affecting the site as a result of its original development as a raceway, or as a result of any contents of the 55-gallon drums currently found on site. The client reports that it received a clean

¹ **Restricted Appraisal Report** – When the intended users include parties other than the client, an Appraisal Report must be provided. When the intended users do not include parties other than the client, a Restricted Appraisal Report may be provided. The essential difference between these two options is the content and level of information provided. The appropriate reporting option and the level of information necessary in the report are dependent on the intended use and the intended users. The report content and level of information requirements set forth in this Standard are minimums for each type of report. (Uniform Standards of Professional Appraisal Practice, 2018-19 Edition, page 20)

² **Extraordinary Assumption** is defined as an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

environmental report at the time of purchase. The value conclusion herein could be different if this assumption were not made.

Hypothetical Conditions³

- The following hypothetical conditions are assumed: (1) that all improvements related to the former use as the Tri-City Raceway have been removed; (2) that all improvements related to the current use for production of alfalfa have been removed; and (3) only 18 certificated feet of water rights inure to the benefit of the site. The value conclusion could be different if these assumptions were not made.

RISK ANALYSIS

- The availability of data for this assignment is considered only fair due to a limited number of sale transactions similar to the subject. A lack of data can affect the reliability of the report. Recent sale transactions of similar properties in the subject area have been infrequent; and thus, the search for data was expanded to include the entire Tri-Cities market and beyond. Even the expanded search yielded limited data.
- The location of the property with primary frontage and access along S.R. 224, a major State Route in this neighborhood is considered average to good for this asset class.

Given the above facts, the value estimate concluded herein is considered reasonably well supported. As detailed in the Reconciliation of the report, I estimated the following values:

Value Premise	
Property Name	Tri-Cities Raceway (Former)
Property Appraised	47615 E SR 224 Hwy, West Richland, Benton County, Washington
Value Perspective	Current
Value Type	Market Value As Is
Interest Appraised	Fee Simple
Effective Date	September 19, 2019
Value Conclusion	
Concluded Value	\$3,000,000
Assignment Conditions	Yes, see Extraordinary Assumptions and Hypothetical Conditions in the Assignment Condition portion of the report

NOTE: The concluded value amount is NOT what a prudent buyer would pay for the site. The buyer would discount the value based on the cost to remove the existing improvements, etc. as assumed in the Assignment Conditions once those costs have been determined.

³ **Hypothetical Condition** is defined as an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for purpose of analysis.

Water Rights

The subject site currently has certificated water rights appurtenant to the real estate. A copy of Washington Water Rights for Agricultural Producers Fact Sheet prepared by Washington State University Extension as FSWR001 was reviewed and is included in the appendix for the reader's review.

“Although water rights are attached to the land, a water right can be legally transferred from one parcel to another after meeting several conditions. Money can be offered privately to encourage this transfer. Because a water right is attached to the land it can't legally be transferred for use without informing Ecology. Water rights can only be transferred if conditions similar to those for obtaining new water rights are met:

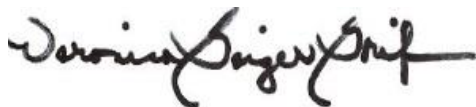
- The water right being transferred is a valid and legal water right;
- The water will be beneficially used;
- There is no impairment to existing water rights, including in-stream flows;
- It is not detrimental to the public interest,
- The instantaneous or annual amount of water used won't increase; and
- The water source won't change.”

The client has asked that a value be placed on the 18AF/Yr of water rights out of the total water rights currently accruing to the parcel, which is being included for valuation purposes with the parcel. The appraiser was unable to confirm details of any recent sales of water rights and is unable to comment on the valuation. Additionally, the parcel is valued for industrial use, and sales of industrially zoned land do not typically include water rights.

I was able to compare several parcels of agriculturally zoned land that sold with similar sized parcels of dry land; copies of this data is retained in my work file. It is clear that irrigation rights are a valuable asset, in fact, irrigated land in many cases may sell for double what dry land sells for; but the price paid for the certificated water rights cannot be segregated from the value also attributable to any irrigation equipment on site utilized to deliver the water. Thus, I am unable to accurately project the value of any water rights appurtenant to the parcel appraised.

I appreciate the opportunity to provide this service. Please call me with any questions. This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits and Addenda.

Sincerely,
Sandollar LLC | Appraisal Group SEWA



Nikki Griffith, MAI, CCIM
Certified General Appraiser
Washington #1101758

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Certification of Appraisal

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results. Furthermore, my engagement was not conditioned upon the appraisal producing a specific value, a value within a given range or the approval of a loan.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Nikki Griffith has personally inspected the subject property.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Nikki Griffith has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.



Nikki Griffith, MAI, CCIM
Certified General Appraiser
Washington #1101758

Executive Summary



Property

Property Name	Tri-Cities Raceway (Former)
Location	47615 E SR 224 Hwy, West Richland, Washington 99320
Property Type	Land

Land

Land Size (Acres) / SF	92.61000 / 4,034,092
Zoning Code	CLI (Ordinance No. 28-15) dated December 15, 2015, Combined Commercial / Light Industrial Use District
Flood Zone	C or X, outside the boundary of a designated flood zone
Topography	Level and at grade with surrounding parcels and streets; slight difference in elevation from one boundary to another of approximately 10'
Utilities	Electric on site; municipal water and sewer nearby at the intersection of S.R. 224 and Keene Rd; to be extended
Highest & Best Use - As If Vacant	The highest and best use of the property as if vacant is for mixed use development, most likely with commercial development along the frontage and industrial frontage to the south of the frontage. In the interim, agricultural production is the interim use.

Value Premise	
Name	Tri-Cities Raceway (Former)
Property Appraised	47615 E SR 224 Hwy, West Richland, Benton County, Washington
Value Perspective	Current
Value Type	Market Value As Is
Interest Appraised	Fee Simple
Effective Date	September 19, 2019
Value Conclusion	
Concluded Value	\$3,000,000
Assignment Conditions	Yes, see Extraordinary Assumptions and Hypothetical Conditions in the Assignment Condition portion of the report

Assignment Conditions

Extraordinary Assumptions:

- It is an extraordinary assumption that there are no adverse environmental issues affecting the site as a result of its original development as a raceway, or as a result of any contents of the 55-gallon drums currently found on site. The client reports that it received a clean environmental report at the time of purchase. The value conclusion herein could be different if this assumption were not made.

Hypothetical Conditions:

- The following hypothetical conditions are assumed: (1) that all improvements related to the former use as the Tri-City Raceway have removed; (2) that all improvements related to the current use for production of alfalfa have been removed; and (3) only 18 certificated feet of water rights inure to the benefit of the site. The value conclusion could be different if these assumptions were not made.

General Assumptions and Limiting Conditions

This appraisal is also subject to the following general assumptions and limiting conditions.

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. All sketches in this report are intended to be visual aids and should not be construed as surveys of engineering reports.
4. All information in this report has been obtained from reliable sources. I cannot, however, guarantee or be responsible for the accuracy of information furnished by others.
5. This opinion of value applies to land and improvements only. The value of trade fixtures, furnishings and other equipment has not been included with the value of the real estate.
6. Possession of this report or a copy thereof does not imply the right of publication or use for any purpose by any other than the addressee, without the written consent of the appraiser.
7. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless prior agreements have been made in writing.
8. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
9. The land, and particularly the soil, of the area under appraisal appear firm and solid. Subsidence in the area is unknown or uncommon, but I do not warrant against this condition or occurrence.
10. Subsurface rights (minerals and oil) were not considered in making this appraisal.
11. I inspected the buildings involved, if any, in this appraisal report and damage, if any, by termites, dry rot, wet rot, or other infestations was reported as a matter of information, and no guarantee of the amount or degree of damage, if any, is implied.
12. The comparable sales data relied upon in this appraisal is believed to be from reliable sources; however, it was not possible to inspect the comparables completely, and it was necessary to rely upon information furnished by others as to said data, therefore, the value conclusions are subject to the correctness and verification of said data.

13. I inspected, as far as possible, by observation the land and the improvements thereon; however, it was not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made herein as to these matters and unless specifically considered in the report, the value estimate is subject to any such conditions that could cause a loss in value. Condition of heating, cooling, ventilating electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.
14. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to my attention nor did I become aware of such during my inspection. I have no knowledge of the existence of such materials on or in the property unless otherwise stated. However, I am not qualified to test such substances or conditions. If the presence of substances such as asbestos, urea formaldehyde foam insulation, radon gas or other hazardous substances or environmental conditions may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field or environmental impacts upon real estate if so desired.
15. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. Unless otherwise noted within the appraisal report, I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.
16. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the author, particularly as to the valuation conclusions, the identity of the appraiser or firm with which she is connected, or any reference to the Appraisal Institute.

Introduction

Client and Other Intended Users

Port of Kennewick is our client; no other intended users were identified at the time of engagement. Possession of a copy of this report does not carry with it any of the rights of the client; that person is an unintended user. No liability is extended to any unintended users.

Intended Use/Function

This appraisal was prepared for use by The Port of Kennewick for internal decisioning purposes.

Identification of the Property

The subject property is comprised of a 92.61-acre parcel of land located on the south side of S.R. 224 between Keene and Red Mountain Roads, Benton County, WA. The site was annexed into the City of West Richland from Benton County in 2015, and is zoned CLI, Combined Commercial/Light Industrial Use District by the City of West Richland. It has a mailing address of 47615 E SR 224 Hwy, Benton City, WA 99320.

The site has several improvements:

- This site was originally improved with the Tri-Cities Raceway (TCR) which was opened in 1969 for NASCAR style racing; and had its last full season in 2004. Today the majority of grandstands and other infrastructure have been removed, although the track still occasionally serves motocross enthusiast events. There are also two small stick-built structures which previously supported the racetrack; condition unknown. The reader is referred to the Hypothetical Assumptions and Conditions as the property is being appraised as if those improvements did not exist.
- Currently, about 50% of the site or 47 acres is leased to Derek Alexander Farms, Inc. Tenant; this portion of the site is irrigated and currently in production with alfalfa. The current lease represents an extension of an original 10-year lease that expired in 2011, during which time the tenant installed the solid set irrigation system that serves the site. The reader is referred to the Hypothetical Assumptions and Conditions as the property is being appraised as if those improvements did not exist.
- Benton REA has (1) a substation on site; (2) transformers 277/480 3-Phase, less than 15 years old; and (3) 120/240 3-phase.
- The site has certificated water rights for 270-acre feet. The reader is referred to the Hypothetical Assumptions and Conditions as this appraisal assumes that only 18-acre feet are included for valuation purposes; the remainder will be transferred to another of the Owner's property.
- There are two wells on site, although both have a high concentration of nitrates and one is deemed of limited or no value. Municipal potable water and sewer service would need to be extended to the site prior to development; alternatively, wells and septic systems could be utilized.
- Of note, a 100' BPA Easement bisects the site from the southeast to the northwest; no permanent building improvements could be developed under the easement; and thus, the total acreage could only be used for calculation of permitted improvements, but not necessarily for improvements.

Purpose and Property Rights Appraised

The purpose of the appraisal is to estimate the following value in connection with the subject property.

Value Conclusion	
Property Appraised	Tri-Cities Raceway (Former)
Value Perspective	Current
Value Type & Premise	Market Value As Is
Interest Appraised	Fee Simple
Effective Date	September 19, 2019

Definitions

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].)

Fee Simple Estate means “absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.” (Source: *The Dictionary of Real Estate Appraisal*, 6th Edition, Appraisal Institute).

Leased Fee Interest means “the ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.” (Source: *The Dictionary of Real Estate Appraisal*, 6th Edition, Appraisal Institute).

Important Appraisal Dates

September 19, 2019	Effective Date of Value	Subject to Assignment Conditions
September 19, 2019	Observation Date	
September 30, 2019	Date of Report	

Ownership

Based upon a review of the Benton County records, the property owner is Port of Kennewick. There have been no sales of the property recorded since acquisition.

Sale History/Current Listing/Contract:

The property is not currently listed in the Tri-Cities Association of Realtors MLS, or in any other traditional resource of which we are aware. The current owners have owned the property for many years and market their own properties through their own marketing channels. A review of the current website did not reveal any marketing efforts directed towards the subject of this appraisal.

Appraiser Competency

No steps were necessary to meet the competency provisions established under USPAP. Please refer to the Appraiser Qualifications at the end of our report.

Scope of Work

Based on conversations with the client and the intended use of the report, an appraisal applying the Sales Comparison Approach to value was considered appropriate to produce a credible value/report.

As part of this appraisal engagement, I completed a thorough investigation and analysis of the data considered pertinent to valuing the subject property. This report was prepared to conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP). The investigation included:

- an observation of the property and its neighborhood;
- disclosure, analysis, reconciliation of all sales, agreements of sale, offers, options or listings of the subject property within three (3) years prior to the effective date of the appraisal report;
- analysis of the highest and best use;
- disclosure of tax assessments information, current and forecasted property taxes;
- the gathering of information on local market conditions and trends, comparable land and improved sales, rents, operating expenses, and capitalization rates;
- confirmation and analysis of the data, including the application of the Sales Comparison Approach for the property as part of the highest and best use analysis.
- reconciliation of the value indications via each approach (if more than one approach is used) into a single estimate of value for each premise.

The elements of the scope of work are contained in the following:

Sources of Information

Market information was obtained from a variety of resources including but not limited to the following:

- Appraiser's Proprietary Database
- Public records including online County Assessor, Treasurer and Auditor records
- Loopnet, a national online subscription based real estate database
- Subscription based Tri-Cities Association of Realtors MLS
- Subscription based Commercial Broker's Association of Washington (CBA) MLS
- Interviews with active real estate professionals

**Property Specific
Information Provided by
Owner and/or Client**

- Subscription based Site to Do Business and the National Association of Realtor's Real Property Resource for demographics and flood plain information
- 2017 – Tri-City Raceway Redevelopment Master Plan (2017-03-28) (Final with Appendices (1)
- Racetrack-KID Easement (Inundation Clause) RECORDED 03/20/2017
- SURVEY – West Richland RECORD SURVEY Unrecorded (2008-01-30) Tri-City Raceway
- SURVEY – West Richland Unrecorded ALTA Survey (2013-10-09) Tri-City Raceway TOPO
- TITLE REPORT – West Richland 2007-12-27 (47615 E SR 224) Tri-City Raceway
- Water Rights Report 2011-08-19 FINAL REPORT (West Richland-Racetrack)

How Land Area was Calculated for Use as a Unit of Measure in Calculating Value

If land is being valued, unless otherwise stated the appraiser either reviewed (a) a survey of the property showing the calculated area or (b) relied on the legal description; or (c) relied on public records. Any difference in the data would be reconciled to ascertain the appropriate unit of measurement by; which to value the subject property.

How Building Size was Calculated for Use as a Unit of Measure in Calculating Value

If the property contains building improvements, the appraiser either reviewed (a) a copy of the building footprint sketches for the improvements contained in the County online Assessor records; (b) or the as-built plans and specifications, which were spot checked in the field; or (c) conducted a full measurement. Any difference would be reconciled to ascertain the appropriate unit of measurement by which to value the subject property.

How Data Was Confirmed

The appraiser reviewed and analyzed data from a variety of the resources cited in the preceding paragraphs. Raw unconfirmed data can be confirmed in two ways.

- *Direct Confirmation* – occurs when the appraiser speaks with a principal (buyer or seller or perhaps an attorney representing one of the parties) or licensed broker representing one of the principals to confirm details of the sale.
- *Indirect Confirmation* – occurs when the appraiser confirms the data with a public source such as MLS, newspaper accounts, county recording data including deeds and affidavits of value, etc.

Since Washington State is a “disclosure state” (meaning that all transaction data is recorded and published, unlike some states, notably Utah and Idaho), it has been our experience that in 95+% of cases, information related to the sale price and date of sale are correct as published when confirmed.

- Virtually all but a few transactions occur with the assistance of a broker, so the transactions are reported in the local MLS or the Washington State Commercial MLS, or Loopnet.
- Licensed brokers are ethically bound to report details as true.

- Additionally, title companies have an Affidavit of Value executed at closing by the principals in the transaction which is recorded and is now being made available for public viewing on Benton County's website, although not Franklin County's website.
- When the deed is recorded, the amount of excise tax is recorded directly on the deed, making it possible to mathematically calculate the sale price and compare it with the value reported in the Affidavit of Value.

The risks of using data that the appraiser has not been able to confirm with a principal or broker is that there may have been some condition of the sale or expenditure before or after the sale that could have influenced the sale price analyzed. Our appraisers make every attempt to directly verify all data whenever possible but there are times when indirect confirmation is conducted. If we find a sale in MLS and are unable to confirm data personally with the broker, we validate the data from the county records. Therefore, the risk is considered negligible.

This Appraisal Report is a brief recapitulation of my subject description, data, analysis and conclusions. Nikki Griffith, MAI, CCIM inspected the property and prepared this report.

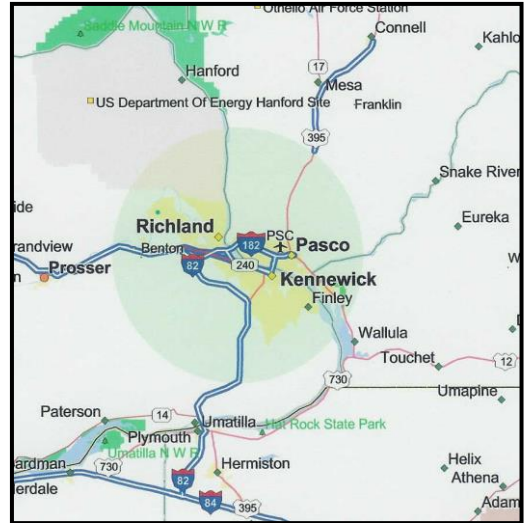
Regional Demographic Data

Updated Quarterly, Most Recent Update Q1 (September), 2019

Location

The Tri-Cities Metropolitan Statistical Area (MSA) is in south central / south eastern Washington State at the confluence of the Columbia, Snake, and Yakima Rivers in the heart of Washington State's wine country. The rivers provide the region with abundant irrigation, energy and recreational opportunities.

The MSA is comprised of **two counties, Benton and Franklin Counties**, which combined occupy a total land area of 2,945 square miles. Benton County occupies a total land area of 1,700.3 square miles, varying in topography from level, irrigated farmland to the rolling hills of the Rattlesnake Mountain and Horse Heaven Hills. Franklin County occupies a total land area of 1,242.1 square miles. It is predominately agricultural: about 40% of the land is irrigated, 31% is dry-land wheat, 26% is grazing land, and 3% is town and suburban areas. Population density is equivalent to 103 persons per sq. mi. in Benton County and 62.3 persons per sq. mi. in Franklin County.



Climate

The region benefits from a location in the semi-arid high desert river basin, and within the rain shadow of the Cascade, Blue, Wallowa and Rocky Mountains. There is very nominal annual precipitation of less than 8" per year and an average high/low/average temperature of 65.5 / 43.7 / 54.6.

Climate Kennewick - Washington							°C °F	
	Jan	Feb	Mar	Apr	May	Jun		
Average high in °F:	42	48	58	66	74	82		
Average low in °F:	29	31	36	42	49	56		
Av. precipitation in inch:	1.06	0.79	0.75	0.55	0.63	0.51		
Days with precipitation:	-	-	-	-	-	-		
Hours of sunshine:	-	-	-	-	-	-		
Average snowfall in inch:	1	0	0	0	0	0		
	Jul	Aug	Sep	Oct	Nov	Dec		
Average high in °F:	90	89	80	66	51	40		
Average low in °F:	62	61	52	42	35	29		
Av. precipitation in inch:	0.24	0.2	0.31	0.59	0.98	1.14		
Days with precipitation:	-	-	-	-	-	-		
Hours of sunshine:	-	-	-	-	-	-		
Average snowfall in inch:	0	0	0	0	0	0		

Source: USClimatedata.com

This temperate climate and the lengthy growing season is especially beneficial for agricultural related industries and Washington State in general and Benton and Franklin Counties in particular, are top producers

in many areas of agricultural activity in the United States. Food processing has become a larger and larger part of the economy over the last decade. The area is also within the heart of the Columbia Valley AVA, and there are now over 300 wineries and tasting rooms in the area. The climate as well as the location in proximity to the Columbia, Yakima and Snake Rivers, also provide many recreational opportunities for the region.

History

The region was settled in the late 1800s by cattle and horse ranchers, primarily along the Columbia River, which allowed product to get to market. Farming included corn, wheat, alfalfa, potatoes, and fruit, especially apples. Dry-land farming was also successful, but in the 1890's, the first of the region's irrigation canals were built and expansion occurred in orchards, vineyards, farming and ranching. Farming expanded and supports the region today.

The region is best known today for the U.S. Department of Energy's (DOE) development of the Hanford Site in 1943 as part of the Manhattan Project, the location of the United States' first B Reactor, the first full scale plutonium production facility used in the first nuclear bombs. The project ultimately expanded to include nine nuclear reactors and five large plutonium processing complexes. However, early cleanup procedures were largely inadequate, and cleanup of toxic waste became a driving factor in the economy over the next several decades, along with diversification in scientific research and nuclear energy. The site is now mostly decommissioned.

Towns and Cities

Benton County's largest cities are Richland and Kennewick. Smaller outlying areas of the county include West Richland, Benton City, Finley, Kiona, Whitstran, Prosser (County Seat), Paterson, and Plymouth.

- Kennewick was incorporated in 1904. Now the largest population of the Tri-Cities, it is supported primarily by light industrial service and retail trade.
- Richland was incorporated in 1910. In 1943, the U.S. Government selected the area to site the Manhattan Project to produce plutonium for nuclear weapons. It was transferred from federal control in 1958 and became a chartered First-Class city. Clean-up of the Hanford Site is one of the major economic drivers today.

Franklin County's largest city is Pasco (County Seat). Smaller, outlying cities within the county include Connell, Kahlotus, Basin City, Eltopia, and Mesa.

- Pasco was the first city that early settlers developed and incorporated in 1891. Acknowledged for its strong agricultural and industrial base, Pasco has grown into one of the region's largest food processing and agricultural centers. Today it is the 3rd fastest growing areas in the state.

Population Trends

The following chart depicts population trends for the area for the last nine years. And actually, the Tri-Cities has experienced a nearly 50% increase in absolute numbers of citizens since 2000, indicating that it is in the midst of both a population and economic boom. It is currently listed at 296,480 persons in the final count from April 2018 to April 2019, updated in April 2019, the most recent count available and estimated at 289,960 persons for 2018. The cities of Kennewick, Pasco, Richland and West Richland grew by about 36,400 persons between 2010 and 2018 according to new population estimates released May 22, 2019 by the United States Census Bureau. Projections are that an additional 112,000 more persons are estimated to live here in 20 years based on the Benton-Franklin Council of Government's Transition 2040 plan.

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

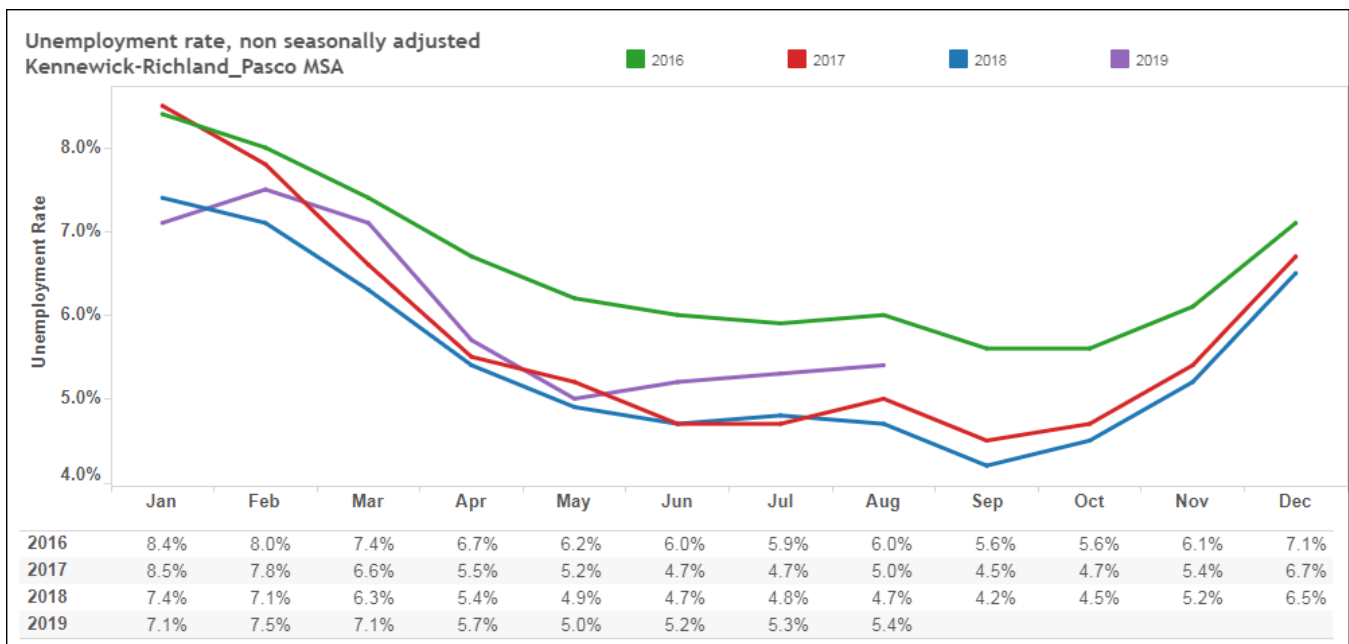
Population Trends for the Tri-Cities, WA MSA										
Area	2010	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*
MSA	253,340	258,400	262,500	268,200	273,100	275,740	279,170	283,830	289,960	296,480
Benton County	175,177	177,900	180,000	183,400	186,500	188,590	190,500	193,500	197,420	201,800
Kennewick	7,317	74,665	75,160	76,410	77,700	78,290	79,120	80,280	81,850	83,670
Richland	48,058	49,090	49,890	51,150	52,090	53,080	53,410	54,150	55,320	56,850
West Richland	11,811	12,200	12,570	13,080	13,620	13,960	14,340	14,660	15,320	15,340
Franklin County	78,163	80,500	82,500	84,800	86,600	87,150	88,670	90,330	92,540	94,680
Pasco	59,781	61,000	62,670	65,600	67,770	68,240	70,560	71,680	73,590	75,290

Source: WA State Office of Financial Management, April 1, 2019 Used for Allocation of Selected State Revenue
**Based on Estimates from 2010 US Census as determined in April every year*

Labor Force and Employment

One of the major reasons for population growth is the strong economy with abundant job opportunities. The region possesses a well-educated and professional work force; in fact, the Tri-Cities holds the #1 spot in the nation for the number of PhDs in its work force as a result of the scientific research carried out at Hanford by many of the sub-contractors. Benton County's labor force also includes a high percentage of high-end managerial and professional specialty occupations. Due to its large agricultural base, Franklin County's work force is a high concentration of farming and fabrication occupations.

The most recent not seasonally adjusted *monthly* data from the U.S. Bureau of Labor Statistics is for June, 2019 and suggests a preliminary local jobless rate of 5.3%. The following chart shows the unemployment rate, not seasonally adjusted for the period 2016 through August, 2019.



Source: WA State Employment Security Department
<https://esd.wa.gov/labormarketinfo/labor-area-summaries>

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

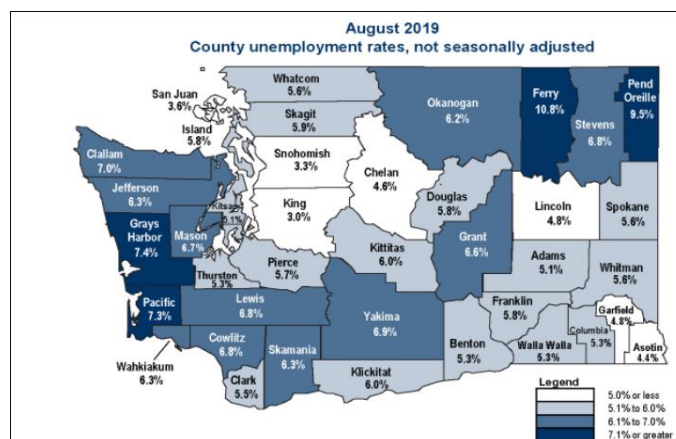
Employment and unemployment, not seasonally adjusted Kennewick-Richland_Pasco MSA				
	2019		2018	2017
	July	August	August	August
Civilian Labor Force	150,255	150,108	142,316	139,489
Employment	142,280	141,938	135,633	132,563
Unemployment	7,975	8,170	6,683	6,926
Unemployment Rate	5.3%	5.4%	4.7%	5.0%

Annual unemployment rates for Kennewick-Richland-Pasco MSA from 2007 to 2019 are reported in the following chart. Labor force growth has increased strongly, and unemployment rates have clearly declined since 2007. This chart then compares current data with other counties and the state of Washington.

Labor Force Statistics: Benton and Franklin Counties

Year	Labor Force	Total Employment	Unemployment	Unemployment Rate
2007	117,700	111,510	6,190	5.3%
2008	122,530	115,840	6,690	5.5%
2009	128,690	119,010	9,680	7.5%
2010	133,980	123,570	10,410	7.8%
2011	135,060	124,350	10,710	7.9%
2012	134,410	122,560	11,850	8.8%
2013	131,930	120,600	11,330	8.6%
2014	127,200	115,600	11,600	7.2%
2015	130,078	122,279	7,799	6.0%
2016	134,094	125,188	8,905	6.6%
2017	138,257	130,347	7,883	5.7%
2018	147,925	140,914	7,011	4.7%
2019 (August)	150,255	142,280	7,975	5.3

Source: Labor Area Summaries, Washington State Employment Security Department, Labor Market and Economic Analysis Branch, not seasonally adjusted (September, 2019)



Source: WA State Department of Labor Security, September, 2019
<https://esd.wa.gov/labormarketinfo/monthly-employment-report>

Tri-Cities Raceway (Former)
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The following table lists a few of the major employers (400 or more employees) in the MSA.

Major Employer List		
Company	Industry	Employees
Batelle / PNNL	Research & Development	4500
Kadlec Regional Medical Center	Health Services	3532
Lamb Weston	Food Processing	3000
Bechtel National	Engineering & Construction	2943
Kennewick School District	Education	2336
WA River Protection Solutions	Environmental Remediation Services	2129
Pasco School District	Education	2015
Mission Support Alliance, LC	Support Services, Hanford/DOE Site	1902
Richland School District	Education	1500
CH2M Hill	Environmental Remediation Services	1682
Tyson Foods	Food Processing	1300
Trios Health	Health Services	1268
Energy Northwest	Utilities	1100
Broetje Orchards	Food Processing	920
Lourdes Health Network	Health Services	804
Coyote Ridge	Correctional Facility	800
Washington Closure Hanford	Environmental Remediation Services	724
AREVA	Manufacturing	632
Columbia Basin College	Education	511
Columbia Crest Winery	Food Processing	500
Dept. of Energy (DOE)	US Government	440
Bybee Foods	Food Processing	400
Pasco Processing	Food Processing	400
Boise Cascade	Manufacturing	380

Source: TRIDEC, July, 2019

Top 10 Industries in Benton County		
Rank	Industry	Percent of Total
1	Government	15.1%
2	Healthcare and social assistance	12.9%
3	Administrative and waste services	11.4%
4	Retail trade	11.0%
5	Professional and technical services	10.6%
6	Accommodation and food services	8.3%
7	Agriculture	7.3%
8	Construction	7.0%
9	Manufacturing	4.8%
10	Finance and insurance	2.1%
(Source: Employment Security Department, QCEW)		

Tri-Cities Raceway (Former)
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<i>Top 10 industries in Franklin County</i>		
Rank	Industry	Percent of Total
1	Agriculture	20.1%
2	Government	18.8%
3	Manufacturing	10.8%
4	Retail trade	9.7%
5	Healthcare and social assistance	7.8%
6	Accommodation and food services	6.5%
7	Construction	5.7%
8	Wholesale trade	5.4%
9	Transportation and warehousing	4.4%
10	Administrative and waste services	3.1%
(Source: Employment Security Department, QCEW)		

Congressional funding for the clean-up of the Hanford Site in North Richland through the Department of Energy (DOE) has been the primary economic and employment driver for many years. Annual budgets will continue to play a major role in economic growth. The following table outlines Hanford's budget allocations for fiscal years 2011-2019.

TRIDEC (The Tri-City Development Council) has been working to help diversify the employment base away from the Hanford economy since the mid-1990s, and these efforts are paying off in a big way. More important industries today include food processing which spins off agriculture; and the region has become most important for healthcare. Logistics and transportation on water, highways, and rail have contributed in large part as well.

Hanford Budget Allocation of EM Cleanup Funding (\$ in Thousands)								
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY2017	FY2018	FY2019
	Post Sequester							
Richland Operations	1,021,824,000	943,327,000	1,012,620,000	941,000,000	990,653	916,176	947,422	747,097
Office of River Protection	1,181,800,000	1,097,441,000	1,210,216,000	1,212,000,000	1,414,000,000	1,496,965	1,552,000	1,423,513
Total	2,203,624,000	2,040,768,000	2,222,836,000	2,153,000,000	1,414,990,653	2,299,965	2,499,422	2,170,610
Source: DOE FY 2018 Appropriation and FY 2019 Presidential Budget Request								

The most recent requested funding for FY 2019 is a combined amount of \$2,170,610. The change in the U.S. administration as a result of the November 2016 election has had a small impact on the DOE budget.

Income

According to the most recent Washington State Median Household Income Estimates by the Office of Financial Management, the projected 2015-2017 and projected 2018 median household income statistics for the Tri-City were:

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Median Household Income Estimates by County, 2010 to 2018									
	2010	2011	2012	2013	2014	2015	2016	2017	*2018
Washington State	\$ 54,888	\$ 55,500	\$ 56,444	\$ 57,554	\$ 60,153	\$ 63,439	\$ 65,500	\$ 69,288	\$ 73,294
% Change		1.1%	1.7%	2.0%	4.5%	5.5%	3.2%	5.8%	5.8%
Benton County	\$ 60,070	\$ 60,608	\$ 62,739	\$ 63,062	\$ 63,157	\$ 62,071	\$ 62,282	\$ 63,502	\$ 64,745
% Change		0.9%	3.5%	0.5%	0.2%	-1.7%	0.3%	2.0%	2.0%
Franklin County	\$ 53,355	\$ 53,644	\$ 56,221	\$ 57,196	\$ 58,538	\$ 57,664	\$ 58,854	\$ 63,345	\$ 68,179
% Change		0.5%	4.8%	1.7%	2.3%	-1.5%	2.1%	7.6%	7.6%

Source: WA State Median Household Income Estimates by the Office of Financial Management (December 2018)

**Preliminary*

Franklin County had an astonishing jump in just two years of nearly \$10,000 in median household income as new residential construction drew a large number of upper income workers to the region. It is now ahead of Benton County for 2018 projections, where it lagged for many years.

Education

Increased population in the MSA has resulted in overcrowding in most K-12 schools. In attempt to ease the overcrowding situation, several new schools have been built, including:

- Pasco constructed three elementary schools (Whittier, Vergie Robinson and Franklin STEM) and a high school, Chiawana High in recent years. Construction was recently completed on two additional STEM elementary schools in the city during 2015-16, along with a new 45,000 square foot Delta High School which relocated from an older Richland campus.
- Kennewick school district constructed a new elementary school in the Cottonwood Springs area of Badger Canyon (2014) and a new bond issue was approved to fund two additional elementary schools, a middle school and replacement of Desert Hills Middle School and Westgate Elementary. The new facility at Eastgate Elementary was opened at August 2015, while the new Desert Hills opened in August 2017. Work on Amistad Elementary is scheduled to begin shortly.
- Richland passed a \$98 million bond in 2013 for major renovations to be completed in the district, including the demolition of three older elementary schools to be rebuilt for Sacajawea, Marcus Whitman and Lewis & Clark. A fourth elementary school, Orchard Elementary, was built in south Richland near Keene Road, and opened fall of 2015. Groundbreaking occurred in April 2017 for the new Jefferson Elementary of George Washington Way.
- Leona Libby Middle School in West Richland will reduce the student population at Enterprise Middle School and opened in the fall of 2017. It will also be a STEAM school.

The following depicts enrollment for the MSA school districts between 2012 and the present projection.

School District K-12 Enrollments				
School Year	Richland	Kennewick	Pasco	Total
2012-2013	11,848	16,427	15,625	43,900
2013-2014	11,950	17,703	16,612	46,265
2014-2015	12,419	17,737	17,230	47,386
2015-2016	12,986	18,043	17,790	48,819
2016-2017	13,552	18,172	17,882	49,606
2017-2018 (Oct)	13,908	18,583	18,284	50,775
Num. Chg.	1,704	1,745	2,257	5,706
% Change	12.6%	9.6%	12.6%	11.5%

Office of Superintendent of Public Instruction, Oct, 2018

Enrollment at the secondary level is clearly increasing, providing evidence of population increases.

Washington State University (WSU) headquartered in Pullman, WA expanded to a satellite campus here in the late 1980's, and this campus in North Richland not far from the Hanford Site attracts a large and growing student body from all over the state. WSU Tri-Cities has both undergraduate and graduate studies. A new student housing project was completed during 2018.

Columbia Basin College (CBC) offers Associates of Arts degrees, but recently became an accredited 4-year college. From approximately 2006 to 2009, CBC underwent a \$45 million renovation to update classrooms, labs and faculty offices. A new classroom building was recently completed (August 2016) and a 120-unit student housing project broke ground in October 2016 and was completed in time for opening for the Fall, 2017 semester.

Transportation

The Tri-Cities is one of an extremely few population centers in the entire Pacific Northwest region that has all forms of transportation access. These provide superior linkages and access to and from the area and include:

- *Air Service* - Several public and private airports and heliports serve the region, the largest of which is the Tri-Cities Airport in Pasco. A \$42 Million expansion project including a new terminal, baggage handling system and runway (completed January 2017) is now open; total passenger traffic in 2018 set a new record at 395,084 boardings. In June 2019, with 518,405 scheduled seats in the rolling 12-month period June, 2018 to May, 2019, PSC is the eight-busiest small airport on the continent.
- *Highway Service* - The Tri-Cities has become a transportation hub for the entire Eastern Washington State area east of the Cascade Mountains. It is strategically located and benefits from a highway system in place that provides rapid interstate and state route access to a variety of points. The major cities of Seattle, Spokane and Portland are all less than 3.5 hours away.
 - I-82, running through the Tri-Cities, is a 143.58-mile interstate highway extending from I-90 in Ellensburg, Washington southeastwardly to I-84 near Umatilla, Oregon.
 - I-182 is an east-west auxiliary interstate highway traveling around the City of Kennewick and passing through the cities of Richland and Pasco.
 - U.S. 395 is a major U.S. highway which includes a long overlap with I-90. The southern piece, from I-82 near the Tri-Cities to I-90 near Ritzville, is a high speed four-lane divided highway.
 - State Route 240 begins at the southern end of the Blue Bridge in central Kennewick as an offshoot of U.S. Route 395.
- *Bus Service* - Mass public transit is operated locally across 17 routes by the Ben Franklin Transit system. Serving the cities of Kennewick, Pasco, and Richland, several routes also extend as far as Prosser, Benton City and West Richland. Most routes run six days a week. A Dial-A-Ride is also offered for the physically disabled.
- *Rail Service* - The Tri-City MSA is the only metropolitan manufacturing area between the Cascade and Rocky Mountains to offer main line rail freight service to both Burlington Northern and Union Pacific Railroads. Amtrak also has a stop on its system in Pasco.
- *Water* - The Columbia-Snake River system is one of the most modern interlinked transportation networks in the world. This commercial waterway extends 465 miles from the Pacific Ocean into the North American continent moving an increasingly large quantity of goods through the region.

Government

The incorporated municipalities of Kennewick, Richland, and Pasco each have the Council-Manager form of government. West Richland and smaller outlying areas within the counties have retained the Mayor-Council form of government.

Community Services

The Tri-Cities is a regional health care center currently served by three major hospitals, numerous outpatient facilities, and private practices. Area residents are presented with a wide array of health care services provided by

- Kadlec Regional Medical Center in Richland most recently opened a new NICU in April 2015; opened a new 600-car parking garage August 1, 2016; and completed a 4-story addition in December 2016.
- Our Lady of Lourdes in Pasco, which signed an agreement with RCCH in July 2017 to be acquired and which agreement closed in August 2018;
- Trios Hospital in Kennewick, which opened a second, new facility in the Southridge area during July 2014. However, Trios declared bankruptcy in mid-2017. Staff lay-offs occurred, and it was acquired by RCCH as well in August 2018.

RCCH HealthCare Partners officially merged with LifePoint Health on November 16, 2018, shortly after the acquisition of Lourdes Hospital and Trios Hospital closed in late summer. It is unknown at this point what impact the merger will have on the healthcare system in the Tri-Cities although they will be officially operating as one united company under the LifePoint Health name. Thus, as part of the LifePoint network, the two local hospitals are now connected to an even stronger network of community hospitals, regional health systems, physician practices, outpatient centers and post-acute facilities that span 30 states.

All three hospitals have been expanding community services as well, opening both emergency and non-emergency clinics in the last two years. With the recent mergers, the three hospital networks have been reduced to two networks. The status of the federal Affordable Care Act is uncertain, and its impact on the Tri-Cities' health care delivery system is uncertain as well.

Conclusion

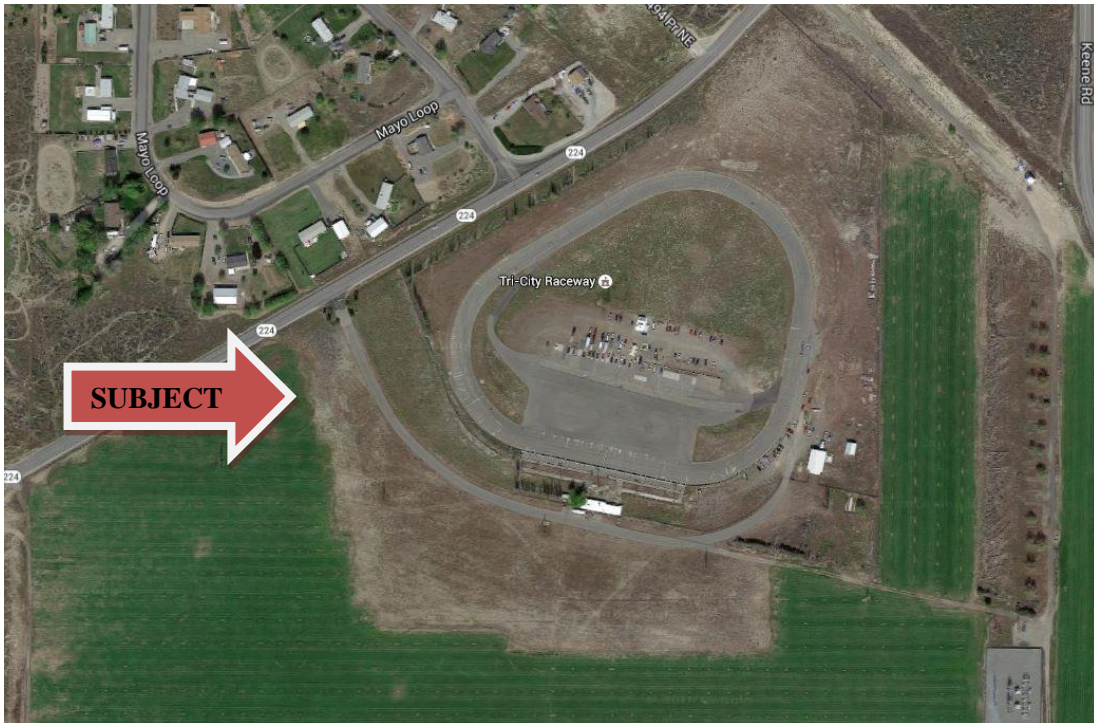
The Tri-City market is a small isolated market, but it experiences impacts from national trends including the impacts of the recovery from the most recent recession, in particular with lack of available financing. Financing has been facilitated with the assistance of SBA loans and local banks participating with larger out of the area financial institutions.

By all indications, the economic base has been well diversified in the last decade from its previous reliance on the government funding of the Hanford project. Incomes are increasing, unemployment rates are being reduced, and investment in the area is increasing.

In our local market, commercial property sales do not reflect similar reductions in owner equities or value losses that most markets experienced during the economic downturn. Sale prices remain fairly stable to trending upward from previous years, although not at the same pace in all market segments. In some cases, depending on property type, sale prices show some gains. A more robust analysis is included in the Market Analysis section of this report.

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

CLOSE-UP AERIAL MAP – Source: STDB



NEIGHBORHOOD AERIAL MAP – Source: STDB



Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Regional Street Map –Source: STDB

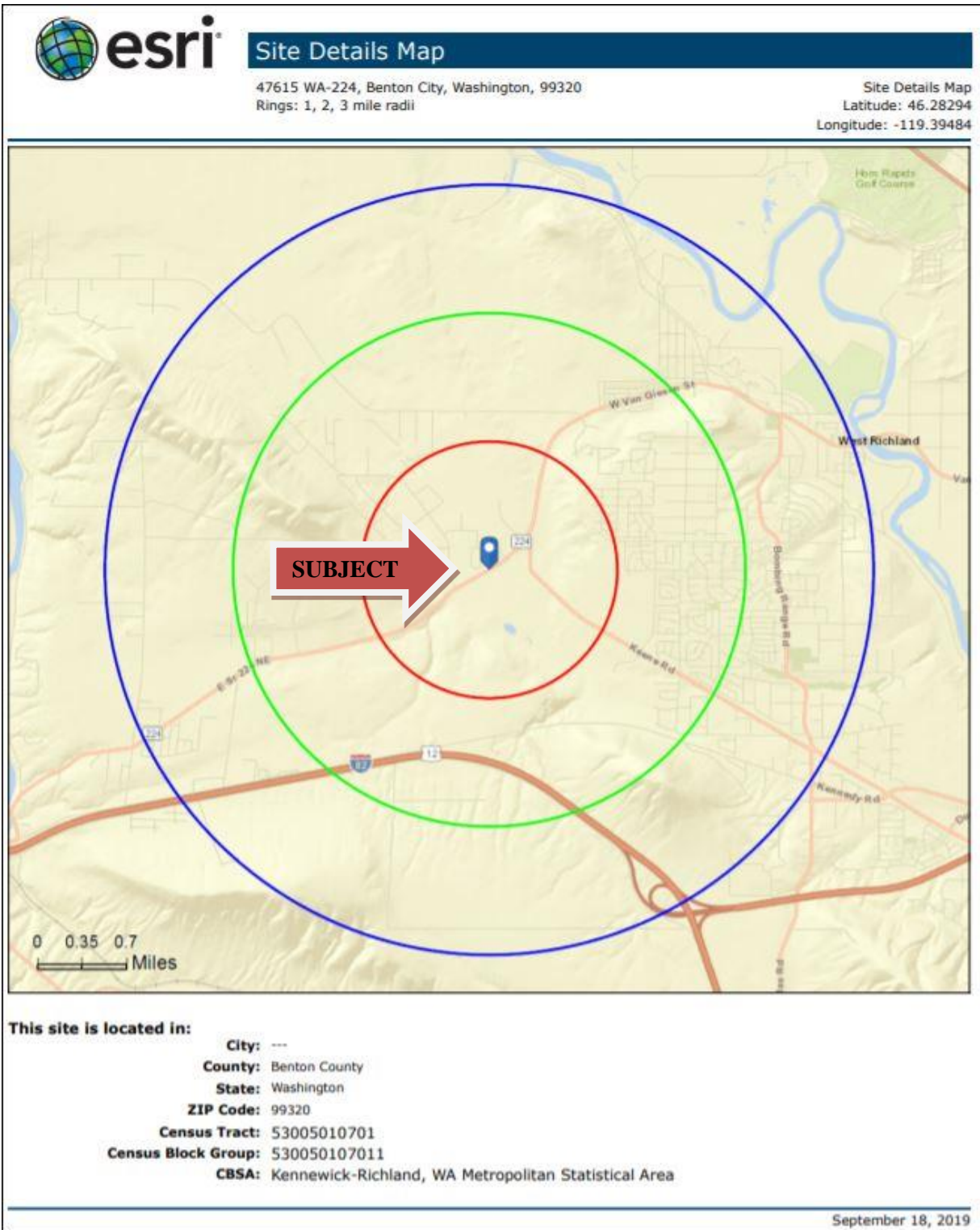


Regional Aerial Map –Source: STDB



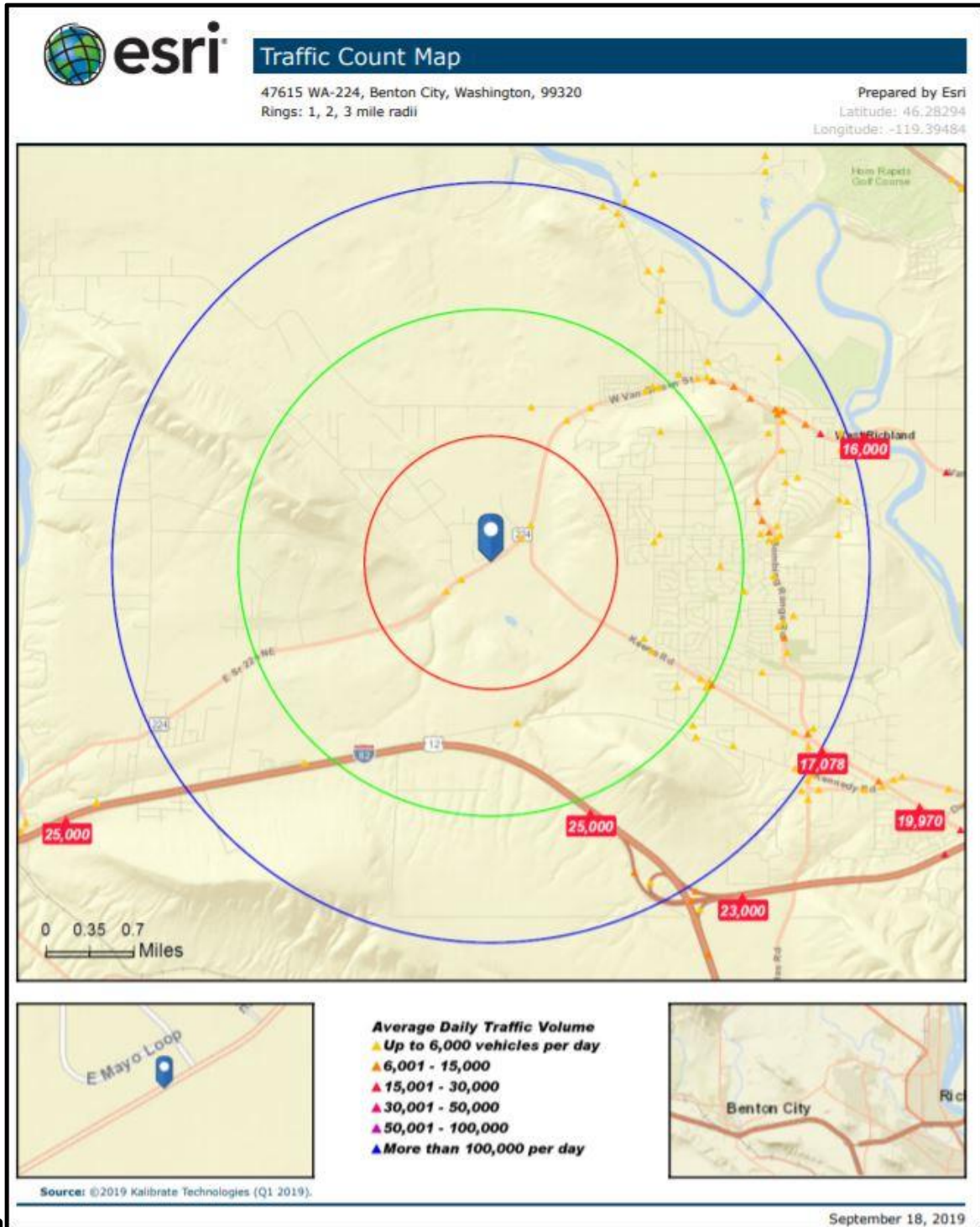
Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Neighborhood Ring Study Map – 3-Mile Radius – Source: STDB



Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

TRAFFIC COUNT MAP – 1-Way – Source: STDB



Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

TRAFFIC COUNT CLOSE-UP – 1 Way – Source: STDB

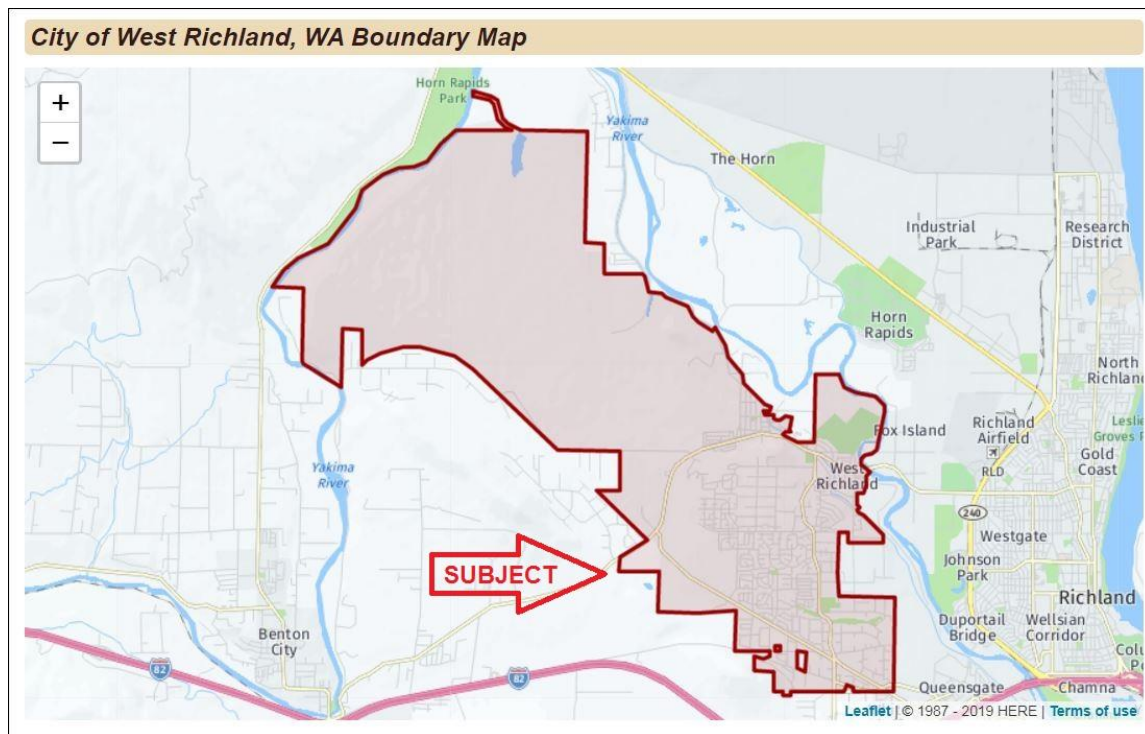


Neighborhood Overview

Social, economic, governmental and environmental forces all influence properties and the neighborhoods in which they are located. A neighborhood includes a group of complementary land uses and usually a related grouping of inhabitants, buildings, or business enterprises⁴.

For purposes of this report, the neighborhood boundaries are best described as follows:

North	S.R. 240
South	Interstate 182
East	Yakima River
West	S.R. 225, Benton City



The subject property lies on the western fringe of the southern portion of the incorporated city limits of West Richland in western Benton County, State of Washington. West Richland covers a land area of 22.28 square miles and was officially incorporated on June 13, 1955; as of 1960, the population was only a sparse 1,347 persons. It was originally part of the Oregon Territory in 1848, later becoming part of the Washington Territory in 1853.

⁴ *The Appraisal of Real Estate*, Appraisal Institute, page 164.

Population Demographics

West Richland is considered a bedroom community for the Tri-Cities market with limited commercial development of its own although this is beginning to change. The majority of residents commute to work outside the City limits. Some general statistics include the following:

West Richland, WA Data & Demographics (As of July 1, 2019)			
POPULATION		HOUSING	
Total Population	14,672	Total Housing Units	5,265 (100%)
Population in Households	14,672	Owner Occupied HU	4,393 (83.4%)
Population in Families	12,926	Renter Occupied HU	702 (13.3%)
Population in Group Qtrs	0	Vacant Housing Units	170 (3.2%)
Population Density	664	Median Home Value	\$298,251
Diversity Index ¹	37	Housing Affordability Index ²	145
INCOME		HOUSEHOLDS	
Median Household Income	\$87,066	Total Households	5,095
Average Household Income	\$105,734	Average Household Size	2.88
Per Capita Income	\$37,032	Family Households	3,974
Wealth Index ³	125	Average Family Size	3

The growth in population within a 1-mile radius study area over a 21-year period suggests subject's immediate neighborhood is in the slow growth cycle of its life. The 2017 population of 3,409 in a 1-mile ring around the subject is an increase of only about 6.1% for the most recent 5-year period, or on average about 1% per year reflecting that this is mostly a growing neighborhood with additional growth projected.

Median household income of \$87,066 shown above is significantly higher than the median income of Benton County of \$63,386, and also higher than the State of Washington of \$58,686. This would suggest that the average resident is not an entry level buyer, but at the move-up point in the housing market.

The demographic data indicates that within a one-mile radius, 83.4% of the housing units are owner occupied. Within a three-mile radius, 75% are owner occupied. The data suggests a limited number of rental units in the immediate neighborhood.

Access

Primary traffic arteries for the City of West Richland include W Van Giesen St (aka S.R. 224), an east west artery within the central portion of the city, turning southwardly towards I-82 in the western portion of the city; Kennedy Road, an east-west road in the southern portion of the city, and Bombing Range Road, a north/south artery bisecting the city in two and connecting Van Giesen with Kennedy, where it turns into Dallas Road south of Kennedy and travels on to connect with I-182 about two miles south.

In years past, W Van Giesen carried the majority of traffic entering the City. The majority of housing begins at the top or midway on Bombing Range road. The Keene Road corridor is now the main entrance and exit for residential development.

The Queensgate development at Duportail and Keene within the City of Richland about five miles east has been detrimental to West Richland commercial development. This began approximately 20 years ago with the construction of Wal-Mart which anchored the Queensgate development drawing a Home Depot, and a shopping center on the west side of Duportail which continues to grow. Smaller businesses have also settled in the Queensgate shopping area serving various neighborhoods. Currently, a bridge is under construction over the Yakima River to connect Richland with the Queensgate neighborhood.

Prior to Keene Road becoming the primary east/west corridor, Kennedy Road served as the major traffic corridor. Prior to losing its dominance and historical use, the neighborhood was positioned for growth with rumors that an Albertson Grocery store would develop on the northwest corner of Dallas and Kennedy Road. Betting on the strength of the rumors, a private developer constructed an apartment project which was to lie behind the Grocery store and also a retail strip center named Kennedy Center Mall, comprising 16 suites available for lease; one block farther west an additional 15,260 square foot in-line “flex” retail center was also constructed (West Richland Plaza). Until 2017, the West Richland Plaza had *never* been occupied and the Kennedy Road Mall adjacent to subject has struggled to maintain a reasonable level above 50% of occupancy as well.

The basis for construction of both properties appear to have been the expectations of further commercial build-out along both Keene and Kennedy Roads. However, once the Albertson’s project was scrapped and Keene Road was re-routed which directed traffic away from the Kennedy Road/Bombing Range Road intersection, the Kennedy Road neighborhood began to struggle and both retail strip centers experienced lackluster demand for commercial space.

From Kennedy Road south on Dallas Road to Interstate 182, real-estate growth is primarily residential. Residential development ranges from modest housing to larger higher priced homes. Most residential development is low density in nature with larger lots or acreage. Home prices range from \$250,000.00 to \$750,000.00.

Population density in the City of West Richland of the subject is increasing, most recently estimated at 14,672 as of July 1, 2019 as shown in the earlier table. This growth coupled with the construction of Yoke’s Fresh Supermarket and the Wal-Mart Supercenter constructed in the Queensgate area, was likely responsible for the abandonment of the Albertson’s supermarket construction. Of note, the strip centers adjacent to the Yokes have struggled as well; in fact, one went into foreclosure about three years ago

There have also been recent rumors that Walmart is planning a new center south of the subject at Dallas Road and I-182. Should that occur, it would be several years in the future.

Within this decade new construction has included a Kadlec Clinic 2-story, 19,610 square foot medical clinic, on the southwest corner of Kennedy and Dallas Road, a \$9.2 million, 12-building apartment complex. Within a year of completion, the project reached 95% and better occupancy levels. It is the first apartment complex built in West Richland in about 30 years and has 114 units.

Immediate Neighborhood and Demographics

Access

There is a curb cut into the property along the northern boundary from S.R. 224, a strong well-traveled regional artery.

The Red Mountain AVA (American Viticulture Area), of which the subject is a part and discussed in some detail in the previously mentioned Tri-City Raceway Redevelopment Master Plan, is a growing AVA overlaying the neighborhood. It was established in 2001 and covers approximately 4,400 acres. Due to the rising significance of the neighborhood, the Washington State Department of Transportation has two projects in the works.

- *Phase I* of a planned highway improvement program for the area was completed in 2016 and included improvements at the SR 224/SR225 intersection at Benton City west of the subject at a cost near \$5 Million.
- *Phase II* of the Red Mountain Transportation Improvements would install a new highway interchange at I-82 with S.R. 224 about one-half miles southwest by Washington State Department of Transportation at a preliminary cost of \$27 Million. Federal funding has mostly been secured, but currently the project has been delayed indefinitely. This interchange would be a boon and catalyst for growth to the entire neighborhood.

There is no other access to the property.

Surrounding Development

Surrounding this corridor to the north is a mostly residential development consisting of manufactured homes. Pacific Rim winery is located on Keene Road just north of S.R. 224. Property to the east is used for agricultural purposes by Alexander Farms, the lessee of the ag portion of the subject. The remainder is dryland base with some intermittent low-density residential development. Some higher density residential development to the east is headed in the direction of the subject as growth is occurring in the Tri-Cities as documented in other sections of this report.

A new middle school has been completed within the last three years in the neighborhood off Keene Road prior to its intersection with S.R. 224. Land is available for a future high school at the same location.

Summary

A study of the neighborhood and the trend of development did not indicate any adverse conditions or projects planned for the neighborhood that would negatively impact the subject's market value or marketability. The neighborhood is served by all city utilities. Overall stability and desirability of the neighborhood is considered average as growth in the City continues.

Traffic patterns are well established on the major arterials. No adverse conditions arising from the neighborhood were noted. The area should remain a viable "bedroom community" for many years to come.

Major and community arterials are in good condition. The neighborhood does not appear to experience any adverse conditions from environmental factors, such as noise, air pollution, or other potential adversities affecting market value of the subject property.

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Given the history of the neighborhood and the limited growth trends noted in the area analysis since it is still growing, it is our opinion the outlook for the neighborhood is for stability with continued growth in the near term paralleling the nation and metropolitan economies.

Property Data – Land

The subject land characteristics are described *in general* in the following outline format. This section is meant to acquaint the reader with the characteristics of the land only, it is not meant to be an exhaustive specification. Later in this section, a more specific description of the improvements is provided.

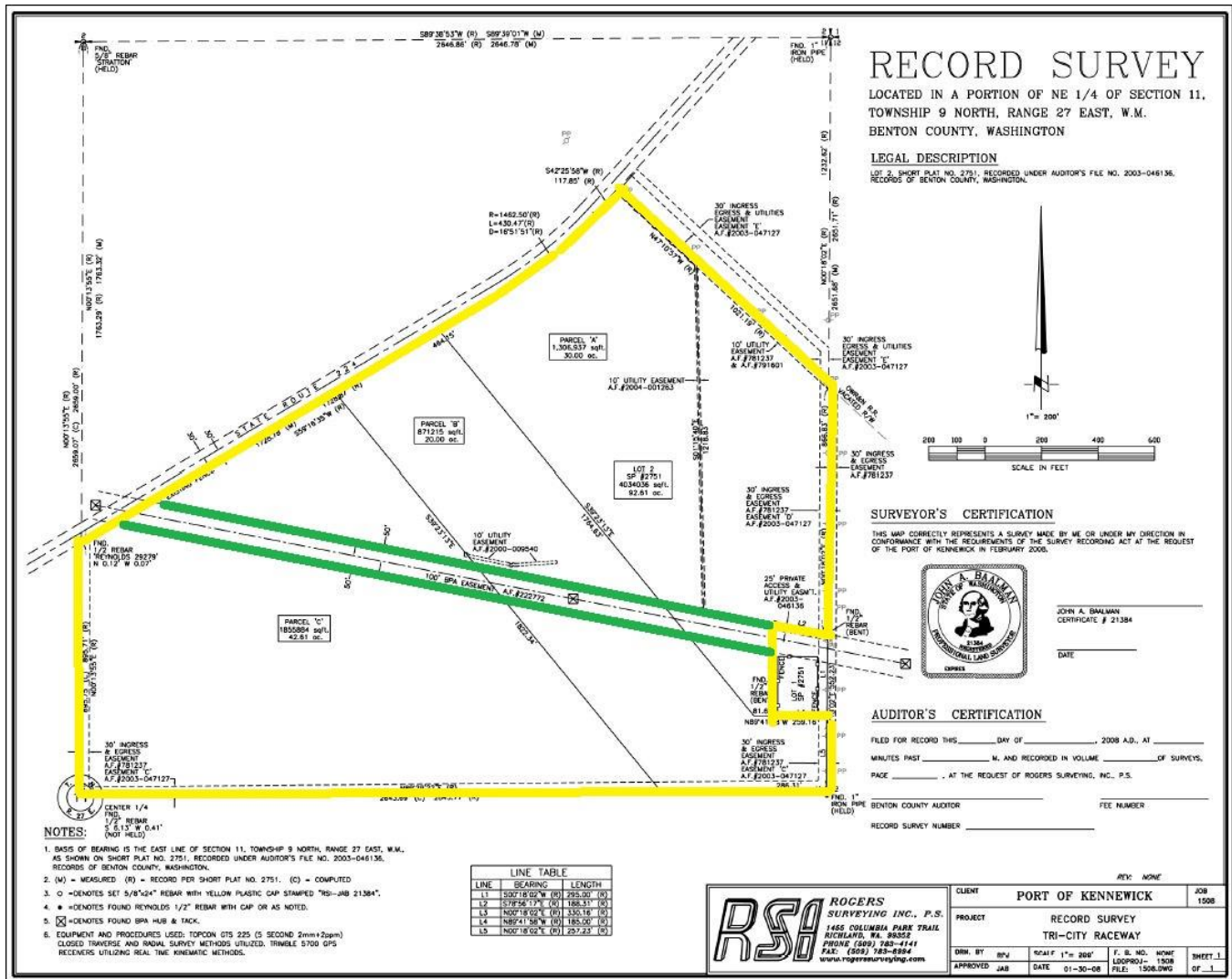
The subject property is comprised of a 92.61-acre parcel of land located on the south side of S.R. 224 between Keene and Red Mountain Roads, Benton County, WA. The site was annexed into the City of West Richland from Benton County in 2015, and is zoned CLI, Combined Commercial/Light Industrial Use District by the City of West Richland. It has a mailing address of 47615 E SR 224 Hwy, Benton City, WA 99320.

The site has several improvements:

- This site was originally improved with the Tri-Cities Raceway (TCR) which was opened in 1969 for NASCAR style racing; and had its last full season in 2004. Today the majority of grandstands and other infrastructure have been removed, although the track still occasionally serves motocross enthusiast events. There are also two small stick-built structures which previously supported the racetrack; condition unknown. The reader is referred to the Hypothetical Assumptions and Conditions as the property is being appraised as if those improvements did not exist.
- Currently, about 50% of the site or 47 acres is leased to Derek Alexander Farms, Inc. Tenant; this portion of the site is irrigated and currently in production with alfalfa. The current lease represents an extension of an original 10-year lease that expired in 2011, during which time the tenant installed the solid set irrigation system that serves the site. The reader is referred to the Hypothetical Assumptions and Conditions as the property is being appraised as if those improvements did not exist.
- Benton REA has (1) a substation on site; (2) transformers 277/480 3-Phase, less than 15 years old; and (3) 120/240 3-phase.
- The site has certificated water rights for 270-acre feet. The reader is referred to the Hypothetical Assumptions and Conditions as this appraisal assumes that only 18-acre feet are included for valuation purposes; the remainder will be transferred to another of the Owner's property.
- There are two wells on site, although both have a high concentration of nitrates and one is deemed of limited or no value. Municipal potable water and sewer service would need to be extended to the site prior to development; alternatively, wells and septic systems could be utilized.
- Of note, a 100' BPA Easement bisects the site from the southeast to the northwest; no permanent building improvements could be developed under the easement; and thus, the total acreage could only be used for calculation of permitted improvements, but not necessarily for improvements.

A copy of a current unrecorded survey was provided as shown on the following page along with other exhibits including the original short plat.

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington



Ownership

Based upon the County's records, the subject is currently owned by Port of Kennewick. There have been no recorded transfers of the property other than interfamily or intercompany transfers since it was originally acquired.

Sale History/Current Listing/Contract:

The property is not currently listed in the Tri-Cities Association of Realtors MLS, or in any other traditional resource of which we are aware. The Owner / Client does market its own properties through its own channels.

Zoning

The property is zoned CLI (Ordinance No. 28-15) dated December 15, 2015, Combined Commercial / Light Industrial Use District by the City of West Richland. General Provisions for this district are found in Chapter 23.18 of the municipal code and can be summarized as follows.

“23.22.010. Purpose of commercial use districts.

A. The limited business use district (C-LB) is a zone classification designed to provide an area for the location of buildings for professional and business offices, motels, hotels, and their associated accessory uses, and other compatible uses serving as an administrative district for the enhancement of the central business districts, with regulations to afford protection for developments in this and adjacent districts and in certain instances to provide a buffer zone between residential areas and other commercial and industrial districts. This zoning classification is intended to be applied to some portions of the city that are designated either commercial or high-density residential under the city of Richland comprehensive plan.”

Based on a review of the zoning map, municipal code commercial or light industrial use is assumed to be a legally conforming use.

Environmental Hazards

The appraiser noted no adverse site or building conditions at time of inspection, which might impact the use of the site for commercial development.

Flood Plain

According to a review of Flood Plain Panel 530050010E dated March 1, 1984, the subject is located in a C or X zone, which is outside the boundary of any designated flood zone. Flood insurance is not required.

Title

A review of public record was not conducted although a vintage title policy was reviewed. Thus, it is assumed no adverse easements, encroachments, etc. that would impact the marketability of the property are in place.

Utilities

- *Municipal Water/Sewer* - Municipal utilities are reportedly nearby at Keene and S.R. 224, but not currently connected to the subject. Cost to extend is currently unknown.
- *Domestic Water* – There are two wells located on the site with certificated water rights appurtenant (G4-26382C and G4-28319C) for a combined total of 72-AF/Yr (Acre Feet Annual Withdrawal Permitted). Water rights are transferrable without transferring the real estate and only a part of those water rights are valued as a part of this assignment.
- *Electric* - Underground electrical provided by Benton Rural Electric Association (Benton REA) currently services the former racetrack portion of the site. It is also noteworthy that Bonneville Power has a 100' wide easement for service bisecting the site and restricting development within the easement area. There are five poles on the ground supporting high tension wires above. Any development would necessarily need to account for the fact that.
- *Irrigation Water* – Currently connected to the portion of the site used for agricultural use.
- *Wine Effluent Pre-Treatment Facility* – West Richland has completed this facility about ½ mile east of the site, but it is not yet connected.

Topography

Topography is mostly flat and level with some gently rolling slopes from north to south and a change of about 10 feet in elevation from one boundary to the other over the entire parcel.

Site Description

The subject site is comprised of a single tax parcel designated by the Benton County Assessor as Parcel 1-1197-101-2751-002. The size of the Irregular shaped site totals 4,034,092 SF or 92.61000 acres. A description in summary form is shown below.

Identification

Location	47615 E SR 224 Hwy, West Richland, Benton County, Washington
Legal Description	Section 11 T9R27NE :Short Plat #2751 Lot 2, 09/23/2003, AF #03-046136. Recorded in Volume 1 of Short Plats at page 2751, Records of Benton County, Washington

Physical Features

Size	Approximately 92.61000 acres, or 4,034,092 SF
Surplus Land⁵	N/A
Configuration	Irregular; suitable for a variety of development types/styles
Topography	Level to slightly rolling
Drainage	Appears Adequate
Flood Plain	
In Flood Plain?	No
Flood Map Panel	530050010E
Flood Zone	C or X, outside the boundaries of a designated floodplain
Utilities	Electric power is onsite; two domestic water wells, one of limited or no value; municipal water and sewer are nearby at the intersection of SR 224 and Keene Road, West Richland, WA
Ground Stability	A soils report was not provided. It is assumed that the load bearing capacity of the soil is sufficient to support any proposed development. No evidence to the contrary was observed during my physical observation of the property.

Streets, Access, Frontage

Access	From public right of way, i.e., S.R. 224 at the northern property line
Corner Influence	Mid-Block, partially wraps around a corner parcel
Traffic Light	No
Traffic Level	Medium
Traffic Count	>4,000 to 6,000 vpd estimated along SR 224 E/O Red Mountain Road (2013)
Paving	Public right of way is asphalt paved; estimated 40' wide as it passes subject
Curbs/Gutters	No
Sidewalks	No
Traffic Lanes	Four along SR 224 E/O Red Mountain Road (2013)
Direction of Traffic	North/South along SR 224 E/O Red Mountain Road (2013)
Medians	N/A

⁵ *Surplus Land*. Land that is not currently needed to support the existing improvements but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. Source: Dictionary of Real Estate Appraisal, 5th Ed, Appraisal Institute.

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Visibility	Fair to Average
Curb Cuts	One from W SR 224 E/O Red Mountain Road (2013) which provides ingress and egress to the parking lot

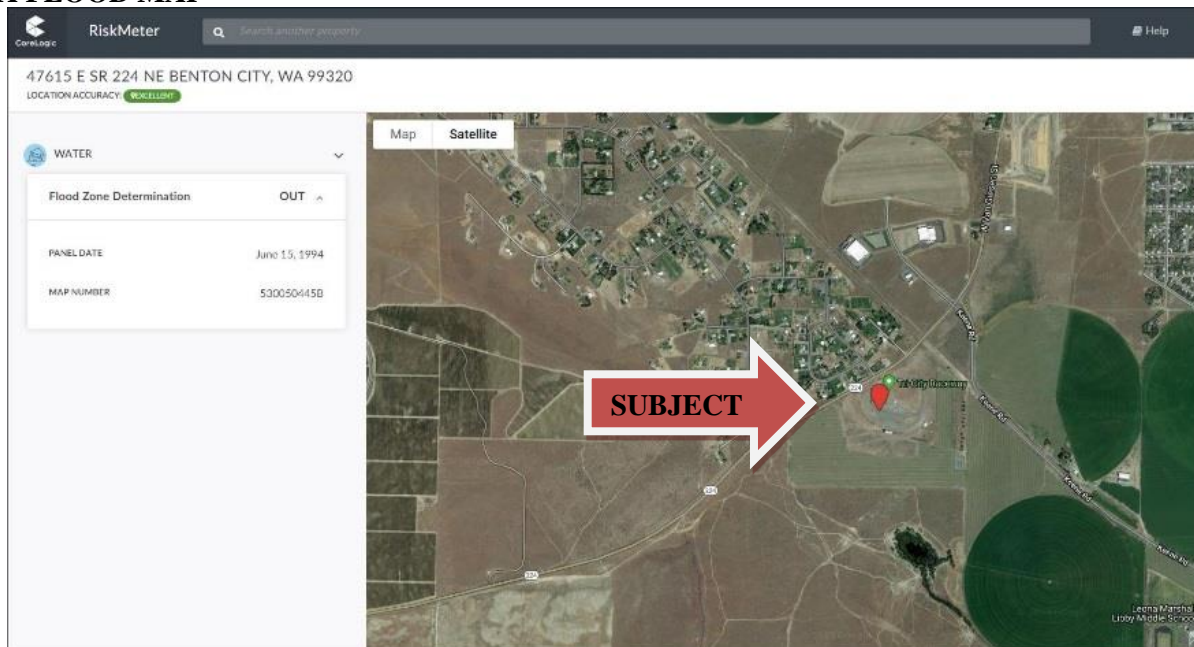
Legal

Zoning	CLI (Ordinance No. 28-15) dated December 15, 2015, Combined Commercial / Light Industrial Use District
Permitted Uses	Commercial, industrial and some Residential uses; some complementary uses
Permitted Density	Approved on a case by case basis depending on use, as development occurs
Required Parking	Approved on a case by case basis depending on use, as development occurs
Conformance	The property is appraised as if vacant and available to be put to its highest and best use, which would be a legally conforming use
Easements, Encumbrances	A copy of a current title commitment was provided; it is assumed there are no adverse encumbrances
Encroachments	A copy of a recorded ALTA survey was not provided, although a review was conducted of an unrecorded survey

Site Plat – Source: Benton County Assessor Online Records

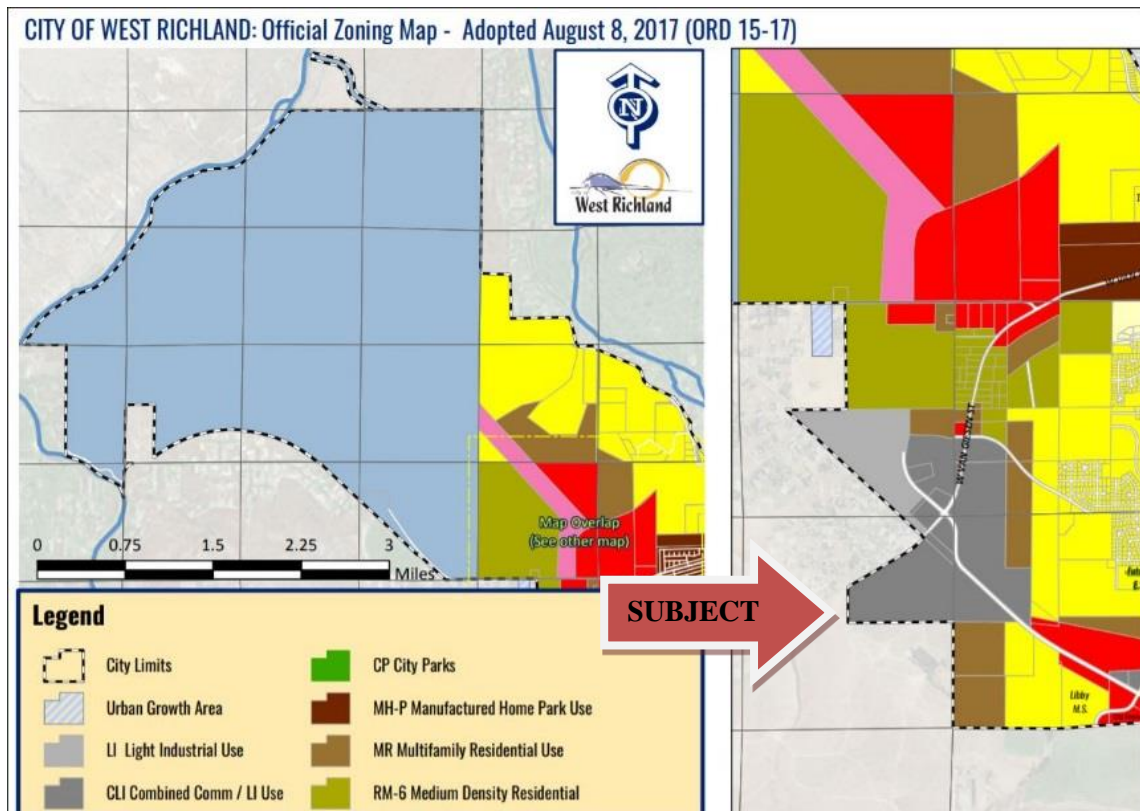


FEMA FLOOD MAP

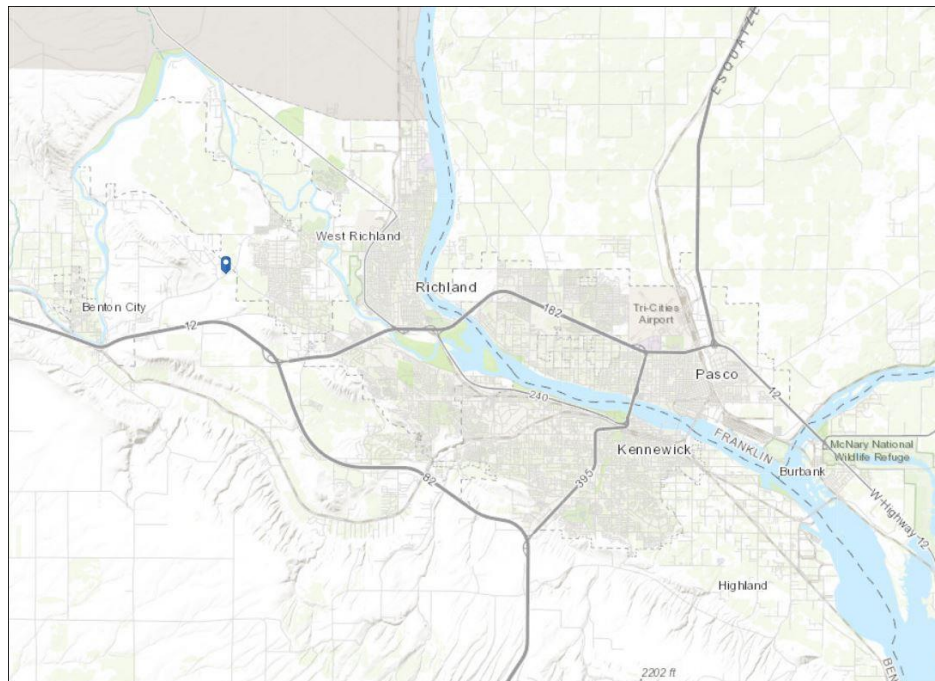


Flood Plain Map – Source: FEMA

Zoning Map and Legend – Source: City of West Richland



Topographic Map – Source: STDB



Property Data Improvements

The subject improvements are described *in general* in the following outline format. This section is meant to acquaint the reader with the character of the improvements, it is not meant to be an exhaustive construction specification.

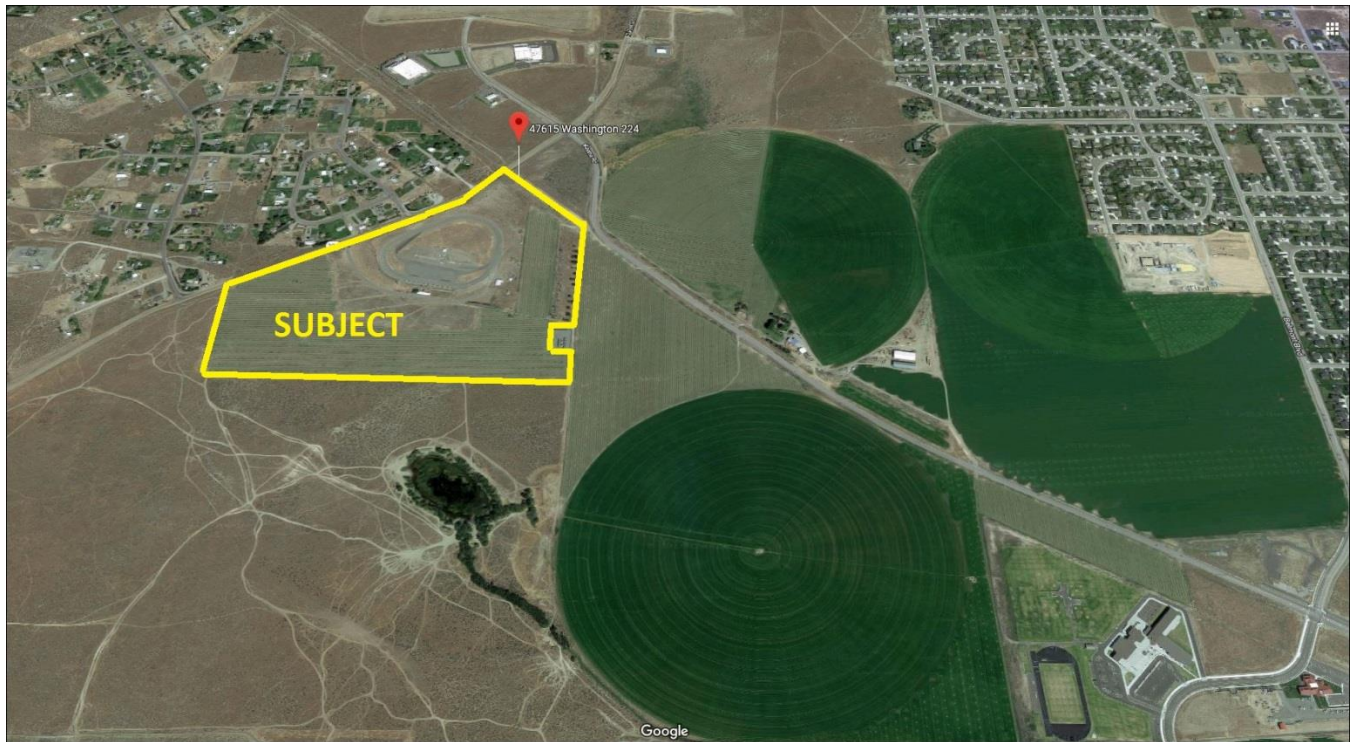
The subject property is comprised of a 92.61-acre parcel of land located on the south side of S.R. 224 between Keene and Red Mountain Roads, Benton County, WA. The site was annexed into the City of West Richland from Benton County in 2015, and is zoned CLI, Combined Commercial/Light Industrial Use District by the City of West Richland. It has a mailing address of 47615 E SR 224 Hwy, Benton City, WA 99320.

The site has several improvements:

- This site was originally improved with the Tri-Cities Raceway (TCR) which was opened in 1969 for NASCAR style racing; and had its last full season in 2004. Today the majority of grandstands and other infrastructure have been removed, although the track still occasionally serves motocross enthusiast events. There are also two small stick-built structures which previously supported the racetrack; condition unknown. The reader is referred to the Hypothetical Assumptions and Conditions as the property is being appraised as if those improvements did not exist.
- Currently, about 50% of the site or 47 acres is leased to Derek Alexander Farms, Inc. Tenant; this portion of the site is irrigated and currently in production with alfalfa. The current lease represents an extension of an original 10-year lease that expired in 2011, during which time the tenant installed the solid set irrigation system that serves the site. The reader is referred to the Hypothetical Assumptions and Conditions as the property is being appraised as if those improvements did not exist.
- Benton REA has (1) a substation on site; (2) transformers 277/480 3-Phase, less than 15 years old; and (3) 120/240 3-phase.
- The site has certificated water rights for 270-acre feet. The reader is referred to the Hypothetical Assumptions and Conditions as this appraisal assumes that only 18-acre feet are included for valuation purposes; the remainder will be transferred to another of the Owner's property.
- There are two wells on site, although both have a high concentration of nitrates and one is deemed of limited or no value. Municipal potable water and sewer service would need to be extended to the site prior to development; alternatively, wells and septic systems could be utilized.
- Of note, a 100' BPA Easement bisects the site from the southeast to the northwest; no permanent building improvements could be developed under the easement; and thus, the total acreage could only be used for calculation of permitted improvements, but not necessarily for improvements.

The site is being valued as if vacant and available to be put to its highest and best use and utilizing assignment conditions that the existing improvements are removed.

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3D Aerial View – Source: Google Earth

Real Estate Taxes

Benton County has assigned parcel identification numbers of 1-1197-101-2751-002 for the subject tax lot. A map for the parcel and a summary of the current assessment is included below.



Tax Year	2019
Actual Value	
Land	\$ 1,815,800
Improvements	\$200
Tax Market Value	\$ 1,816,000
Assessment Ratio	100.0%
Assessed Value	\$ 1,816,000
Taxable Value	\$ 1,816,000
Tax Rate	12.408630
Real Estate Taxes	\$22,534
Special Assessments	
Total Taxes	\$22,534.07
Payment Status	Current
Amount Due	

In Washington State, all real and personal property is subject to assessment at 100% of its true and fair market value according to its highest and best use. Washington State's Constitution limits the regular (non-voted) combined property tax rate that applies to an individual's property to one percent of market value (\$10 per \$1,000). Voter approved special levies, such as for schools, are in addition to this amount. Each property must be visited at least once every six years, although assessed values are updated on an annual basis by statistical analysis.

The property falls within the City of West Richland's Taxing District R-1. The estimated tax rate for the subject tax area this year based on an online view for properties within the city of West Richland is \$12.408628 per \$1,000 of Assessed Valuation.

Taxes for the subject property in 2019 are calculated in the amount of \$22,534, for land and/or improvements, equivalent to \$243.32/AC; and based on a review of similar projects, taxes for the subject appear to be competitive. It is noted that taxes are reportedly current.

The market value conclusion is higher than the assessed value by the Benton County Assessor and is considered competitive with other projects.

Market Trends Analysis - General

Updated Quarterly, Most Recent Update Q3 (August) 2019

Assisting with estimating highest and best use of the property, a study of general market trends was conducted for the Tri-City market in which the subject competes. For purpose of this analysis, the first demographic researched was that of demand generators and existing supply of commercial and residential development in response to demand for the majority of the Tri-Cities market of Pasco, Kennewick and Richland. Those trends are then compared with the subject neighborhood.

Demand Generator - Changes in the Population Base

A brief synopsis of current market trends for different market segments of the Tri-Cities is found in the pages to follow, including commercial (office and retail), industrial, multi-family, and residential.

Demand for real estate in general is created by increases in the population and the labor force in the study area. New jobs generated in the Tri-Cities in general are greatly affected by primarily three factors.

The first factor is the demand generated through the U.S. Department of Energy (DOE) and related contractors including Pacific Northwest National Laboratory (PNNL) and others in connection with research and clean-up associated with the Manhattan Project at the Hanford Site. The Hanford Site is the location of the first plutonium production in the United States for the production of the atomic bomb. Any other Hanford site contractor can create demand for additional office buildings and services catering to the employees. Forecasting this demand is difficult, if not impossible, at best because of the volatility of the DOE's annual budgeting and funding through Congress. It appears as if this budget is stable for the time being. Nonetheless, changes in the population and labor force over the last several years were examined.

Second, increasing demand is evident as a result of the expanding agricultural activities in the region. The Tri-Cities enjoys one of the longest growing seasons anywhere in the United States. This is coupled with a high desert climate (10" or less of annual rainfall) which is ideal for growing many agricultural crops. But the pièce de résistance is the fact that the Columbia Basin Project (CBP) in Central Washington is the irrigation and hydroelectric network that the Grand Coulee Dam (completed in 1942) makes possible. It is the largest water reclamation project in the United States, supplying irrigation water to over 670,000 acres of the 1,100,000-acre project area. Water pumped from the Columbia River is carried over 331 miles of main canals, stored in a number of reservoirs, then fed into the 1,339 miles of lateral irrigation canals. Currently it is estimated that about 3.0 million acre-feet or 2.3% of the average river flow, is diverted into the CBP. Its hydroelectric capacity provided the electric demanded by the Hanford nuclear reservation during World War II.

Third, increasing demand is evident as the number of retirees attracted to the area relocate. The baby boomer generation has begun this process and is looking for an affordable place to retire with a good climate, good amenities and good quality regional medical care. The Tri-Cities offers these options.

The total metropolitan area population grew from 191,822 to 253,340 between 2000 and 2010, an increase of 30%, or 3% per year based on the 2010 census. As reported in the Regional Trends section of this report, recent population growth statistics can be summarized as follows:

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Population Trends for the Tri-Cities, WA MSA										
Area	2010	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*
MSA	253,340	258,400	262,500	268,200	273,100	275,740	279,170	283,830	289,960	296,480
Benton County	175,177	177,900	180,000	183,400	186,500	188,590	190,500	193,500	197,420	201,800
Kennewick	7,317	74,665	75,160	76,410	77,700	78,290	79,120	80,280	81,850	83,670
Richland	48,058	49,090	49,890	51,150	52,090	53,080	53,410	54,150	55,320	56,850
West Richland	11,811	12,200	12,570	13,080	13,620	13,960	14,340	14,660	15,320	15,340
Franklin County	78,163	80,500	82,500	84,800	86,600	87,150	88,670	90,330	92,540	94,680
Pasco	59,781	61,000	62,670	65,600	67,770	68,240	70,560	71,680	73,590	75,290
<i>Source: WA State Office of Financial Management, April 1, 2019 Used for Allocation of Selected State Revenue</i>										
<i>*Based on Estimates from 2010 US Census as determined in April every year</i>										

Summary: Based on a review of this data, it is clear that the Tri-Cities region is growing. Pasco is actually the third fastest growing city in the state, and the airport is the 8th busiest small airport in the country. The nine-year growth rate between 2010 and 2019 projections is 17.02%, or 1.9%. While the percentage may be declining, the absolute numbers are not that different as the numbers grow larger. As of the date of this update, the most recent annual data published by OFM is April 2019, published in May 2019. Many agencies are expecting that the Tri-Cities will cross the 300,000 population benchmark this year. Once that benchmark is crossed, many retailers and others begin to look to the area as a place to locate.

Demand Generator – Changes in Employment

As previously indicated, the labor force of the Tri-Cities area is comprised of agricultural, service and Hanford related industries. The Washington State Office of Employment Security publishes labor force statistics for the Benton County and Franklin County areas. The labor force statistics for 2011 through the present are presented below.

Unemployment Rate for the Tri-Cities SMSA - Seasonally Adjusted													
Year	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	AVG
2019	7.10	7.50	7.10	5.70	5.00	5.30							6.28
2018	7.2	7.2	6.5	5.7	5.2	4.8	4.6	4.6	4.1	4.4	5.2	6.5	5.50
2017	6.20	6.10	5.90	5.70	5.70	5.60	5.60	5.60	5.60	5.60	5.60	5.60	5.73
2016	5.60	5.60	5.60	5.60	5.60	5.60	6.60	6.40	5.90	6.00	6.60	7.70	6.90
2015	8.10	7.80	7.10	6.50	6.70	6.00	6.50	6.00	5.40	5.70	6.90	8.00	7.00
2014	8.30	8.20	8.00	7.90	7.80	7.70	7.70	7.80	7.90	8.00	8.10	8.20	8.00
2013	9.30	9.30	9.30	9.30	9.30	9.30	9.20	9.10	8.90	8.80	8.70	8.50	9.10
2012	9.20	9.30	9.40	9.50	9.50	9.50	9.50	9.50	9.40	9.30	9.30	9.30	9.40
2011	7.70	7.70	7.80	7.90	8.10	8.20	8.30	8.50	8.70	8.90	9.10	9.20	8.30

Source: Washington State Employment Security Dept and Labor Force US (LAUS) (June, 2019)

The table reflects the fluctuation of the annual average resident civilian labor force and employment levels in the Benton and Franklin Counties for years 2011 through the most recent data available. The average annual unemployment rates, which averaged about 8.4% during the early 1990's, ranged from 5.3% to 7.9% between 2000 and 2011. The labor force grew substantially from 2007 through 2010, as federal stimulus money flooded the region. As mentioned in the Regional Data section, this funding was reduced in 2011, and is reflected in the area's average annual unemployment rate, which during 2009 through 2013 was higher than previous years. But currently, the rate is at 5.3% (June, 2019), a rate which will remain low during the summer months somewhat as harvest time occurs, before rising slightly again.

Summary: Given the historical growth in the number of employed persons in the Tri-Cities area coupled with the reduction in the unemployment rate, it is reasonable to assume that employment

growth will continue, yet at a somewhat slower rate than in the past.

Demand Generators - Tri-Cities Market for Retail Trends

Annual retail sales are shown in the following table for both Benton and Franklin counties as well as the respective major cities.

Annual Taxable Retail Sales

Source: Quarterly Business Review, Dept. of Revenue
\$(000)

	Benton County	Kennewick	Richland	Franklin County	Pasco
2005	\$2,226,436	\$1,277,295	\$686,414	\$862,138	\$781,597
2006	\$2,303,245	\$1,303,810	\$748,888	\$929,718	\$811,293
2007	\$2,574,398	\$1,432,031	\$811,768	\$1,057,004	\$856,422
2008	\$2,601,911	\$1,442,198	\$802,685	\$1,052,102	\$877,529
2009	\$1,918,416	\$1,445,410	\$812,779	\$1,038,744	\$884,080
2010	\$2,731,890	\$1,478,874	\$873,190	\$964,585	\$825,267
2011	\$2,959,959	\$1,558,341	\$954,851	\$1,007,226	\$839,174
2012	\$2,937,656	\$1,634,408	\$903,715	\$1,037,096	\$861,063
2013	\$3,189,855	\$1,723,129	\$989,622	\$1,110,257	\$933,301
2014	\$3,284,582	\$1,768,985	\$1,041,224	\$1,196,017	\$1,016,795
2015	\$3,612,773	\$1,930,747	\$1,129,471	\$1,315,962	\$1,125,061
2016	\$3,789,869	\$2,002,185	\$1,207,961	\$1,428,477	\$1,250,472
2017	\$3,905,643	\$2,024,430	\$1,259,515	\$1,534,638	\$1,333,597
2018	\$4,166,740	\$2,185,588	\$1,329,492	\$1,655,850	\$1,432,202
% Chg 2017-2018	6.68%	7.96%	5.55%	7.90%	7.39%
5-Yr Avg Growth	26.86% 5.37%/Yr	23.55% 4.71%	27.68% 5.53%	38.44% 7.68%	40.85% 8.17%

*Updated June 2019 from the Quarterly Business Review for Calendar
2018, Calendar Year*

Over the past five years, the average growth in retail sales in Kennewick was 4.71%, which is a slight growth from the earlier period. Richland has continued to grow in sales from a lower total in 2014, to a rise of 5.53%/yr for the last five years. Pasco's retail sales incurred a marked decrease in 2010, but sales increased 40.85% over the last five years, an astonishing 8.17%, although the majority of that growth occurred in the City of Pasco.

Real Estate Activity - Commercial (Office and Retail) – General Comments

The Tri-Cities real estate market is less sophisticated than larger first tier markets. For example, there are no published statistics regarding the current standing inventory of the individual office, retail or industrial markets, and no hand count has ever been done of which the appraiser is aware. Thus, it is left to the analyst to make its best estimates.

This is further complicated because the line between office and retail development is blurred in the Tri-Cities, primarily because the small size of the market in general ($\leq 300,000$ population) as well as the limited size of the office market specifically (oriented more specifically to owner users), encourages many office users in this market to go into what would be typically categorized as retail

space in larger markets.

Even so, until the national recession which occurred a decade ago in 2008-09, the Tri-Cities were a “hot spot” for commercial real estate. This was because both the Seattle and Portland markets ranged from depressed to flat, causing those market investors to move eastwardly and bid up the price of local strip malls and office buildings. Discussions at that time with investors outside the market stated that even in the Seattle area, capitalization rates were in the 6% to 8% range whereas the Tri-Cities were in the 8% to 9% range for office and 7% to 8% for retail strip malls during the same period, a more favorable rate of return. Out of the area investors tended to push sale prices upward, comparable to what is experienced in larger metropolitan areas. This put inflationary pressure on real estate prices, in hopes that if the investor did pay in excess of the market value, within the next year or two the market would catch up to the purchase price.

During the recession, there was a steep decline in investor-oriented sales, attributable to lack of credit availability and the weakened economy. Rental rates declined, and vacancy rates increased. Sales activity has increased within the past 48 to 60 months (Q1 2014 to Q1 2019), evidenced by the sales reviewed for this and other recent assignments. In addition, there has been strong increases in new construction, although the vast majority has included development of individual build-to-suit standalone projects for owner/users, and educational uses rather than for investors on a speculative basis. We have noted a slight slowdown in sales activity beginning with the third quarter, 2016 to the present time, but this is actually attributed more to a lack of inventory available on the market than lack of demand. In fact, most good product is snapped up quickly if priced competitively.

Prior to 2009, developers speculated new construction for retail and office space in the Tri-Cities markets, finding at times rapid space absorption, and at other times a more normal market experience of taking up to one year to lease up speculative space, depending on the extent of pre-leasing completed. The major centers of growth during that time, continue to attract growth today.

Our office began keeping track of new construction activity in 2014. A vast majority of the Kennewick commercial retail development has been situated in close proximity to the Columbia Center Mall. For example, the **Gage Boulevard Corridor** to the west of the Columbia Center Mall was almost fully developed between 2000 and 2017. The most recent completed projects include:

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2015	89 Gage Blvd LLC - Monteagudo	Century 21	89		Gage Blvd	Benton	Kennewick_ Richland	Gage Blvd. / Keene Blvd.	\$1.5MM	Office	8,216	
2014	Cazier Enterprises	Costa Vida / Subway	95		Gage Blvd @ Keene Rd	Benton	Kennewick_ Richland	Gage Blvd. / Keene Blvd.	\$1.5MM	Retail	4,826	
2014	R.A. Johnson Properties LLC	Johnson Office Building	8486	W	Gage Blvd @ Steptoe	Benton	Kennewick_ Richland	Gage Blvd. / Keene Blvd.	\$1.2 MM	Office	5,482	
2019 (Prop)	WA Securities & Invest	Taco Time Restaurant	2222		Keene Rd	Benton	W Richland	Gage Blvd. / Keene Blvd.	600k	Retail		500
2014	Gage West Properties LLC	Verizon Store	106		Keene Rd	Benton	Kennewick_ Richland	Gage Blvd. / Keene Blvd.	\$1MM	Retail	3,133	
2014	Three Hinge LLC (Blankenship et al)	Keene Retail Center	480		Keene Rd	Benton	Kennewick_ Richland	Gage Blvd. / Keene Blvd.	\$1.8MM	Retail	7,014	
2014	PHAB Property LLC	Columbia Physical Therapy	35	S	Louisiana St	Benton	Kennewick_ Richland	Gage Blvd. / Keene Blvd.	\$1.4 MM	Office	6,728	
2015	Bender Equities	Bellavista Apts II	2101		Steptoe	Benton	Kennewick_ Richland	Gage Blvd. / Keene Blvd.		Apts	82,000	
2016	Washingt Securities & Invest.	Two Cannon Professional Offices	8901	W	Tucannon	Benton	Kennewick_ Richland	Gage Blvd. / Keene Blvd.	\$4.2M	Office	22,227	
2019 (Prop)	Kenmore Team	Kenmore Team	9001	W	Tucannon	Benton	Kennewick	Gage Blvd. / Keene Blvd.	\$1.2M	Office		9,150
2019 (U/C)	Smile-A Mile	Smile-A-Mile Dental	8804	W	Victoria Ave	Benton	Kennewick	Gage Blvd. / Keene Blvd.	1.2M	Com'l		13,200
2014	Don Deno	Perfecton Pittsburgh Paint	8818	W	Victoria Ave	Benton	Kennewick_ Richland	Gage Blvd. / Keene Blvd.	\$900K	Retail	5,160	
							Kennewick	Gage Blvd. / Keene Blvd.			144,786	22,850

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The majority of additional commercial retail development for the City of Richland was concentrated in the **Queensgate neighborhood during 2000 and 2017**. Most recently:

2014	City of Richland	Richland Fire Station #74	2761		Duportail St	Benton	Richland	Queensgate	\$3.5MM	Other	7,700	
2016	First Richland L.P.	Panera Bread Strip Center	2762		Duportail St	Benton	Richland	Queensgate		Retail	9,400	
2015	Kreme Properties LLC	Krispy Kreme Donuts	2805		Duportail St	Benton	Richland	Queensgate	\$1.5MM	Retail	3,073	
2016	Fairchild Cinemas	Fairchild Cinemas Richland	2871		Duportail St	Benton	Richland	Queensgate	\$10.5MM	Other	44,136	
2014	GESA Credit Union	GESA Credit Union Branch	2951		Duportail St	Benton	Richland	Queensgate	\$2.2MM	Retail	5,456	
2014	Numerica Credit Union	Numerica Credit Union	3045		Duportail St	Benton	Richland	Queensgate	\$2.2MM	Retail	3,152	
2019 (Prop)	TC Orthodontics	Queensgate Dental	3200		Duportail St	Benton	Richland	Queensgate	5.3M	Med Ofc	19,280	
2017	DQ Queensgate	DQ Queensgate	3250		Duportail St	Benton	Richland	Queensgate		FF	2,600	
2019 (Prop)	JLW Asset Mgmt	Richland Baptist Church	2376		Jericho	Benton	Richland	Queensgate	582k	Com		
2019 (Prop)	JLW Asset Management	RV Self Storage	2375		Jericho Rd, Bldg B	Benton	Richland	Queensgate	792K	Com		
2019 (Prop)	Original Pancake House-2	Original Pancake House 2	424		Keene Rd	Benton	Kennewick	Queensgate	1.8M	Restaurant	4,500	
2016	Western States Lodging, Development &	Home2 Suites	2861		Lincoln Landing	Benton	Richland	Queensgate	\$9.0M	Other	66,380	
2017	Nathan Croskrey	BTS Office Building	1020		Queensgate Dr	Benton	Richland	Queensgate		Office	14,026	
2016	Suzanne & Craig Garrison	Spanky's Car Wash & Detail	2544		Queensgate Dr	Benton	Richland	Queensgate		Other	4,240	
2015	First Richland L.P.	Hop Jacks & Qdoba Mexican Grill	2675		Queensgate Dr	Benton	Richland	Queensgate		Restaurant & Winery	8,023	
2017	Mod Pizza	Mod Pizza	2803		Queensgate Dr	Benton	Richland	Queensgate	\$710K	Retail	2,800	
2017	Ultra Beauty	Ultra Beauty	2911		Queensgate Dr	Benton	Richland	Queensgate	\$710K	Retail	4,200	
2015	TJ Maxx	Marshalls	2921		Queensgate Dr	Benton	Richland	Queensgate	\$2.1MM	Retail	25,050	
2015	First Richland L.P.	Ross Dress for Less	2917		Queensgate Dr	Benton	Richland	Queensgate	\$2.36M	Retail	27,000	
2015	First Richland L.P.	Carter's & Osh Kosh B'gosh	2947		Queensgate Dr	Benton	Richland	Queensgate		Retail	6,000	
							Richland	Queensgate			233,236	23,780

Additional development has occurred along both sides of the **Columbia Center Boulevard corridor**, and in **Vista Field**, particularly medical and dental office. Most recently:

2019 (U/C)	Dick's Sporting Goods	Dick's Sporting Goods			Col Ctr Mall	Benton	Kennewick	CC Blvd	7.5M	Retail		45,138
2014	LFIC LLC (CCB Development)	Massage Envy / Restaurant	901	N	Colorado	Benton	Kennewick	CC Blvd	\$2.3MM	Retail	12,463	
2014	LFIC LLC (CCB Development)	Pizza Wood Fired	1022	N	Columbia Ctr Blvd	Benton	Kennewick	CC Blvd	\$1.5MM	Restau- rant	5,494	
2019 (U/C)	Goodwill Industries	Goodwill Industries	311-345		Columbia Ctr Blvd	Benton	Kennewick	CC Blvd	3.1M	Retail / Whse		20,205
2016	Columbia Mall Partnership	HomeGoods	1321	N	Columbia Ctr Blvd	Benton	Kennewick	CC Blvd	\$2.7M	Retail	22,200	
2019 (U/C)	WoodSpring Suites	Wood Spring Suites	1370		Tapteal	Benton	Richland	CC Blvd	6.7M	Hotel		49,776
							Kennewick	CC Blvd			40,157	115,119

2014	Pratt, Don & Lois	Chinook Heating & Air	3909	N	Belfair Ct	Benton	Kennewick	Vista Field	\$1.4MM	Retail	6,000	
2019 (U/C	Steele-Chavallo	Dual Restaurant	5373		Canal Dr	Benton	Kennewick	Vista Field	355k	Restau rant (2)		8,925
2017	Allen Breck	BTS 2-tenant office building	3360	W	Deschutes Ave	Benton	Kennewick	Vista Field		Office	6,400	
2017	Keller Supply Co/Stuart Sulman	Keller Supply Plumbing	6509	W	Deschutes Ave	Benton	Kennewick	Vista Field	\$2M	Retail	22,000	
2017	Craig Eerkes	BTS Light Ind'l Bldg	TBD	N	Edison	Benton	Kennewick	Vista Field		Ind'l	12,000	
2017	Fresenius Kidney Care Columbia Basen	Fresenius Kidney Care Columbia Basen	6600	Rio	Grandridge Blvd	Benton	Kennewick	Vista Field		Health care	11,132	
2015	Fieldstone Assisted Living of Kennewick	Fieldstone Memory Care	7215		Grandridge Blvd	Benton	Kennewick	Vista Field	\$10MM	Health care	74,350	
2015	A-1 Kennewick LLC	Springhill Suites	7408	W	Grandridge Blvd	Benton	Kennewick	Vista Field	\$7MM	Other	94,191	
2019 (Prop)	CliftonLarsonAllen and Ticor Title	Ticor Title	8101	W	Grandridge Blvd	Benton	Kennewick	Vista Field	5.4M	Office		19,611
2019 (Prop)	Tri-City Title & Escrow	Tri-City Title & Escrow	8109	W	Grandridge Blvd	Benton	Kennewick	Vista Field	1.3	Office		5,500
2016	Elysium Properties LLC	Center Vision Clinic	8127		Grandridge Blvd	Benton	Kennewick	Vista Field	\$1.95MM	Office	9,614	
2017	BlueCougar Properties	Adv Family Chiropractic	8350	W	Grandridge Blvd	Benton	Kennewick	Vista Field	\$2.5M	Office	12,000	
2018 (U/C)	Vista Field Industrial Park III LLC	Warehouse	6416	W	Hood Pl	Benton	Kennewick	Vista Field	\$2.8M	Whse		38,500
2019 (Prop)	Justice Family Chiro	Justice Family Chrio	7106	W	Hood Pl	Benton	Kennewick	Vista Field		Medic al/Offic e		4,778
2018 (U/C)	O'Brien Warehouse	Vista III Warehouse			North of Quay St	Benton	Kennewick	Vista Field	\$2M	Whse		40,000
2016	Wes Heyden	Roaster's Coffee	5125	W	Okanogan Pl	Benton	Kennewick	Vista Field		Retail	900	
2017	Tim Bush Trust	Car Wash	5207	W	Okanogan Pl	Benton	Kennewick	Vista Field	\$100K	Other	4,000	
2016	Michael Scott	Bruchi's	5209	W	Okanogan Pl	Benton	Kennewick	Vista Field	\$1M	Retail	3,000	
2016	3 BLANKS LLC (Blankenship)	Strip Center	6205	S	Okanogan Pl	Benton	Kennewick	Vista Field	\$1.5M	Retail	15,401	
2015	DPA Enterprises LLC	Budget Print Center	7010	W	Okanogan Pl	Benton	Kennewick	Vista Field	\$0.5MM	Office	3,953	
2015	CCM Investments LLC	Great Floors	7220	W	Okanogan Pl	Benton	Kennewick	Vista Field		Retail	24,233	
2015	Harvey Insurance	Harvey Insurance Agency Building	2555	S	Quillan Pl	Benton	Kennewick	Vista Field	\$850K	Office	3,944	
2016	Almond Orthodontics	Almond Orthodontics	8305	W	Quinault Ave	Benton	Kennewick	Vista Field		Office	8,500	
2018	Chuck E Cheese	Chuck E Cheese	6340	W	Rio Grande	Benton	Kennewick	Vista Field	\$2.2M	Restau rant	14,458	
2014	H2M Properties LLC	Tri-City Orthopaedics Ambulatory Surgery	6703	W	Rio Grande	Benton	Kennewick	Vista Field		Health care	14,634	
2019 (Prop)	Chicago Title	Chicago Title	8009	W	Tucannon	Benton	Kennewick	Vista Field	2.8M	Office		9,671
2019 (Prop)	Elite Investment Group	Office Bldg	9001	W	Tucannon	Benton	Kennewick	Vista Field	\$1.5M	Office		4,467
2019 (Prop)	LK Holding Group	Office Bldg	9025	W	Tucannon	Benton	Kennewick	Vista Field	1.2M	Office		9,150
2016	Windsor Plywood Northwest, Inc	Windsor Plywood Northwest Inc.	311	N	Van Buren St	Benton	Kennewick	Vista Field	\$1.4M	Retail	15,194	
2015	Cascadia Development	Fieldstone Memory Care	575	N	Young St	Benton	Kennewick	Vista Field		Health care	39,758	
							Kennewick	Vista Field			395,662	140,602

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In the City of Pasco, the **West Pasco Market** which is bounded by the I-182 freeway on the south between U.S. 395 and Road 100 saw the majority of new commercial retail construction during the same timeframe. Most recently:

2019 (Prop)	Real Property Acquisitions	GESA Credit Union Branch	4824		Broadmoor Blvd	Franklin	Pasco	Road 68	2M	Retail		7,250
2016			6005		Burden Blvd	Franklin	Pasco	Road 68	M	Retail	5,000	
2018	Wine Country Family Dental	Wine County Family Dental	6225		Burden Blvd	Franklin	Pasco	Road 68	900K	Com	3,800	
2018	Garam LLC	Strip Mall	6627		Burden Blvd	Franklin	Pasco	Road 68	680,000	Retail	9,600	
2016	Ron/Tracey Asmus	Hotel	6826		Burden Blvd	Benton	Pasco	Road 68	\$9.9M	Other	72,685	
2017	Petco	Petco	7202		Burden Blvd	Franklin	Pasco	Road 68	\$1.3M	Retail	11,000	
2018	Self Storage at Chapel Hill	Self Storage at Chapel Hill	6615		Chapel Hill Blvd	Franklin	Pasco	Road 68	\$7.2M	Retail	84,000	
2018	Bleyhl Co-op	Bleyhl, Great Harvest, TruValue	6705		Chapel Hill Blvd	Franklin	Pasco	Road 68	3M	Retail	30,585	
2018	Genius Clinic LLC	Eye Clinic	4802		Clemente Ln	Franklin	Pasco	Pasco	\$735K	Eye Clinic	5,812	
2018	Argent Storage	Argent Storage	3302	N	Road 44	Franklin	Pasco	Road 68	\$3M	Self-Storage	100,000	
2019 (Prop)	BV AL Pasco 1	Adult Homes	5921		Road 60, #A * #B	Franklin	Pasco	Road 68	\$1.2M	Adult Homes		18,780
2018	O'Reilly Auto Ent LLC	O'Reilly's Auto Parts	5425		Road 68	Franklin	Pasco	Pasco	\$1MM	Auto Parts	8,748	
2018	Hogback Sandifur	Shopping Center	5710		Road 68	Franklin	Pasco	Road 68	855k	Retail	48,000	
2018	Hogback Sandifur	Shopping Center	5802		Road 68	Franklin	Pasco	Road 68	671K	commercial	5,994	
2014	Pasco My Place LLC	My Place Hotel	6830		Rodeo Dr	Franklin	Pasco	Road 68	\$3.6MM	Other	28,594	
2014	GESA Credit Union	GESA Credit Union Branch	7421		Sandifur Pkwy	Franklin	Pasco	Road 68		Retail	6,317	
2019 (Prop)	Sparrow Investments		8921		Sandifur Pkwy	Franklin	Pasco	Road 68	560K	Com		4,000
2016	Sound Investment Group	Broadmoor Storage Solutions	9335		Sandifur Pkwy	Franklin	Pasco	Road 68		Industrial	37,588	
2017	NW Farm Credit Services	NW Farm Credit Services	9915		St Thomas Dr	Franklin	Pasco	Road 68	\$3MM	Office	24,486	
2016	Baxalta US Inc	BioLife Plasma Center	7430		Wrigley Dr	Franklin	Pasco	Road 68	\$2.7M	Office	16,112	
2016	DB Wrigley Drive		7525		Wrigley Dr	Franklin	Pasco	Road 68		Retail/Com/Restaurant	46,000	
								Pasco	Road 68		544,321	30,030
2017	Road 90 Bus Pk Dev		5804		5804 Road 90	Franklin	Pasco	Road 90 / 100	\$5.7M	Office	25,536	
	Pasco School District		9011		Burns Rd	Franklin	Pasco	Road 90 / 100	12.7M	School	18,000	
2019		3-Bay Retail	4824		Broadmoor Blvd	Franklin	Pasco		\$ 2.00	Retail	7,253	
2019 (Prop)	Numerica	Numerica Credit Union	4845		Broadmoor Blvd	Franklin	Pasco	Road 90 / 100	\$1.3M	Com	3,152	
2019 (Prop)	PSD	New School	3901		Road 44	Franklin	Pasco	Road 90 / 100	13M	School		73,783
2019 (Prop)	PSD	New School			Road 84	Franklin	Pasco	Road 90 / 100	27.3M	School		72,000
2018	Vitruvius Dev Group LLC	PH I Road 90 Business Park	5804		Road 90	Franklin	Pasco	Pasco	\$5.7MM	Flex Space	28,800	
2018	Vitruvius Dev Group LLC	PH II Road 90 Business Park	5804		Road 90	Franklin	Pasco	Road 90 / 100		Flex Space	12,000	
2019	Steve LaMarr	Chicken Shack	8921		Sandifur Pkwy	Franklin	Pasco	Pasco	\$560K	Restaurant	2,600	2,600
2016	McCurley	McCurley Integrity Subaru	9620		Sandifur Pkwy	Franklin	Pasco	Road 90 / 100		Other	39,520	
								Pasco	Road 90 / 100		93,325	148,383

Office Market – Professional and Medical – General Comments

The three major locations for growth in office and medical office space, both fee simple and condominium ownership, have been (1) the area south of the Columbia Center within the **Columbia Boulevard Corridor** (defined as between Kellogg Street on the East and Center Parkway on the West), including the **Vista Field** areas of Kennewick; (2) the area north of the mall bordering the Columbia River in the South Richland area in the **Spaulding Business Park**; and (3) the **Columbia Point** area in South Richland. Speculative building began in 1999 and continued through about 2008. Given the supply of new product, and the concern over the national economy, new construction stagnated beginning in 2008 but picked up again in the 2014-2015 timeframe and into 2016. Professional office development interior to Vista Field and Spaulding Business Park has consisted mainly of medical and dental office buildings, constructed in proximity to the Tri-City Cancer Center and medical mall. Vista Park data was presented in an earlier page, but Columbia Pointe and Spaulding Business Park activity is summarized below.

2018	DP Management Enter	Strip Office	291	Bradley	Benton	Richland	Columbia Point	1M	Office	6,200	
2018	DP Management Enter	Strip Office	299	Bradley	Benton	Richland	Columbia Point	1M	Office	7,150	
2015	Liaped Properties LLC	Oil Can Henry's	25	Columbia Point Dr	Benton	Richland	Columbia Point	\$1.3MM	Retail	1,609	
2017	The Lodge at Columbia Point		530	Columbia Point Dr	Benton	Richland	Columbia Point		Motel	62,773	
2017	575 Apartments	Apartments (575 units)	575	Columbia Point Dr	Benton	Richland	Columbia Point		Apts	85,000	
2014	Vandervert Hospitality	Homewood Suites	1060	George Washington Way	Benton	Richland	Columbia Point	\$10.8MM	Other	92,955	
						Richland	Columbia Point			255,687	-
2018	ADSG LLC	BTS 2-story office building	1363	Columbia Park Tr	Benton	Richland	Spaulding		Office	17,000	
2016	Spaulding Surgeons LLC	Orthopaedic/Sports Medicine	1351	Fowler St	Benton	Richland	Spaulding	\$12M	Office	36,294	
2017	Support Advocacy & Resource Ctr	SARC	1458	Fowler St	Benton	Richland	Spaulding	\$1.2M	Office	7,500	
2016	Gauntt Northwest LLC	Senior Life Resources / Meals on Wheels	1824	Fowler St	Benton	Richland	Spaulding	\$1MM	Other	7,000	
2017	Randy Rupp	Cost Less Carpet	1925	Fowler St	Benton	Richland	Spaulding	\$5.5M	Industrial	62,000	
2019 (U/C)	Ford Group	Office Building	1953	Fowler St	Benton	Richland	Spaulding	2.4M	Office		34,000
						Richland	Spaulding			129,794	34,000

From 2000 to 2009, well located, newly constructed offices experienced a 90% to 95% occupancy level. New inventory and the slowing economy impacted occupancy levels. This resulted from a considerable amount of new product coming onto the market between 2006-2008. There has been no recent speculative office space constructed as financial institutions today generally have a pre-leasing requirement in their commitment that must be met prior to groundbreaking.

Over the past three years the rapid absorption period has changed to a slower, steadier pace, as new product has entered the market. Absorption periods for renting vacant space have slowed somewhat, and rental rates have softened slightly. Astute developers not willing to take the risk on market cycles and expensive carrying costs are generally pre-leasing to 50% or greater before construction due to lender's requirements.

Industrial Market Trends – General Comments

The Tri-City industrial/business park market is also comprised of space located in each of the three cities of Pasco, Richland, and Kennewick.

City of Kennewick

Vista Field provides the majority of developable and available light industrially zoned land in the City of Kennewick. Vista Field is expected to grow at a much faster rate and also command much higher prices than other areas in the Tri-Cities, due to its central location and proximity to the commercial activity of nearby Columbia Center. Vista Field consumes an entire section of land comprised of 640 acres originally used as open buffer land for the private Kennewick Airport. Over the past several years the two major landowners of Vista Field, the City of Kennewick and the Kennewick Irrigation District have been slowly dividing their large ownerships into small commercial and light industrial tracts.

In August, 2013, it was announced that the airport at Vista Field would be closing and the airport property re-developed. Work has been finalized in 2017 for the re-development and this will add about 113 acres to potential developable land totals. Before work can commence, mitigation work will need to be completed for those areas potentially affected by airport fuel. This work is in progress, and further work on providing access roads and utilities have commenced with the expectation that the first parcels will be available for purchase later in 2019.

Parcels within Vista Field have a variety of zoning classifications. The properties situated along Columbia Center Boulevard are generally CG-Commercial General, CO-Commercial Office, or CC-Commercial Community. The northwestern portion of the neighborhood has developed as regional retail district, with numerous national chains. Interior parcels in Vista Field are IP, Industrial Park or LI, Light Industrial. Vista Field is also the location of the juvenile justice center and the municipal court system as well as several governmental agencies.

- The Toyota Center opened November 19, 1988 and is located in the western portion of Vista Field, offering a 7,200-seat venue used by a local hockey league team franchise and an indoor arena football team, and public events.
- The 72,000 square foot Three Rivers convention center opened June 19, 2004.
- Construction of several new motel properties in close proximity have helped boost attendance at scheduled events. The most recent addition included a Marriott SpringHill Suites (all suite property) which is attached to the Convention Center and was completed in mid-2015.

Development in the southwest corner of Vista Field has been intermixed with medical, dental, and professional office buildings. The southeast portion consists of light manufacturing, distribution, sales and service, all newer properties built within the past 10-15 years. The majority of new development space is for owner/users and the most recent data was included in an earlier table for Vista Field.

The attraction of Vista Field and Columbia Center shopping district will continue to be a Tri-Cities growth catalyst. Located in the central portion of the City of Kennewick, it is considered advantageous to certain development as compared to other industrial properties located in periphery locations, even as

it occurs at the expense of locations in other cities.

City of Pasco

Pasco has numerous industrial sites currently available. Industrial development in the central Pasco area is located near the north banks of the Columbia River, along West “A” Street, Ainsworth Avenue, and the south side of W. Lewis Street. These are smaller industrial properties, typically owner occupied that offer automotive servicing, warehouse space, and light manufacturing uses.

East “A” Street provides access to **Big Pasco**, situated in the eastern portion of Pasco. Big Pasco also provides a vast amount of industrial land and buildings, owned and operated by the Port of Pasco. It was built by the Army during World War II and purchased by the Port in 1959. The facility has 600 acres of land with several miles of railroad tracks and streets and over 1.7 million square feet of buildings. Big Pasco tenants include Zen-Noh hay cubing and exporting, Wheco crane remanufacturing, and Lampson Cranes. The site also includes a barge container terminal, which averages over 2,700 containers each year, with most of the containers used in exporting local products. There has not been any real new construction in this neighborhood.

Pasco’s industrial sections extend further north out along the **Oregon Avenue corridor in Central Pasco**. The older southerly portion of Oregon Avenue has been a mix of light and heavy industrial users for many years. Many of the earlier users have either left the area or relocated. Most recent activity is summarized in the table included with this section.

The city of Pasco also has partially developed industrial areas lying outside of the central city core area. The largest newer development is located north of Pasco near Highway 395 and Hillsboro interchange in an area commonly referred to as **King City**. Neighborhoods referred to as the Kartchner Tract, the FCID Tract, and the Columbia East Tract have all been partially built out by the initial developers, owner/users, who have purchased one to two acre tracts for their own business development.

To the north of King City, in the **Foster Wells Road** area, substantial agricultural processing development has occurred in the recent past. The J.R. Simplot Company built a \$32 million frozen vegetable processing plant. Next to Simplot, Americold Company constructed an 80,000 square foot warehouse, which has refrigeration and freezer capabilities, used to store and distribute Simplot frozen vegetables. To aid in this distribution, a rail spur was extended to both of these plants. These developments were the incentive for water and sewer lines to be extended into this area. To the north of Foster Wells Road, Stemilt Growers built a \$1.4 million fruit storage warehouse. Also located in this immediate area are an incubator building and a warehouse for Columbia Blends. Property use in this area has been primarily agricultural services and truck stop services. The most recent development was the construction of a 200,000 SF cold storage warehouse on a 16.7-acre site (complete as of February 1, 2016). Several smaller owner/occupied projects have also been completed.

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2019 (Prop)	Tim Rowell DBA	Ral-Boy Inc	4005	E	"B" St	Franklin	Pasco	North Central	150K	Ind'l		9,600
2016	H & N Electric	H & N Electric	4224	E	"B" St	Franklin	Pasco	North Central		Indl	45,000	
2017	Sigma Financial Group LP	CBC Student Housing	2901	N	20th Ave	Franklin	Pasco	North Central	\$7.0MM	Education	26,800	
2019	Group LP Properties	Courtyard (99 Rooms)	2101	W	Argent Rd	Franklin	Pasco	North Central	\$10MM			59,525
2015	Butch & Julie Lindstrom	All Star Motors	816	N	28th Ave	Franklin	Pasco	North Central	\$1.5MM	Other	12,700	
2017	CBC	Social Sciences Bldg	2600	N	29th Ave	Franklin	Pasco	North Central	\$14.5M	Education	65,000	
2018	Tri-City Union Gospel Mission	UGM Men's Facility	221	S	4th Ave	Franklin	Pasco	North Central	9.2M	Shelter	40,000	
2018	Port of Pasco	Fed Ex	1705	W	Argent Rd	Franklin	Pasco	North Central	1.6M	Indl	36,192	
2015	Pasco School District	Delta High School	5801		Broadmoor Blvd	Franklin	Pasco	North Central	\$12.2MM	Education	45,000	
2015	Pasco School District	Marie Curie STEM	715	N	California Ave	Franklin	Pasco	North Central	\$18MM	Education	73,000	
2017	Advance Auto Parts	Advance Auto Parts	1325	W	Court	Franklin	Pasco	North Central	\$800K	Retail	6,912	
2017	Rowand & Assoc	Industrial Bldg	1925	E	James St	Franklin	Pasco	North Central	\$3.64M	Ind'l	33,680	
2017	Okran Moon	Okran Moon	2221	E	Lewis	Franklin	Pasco	North Central	\$450,000	Retail	10,000	
2014	THM Management (Clark & Sons)	NAPA Auto Parts Store	1724	W	Lewis St	Franklin	Pasco	North Central	\$1.4MM	Indl	19,476	
2016	UPI Property LLC (Mark Corcum)	U-Pull-It Auto Parts	802	S	Oregon	Franklin	Pasco	North Central		Indl	9,900	
	Port of Pasco	Port of Pasco	2935		Rickenbacher	Franklin	Pasco	North Central	\$ 2	Com		
2018	Musser Bros	Truck and Auto Auctions	3135		Rickenbacker	Franklin	Pasco	North Central	\$947K	Auto Auction	7,742	
2018	Musser Bros	Hangar	31xx		Rickenbacker	Franklin	Pasco	North Central		Hangar	9,000	
2014	Pasco School District	Kosman Franklin STEM	6010		Road 52	Franklin	Pasco	North Central	\$46.8M (part)	Education	72,000	
2015	Tapteal II LLC	Thunder Alley Motorsports	9405		St Thomas Dr	Franklin	Pasco	North Central	\$1.375MM	Retail	13,900	
	Leon Watts	Hanger	4218		Stearman Ave	Franklin	Pasco	North Central	1.2M	Hanger	19,200	
2014	Royal Roofing	Royal Roofing	1620	E	Superior	Franklin	Pasco	North Central		Indl	12,000	
2014	Thrifty Supply	Thrifty Supply	2724	W	Sylvester St	Franklin	Pasco	North Central	\$1.65	Indl	29,232	
								Pasco			586,734	69,125
								North Central				

A new addition to the Pasco market has been the 300-acre Columbia East Business Park under development on the east side of Commercial Avenue. Additional industrial land in Pasco is located at the confluence of the Columbia and Snake Rivers near the Sacajawea State Park. This is at the east end of East Ainsworth Avenue. Along Sacajawea Park Road, leading to State Route 12, is an industrial area with fuel storage tanks and a shipping area owned by Chevron.

A lot of new development has occurred in this segment, including:

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2016	AutoZone	Distribution Center	3733	N	Capitol Ave	Franklin	Pasco	King City	\$50M	Ind'l	450,776	
2019 (Prop)	WA Industrial Properties	Warehouse	355	N	Commercial Ave	Franklin	Pasco	King City	961k	Ind'l		5,000
2017	Bryan R Schutz	Bryan's Meats	525	N	Commercial Ave	Franklin	Pasco	Pasco			7,453	
2018	3JM Enterprises	Warehouse	1510	N	Commercial Ave	Franklin	Pasco	King City		Ind'l	11,000	
2018	Ramirez	Warehouse	2002	N	Commercial Ave	Franklin	Pasco	King City	1M	Ind'l	4,800	
2019 (Prop)	Compass Investments	Warehouse	2145	N	Commercial Ave	Franklin	Pasco	King City	\$1.4M	Com		14,400
2019 (Prop)	Allied Potato NW	Allied Potato NW	3082		Glade North	Franklin	Pasco	King City	3.1M	Ind'l		61,390
2017	Twin City Foods	Twin City Foods Addition	5405		Industrial Wy	Franklin	Pasco	King City	#####	Ind'l	49,730	
2015	Kenyon Zero Storage, Inc	Kenyon Zero Storage	5701		Industrial Wy	Franklin	Pasco	King City	\$10.8MM	Ind'l	409,467	
2017	Volm Companies Inc	Volm Companies	5702		Industrial Wy	Franklin	Pasco	King City	\$8.5M	Ind'l	98,189	
2017	Teton Gold	Warehouse	5806		Industrial Wy	Franklin	Pasco	King City	\$ 1.35	Ind'l	16,562	
2017	Wilbur-Ellis	Warehouse	6221		Industrial Wy	Franklin	Pasco	King City	780K	Ind'l	12,000	
2014	Shell Oil & Convenience	Kahlotus Corners Franklin	120		Kahlotus Hwy	Franklin	Pasco	King City	\$2MM	Retail	4,044	
2015	Franklin County	Conservation	1724	E	Superior St	Franklin	Pasco	King City		Ind'l	6,000	
2019 (Prop)	Port of Pasco	Warehouse	3210		Swallow Ave	Franklin	Pasco	King City	866k	Ind'l		12,000
2019 (Prop)	Port of Pasco	Warehouse	3306		Swallow Ave	Franklin	Pasco	King City	\$678K	Ind'l		9,000
2017	Douglas Fruit	Douglas Fruit	110		Taylor Flats Rd	Franklin	Pasco	King City	\$4MM	Ind'l	61,824	
2019 (Prop)	Jay Brantingham	Office/Warehouse	2710		Travel Plaza Way	Franklin	Pasco	King City	8k	Com		
2019 (Prop)	Jay Brantingham	Office/Warehouse	2920		Travel Plaza Way	Franklin	Pasco	King City	\$1.3M	Com		13,000
2017	Jay Brantingham	Travel Plaza Way	3030		Travel Plaza Way	Franklin	Pasco	King City	1.056M	Ind'l	55,742	
2018	Jay Brantingham	Multi-tenant	3120		Travel Plaza Way	Franklin	Pasco	King City	\$1M	Ind'l	34,200	
2015	Jay & Amy Brantingham	Brantingham Business Park - Phase 2	3121		Travel Plaza Way	Franklin	Pasco	King City	\$1.253M	Ind'l	10,800	
2019 (Prop)	KSU Investment	Warehouse	3207		Travel Plaza Way	Franklin	Pasco	King City	558k	Ind'l		6,000
2019 (Prop)	Medelez Trucking	Warehouse	3275		Travel Plaza Way	Franklin	Pasco	King City	1.4M	Ind'l		16,800
2014	Jay and Amy Brantingham	North Tech Equipment Repair	3121B		Travel Plaza Way	Franklin	Pasco	King City		Ind'l	9,040	
2019 (Prop)	Ice Harbor Properties	Warehouse	4520		Venture Pl PR	Franklin	Pasco	King City	425k	Ind'l		47,000
2014	Brent W Preston	Vineyard View Market Place	52	E	Vineyard	Franklin	Pasco	King City		Restaurant & Winery	6,000	
										Pasco	King City	
												1,247,627
												184,590

City of Richland

Richland is probably best known for its proximity to the Hanford Site, which was the location of the Manhattan Project in the mid 1940's and 1950's, where the first plutonium was developed. Many light industrial projects were developed on the periphery of the area. But in addition, Richland has many light industrially zoned parks.

- The ***Horn Rapid Business Center***, located north of the subject on Highway 240, is a master-planned industrial, office and commercial center, designed to eventually accommodate 7.5 million square feet of light manufacturing, warehouse and related office uses and more than 1,000,000 square feet of general office, restaurant and lodging uses.
 - In the early 1980's the City developed the Center with parcels ranging in size from 1 to 2 acres with a few larger tracts up to 5 acres in size.
 - Originally three structures anchored the park, the first being the Technology and Enterprise Center, a 17,730 square foot, single level business and technology incubator. This building is situated at the northeast corner of SR 240 and Logston Boulevard. A second building, the Interstate Nuclear Services building is constructed at the present termination of Robertson Drive. This facility caters laundry service for Hanford Area employers working in potential radioactive environments. A third building, originally constructed for a machining facility, is a 4,000 square foot steel building located on approximately one acre, across from the intersection of Snyder and Robertson Drive.
 - Up until 2010, the developed park was slow to absorb. It is now about 60% built out. Current asking prices for improved lots range from \$1.15 to \$1.25 per square foot depending on whether or not they have exposure on Highway 240. If developed today, infrastructure costs would exceed the price at which the City sells sites. Purchasers tend to be light industrial, contractors, engineering, survey, self-storage and other building industry service firms. A good portion of the properties are investor owned and leased to Hanford related businesses or other destination oriented service entities. Two new 12,000 square foot multi-tenanted properties are nearing completion (October 2016). A total of 18,000 square feet is listed for rent at \$7.56 per square foot.
- To the west of the Horn Rapids Business Park is irrigated agricultural lands leased by the city to a local farmer.
- West of this is the ***Horn Rapids Industrial Park***, comprised of approximately 2,000 acres and primarily controlled by the City of Richland. Current asking prices within the industrial park are \$20,000 to \$35,000 per acre. Accessed via Kingsgate Boulevard, and located to the north of First Street, the area is zoned for heavy industrial use. Some sites are served by rail. Surrounding businesses on Kingsgate Way and Horn Rapids Road include Framatome, with approximately 650 employees, and the HAMMER Facility. Neighboring businesses along Kingsgate Way include Oregon Metallurgical Corporation known as "Ormet", ATG situated at the southwest corner of Horn Rapids Road and Kingsgate Way, Plastic Injection Molding, Ferguson Plumbing Distribution, Wheco, and others.
- Bordering the north side of Horn Rapids Road and the west side of Stevens Drive is the 760-acre ***Manufacturing Mall***, formerly part of the DOE's Hanford Site. Zoned light and heavy industrial, land within this park is controlled by the Port of Benton. Sites are served by rail. Water, sewer and electrical are provided by the City of Richland and fiber optic and natural gas lines are available. Occupants of the manufacturing mall include American Rock Products, Bechtel National, Kaiser Aluminum, Lockheed Martin, and others.
- The Port of Benton has also developed the ***Richland Airport***, bordering the south and west side of Highway 240 as it curves to the west. It is a tract of approximately 65 acres, designed to stimulate small light industrial business. Many projects in this park were developed on land leased from the Port of Benton.
- The Port of Benton, with exception of a few privately-owned parcels, controls the southern and northern corners of the ***intersection of Stevens Drive and State Highway 240***. Land prices,

whether leased or sold in fee simple, are based at approximately \$1.50 to \$2.00 per square foot inclusive of infrastructure. If developed today, infrastructure would exceed the price the Port sells or leases sites. Within the last few years approximately two dozen new buildings have been constructed over long-term land leases with the Port of Benton, accounting for most of the last of 80 acres available for business development at the airport. Properties in this area are both owner occupant and investor owned, tenanted by private sector light industrial businesses, as well as Hanford related tenants.

- A new RV Park recently opened (2014) to the north of the airport.

Demand for space appears to be mostly stable in this market. Here is a brief recap of new development in North Richland on the following page.

There has also been intermittent development along Richland's Wellsian Way, mostly by owner users involved in light industrial and service-related businesses. However, with exception of one large 10-acre tract, the only remaining Wellsian Way sites are about 1-acre in size.

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2014	ABC Mini-Storage	ABC Mini-Storage, Phase II	701	Aaron Dr.	Benton	Richland	North		Industrial	12,000	
2019 (U/C)	Zenitram Prop III LLC	Audi Tri-Cities	1177	Aaron Dr.	Benton	Richland	North	\$3.5M	Auto Dealer		10,000
2016	Ralph Martinez	Town & Country Auto Ctr (VW)		Aaron Dr.	Benton	Richland	North	\$2.5M	Car Dealership	10,000	
2015	Bush Living Trust	Terra Ricca	1207-15	Aaron Dr	Benton	Richland	South	\$300K	Retail	4,001	
2017	Apogee Logistics	Savage Logistics Trucking	1440	Battelle Blvd	Benton	Richland	North	\$2M	Industrial	37,500	
2017	WSU Tri-Cities	Student Union Building	xxx	Crimson Way	Benton	Richland	North	\$5,040MM	Education	6,250	
2018	RSD	School		Elementary School	Benton	Richland	North	24M	School	65,000	
2019 (Prop)	610 GWW LLC	Park Place Retail	610	George Washington Way	Benton	Richland		476k	Com		10,000
2019 (U/C)	650 GWW LLC	Park Place Apts (104 DU)	650	George Washington Way	Benton	Richland		20MM	Apts		104,000
2016	Sterlings	Sterling's	890	George Washington Way	Benton	Richland	North	\$1.2M	Restaurant & Winery	7,549	
2015	McDonald's Real Estate Company	McDonald's	1726	George Washington Way	Benton	Richland	North		Restaurant & Winery	4,419	
2019 (U/C)	AREVA	AREVA	2101	Horn Rapids Rd	Benton	Richland	North	\$2.2M	Industrial		11,000
2019 (Prop)	COR land to be sold	1100-1200 Jadwin	1100-1200	Jadwin	Benton	Richland	North		Apts / Retail		150,000
2016	Richland School District	Lewis & Clark Elementary	415	Jadwin Ave	Benton	Richland	North	\$15.5MM	Education	65,000	
2016	Wash Securities & Market Properties	Market Development Office Building	1010	Jadwin Ave	Benton	Richland	North		Office	5,000	
2018	Roasters Coffee	Roaster's Coffee Kiosk	3205	Kennedy Rd	Benton	Richland	North	\$500K	FF	600	
2019 (U/C)	Horn Rapids Storage	Self-Storage	2701	Kingsgate Way	Benton	Richland	North	\$3,230,800	Whse		37,620
2019 (U/C)	Shadow Mt Indl Prop	Warehouse	2990	Kingsgate Way	Benton	Richland	North	\$2,288,600	Whse		46,750
2019 (U/C)	Shadow Mt Indl Prop	Warehouse	3000	Kingsgate Way	Benton	Richland	North	\$2,647,700	Whse		40,000
2019 (Prop)	Packaging Corp of America	Industrial	3003	Kingsgate Way	Benton	Richland	North		Industrial		450,000
2014	Kadlec	Kadlec Healthplex	1268	Lee Blvd	Benton	Richland	North		Healthcare	66,237	
2019 (U/C)	Treasure Valley Coffee		2009	Logston / 2391 SR 240	Benton	Richland	North	1.9M	Retail	17,000	
2019 (U/C)	Central WA Corn Processors	Central WA Corn Processors	3334	Logston	Benton	Richland	North	7.9M	Grain Handling Facility		95,480
2017	CBC	CBC Wortman Med Science Ctr	940	Northgate Dr	Benton	Richland	North	17.7M	School	72,600	
2015	Innovation Center Lofts LLC	Lofts @ Innovation Center (160 DU)	2895	Pauling Dr	Benton	Richland	North		Apts	149,445	
2018	Innovation Center Lofts LLC	Commons @ Innv Ctr (105 DU)	880	Smartpark St	Benton	Richland	North	\$ 2	Apts	95,102	
2016	PNNL	PNNL - Chemistry Bldg.		PNNL Campus	Benton	Richland	North	\$64.2MM	Mixed	145,000	
2019 (Prop)	Xenophile Books	Xenophile Books	2240	Robertson	Benton	Richland	North	500k	Com		6,000
2018	ConAgra French Fry Plant	Lamb Weston	2013	Saint St	Benton	Richland	North	\$200M	Mfg	200,000	
2017	ConAgra	Lamb Weston Innovation Center	2460	Saint St	Benton	Richland	North	\$8.3M	Mfg	26,900	
2017	Grigsby Properties	Retail Strip	585	Stevens Dr	Benton	Richland	North	1.1M	Retail	12,656	
2019 (Prop)	Total Energy Management	Addition	2531	Stevens Dr	Benton	Richland	North	\$1.2M	Whse		23,500
2015	Wash Securities & Market Properties	Dupus Boomer's, Taco Time, Go Green Salads	502	Swift Blvd	Benton	Richland	North	\$500K	Retail	3,785	
2019	COR	Richland City Hall	625	Swift Blvd	Benton	Richland	North	18.5M	Office	40,840	
2016	Kadlec	Kadlec NICU	888	Swift Blvd	Benton	Richland	North	\$8MM	Healthcare	15,000	
2019 (Prop)	Gale-Rew Construction	Office	1616	Terminal Dr	Benton	Richland	North	970k	Office		4,100
2018 (Prop)	Port of Benton	Warehouse	1850	Terminal Dr	Benton	Richland	North	\$605,000	Whse		6,000
2014	WSU / POB / City of Richland	WSU Wine Science Center	359	University Dr	Benton	Richland	North	\$17MM	Education	39,000	
2019 (U/C)	Brelsford Vineyards Apts	Brelsford Vineyards Apts	215	University Dr	Benton	Richland	North	12M	Apartment s		74,289
				Richland	North				1,100,884	1,068,739	

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Commercial Real Estate Development – New Construction

A review of major construction projects (new) during the 2014-2019 year to date period as reported in a variety of local publications was compiled and confirmed. A copy is retained in our records. This data can be summarized as follows:

Tri-Cities, WA New Construction Summary For the Period 2014 through June 30, 2019												
City	Neighborhood	Total SF Complete	Total SF U/C or Prop	Combined Total SF	Apts	Education	Healthcare	Industrial	Office	Other	Restaurant & Winery	Retail
Kennewick	East	72,548	26,941	99,489	-	56,000	-	12,376	-	4,148	18,465	8,500
Kennewick	Central	196,444	221,401	417,845	93,723	86,000	-	12,000	65,449	108,587	-	52,016
Kennewick	CC Blvd	40,157	115,119	155,276	-	-	-	-	-	49,776	5,494	100,006
Kennewick	Southridge	534,614	172,085	706,699	-	-	206,202	15,802	244,133	177,487	24,313	38,762
Kennewick	Vista Field	395,662	140,602	536,264	-	-	139,874	90,500	97,588	98,191	26,383	83,728
Kennewick	West	263,653	300,692	564,345	219,060	75,000	13,026	164,909	46,018	18,029	6,000	22,303
Kennewick	Gage Blvd. / Keene Blvd.	144,786	22,850	167,636	82,000	-	-	-	65,003	-	4,826	15,807
Kennewick		1,647,864	999,690	2,647,554	394,783	217,000	359,102	295,587	518,191	456,218	85,481	321,122
					14.91%	8.20%	13.56%	11.16%	19.57%	17.23%	3.23%	12.13%
Richland	North	1,100,884	1,068,739	2,169,623	572,836	247,850	81,237	976,750	204,940	10,000	12,568	63,442
Richland	Queensgate	233,236	23,780	257,016	-	-	-	-	33,306	122,456	22,123	79,131
Richland	South	572,744	235,000	807,744	658,744	135,000	-	-	-	14,000	-	-
Richland	Columbia Point	255,687	-	255,687	85,000	-	-	-	13,350	155,728	-	1,609
Richland	Spaulding	129,794	34,000	163,794	-	-	-	57,000	65,794	41,000	-	-
WRich / Bcity / Prosser	WRich / Bcity / Prosser	301,977	298,488	600,465	69,810	65,000	-	37,000	3,000	94,471	278,001	53,183
Richland / Bcity / Prosser		2,594,322	1,660,007	4,254,329	1,386,390	447,850	81,237	1,070,750	320,390	437,655	312,692	197,365
					32.59%	10.53%	1.91%	25.17%	7.53%	10.29%	7.35%	4.64%
Pasco	North Central	586,734	69,125	655,859	-	281,800	-	231,022	-	112,225	-	30,812
Pasco	King City	1,247,627	184,590	1,432,217	-	-	-	1,422,173	-	-	6,000	4,044
Pasco	Road 68	544,321	30,030	574,351	-	-	34,892	137,588	34,098	147,279	-	220,494
Pasco	Road 90 / 100	93,325	148,383	241,708	-	-	-	12,000	-	39,520	2,600	-
Pasco		2,472,007	432,128	2,904,135	-	281,800	34,892	1,802,783	34,098	299,024	8,600	255,350
					0.00%	9.70%	1.20%	62.08%	1.17%	10.30%	0.30%	8.79%
Total Tri-Cities		6,714,193	3,091,825	9,806,018	1,781,173	946,650	475,231	3,169,120	872,679	1,192,897	406,773	773,837
					18.16%	9.65%	4.85%	32.32%	8.90%	12.16%	4.15%	7.89%
<i>Copyright Appraisal Group SEWA, 2014-2019</i>		<i>Prepared by Nikki Griffith, MAI, CCIM</i>										

As indicated in the table above, nearly 10 million square feet of new space was constructed or is currently under construction in major projects over the 66-month period 2014-2019 YTD (June 30). Interestingly, nearly 1,421,881 were in the combined categories of education and healthcare, representing about 15% of the new construction activity. The “other” category comprising nearly 12.0% includes primarily the airport expansion, lodging, several self-storage projects and automotive/RV dealerships. And of the total, only 4,815,636 SF or just about 48% was in the traditional categories of office, retail, and industrial development, with industrial development taking the lion’s share of the traditional category. And even more interesting is the fact that probably less than 25% of the new additions to the market in the traditional categories was in the investment category. The remainder was in owner/occupant type projects.

Current Listing All Space

An analysis of competitive commercial and industrial space currently available for lease (Q2/19) was conducted through review of the Tri-Cities Association of Realtors’ Multiple Listing Service and the Commercial Broker’s Association (CBA) as some brokers are only members of one or the other but not

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both. After comparing both, there were very few properties in the TCAR list that were not also in the CBA list. Thus, I have relied on the TCAR list for purposes of my analysis.

The current survey was compared with similar data as of December 31, 2016, and December 31, 2017 and June 30, 2018. The summary provided herein used search parameters of all active listings of space for lease for office, retail and industrial space, in Benton and Franklin Counties. The data can be summarized as follows:

Summary of Available Space for Lease Benton & Franklin Counties, WA As of 12/31/2016						
Location	Industrial		Office		Retail	
	SF Avail	\$ PSF	SF Avail	\$ PSF	SF Avail	\$ PSF
Benton Co	70,580	\$ 8.53	165,074	\$ 16.00	259,114	\$ 13.78
Franklin Co	79,820	\$5.11	48,937	\$7.92	109,739	\$ 25.72
Total	150,400		214,011		368,853	

Source: Tri-Cities Association of Realtors Report Prepared by Appraisal Group SEWA

Summary of Available Space For Lease Benton & Franklin Counties, WA As of 12/31/2017						
	Industrial		Office		Retail	
	SF Avail	\$ PSF	SF Avail	\$ PSF	SF Avail	\$ PSF
Benton Co	85,989	\$ 8.97	403,774	\$ 15.75	187,454	\$ 15.84
Franklin Co	<u>78,180</u>	<u>\$6.79</u>	<u>68,999</u>	<u>\$ 15.76</u>	<u>88,683</u>	<u>\$ 11.09</u>
	164,169		472,773		276,137	

Source: Tri-Cities Association of Realtors Report Prepared by Appraisal Group SEWA

Summary of Available Space For Lease Benton & Franklin Counties, WA As of 06/15/2018						
	Industrial		Office		Retail	
	SF Avail	\$ PSF	SF Avail	\$ PSF	SF Avail	\$ PSF
Benton Co	31,172	\$10.12	302,670	\$19.40	244,121	\$14.17
Franklin Co	<u>76,730</u>	<u>\$7.52</u>	<u>72,927</u>	<u>\$13.10</u>	<u>98,086</u>	<u>\$12.09</u>
	107,902		375,597		342,207	

Source: Tri-Cities Association of Realtors Report Prepared by Appraisal Group SEWA

Summary of Available Space For Lease Benton & Franklin Counties, WA As of 06/31/2019						
County	Industrial		Office		Retail	
	SF Avail	\$ PSF	SF Avail	\$ PSF	SF Avail	\$ PSF
Benton Co	26,926	\$7.78	374,372	\$18.37	157,410	\$15.82
Franklin Co	<u>38,380</u>	\$8.09	<u>59,345</u>	\$15.40	<u>48,267</u>	\$13.92
	65,306		433,717		205,677	

Source: Tri-Cities Association of Realtors Report Prepared by Appraisal Group SEWA

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- The inventory of total space has remained fairly stable from 2016 to 2017 and then began to go up over the last 18-24 months as the result of a large amount of new space coming on line although differences have occurred in different segments;
- Industrial space has seen significant absorption, including the new space which has come on line and inventory today is virtually non-existent with less than a 3% vacancy estimated.
- A sizable amount of retail space has been absorbed and this category had declined significantly in 2017 thru 2019 with the lowest amount of space available today.
- The amount of office space that has become available has fluctuated between about 375,000 and 475,000 SF and standing about midway today. Some of this could be attributable to office space users moving into more retail-oriented locations as leases expire. Most of the existing inventory would be classified as Class C space.

As indicated above, the current levels of available space when viewed in connection with what is coming on line are indicative that additional new construction is probably not feasible for office or retail, or only warranted in specific neighborhoods; the average levels of vacancy in all major sectors except industrial exceed the vacancy levels typically needed to justify new construction, although again it must be stated that the majority of vacancy is occurring in the Class C and Class B space.

In looking at the retail product available for lease, the following big box spaces are currently being marketed. Brokers in this segment report that this segment is experiencing higher vacancy than in the past due to increasing closures in the retail industry:

BIG BOX Space Available For Lease
Tri-Cities, WA
As of 06/30/2019

<u>Former Tenant</u>	<u>Address</u>	<u>City</u>	<u>Space Available</u>	<u>Rental Rate</u>	<u>Year Built</u>
Hastings	1425 G W Way	Richland	10,400	\$12	1974
Goodwill	2801 W Kennewick Ave	Kennewick	22,940	\$14	1975
Retail	908 N Colorado Ste A	Kennewick	33,456	\$9	1996
Office Max	908 N Colorado Ste B	Kennewick	7,184	\$9	1996
Sports Authority	908 N Colorado, Ste C	Kennewick	27,815	\$10	1996
Toys R Us	821 N Columbia Ctr Blvd	Kennewick	38,000	Unk	1970
Ashleys Furniture	1340 Tapteal Dr	Kennewick	13,200	\$10	2007
Albertson's	1320 Lee Blvd	Richland	41,3116	\$10	1961
			152,498	\$9 to \$14 avg	

NOTE: Goodwill Industries completed a new store on Columbia Center Boulevard and has given notice to vacate this space in approximately mid-September 2019. A grand opening was recently conducted for the new store.

NOTE: The former Shopko space containing about 90,000 SF was vacated in May 2019, but almost immediately re-leased to At Home, a no-frills home décor retailer.

NOTE: The Sears Store at the Columbia Center Mall containing an estimated 160,000 SF has been vacated, but it has not yet been listed for lease and the availability of that space is questionable.

NOTE: Dicks Sporting Goods removed the former theatre at the Columbia Center Mall and is

constructing a 50,000 SF store in its place, scheduled to open in September 2019.

Medical Office Building Trends

Within all commercial retail markets there exists various “sub-markets” or “micro markets.” Medical buildings are considered a special purpose property (i.e., different from professional office buildings in that they have a higher degree of plumbing, electrical and partitioning) and a “micro market”, which historically has done very well. The market for medical space has not been affected in the same manner, timing, or degree as rental space for new retail or commercial sites. Demand for commercial and retail buildings is heavily influenced by interest rates, the economy, disposable income, personal demographics, etc. Demand for medical buildings or medical space is influenced more by the quality and extent of community health care, overhead for private practice, and insurance reimbursements.

In the past, primary care physicians occupied many of the more remote neighborhood clinics independently either as tenants or owners. Primary Care Providers (PCPs), General and Family Practitioners, Obstetrics, Pediatrics, and Internal Medicine appear to have been severely impacted by decreased reimbursements in managed care, dwindling Medicare reimbursements, and especially in the case of obstetrics, high malpractice insurance. While procedural based practices, specialties and subspecialties have also been negatively affected, many primary care practitioners found it more cost effective to join with hospital physician groups, eliminating expensive billing departments, and personnel with the expertise in proper coding and less expensive malpractice insurance premiums.

The most active market for new and existing medical buildings has shifted from primary care to sub-specialist and specialists. The delivery of medicine once somewhat decentralized is now largely centralizing toward hospital-operated facilities. While this is unfortunate for the private practitioner and small medical buildings scattered throughout the community, once intended to deliver convenient neighborhood health care, it adds value to any medical property in close proximity to a hospital.

Of the three community hospitals, Kadlec has emerged as the leader of new services and has expanded their physical plant accordingly. Based on activity in 2018, both Lourdes Hospital and Trios have been acquired by RCCH HealthCare Partners, leaving only two providers in the Tri-Cities.

As a result of these recent conditions, medical office space leasing appears to be somewhat in limbo at the current time. In fact, many active real estate brokers contacted indicated that “the medical office market is dead” at the present time, with some exceptions.

Facility Expansion

Kadlec Regional Medical Center's present and long-term mission is to be a regional medical center for southeast Washington and northeast Oregon. Building expansion continued with the River Pavilion Tower. The building has been constructed in phases, with the final four floors completed in late 2016, expanding the building to 10 stories. It contains surgical suites, with a clinical observation unit. Previously, construction was completed in October 2009 on the 25,000 Sq Ft pediatric center on the fifth floor of the tower, and a new 29-bed acute care facility on the sixth floor was completed in 2010.

On October 1, 2014, the new Neonatal Intensive Care Unit opened on the second floor. The \$8 million project included the renovation of the existing 7,300 Sq Ft NICU and the addition of 6,700 Sq Ft. It offers 28 patient rooms, as well as new staff and patient areas. In 2015, construction

commenced on the final four stories. Two of the floors have been designated for acute care and two for intensive care. Construction was also completed in August 2016 on a 5-story garage on the corner of Swift Boulevard and Goethals Drive that provides parking for 595 vehicles.

Completed in August 2013 is the Kadlec Neuroscience Center on Goethals Drive. Physician specialties include neurosurgery, neurology, orthopedic spine surgery, urology, psychiatry, pain management, cardiology and others. The 60,000 Sq Ft structure is designed to combine more services under one roof. This building significantly increased the amount of medical office space in the area.

In addition, the 50,000 Sq Ft Healthplex opened on Lee Boulevard in April 2014. The building houses 20 outpatient services including occupational therapy, wound management, respiratory therapy, genetic testing and counseling and nutrition. Kadlec has moved tenants from the Corrado Medical office building and the Richland Medical Building located at the corner of Goethals and Swift into the new facilities. Both the Richland Medical Center and the Corrado Building were purchased by Kadlec Medical Center within the past five years. Also, a new entry into the Campus was constructed off of Jadwin Avenue extending to Gilmore and to the parking area of the 1100 Goethals Building. Kadlec also acquire 0.64 acres of the Goethals Drive right-of-way. The roadway was recently closed as part of its campus expansion plan.

In July 2014, Trios Health, (formerly Kennewick General Hospital) opened its new hospital in Kennewick's Southridge area. The new hospital is three stories high and contains approximately 168,000 Sq Ft. There are 74 private patient rooms plus 27 emergency and trauma service rooms and six operating rooms. Also, completed in 2016, is the 160,000 Sq Ft Trios Care Center adjacent to the hospital that houses outpatient, administrative, support services and physician offices. The former general hospital has been converted to a 37 bed Women and Children's Hospital and the former emergency room, an urgent care center.

As mentioned earlier, Trios and Lourdes have been acquired by RCCH which was subsequently merged with LifePoint Healthcare in November, 2018, a national medical care provider, and thus future activities are still an unknown.

In addition to pulling physicians toward the hospital, the hospitals have also moved into neighborhoods where private practitioners once provided community health care. All three Tri-City hospitals are involved with competing for market share. Until about five years ago, each community's hospital pretty much stayed within their defined geographical areas. Kadlec Regional Medical Center has evolved into a regional hospital, drawing patients from outlying areas as well as establishing a presence in each of the Tri-City communities. Additionally, KRMC serves Eastern Oregon, Walla Walla and the Lower Yakima Valley.

Kadlec has been the most aggressive with this market capture by also traveling into what was once Trios (formerly Kennewick General Hospital's territory) and into Pasco. Kadlec occupies a 2-story medical building containing 17,817 Sq Ft on Sandifur Parkway in Pasco. Kadlec also completed a 20,000 Sq Ft medical building in West Richland in March 2009. An urgent care facility was completed in June of 2013 at 3290 W. 19th Avenue in Kennewick. The facility comprises 20,813 Sq Ft. In 2013, a second urgent care clinic was constructed on Clearwater Avenue. In early 2017 Kadlec Clinic West opened a 13,400 Sq Ft urgent care facility that is located at the corner of Steptoe and Clearwater Avenue in Kennewick.

Trios Health responded to territorial expansion by opening a clinic in south Richland, and also purchasing the former Kania Clinic on Kennewick Avenue.

Our Lady of Lourdes Hospital, the smallest of the hospitals, continues to focus on Pasco and Franklin County. Lourdes Medical has served Franklin County since the original hospital was constructed on 4th Street in Pasco. The Road 68 neighborhood along with the northern portion of rural Franklin County has the population necessary to extend Lourdes physical facilities to the area, rather than expanding the proposed services to their downtown location. Our Lady of Lourdes Rehabilitation and Occupational medicine facility was the first medical office constructed about 10 years ago. A local developer constructed a 20,390 Sq Ft medical building in 2004 at 6825 Burden Boulevard. Lourdes also purchased the Kania Clinic on the corner of Road 68 and Wrigley and leased the first floor of the 2-story 32,000 Sq Ft medical building to the west of the clinic on Wrigley Avenue.

Summary – Commercial and Industrial Market Trends

Based on a review of current and historical data, my estimates for today's general patterns for commercial space based on visual observation and a review of listing data can be summarized in the following table:

Tri-Cities, WA Commercial and Industrial Space Summary AVERAGES as of Q2/2019										
Type of Space / Neighborhood	Typ. Lease Type	Kennewick			Pasco			Richland		
		“A”	“B”	“C”	“A”	“B”	“C”	“A”	“B”	“C”
INDUSTRIAL										
Occupancy Levels	NNN	95%	95%	95%	95%	95%	95%	95%	95%	95%
Average Rental Rates	NNN	\$9	\$8	\$7	\$9	\$8	\$7	\$9	\$8	\$7
PROFESSIONAL OFFICE										
Occupancy Levels	Gross	95%	85%	75%	90%	80%	75%	90%	80%	75%
Average Rental Rates	Gross	\$18	\$15	\$12	\$18	\$12	\$10	\$18	\$15	\$12
MEDICAL OFFICE										
Occupancy Levels	Gross	90%	85%	80%	90%	80%	75%	90%	80%	75%
Average Rental Rates	Gross	\$21	\$18	\$15	\$21	\$18	\$15	\$21	\$18	\$15
RETAIL										
Occupancy Levels	NNN	95%	90%	85%	95%	90%	85%	95%	90%	85%
Average Rental Rates	NNN	\$20	\$17	\$15	\$20	\$15	\$12	\$20	\$16	\$12

Gross Lease = Tenant pays utilities and Janitorial in addition to contract rental
NNN Lease = Tenant pays all operating expenses in addition to contract rental

Market Trends – Multi-family Development

Supply/Demand - Apartment Complexes

The vast majority of the apartment units in the Tri-Cities were built in the 1970's or in the early to mid-2000s. There was also a surge of multi-family construction between 2010-2016. In all, including projects containing more than 20 units, the current supply is estimated at about 15,000 to 16,000 rental units according to the Washington Center for Real Estate Research (WCRER) at Washington State University (WSU), now the Runstad Center for Real Estate Studies at the University of Washington (UW). The following table identifies the current supply of major apartment complexes in the Tri-Cities, containing 30+ units.

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City	# of Units	Gross SF	% of Units	% of SF
Kennewick	3,904	2,825,494	51.73%	38.53%
Richland	1,953	3,104,375	25.88%	42.33%
Pasco	<u>1,690</u>	<u>1,403,629</u>	<u>22.39%</u>	<u>19.14%</u>
Totals	7,547	7,333,498	100.00%	100.00%

Within the city of Kennewick, there are 3,904 reported apartment units, comprising 52% of the total inventory. Richland has 26% of the supply of multi-family units; however, the average size of the units exceeds the remaining cities. Pasco contains about 22% of the overall supply and only 19% of the total square feet.

Recent multi-family projects developed since 2013 are summarized in a table accompanying this section. Since 2013, there have been over 3,000 new units in two dozen or so new complexes added to the Tri-City housing market. We are not aware of any other projects which have been announced other than a 2-building office project in Richland acquired for conversion to apartments, but details have not yet been announced. Construction commenced in August 2019 on the new mixed use complex in Richland along George Washington Way.

WCRER provides apartment market statistics for communities throughout the state of Washington which were formerly done by Crown Property Management. The WCRER has become the largest apartment market researcher focusing on markets outside the 5-county Seattle area in Washington. It publishes data semi-annually. Unlike the Crown Property Management's data related to earlier years, the statistics do not address the three cities, but lumps the data into the two county market areas. It was not until 2014 that data regarding the number of units surveyed and the number of units responding were reported; thus, there was a gap in time between the two studies. Beginning with the most recent survey, data was separated into Benton and Franklin Counties.

Vacancy Rates – Benton-Franklin County Apartments

	Vacancy	Average Rental Rate	# Units Surveyed
Spring, 2019	1.6%	\$983	08,847
Fall, 2018	2.6%	\$954	10,501
Spring, 2018	1.1%	\$834	1,263
Fall, 2017	3.7% (B) 1.3% (F)	\$844 (B) \$820 (F)	9,935 (B) 1,536 (F)
Spring, 2017	2.2%	\$861	7,084
September, 2016	2.2%	\$861	7,311
March 2016	2.1% (B) 0.8% (F)	\$775 (B) \$744 (F)	13,987
September 2015	2.6% (B) 1.9% (F)	\$824 (B) \$680 (F)	13,987
March 2015	1.00%	\$785	13987

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Summary of New Multi-Family Construction Tri-Cities (Benton & Franklin County), WA For the Period 2013 through July 31, 2019					
Project Name	Location	City	Year Completed	Unit Activity Thru 10/01/18	Cum Total
<u>Market Rate Projects</u>					
Copper Ridge	Southridge Blvd.	Kennewick	2013	232	232
Navigator Villas	6212 Road 68	Pasco	2013	176	408
Island View	Columbia Park Trail	Richland	2013	144	552
Canyon Crest	785 Canyon St	Richland	2013	30	582
Regency Park	Truman & Queensgate	Richland	2013	114	696
River Trails	2514 Duportail	Richland	2013	180	876
Quail Springs	4720 Dallas Road	W Richland	2013	118	994
				994	
The Gramercy	2112 S Rainier St	Kennewick	2014	12	1,006
Kamiakin	4711 W Metaline	Kennewick	2014	8	1,014
Bella Vista	Steptoe St	Richland	2014	106	1,120
The Lofts @ Innovation	Smart Park	Richland	2014	160	1,280
Badger Mtn Ranch	451 Westcliffe Blvd.	Richland	2014	176	1,456
				462	
Badger Canyon Ph I	Ridgeline & Clodfelter	Kennewick	2015	88	1,544
Hidden Meadows I	5809 W Clearwater	Kennewick	2015	12	1,556
West Richland Apts	3913 Fallon Dr	W Richland	2015	14	1,570
				114	
Hidden Meadows II	5809 W Clearwater	Kennewick	2016	15	1,585
Badger Canyon Ph II	Ridgeline & Clodfelter	Kennewick	2016	312	1,897
Evergreen Park I	2021 W 19th Ave	Kennewick	2016	16	1,913
				343	
575 Columbia Pointe Apts	575 Columbia Pointe Dr	Richland	2017	94	2,007
Lofts at Innovation Ctr Ph II	Smart Park	Richland	2017	147	2,154
Evergreen Park II	2021 W 19th Ave	Kennewick	2017	15	2,169
				256	
Merlot @ Brelsford Vineyards	WSU @ TC Campus (215/227 University)	Richland	2018	81	2,308
Willow Point Apts	Battelle / Richardson Rd	Richland	U/C 2018	58	2,227
Commons @ Innovation Ctr	2894 Salk Ave	Richland	U/C 2018	150	2,458
7th Ave Apartments	3887 W 7th Ave	Kennewick	U/C 2018	24	2,482
Irving Square	5701-5735 & 5700-5736 W Albany	Kennewick	U/C 2018	16	2,498
Badger Canyon Ph III	Ridgeline & Clodfelter	Kennewick	U/C 2018	240	2,738
Park Place	650 GW Way	Richland	U/C 2019	106	2,844
Copper Mountain	2555 Bella Coola Ln	Richland	U/C 2019	276	3,120
Former Fluor Buildings	1100 & 1200 Jadwin	Richland	Conversion from Ofc to MF Announced	150	3,270
20 N Auburn St Apts/Retail	20 N Auburn St	Kennewick	Announced	33	3,303
<u>Housing Authority Projects</u>					
Pasco Housing Authority	4th & Pearl	Pasco		38	38
Nueva Vista I	Clearwater & Volland	Kennewick		32	70
Nueva Vista II	Clearwater & Volland	Kennewick		28	98

It was not until nearly a decade ago that the apartment market experienced the necessary rental increases and subsequent net operating income to warrant constructing new units. The average rent per unit was insufficient to cover construction costs new. With operating income stable at best, property owners trimmed operating costs where they could, primarily in maintenance and more expensive capital improvements of replacing roofs, kitchens, parking lots, pool maintenance, etc.

The vacancy rate spiked, and the average rental rate declined in 2011 as new units entered the market. Vacancy has gradually improved from that point forward, with average rental rates showing an increase in the most recent survey.

New Construction

Three new projects completed in 2017-18 have completed lease-up. Ground was broken in November 2017 ago for Nueva Vista II, adding 28 units of subsidized housing and all were pre-leased prior to completion. Three new projects completed in 2018 added about 488 units. We are also aware that another 28-unit project is planned which could get started in 2019; plans are being finalized. And we have recently appraised another parcel of land in Benton County that is slated for multi-family development; however, details are still confidential.

Several new projects are public and making their way through the preliminary approval process. Two large vacant office buildings in the City of Richland are slated to be converted to apartments, possibly as many as 150 units. Ground was recently broken for a 276-unit project known as Copper Mountain, and all units will be set aside for low to moderate income residents. Park Place has been granted approval for 106 units at 650 George Washington Way in Richland; and construction began in July, 2019.

Absorption of New Units

Absorption data from the last two years is sparse, as most projects were developed earlier than that. I did research seven newer projects and noted the following trends:

- 575 Columbia Pointe Apartments in Richland completed 94 units in 2017 and all units were rented by the end of 2017 reflecting an average absorption of 8-10 units per month.
- Phase I of the Lofts at Innovation Center were well received, leasing quickly. It was just reported shortly after completion that Phase II has reached stabilized occupancy and permanent financing secured.
- Vancouver Street Apartments at 2021 19th Avenue in Kennewick began leasing units the 2nd week of June 2018 and it was full before the start of the 3rd quarter.

From the foregoing discussion, it is clear that demand for rental units in the market is strong, that occupancy levels are high, rents are rising, and absorption rates are strong. This trend is expected to continue for the foreseeable future. During 2016-2019, our firm appraised approximately one dozen apartment projects, located in a variety of locations throughout the Tri-Cities. Occupancy levels at all projects appraised were strong, oftentimes turning vacant units in less than one week.

As a result of the strength of the housing market, many owners of single-family homes are renting those homes out rather than selling them. It is unknown how long this trend will continue

The Tri-Cities Herald reported in its October 14, 2018 issue on the apartment market that “while the Tri-Cities added 6,500 new residents in 2017, it only added about 2,000 new homes and apartments. With demand outpacing supply, prices for both homes and apartments are rising”.

Market Trends – Single Family Development

The Tri-Cities is experiencing the highest demand and the lowest inventory of housing in the last decade; inventory is about 56% lower than the inventory at the same time in 2013, which is putting steady upward pressure on prices. In this market, new listings that are well priced and in good condition are selling in less than one week, sometimes in one day, oftentimes with multiple offers. The median sold price in May 2013 of \$189.5 had increased to nearly \$230.0 between May and June of 2016, an increase of 18.7% in 3 years, or an average of 6% per year for the last three years. For the first time, several homes have sold above the \$1,000,000 threshold.

The most recent report (August 2019, published September 15, 2019) reflects an inventory of 645 units and an average price of \$335.5K with the median at \$305.9K, up 9.3% and 4.76% respectively over the last rolling 12 months.

Developers are having difficulty finding parcels to purchase at affordable prices which can then be appropriately re-zoned, and many are resorting to smaller infill parcels. This trend is expected to continue for the foreseeable future.

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Tri-City Association of REALTORS®, 7151 W. Clearwater, Kennewick, WA					
	Total Number Active Residential Listings	Total Sold	Average Sold Price	Median Sold Price	Pending
January 2016	586	230	239.8	225.2	301
February	526	257	230.1	218.0	372
March	513	361	233.5	217.4	480
April	542	367	240.8	220.0	428
May	583	413	248.2	225.7	425
June	652	402	252.5	232.3	414
July	672	400	250.9	234.0	440
August	659	417	249.7	229.0	439
September	665	412	243.0	222.3	423
October	600	417	247.3	225.6	410
November	536	372	240.8	224.0	301
December	459	350	244.7	229.9	261
January 2017	413	232	243.7	221.0	274
February	386	220	242.3	224.2	327
March	392	359	264.3	245.2	430
April	441	352	262.8	244.5	390
May	470	392	261.8	245.0	477
June	564	432	271.4	255.0	427
July	654	393	262.2	250.0	458
August	680	447	272.4	250.0	433
September	702	413	266.6	248.7	377
October	669	385	277.5	255.0	400
November	579	380	274.0	256.4	383
December	498	395	282.6	264.9	293
January 2018	460	293	277.4	253.0	352
February	458	289	281.1	265.0	356
March	475	366	289.7	276.0	430
April	495	379	298.6	275.0	400
May	549	394	299.9	279.8	458
June	593	413	288.2	272.9	419
July	648	438	311.6	285.0	422
August	684	443	306.9	292.0	409
September	685	351	298.8	273.6	386
October	674	430	292.1	272.0	371
November	636	361	299.9	277.8	277
December	586	270	294.9	278.9	263
January 2019	499	264	315.2	299.7	368
February	450	269	310.1	280.9	290
March	411	297	305.2	287.0	431
April	450	348	308.5	289.5	429
May	480	387	317.0	301.0	487
June	516	462	327.4	309.7	468

NOTE: Active count is calculated the day report was run and is not cumulative.

Current listings include ACT (Active) and AWB (Active With Bump). Pending statuses include PIF (Pending Inspection/Feasibility) and PAC (Pending Appraisal/Closing) and Sold listings that closed in the same month.

(07/17/2019)

Market Trends Analysis – Immediate Area

The subject site is zoned CLI (Ordinance No. 28-15) dated December 15, 2015, for commercial and/or light industrial use; certain other compatible uses are permitted with a special use permit.

The neighborhood is in the growth stage; the site is surrounded by similarly zoned parcels along the main highways with residential uses predominating in the interior areas. This growth is expected to continue well into the foreseeable future. Subject is in the path of residential growth coming from the east. In addition to new subdivision development, there are a handful of projects which have been recently constructed in the neighborhood including a new middle school, and two new winery properties.

In connection with this engagement, certain documentation provided by the client was reviewed, as indicated below. These documents are incorporated into the appraiser's analysis and work file by reference.

- Tri-City Raceway Redevelopment Master Plan, dated March 28, 2017 prepared by Oneza & Associates. This document provides a detailed neighborhood analysis, a significant wine industry analysis and market analysis relative to prospective development of the subject site.

- Kennewick Irrigation District and Port of Kennewick Agreement Regarding Former Racetrack Property
- Record Survey of the Tri-City Raceway prepared by Rogers Surveying, Inc. P.S. (but not recorded)
- Topographic Survey prepared by JUB Engineering as File #30-13-071-V-SP_For Client (but not recorded)
- Copy of title report dated December 28, 2007 prepared by Benton-Franklin Title Company as Order No. 91057 CJ/JSP
- Report on Port of Kennewick Water Rights for various Port owned properties. Two wells on the subject property have a combined maximum of 270 AF/yr permitted withdrawals.
 - Pursuant to Certificate G4-26382C with a priority date of September 1979, servicing Well #1 and Well #2, it permits 159 AF/yr to be withdrawn.
 - Pursuant to Certificate G4-28319C with a priority date of October 1983, servicing Well #1 and Well #2, it permits 111 AF/yr to be withdrawn.

Additionally, I spoke with the Port of Kennewick real estate representative, Amber Hanchette about the project. She reported two things in particular that have an impact on this valuation:

1. As part of their purchase and sale agreement several years ago, they agreed that there would be no residential development on the property.
2. As part of the effort for the City of West Richland to expand the Urban Growth Area boundaries and bring the property into the City, the Port agreed that the property would be developed only with commercial and/or industrial development.

Also, during preparation of this report, it was announced that the proposed interchange at I-82 and S.R. 224 (about one-half mile south of subject) doesn't meet Federal Highway Administration requirements for a new freeway access due to low volume of traffic. An article included in the September 26, 2019 issue of the local newspaper, the Tri-Cities Herald, made public the decision.

This potentially has a significant impact on the subject property because the proposed use is most attractive to potential users when linkage access to a regional transportation system is nearby. "The proposed \$30 million interchange has long been a priority for the city and the many partners who view it as a critical transportation link needed to spur development and support Red Mountain vineyards and wineries." While subject is located along a well-travelled state highway, it is about mid-way between the highway interchanges at either Benton City to the west, or Queensgate to the east, about 4-5 miles distant.

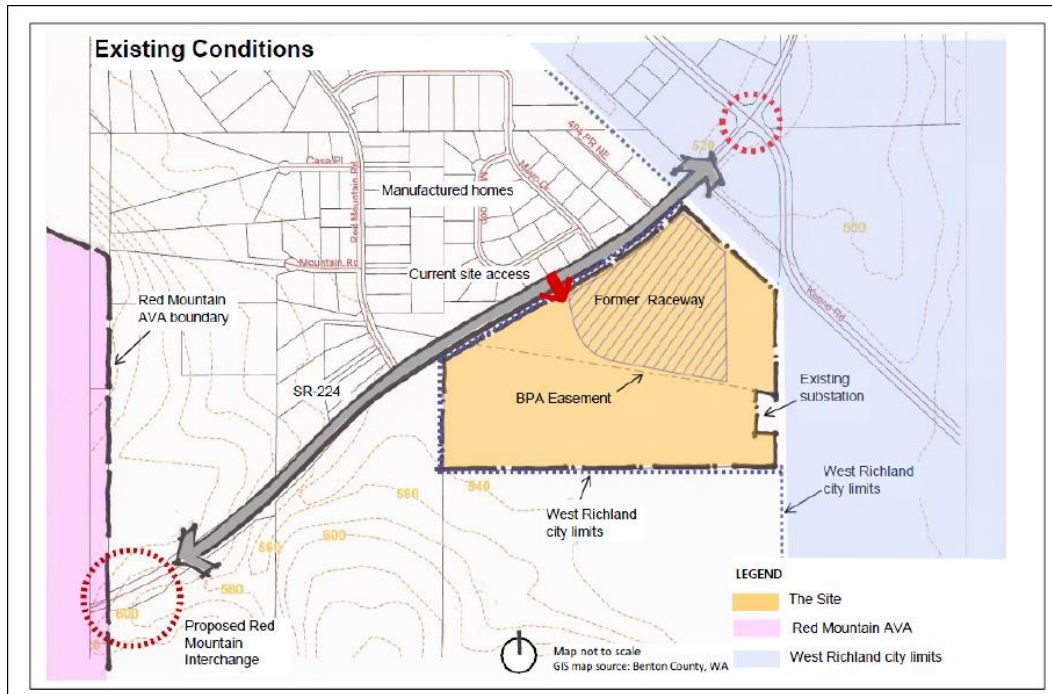
Residential development and/or continuation of agricultural use would both be viable alternative developments for the parcel that could be considered in the highest and best use analysis. But since the owner has already agreed that the property will be utilized for commercial and industrial development, which is a legally permitted use, no other alternative uses will be explored.

Commercial and Industrial Use Analysis – Wine Related Industries

The Master Plan adopted in 2017 has been reviewed in connection with this assignment. The Market Analysis contained in that document reflects a need for wine related uses, primarily large-scale processing and cold storage warehousing and some ancillary uses. The undersigned appraiser, who

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has recently done an independent assessment of the wine industries in connection with other assignments, agrees with the market analysis findings.

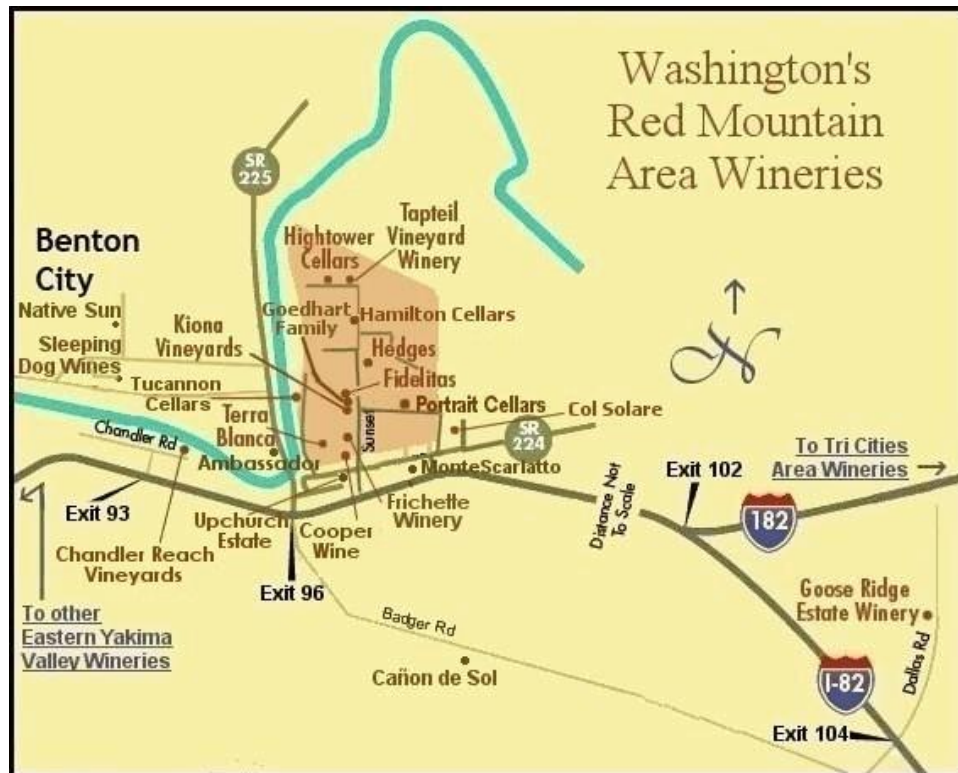


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Overall land use distribution

Proposed Uses	% of the total
Industrial uses (wineries, food processing, manufacturing)	40%
Warehouse	20%
Miscellaneous (accessory retail, food)	20%
Roads, utilities	20%
Total	100%

A copy of the recommended “Existing Conditions” map, the and the proposed subdivision along with the proposed “Overall Land Use Distribution” is reproduced in this portion here from that report for the reader’s benefit. The projected uses derive from the fact that the subject lies at the southern edge of the Red Mountain American Viticulture Area (AVA), which extends northwardly from the intersection of S.R. 224 and S.R. 225, as depicted in the following map.



As indicated in the foregoing plat, the development plan reflects a subdivision of the 92+ acre site into approximately 19 or so lots of varying sizes ranging from about 2+ acres to about 8+ acres or so that would become a center for wine processing, warehousing and agritourism related industries. This of course, is conceptual, and could easily be amended when users with specific needs are identified.

This concept is similar in concept to the Vintner’s Village located in Prosser, WA that has been developed by Port of Benton in the last decade or so. There are probably close to a dozen boutique wineries located in Vintner Village, and Phase I is completely built out for the most part. The major difference between the two developments would be the fact that subject development would be

looking more to large scale production and cold storage warehousing rather than boutique scale production.

The appraiser believes that this type of development could maximize the value of the property over the long term but would be expensive to develop. Total development costs, exclusive of land were projected in the Master Plan in the amount of \$6,385,000 Million.

Cost Estimate

A cost estimate is prepared based on the proposed lot layout road plans. The cost includes development of the roadway, water, sanitary sewer, industrial wastewater collection and storm drainage systems, and dry utilities. Excluding demolition of the racetrack and off-site utility extensions, the total estimated cost for developing the entire site is over \$6 million.

Cost Estimate

Improvements	Cost \$
Roadway (5,200 LF)	2,000,000
Sanitary Sewer	350,000
Industrial Waste Collection System	235,000
Domestic Water	535,000
Storm Drainage	285,000
Dry Utilities	100,000
Subtotal with sales tax (8.6%)	3,800,000
Contingency (40%)	1,520,000
Design engineering, construction admin, testing, staking, permit fees (28%)	1,065,000
Total Estimate Cost	6,385,000

Valuation Process

Valuation of this type of development can be undertaken in two ways:

1. The large land parcel can be compared with sales of other large land parcels to find out what a buyer would have to pay for the large site in bulk.
2. Alternatively, a subdivision approach can be employed which involves making a variety of assumptions including:
 - a. Expected lot sizes
 - b. Lot sale prices projected out over a sell-out period
 - c. Lot absorption rates over a sell-out period
 - d. Development costs
 - e. The projected income and expenses for each study period, would then be discounted back to present value at a rate to reflect the risk of the investment.

In this appraisal, the first methodology will be utilized because the assumptions required to be made for the second analysis are too nebulous to provide a reliable and credible estimate of value.

Highest and Best Use

General Comments

The highest and best use is an economic principle that represents the premise upon which value is based. Highest and best use is defined in The Dictionary of Real Estate Appraisal, 6th Edition (Appraisal Institute), as follows:

“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity.”

As indicated by the above definition, the following considerations are imposed in the consideration of highest and best use and are generally considered sequentially:

1. The use must be legally permissible;
2. The use must be physically possible;
3. The use must be financially feasible under the existing market conditions (i.e. cost of production does not exceed value); and
4. The use must be the most profitable from among the multiple uses meeting the three above criteria.

The concept of highest and best use applies only to land because land has intrinsic value; improvements only *contribute* to value; land is valued as if vacant. Location, zoning, size, and surrounding developments generally dictate the use to which a property can be legally and physically put. Then any potential legally and physically possible development is related to current market conditions (supply and demand) and the availability of capital and/or financing. While a site may be well suited for a specific legally permitted and physically permitted use, there may be other sites that are equally or more appropriate for that same use, but with a superior timing, depending on the neighborhood's overall development cycle.

In the case of improved properties or uses which have been proposed, the Highest and Best Use of the land analysis is undertaken twice. The first relates to the Highest and Best Use “As If Vacant”; and the second relates to the Highest and Best Use “As Improved or As Proposed”.

Neighborhoods typically go through four cycles, including (a) growth and development, (b) stability, (c) decline and (d) re-vitalization on a continual basis. Some neighborhoods remain in the same portion of the cycle for many years, depending on supply and demand; but this can change rapidly.

The subject neighborhood is in the growth stage of the cycle, and based on history, I would expect this trend to continue for the foreseeable future. This neighborhood of course competes with other developing neighborhoods in the Tri-Cities, each of which has its own advantages.

Highest and Best Use – As if Vacant

Legally Permissible Use

Zoning codes, land use plans, easements, and private deed restrictions often restrict permitted uses. The property is zoned CLI (Ordinance No. 28-15) dated December 15, 2015, Combined Commercial / Light Industrial Use District by the City of West Richland. The particulars can be found in West Richland's municipal code, Chapter 17.51.

“The purpose of the combined commercial/light industrial use district is to provide areas where products are processed, manufactured, warehoused, distributed, wholesaled, and retailed, in concentrated proximity to support an industry or trade, for example: wineries, tasting/sales rooms, and wine related industries, specialty foods processors with retail sales, artisan centers; and business incubators with a retail component. Because many of the uses in the district are often tourist attractions, tourist support uses such as restaurants, shops and boutiques, hotels and recreational facilities are also permitted. The zone is located along major transportation corridors, such as Van Giesen and Keene Road. Except as provided in WRMC 17.51.040, development of the front portion of those parcels immediately along the major transportation corridor is to be devoted to retail/commercial use, while the portions of the buildings or lots removed from the major roadway is primarily reserved for processing, manufacturing, storage and other nonretail uses, but may also include commercial uses. The light industrial component is limited to uses that will not be noxious or injurious due to the production of excessive dust, smoke, refuse, odor, fumes, noise, vibration or harmful emissions.”

When the highest and best use of vacant land is explored, it is often prudent to explore alternative uses that the property could be put to if a re-zoning effort could be successfully mounted at minimal cost and without undue delay. In this case, the Owner has already agreed that no residential development will occur, and that only commercial and/or industrial use will be done. Thus, alternative uses “as if vacant” are not explored in detail this report. Rather, the highest and best use is assumed to be subdivision of the site into smaller parcels as outlined in the previously mentioned Tri-City Raceway Redevelopment Master Plan (2017-03-28).

Notwithstanding the Owner's agreement, the undersigned has investigated recent large land sales zoned as follows. Details of those transactions researched are contained in the appraiser's work files:

- *Agricultural Use* - There is quite a difference between sales which have water rights and those which do not have water rights. The value per acre of either is significantly lower than the value for industrial use. Thus, agricultural use is considered an interim use.
- *Residential Use* – Sales of large tracts of land zoned for residential use are currently selling at a premium when compared to the subject. However, given the Owner's agreement with the Seller at the time of acquisition and with the City of West Richland at the time of bringing into the City Limits, this use is discarded from consideration as it is doubtful that the City would approve a change in use at this time.

Thus, at this point, our analysis will be turned towards the Highest and Best Use As Proposed.

Highest and Best Use - As *Improved and/or Proposed*

Highest and best use as improved and/or proposed pertains to the use that should be made of an improved property in light of the existing or proposed improvements. The highest and best use of a property may be continuation of the current use, renovation or rehabilitation, expansion, adaption or conversion to another use, partial or total demolition, or some combination of these alternatives.

A Redevelopment Plan has been adopted by the Owner which has been previously discussed in this report. Thus, the balance of this section will be devoted to analysis of that proposed redevelopment plan.

Physically Possible Use

Highest and best use as vacant must take into consideration the locational benefits and physical features the site enjoys.

- Given the *location* along both a major and secondary arterial, a use consistent with good exposure and visibility is deemed appropriate. The location is nearly equidistant between the interchanges with I-82 at Benton City to the west, or Queensgate to the east, about 4.5 – 5.0 miles in either direction. It is unfortunate that a proposed freeway interchange about one-half mile south has recently been shelved for the time being due to the Washington State Department of Transportation's assessment that traffic volume does not warrant construction at the present time.
- The location is at the southern border of the Red Mountain American Viticulture Area (AVA) which extends northwardly from the intersection of S.R. 224 and S.R. 225, and contains approximately 4,040 acres; it is part of the Yakima Valley AVA, and in turn part of the larger Columbia Valley AVA. Wines produced from grapes grown in this area have won worldwide acclaim, making the grapes some of the most sought after in Washington State.
- The parcel *size* is 92.61000 acres or 4,034,092 SF which would preclude many smaller developments without short platting the site. The size would permit subdivision into multiple individual lots. In fact, a conceptual plan reflecting a total of 19 lots ranging in size from approximately two to eight acres has been analyzed and found to be reasonable.
- The parcel *shape* is irregular with a well-defined width of frontage along a well-travelled state highway public right of way providing a good window to passing motorists.
- The mostly level *topography* of the site is conducive to a variety of uses and does not prohibit development of the legally permissible uses.
- While there is a BPA *easement* that bisects the parcel in half, it would be possible to subdivide the site taking this into account. Thus, this is not considered a major detriment at this time.
- *View* is typical neighborhood views, with nothing detrimental noted, although it is noteworthy that a BPA easement bisects the site with overhead power lines. This might be considered detrimental for residential development but is not such a red flag for industrial development.
- *Access* is available From public right of way. Access to the regional highway system is within five miles in nearby Benton City or Richland.
- All necessary *utilities* are nearby at the intersection of S.R. 224 and Keene Road but would have to be extended to the site.

Feasible Use

A property will be maximized to its greatest productivity when the present/proposed use is in balance with existing supply and market demand within the local economic mix; therefore, the factors which influence the success and competitive position of a particular property are the supply and demand within the community.

As indicated in the Market Trends section of this report, demand for light industrial use currently exceeds supply of available properties. However, that projection is based on current limited supply and rapid absorption of properties as they are made available to the market. No study has been undertaken of which the appraiser is aware to determine the actual demand for light industrial space specifically for projects related to the wine industry.

What is clear is the fact that the wine industry in Washington State in general and in the general market area of the subject in particular, is growing and expanding rapidly. However, there is no way to determine the absorption rate of lots that could occur for that specific use with any credibility. Phase I of a somewhat similar development undertaken by the Port of Benton at Vintner Village in Prosser, WA, about 15 miles to the west, is completely built out; but took about ten years to absorb. Phase II is now available and being marketed, and the first building was completed in 2018.

Success of a project like the subject with a specific target market depends on the synergy that can be created among potential users; for example, automobile dealers tend to congregate in districts because that brings customers to the area who then visit multiple dealers in a single visit. Similarly, the Vintners Village project in Prosser offers a variety of vintners who offer wine tastings and sales in a consolidated location that benefits all users.

It will take quite a bit of time and planning, perhaps 3+ years, for the proposed project to come to fruition.

- Funding for the infrastructure will need to be secured.
- Approvals of the plan from the controlling municipal authorities will need to be obtained.
- Roadways providing access through the project will need to be constructed.
- Utilities will need to be extended from their current location at the intersection of S.R. 224 and Keene Road to each of the proposed lots.

During that time, market conditions could change which could have either a positive or negative impact on the success of the project.

The Owner is not a “for profit” motivated entity. Its stated purpose in pursuing this type of development is to create jobs. Since the proposed development plan has been carefully undertaken, it is a special assumption of this report that the development plan, if undertaken as proposed, would be successful.

Maximum Profitability

Based upon the subject site’s location, zoning, physical characteristics, and prospective alternative uses, the Highest and Best Use, the most financially feasible use meeting maximum profitability would best be suited for the development as proposed. Timing to bring the project to market is expected to be 3-5 years or more. The subject's use is projected to be profitable.

Highest and Best Use Conclusion

As no other legally permissible use of the property would result in a higher value other than those proposed, the highest and best use of the property is for its designed use as proposed. In the interim, continued use for ag production is viewed as a viable alternative.

VALUATION SECTION

LAND

Value Parameters	
Property Name	Tri-Cities Raceway (Former)
Property Appraised	47615 E SR 224 Hwy, West Richland, Benton County, Washington
Value Perspective	Current
Value Type & Premise	Market Value As Is
Interest Appraised	Fee Simple
Effective Date	September 19, 2019
Approaches Used	Sales Comparison
Assignment Conditions	Yes

Methods of Estimating Value

Sales Comparison Approach

This method of estimating value is based on the principle of substitution; i.e., a prudent buyer will not pay more to buy a property than it would cost to buy a similar substitute property having similar desirability or utility. Sales of similar properties are compared to the subject to arrive at an estimate of value. Where differences exist between the comparable sales and the subject, adjustment is made. For example, if the comparable is superior to the subject with regard to an element of comparison, a downward adjustment is made to the comparable. If the comparable property is inferior, an upward adjustment is made. After adjustments for market conditions, financing, location, etc., have been made, they are added to or subtracted from the comparable sale price, thus reflecting a value for the subject property.

- This approach has been utilized in valuation of the property. For vacant land parcels, this is traditionally the most applicable approach to value.

Income Approach

This method provides an estimate based on the property's ability to produce an acceptable income.

For *income producing properties*, the gross income is estimated, a vacancy and credit loss is subtracted to arrive at an effective gross income. From the effective gross, typical operating expenses are taken to produce a net operating income (NOI). The NOI is then capitalized at an appropriate rate to produce an estimate of value.

For *subdivision projects*, a subdivision analysis is undertaken. The potential lot sizes are estimated along with a probable selling price and absorption rate in the market based on supply and demand. The lot sales are projected over the sell-out period, and expenses are deducted for the cost of development and holding through the sell-out period. The annual net incomes over the holding period are then discounted back to present value at an appropriate rate which reflects the risk in the investment.

- This approach has NOT been utilized in valuation of the property as the appraiser believes support for the assumptions necessary for this project are too numerous and flawed to provide a credible opinion.

Cost Approach

This method of estimating value is based on the estimate of reproduction costs new, i.e., the cost of creating a replica building on the basis of current prices, using the same or similar materials. This method is traditionally used in estimating value for property improvements. Once reproduction costs are estimated, accrued depreciation is subtracted.

Depreciation or obsolescence may occur in several categories, including physical depreciation, functional depreciation, and economic obsolescence. To the depreciated improvements land value is added. As the improvements age, depreciation becomes very subjective and difficult to support.

- This approach has not been utilized as only the value of the land as if vacant is estimated.

Sales Comparison Approach

General Process

In the sales comparison approach to value, the following steps have been taken in estimating a market value.

- Research recent sales of comparable land properties.
- Select the most comparable sales and analyze the pertinent data on these sales.
- Adjust the sales for differences in the various elements of comparison.
- Summarize the analysis and conclude a value indication based upon the adjusted sale prices of the comparables.

Comparable Sales

The project is proposed for development with a commercial and industrial subdivision. There have been no recent sales of similar projects in subject's immediate neighborhood; thus, the parameters of the search were widened to include sales outside of the neighborhood but within Benton and Franklin Counties and older sales were also considered as well.

In evaluating the comparable sales, they are most often analyzed on the following basis:

- Sale Price per SF of of Land
- Sale Price per Acre of Land

Sales of vacant land parcels similar in size to the subject for any use other than residential use are infrequent in this market. Discussed below are relevant characteristics of *all* large non-residential parcel sales of which I am aware in this market that have transacted over the last 2-3 years or so. Detailed descriptions of these sales with photographs are included in the Addendum of the report. The following is a summary of the sales and a sale location map.

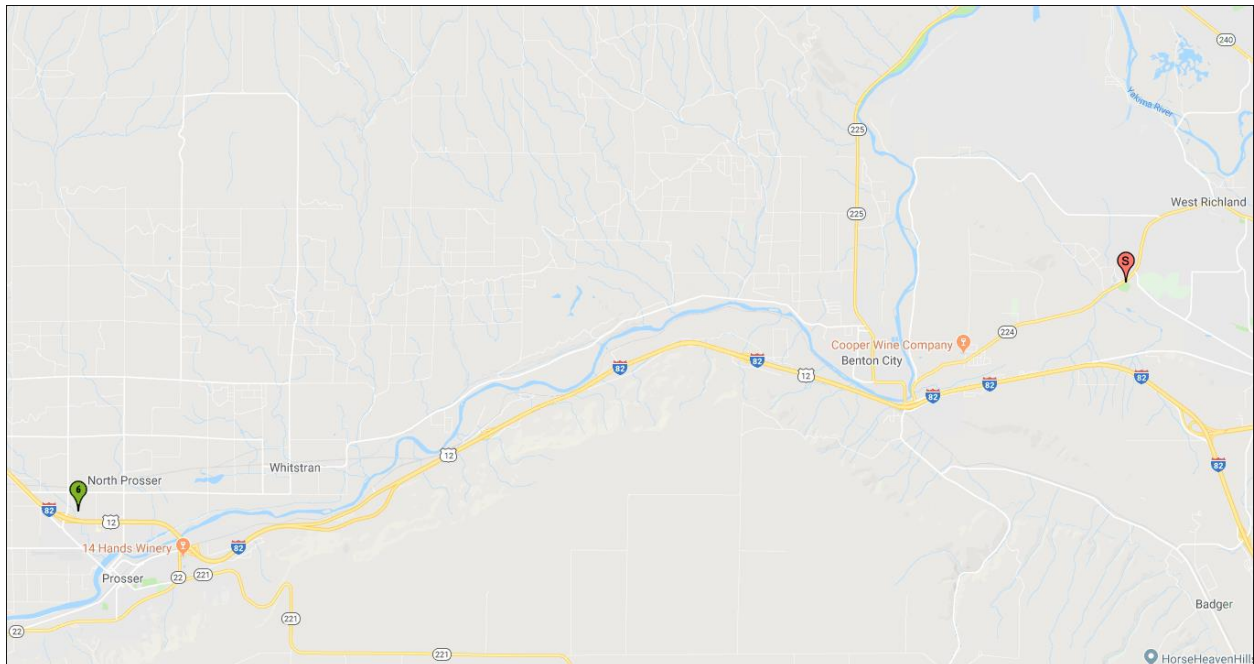
Land Sales				Bucket	edit	Actions
Name	Address	Sold	Recorded	Sale Price	Adj \$/Acre	Adj \$/SF Land
Oak Street Industrial Park, Lots 5 & 6, Lots 1,2,3,4 SP 696	NKA E 7th Ave (East of BF Humane Society)	06-28-2019		\$375,000	\$30,637.00	\$.70
IMK NW Properties	2811 Polar Way	06-07-2019		\$833,600	\$37,737.00	\$.87
Proposed Tribal Casino and Economic Development	E/S N Capitol Ave North of Karthner St	05-17-2019		\$7,800,000	\$48,832.00	\$1.12
Proposed Tribal Casino and Economic Development	E/S N Capitol Ave North of Karthner St	05-16-2019		\$3,067,821	\$127,831.00	\$2.93
DBA Packaging Corporation of America	3003 Kingsgate Way	03-28-2019		\$1,720,714	\$44,998.00	\$1.03
Prosser Public Hospital (Proposed)	6001 N Gap Rd	11-20-2017		\$1,716,665	\$51,926.00	\$1.19
WA State Military	SWC of Polar Way and 1st St	04-24-2017		\$1,600,000	\$40,070.00	\$.92

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Comparable Sale Map – Sales #1, 2, 3, 4, 5 and #7



Comparable Sale Map – Sale #6



Subject is located on the border of the south-central portion of the City of West Richland, on a well-travelled primary artery in an emerging neighborhood that is experiencing growth in terms of new development. The availability of sale data in this market is considered poor to fair. Thus, the search was expanded to include all areas of the Tri-Cities industrial land market.

The reader is asked to keep in mind that the dataset in the market is considered extremely limited, and extracted market support for adjustments is not available, either for the direction or magnitude of the adjustment. The adjustments made are not meant to be an absolute numerical adjustment but more of a directional qualitative adjustment considered by the appraiser.

Elements of Comparison - Related to the Transaction

I have evaluated the comparable sales based on differences in various elements of comparison. The first of these are elements that must be compared in every analysis and are related to the property rights conveyed, the terms and conditions of the sale, and changes in market conditions.

Property Rights Conveyed

Sale prices may be influenced by rights conveyed vs. rights retained by the seller. The fee simple absolute interest is conveyed when the seller sells all the rights to ownership and occupancy, but lesser or partial interests can be sold. When a property is sold subject to existing tenant long term leases (land or improved property), the leased fee is typically conveyed. When a property is sold subject to short term rental contracts (such as with apartment rentals), the value impact is typically not as significant because those short-term lease contracts are easily adjusted to a market level rather quickly. If contract rental rates and market rental rates are similar, the value of the fee simple and leased fee can be similar. However, if there are significant differences between contract and market rental rates, the leased fee and leasehold interests can be impacted.

- In this case, the fee simple interest was conveyed in all transactions, and no adjustment is required.

Financing

Prices can vary when non-market lending terms are available in the market such as higher LTV ratios or lower interest rates. Oftentimes, a seller will carry a note on favorable terms that can impact the sales price as buyers are often more interested in affordable monthly payments than loan amounts.

- Unless stated otherwise, all sales were reported as cash to the seller, and no adjustment is required.

Terms and Conditions of Sale / Expenses Post Sale

The terms and conditions involved in a sale can be influenced when the parties are unusually motivated. For example, a bank seeking to dispose of a property it has taken back through foreclosure, can be motivated to accept a reduced or discounted price. On the other hand, a property owner acquiring an adjacent parcel could pay a premium.

Repairs required to an improved property also play a significant role in determining what a buyer is willing to pay and oftentimes as the result of an inspection, the price ultimately paid reflects the condition of the property. Adjustments are considered for any repairs made immediately before or after the sale. Of course, this information is only available when sales are confirmed with a party to the sale.

- In the case at hand, no improvements were involved, and so no repairs or capital expenditures were required.

Market Conditions

A market conditions adjustment measures any difference in unit price between the date of sale of the comparable and the effective date of appraisal. If prices have been trending upward, a positive adjustment may be warranted. In the opposite case, a downward adjustment might be warranted.

The sales are relatively current, with five having occurred since the first of the year (2019), and two that occurred in 2017 that were included for comparison purposes to the 2019 sales (no relevant sales were discovered that conveyed in 2018). It is clear that prices are rising in most segments, but the change could vary from segment to segment. One strong indicator of price changes over time is the sale and re-sale of a property, but unfortunately, we do not have any of that type of recent activity here.

I am aware of a 47.278-acre parcel of industrially zoned land located at the SEC of Oregon and E A Street in east Pasco that conveyed from the FDIC as Receiver in 2014 for \$400,000, or \$8,460/AC or \$0.19/SF to Bleyhl's Farms which planned to build a new retail store for ag products because it was close to their current location. Bleyhl's Farms decided to abandon development of that parcel and build in west Pasco instead. It re-sold almost exactly three years later for \$525,000, an increase of 31% over the 3-year period, reflecting an annual increase of about 10%/year. The property is again on the market for a list price in excess of \$4 Million.

The property location in an older neighborhood of East Pasco would not be comparable to the subject location, and the parcel reportedly had some improvements deemed of no value remaining from its prior use. It was also bisected by a railroad line and also had some power line and easement issues. If this sale were updated for changing market conditions at a similar rate of 10%/year, today the adjusted value could be calculated in the amount of \$635,250, which is equivalent to \$13,435/AC or \$0.30/SF.

As discussed earlier in the market analysis section of the report, *"The Tri-Cities is experiencing the highest demand and the lowest inventory of housing in the last decade; inventory is about 56% lower than the inventory at the same time in 2013, which is putting steady upward pressure on prices. In this market, new listings that are well priced and in good condition are selling in less than one week, sometimes in one day, oftentimes with multiple offers. The median sold price in May 2013 of \$189.5 had increased to nearly \$230.0 between May and June of 2016, an increase of 18.7% in 3 years, or an average of*

6% per year for the last three years. For the first time, several homes have sold above the \$1,000,000 threshold.

The most recent report (August, 2019, published September 12, 2019) reflects an inventory of 645 units (a 5.7% decline over the same period last year) and an average sale price of \$333.5K with the median at \$305.9K, up 11.6% and 11.8% respectively over the last rolling 12 months.

Developers are having difficulty finding parcels to purchase at affordable prices which can then be appropriately re-zoned, and many are resorting to smaller infill parcels. This trend is expected to continue for the foreseeable future.”

The same phenomenon is occurring in the multifamily segment which often mirrors housing segment. Price increases are also evident in commercial and industrial segments, but typically range depending on specific submarket.

- Given the limited number of transactions reflecting such limited demand for such large parcels, only modest adjustments to the older sales will be considered.

Elements of Comparison – Based on the Characteristics of the Real Estate

In addition, it is necessary to evaluate the sales based on location, as well as physical and economic characteristics. The elements of comparison considered most appropriate for this analysis are discussed individually in the following paragraphs. Some elements relate to land only and some relate to improvements only, and some relate to both.

Location/Access

Locational adjustments are a primary consideration when valuing real estate. Parcels which have frontage along well-traveled commercial arteries providing very good visibility to passing motorists for the improvements, and providing easy access to the property, typically sell for a premium when compared with parcels along lightly travelled secondary or interior arteries providing visibility to fewer or perhaps even no passing motorists. Demographics can also play a part, i.e., neighborhoods with a stronger demographic can command a premium when compared with neighborhoods with weaker demographics.

- Sales were analyzed from primarily three neighborhoods, Oak Street Industrial Park in East Kennewick (considered inferior); Horn Rapids Industrial Park in north Richland (considered inferior); and King City Industrial neighborhood in north Pasco (considered superior). Modest adjustments were considered for each location to reflect the differences.

Parcel Size

Smaller parcels typically have a wider pool of available buyers providing stronger demand, creating a competitive market and driving up the price on a unit of comparison basis, while the converse is typically true for larger properties. However, oftentimes the availability of larger properties is so limited that the price can be driven upward when demand exceeds supply.

- For example, consider the difference in price paid by the Tribal Casino for the two adjacent parcels purchased at the same time in King City from two different owners. It paid \$1.12/SF for the larger parcel containing nearly 160 acres and paid \$2.93/SF for the adjacent smaller parcel and one other across the street totaling about 24 acres. The larger parcel was about 6.6x larger than the smaller parcel, but the smaller parcel commanded a premium of about 2.6x in terms of unit price. Just on a straight linear basis, it seems as if prices decrease about \$0.36/SF for every decline in size of 25 acres, as reflected in the illustration below.

Potential Linear Change in Unit Price as Size Increases		
<u># AC</u>		<u>\$ PSF</u>
150	\$	1.12
125	\$	1.48
100	\$	1.84
75	\$	2.20
50	\$	2.56
25	\$	2.93

While not definitive for each parcel, it clearly supports the theory that an increase in size results in a decreasing unit price. In connection with the subject data, one of the smaller parcels was located at a strategic corner, and so part of the additional premium could have been a location rather than a size premium. Nonetheless, modest adjustments will be made in the data to reflect the theory.

Zoning

Zoning restricts potential development and can have a significant impact on value. Parcels with different zoning can have differences in highest and best use.

- In the case at hand, we have no data to extract an adjustment for zoning; however, all parcels permitted industrial use. Thus, no adjustments were made.

Availability of Utilities

The availability of utilities at the perimeter of the site and cost of extending utilities to potential development and can have a significant impact on value due to the added cost of preparing the land for development. And oftentimes with the case of raw land parcels, utilities may be nearby but the cost to extend is not yet known at the time of confirmation of the sale.

- Subject has power on site, but municipal water and sewer must be extended at an unknown cost. Efforts are made to confirm availability of utilities to each of the comparables; and in the majority of cases, utilities for the comparable parcels were not available at the perimeter of the site. Thus, no adjustment has been made.

Topography/Terrain

Level and at grade parcels are easier to develop and require less extensive site work, thus making them very desirable when compared with parcels challenged by slopes or other terrain related issues.

- Subject is a relatively level parcel, with some minor slope variation from one end to the other. No particular challenges were noted with any of the comparables, and thus, no adjustments were necessary.

Improvements – Quality of Construction, Condition, Size, Functional Utility

When land is improved, the improvements typically contribute to overall value, although the contributory value can be affected by such elements as quality of construction, chronological and/or effective age of the improvements, any remodeling or updates which have been done, overall condition, size and functional utility.

For specific property types, specific elements can create value. For example, an industrial building with a 20' ceiling height at the eave is typically more valuable than one with a sidewall height of 12'. The percentage of office space can make a difference. Buyers take these elements into consideration when purchasing property.

- Subject has several improvements that have been previously described, but an assignment condition has been used that assumes the improvements are no longer in place. Thus, no adjustments were necessary as the remaining sales were vacant land parcels with no improvements.

Comparison of Comparable Improved Sales to the Subject

1. *Oak Street Industrial Park Neighborhood* – Oak Street and 7th Ave, Kennewick, WA – The Port of Kennewick sold a 12.24-AC (533,174 SF) parcel of land zoned IL, Industrial by the City of Kennewick on June 28, 2019 to Three Rivers Acquisitions, LLC for a total consideration of \$375,000 or ***\$0.70/SF of land area***. The parcel has visibility to S.R. 397 / Chemical Drive which borders the parcel on the western boundary, but 7th Ave and will have to be extended slight to serve the parcel prior to development (PID DP7061); it is located in a floodplain, which warrants an upward adjustment; some utilities are available, but the site was full of debris from years of dumping and this will need to be removed prior to development.
 - ***Analysis*** - *The Oak Street Industrial Park is a small industrial park outside the city limits and zoned for industrial use on the east side of Kennewick just south of the Columbia River which is bounded by S.R. 397 on its western perimeter providing average access and visibility. Overall this somewhat remote location would be considered as a lower end indicator for the subject, and a downward adjustment for size would also be warranted which could be offset by the adjustment for location within a floodplain which would require any improvements to be*

engineered out of the floodplain. This parcel would be more similar to one of the lots that would be available in the subject development.

2. *Horn Rapids Industrial Area* – 2811 Polar Way, Richland, WA – The City of Richland sold a 22.08999-AC (962,240 SF) parcel of industrially zoned land to MK Northwest Properties, LLC on June 7, 2019 for a total consideration of \$833,600 or the equivalent of **\$0.87/SF**. The parcel was an interior parcel with only limited access or visibility to any level of traffic; utilities are nearby but will need to be extended to the parcel (PID DP7055)
 - ***Analysis** - The Horn Rapids Industrial area masterplan completed in 1995 for the City of Richland now after several updates, includes about 2,500 acres of industrial land in North Richland adjacent to the U.S. Department of Energy's (DOE) Hanford Site. Sales activity has picked up over the last two years. The area is also considered somewhat remote from support services and transportation links. Overall this somewhat remote location would be considered as a low end to balanced indicator for the subject, and a downward adjustment for size would also be warranted. When compared to Item #1 at \$.70/SF which is smaller and in a floodplain, it also is considered a lower end indicator.*
3. *King City Neighborhood* – East side of Capitol Ave, north of Kartchner St, Pasco, WA - The Confederated Tribes of the Colville Reservation acquired property in two separate related transactions. It is reported that a casino and other economic development projects could be constructed on the site. The major parcel involved The Katherine Ashley Trust as seller which sold a 159.73-AC parcel (6,957,839 SF) zoned for industrial use by the City of Pasco to Creason, Moore, Dokken & Geidl, PLLC on May 17, 2019 (SWD 18-94666) for a total consideration of \$7,800,000. On May 31, 2019, the property was quit-claimed to the Confederated Tribes of the Colville Reservation. The sale price is equivalent to a unit price of \$1.12/SF (PID DP7042).
 - ***Analysis** - The King City Neighborhood in north Pasco has been growing steadily for about the last ten years, and activity has picked up quite a bit in the last 2-3 years, with price increases evident in this market when compared with sales from three years ago. This location would be considered superior to the subject location due to surrounding development and access to highway linkages, warranting a downward adjustment although this parcel is probably most similar in size, actually somewhat larger.*
4. *King City Neighborhood* -- Paul and Leah Miller, Trustees, sold two non-contiguous parcels to the same buyer as Sale #3 above for \$3,067,822 containing a combined acreage of 23.999 AC (1,045,396 SF), reflecting a unit price of \$2.94/SF. One of the properties was contiguous to the larger parcel reported above, and the other parcel was just across the street at a strategic corner. When these smaller parcels are compared with Sale #3 just above, it is clear that a premium is paid for smaller parcels when compared with larger parcels.
 - The parcel adjacent to Sale #3 is a 17.41-AC parcel (758,379 SF) zoned for industrial use by the City of Pasco on May 16, 2019 (SWD 18-94681). On May

31, 2019, the property was quit-claimed to the Confederated Tribes of the Colville Reservation.

- The non-contiguous parcel is comprised of a 6.58-AC parcel located at the northwest corner of Kartchner St and N Capitol Ave was also conveyed at the same time and then quit-claimed at the same time.
 - *Analysis - As discussed above, this King City neighborhood would be considered superior to the subject location by reason of surrounding development and freeway linkages, warranting a downward adjustment. A downward adjustment for size is also warranted when compared to the larger sale.*
5. *Horn Rapids Industrial Neighborhood* - Packaging Corporation of America purchased a 38.24-AC (1,832,134 SF) site located at 3003 Kingsgate Way in the Horn Rapids Industrial neighborhood of North Richland from the City of Richland. The property was zoned I-1 for industrial use and closed March 28, 2019 for a consideration of \$1,720,214, reflecting a unit price of \$0.94/SF (SWD 2019-007387). The buyer had plans to immediately construct a 400,000+SF manufacturing plant.
- *Analysis – As previously mentioned, the Horn Rapids Industrial park is growing steadily, albeit somewhat more slowly when compared to the King City neighborhood, likely due to its more remote location to support services or transportation links. Overall it would likely represent a lower end indicator for the subject property in terms of location, but a downward adjustment for size would be somewhat offset.*
6. A 33.06-AC (1,440,094 SF) site located at 6001 N Gap Rd in Prosser backing up to I-82 was acquired by Prosser Public Hospital District from John E Gibbons for a total consideration of \$1,716,665, on November 20, 2017 which is the equivalent of \$1.19/SF on a unit price basis. A new hospital is planned for the site at a future date.
- *Analysis – The location of this parcel in Prosser with visibility and access to I-82 is superior to the subject, warranting downward adjustments. A downward adjustment for size is also considered appropriate.*
7. A 39.93-AC (1,739,351 SF) site located at the SWC of Polar Way and 1st St in the Horn Rapids industrial neighborhood was acquired by the WA State Military from the City of Richland for a total consideration of \$1,600,000, which reflects a unit cost of \$0.92/SF.
- *Analysis – Similar comments as those made earlier about the Horn Rapids neighborhood will hold true.*

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Sale Adjustments

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6	Sale # 7
Property Name	Tri-Cities Raceway (Former)	Oak Street Industrial Park, Lots 5 & 6, Lots 1,2,3,4 SP 696	MK NW Properties	Proposed Tribal Casino and Economic Development - Main Parcel	Proposed Tribal Casino and Economic Development - Secondary Parcel	DBA Packaging Corporation of America	Prosser Public Hospital (Proposed)	WA State Military
Address	47615 E SR 224 Hwy	NKA E 7th Ave (East of BF Humane Society)	2811 Polar Way	E/S N Capitol Ave North of Karthner St	E/S N Capitol Ave North of Karthner St	3003 Kingsgate Way	6001 N Gap Rd	SWC of Polar Way and 1st St
City	West Richland	Kennewick	Richland	Pasco	Pasco	Richland	North Prosser	Richland
Land Area SF	4,034,092	533,174	962,240	6,957,839	1,045,396	1,665,734	1,440,094	1,739,351
Land Area in Acres	92.610	12.240	22.090	159.730	23.999	38.240	33.060	39.930
Ratio - Comp to Subject		0.13	0.24	1.72	0.26	0.41	0.36	0.43
Buildable SF	N/A	N/A	N/A	N/A	N/A	450,000	N/A	N/A
Price/Buildable SF		N/A	N/A	N/A	N/A	\$3.82	N/A	N/A
Density (Units/Acre)								
Zoning	CLJ	IL	Industrial	I-1	I-1	I-1	UGAR - General	M-2 Heavy Mfg
Sale Price	N/A	\$375,000	\$833,600	\$7,800,000	\$3,067,821	\$1,720,714	\$1,716,665	\$1,600,000
Land Acres	92.610	12.240	22.090	159.730	23.999	38.240	33.060	39.930
Unadjusted Price/SF	N/A	\$0.70	\$0.87	\$1.12	\$2.93	\$1.03	\$1.19	\$0.92
Time Adjusted Price/SF		\$0.70	\$0.87	\$1.12	\$2.93	\$1.03	\$1.25	\$0.97
Adjusted Price/SF		\$0.63	\$0.78	\$0.95	\$1.76	\$0.98	\$0.94	\$0.92

Property Rights	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Terms/Financing	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
Conditions of Sale	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Time/Market Conditions	N/A	6/28/2019	6/7/2019	5/17/2019	5/16/2019	3/28/2019	11/20/2017	4/24/2017
% Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%
\$ Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.06	\$0.05
Market Conditions Adjusted Price/SF		\$0.70	\$0.87	\$1.12	\$2.93	\$1.03	\$1.25	\$0.97
Location/Access	Inferior	Inferior	Superior	Superior	Inferior	Superior	Inferior	Inferior
Enter % Adjustment	20.0%	10.0%	-20.0%	-20.0%	10.0%	-10.0%	10.0%	10.0%
Adjusted Price/SF	\$0.84	\$0.95	\$0.90	\$2.35	\$1.14	\$1.13	\$1.06	\$1.06
Zoning/Density	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Price/SF	\$0.84	\$0.95	\$0.90	\$2.35	\$1.14	\$1.13	\$1.06	\$1.06
Size	Superior	Superior	Inferior	Superior	Superior	Superior	Superior	Superior
% Adjustment	-30.0%	-20.0%	5.0%	-20.0%	-15.0%	-15.0%	-15.0%	-15.0%
Adjusted Price/SF	\$0.63	\$0.78	\$0.95	\$1.76	\$0.98	\$0.94	\$0.92	\$0.92
Utilities at Perimeter	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Price/SF	\$0.63	\$0.78	\$0.95	\$1.76	\$0.98	\$0.94	\$0.92	\$0.92
Floodplain	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Price/SF	\$0.63	\$0.78	\$0.95	\$1.76	\$0.98	\$0.94	\$0.92	\$0.92

Adjustments to Time Adjusted Price per Unit								
Net % Adjustments	-10.0%	-10.0%	-15.0%	-40.0%	-5.0%	-25.0%	-5.0%	
Net \$ Adjustments	-\$0.07	-\$0.09	-\$0.17	-\$1.17	-\$0.05	-\$0.31	-\$0.05	
Total % Adjustments	50.0%	30.0%	25.0%	40.0%	25.0%	25.0%	25.0%	
Total \$ Adjustments	\$0.35	\$0.26	\$0.28	\$1.17	\$0.26	\$0.31	\$0.24	
Total Adjustments								
Net % Adjustments	-10.0%	-10.0%	-15.0%	-40.0%	-5.0%	-21.3%	-0.2%	
Net \$ Adjustments	-\$0.07	-\$0.09	-\$0.17	-\$1.17	-\$0.05	-\$0.25	\$0.00	
Total % Adjustments	50.0%	30.0%	25.0%	40.0%	25.0%	31.3%	31.3%	
Total \$ Adjustments	\$0.35	\$0.26	\$0.28	\$1.17	\$0.26	\$0.37	\$0.29	
Adjusted Price/SF		\$0.63	\$0.78	\$0.95	\$1.76	\$0.98	\$0.94	\$0.92

Summary

The data is considered only fair, with only seven sales of semi-comparable large parcels in the last two years, only one of which is larger than the subject, (Sale #3) at \$1.12 prior to adjustment and \$0.95 after adjustment. Indications before and after adjustments can be summarized as follows:

Adjusted Prices:

Sale #	Similar to or Higher Than	Similar to	Similar to or Lower Than
#1	0.63		
#2	\$.78		
#3		\$.95	
#4			\$1.76
#5		\$.98	
#6		\$.94	
#7		\$.92	

The adjustment process did not yield much of a variation in unit pricing, although the process followed a traditional path. The primary reason for this is the lack of product in the market, which is pushing up prices and eliminating adjustments the market might have made in the past.

Listing Data

In addition to the foregoing closed sale transactions, a search was conducted for current industrial land currently listed for sale, there are currently nine parcels listed in MLS in the Tri-Cities, but eight of them are smaller than five acres. A 37.44-acre parcel located on the corner Oregon and A Streets in Pasco is currently listed for sale for \$4,484,937, or \$2.75/SF. This parcel was sold out of foreclosure by Bank of Whitman to Bleyhl Farm Service, which planned to build a new retail store on the site. Bleyhl sold it in September 2017 to Steve & Judy West for \$525,000, and it has not been listed for sale again.

Summary

Adjustments were very subjective and followed a traditional path but cannot be truly supported by extracted adjustments from the sparse market data; rather the adjustments applied represent only the direction of the adjustment since data to support the adjustments with market data is not available. Essentially, the Sales Comparison Approach is a test of reasonableness for the value indicator via the Income Approach to Value.

Reconciliation of Value Conclusion – Sales Comparison Approach

After consideration of all the data, the appraiser has placed most emphasis on the lower end of the range reflected by the sales. This is applied to the site area of the subject in concluding a value as follows:

Estimated Value Via Sales Comparison Approach	
Property Name	Tri-Cities Raceway (Former)
Property Appraised	47615 E SR 224 Hwy, West Richland, Benton County, Washington
Value Perspective	Current
Value Type & Premise	Market Value As Is
Interest Appraised	Fee Simple
Effective Date	September 19, 2019
Value PSF	\$0.75
Size (SF)	4,034,092 SF
Calculated Value	\$3,025,569
Value Estimate	\$3,000,000

NOTE: The concluded value amount is NOT what a prudent buyer would pay for the site. The buyer would discount the value based on the cost to remove the existing improvements, etc. as assumed in the Assignment Conditions once those costs have been determined.

Reconciliation

In order to estimate the market value of the subject property, the data pertaining to the property has been analyzed by the Sales Comparison Approach although the value was tested via an Income Approach. The value estimates indicated by the approaches are as follows:

Value Premise	
Property Name	Tri-Cities Raceway (Former)
Property Appraised	47615 E SR 224 Hwy West Richland, Benton County, Washington
Value Perspective	Current
Value Type	Market Value As Is
Interest Appraised	Fee Simple
Effective Date	September 12, 2018
Value Estimates	
Via Sales Comparison	\$3,000,000
Via Income Approach	Not Conducted
Via Cost Approach	Not Conducted

Sales Comparison Approach

The sales comparison approach is most reliable in an active market when a number of similar properties have recently sold. In this case, the number of truly similar properties within subject's neighborhood was limited and the search had to be expanded to areas outside the neighborhood but within Benton and Franklin County. Only five recent sales of reasonably similar industrial land offering similar amenities were presented. Adjustments were applied for location and physical conditions. This valuation approach provides a fair to average indication of value of the subject.

Income Approach

The income approach is often given primary reliance when evaluating investment properties. This approach was not conducted.

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Value Premise	
Property Name	Tri-Cities Raceway (Former)
Property Appraised	47615 E SR 224 Hwy West Richland, Benton County, Washington
Value Perspective	Current
Value Type	Market Value As Is
Interest Appraised	Fee Simple
Effective Date	September 19, 2019
Value Conclusion	
Market Value Conclusion	\$3,000,000
Market Exposure Time	2 to 5 Years
Marketing Period	2 to 5 Years
Assignment Conditions	Yes, the reader is referred to the Assignment Conditions

NOTE: The concluded value amount is NOT what a prudent buyer would pay for the site. The buyer would discount the value based on the cost to remove the existing improvements, etc. as assumed in the Assignment Conditions once those costs have been determined.

Marketing Time / Exposure Time

Marketing time is that period of time that would follow the effective date of value, while exposure represents the period of time preceding the effective date of value. In our opinion, market conditions during both periods were similar, and if exposed to the market, a sale at the appraised value would occur within 12 months. This is based on a review of days on market statistics for the properties utilized in the sales comparison approach.

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

ADDENDA

Agreement for Professional Valuation Services
Washington State University Fact Sheet
Land Sale Comp Sheets
Appraiser's Qualifications
Appraiser's Licenses

*Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington*

Sandollar | Appraisal Group SEWA
2001 S Washington Street
Kennewick, WA 99337

O: 509.628.9817
E: AppraisalGroupSEWA@gmail.com
W: AppraisalGroupSEWA.com



Nikki Griffith, MAI, CCIM
Gary E. Chamberlin, Consultant

Washington State Certified General
Appraisers

AGREEMENT FOR PROFESSIONAL VALUATION SERVICES

PARTIES TO THE AGREEMENT		
Parties to the Agreement	CLIENT	APPRAISER
Contact Name	Amber Hanchette	Nikki Griffith, MAI, CCIM
Company	Port of Kennewick	Sandollar LLC Appraisal Group SEWA
Street Address	350 Clover Island Drive	2001 S Washington Street, Suite 104
City/State/Zip	Kennewick, WA 99336	Kennewick, WA 99337
Phone	509.586.1186	509.628.9817
Email Address	Amber@PortofKennewick.org	AppraisalGroupSEWA@gmail.com
Authorized Signature		
Date Signed		Monday, August 26, 2019

BUSINESS TERMS OF ENGAGEMENT	
REPORT TYPE	Narrative Appraisal Report
DELIVERY DATE	4 to 6 weeks from Authorization to Proceed
DELIVERY METHOD	One (1) electronic PDF version.
AGREED UPON FEE	\$2,500
Payment Terms	Due and payable upon receipt.

SCOPE OF WORK DEVELOPMENT AGREEMENT	
Intended User(s)	Client only; should any other person obtain a copy of the report, they shall be considered an unintended user. The appraiser's responsibility and liability extends only to intended users identified at the time of engagement. The appraiser shall keep any and all matters related to the report and value confidential from any unintended users.
Intended Use(s)	The Client requests the appraiser to provide an estimate of Market Value for potential purchase.
UNUSUAL ASSIGNMENT CONDITIONS (i.e., Hypothetical Conditions or Extraordinary Assumptions)	<ol style="list-style-type: none"> It is a hypothetical conditions that there are no water rights associated with the parcel. The site is currently improved with the former Tri-City Raceway improvements which no longer contribute to value. It is a hypothetical condition that the improvements have been removed as the cost of removal cannot be reliably estimated by the appraiser without a contractor's estimate.

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

SCOPE OF WORK DEVELOPMENT AGREEMENT, CONTINUED	
PROPERTY NAME/TYPE	Former Tri-City Raceway
ADDRESS	47615 E SR 244 Highway, Benton City/West Richland, WA
ACRES	92.61 acre parcel
USE OF REPORT	Establish value for potential marketing of the property
TAX PARCEL ID	111971012751002
OWNER	Port of Kennewick
IMPROVEMENTS	92.61-Acre site improved with the following improvements: 1. About 47 acres was developed for use as a NASCAR style racetrack and is currently leased to Sand and Sage Sports Car Club for \$300/week; 2. Approximately 45 acres is under an agriculture lease to Derek Alexander.
ZONING / CURRENT USE	CLI
VALUE TYPE	Market Value As Is
APPROACH TO BE USED	Sales Comparison
INFORMATION TO BE PROVIDED BY CLIENT	Upon request from appraiser
REPORT PRODUCT	Narrative Appraisal Report
AGREED UPON FEE	\$2,500

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Benton County Property Search

Property Search Results > 281527 PORT OF KENNEWICK for Year 2018 - 2019

Property

Account

Property ID:	281527	Legal Description:	Section 11 Township 9 Range 27 Quarter NE; SHORT PLAT #2751 LOT 2, 9/23/2003, AFM03-046136, RECORDED IN VOLUME 1 OF SHORT PLATS AT PAGE 2751, RECORDS OF BENTON COUNTY, WASHINGTON.	
Parcel # / Geo ID:	111971012751002	Agent Code:		
Type:	Real			
Tax Area:	W1 - W1	Land Use Code:	74	
Open Space:	N	DPL:	N	
Historic Property:	N	Remodel Property:	N	
Multi-Family Redevelopment:	N			
Township:	09	Section:	11	
Range:	27	Legal Acres:	92.6300	

Location

Address:	47615 E SR 224 HWY BENTON CITY, WA 99320	Mapbox:	
Neighborhood:	Red Mountain Commercial	Map ID:	
Neighborhood CD:	650210		

Owner

Name:	PORT OF KENNEWICK	Owner ID:	126941
Mailing Address:	101 CLOVER ISLAND DR KENNEWICK, WA 99336	% Ownership:	100.000000000000%
		Exemptions:	EX

Pay Tax Due

There is currently No Amount Due on this property.

Taxes and Assessment Details

Property Tax Information as of 06/21/2019

Amount Due If Paid on:  **NOTE:** If you plan to submit payment on a future date, make sure you enter the date and click RECALCULATE to obtain the correct total amount due.

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Click on "Statement Details" to expand or collapse a tax statement.

Year	Statement ID	First Half Base Amt.	Second Half Base Amt.	Penalty	Interest	Base Paid	Amount Due
▶ Statement Details							
2019	60755	\$15.09	\$0.00	\$0.00	\$0.00	\$15.09	\$0.00
▶ Statement Details							
2018	60874	\$12.22	\$0.00	\$0.00	\$0.00	\$12.22	\$0.00

Values

(+) Improvement Homesite Value:	+	\$0
(+) Improvement Non-Homesite Value:	+	\$200
(+) Land Homesite Value:	+	\$0
(+) Land Non-Homesite Value:	+	\$1,815,800
(+) Curr Use (HS):	+	\$0 \$0
(+) Curr Use (NHS):	+	\$0 \$0
		<hr/>
(=) Market Value:	=	\$1,816,000
(-) Productivity Loss:	-	\$0
		<hr/>
(=) Subtotal:	=	\$1,816,000
(+) Senior Appraised Value:	+	\$0
(+) Non-Senior Appraised Value:	+	\$1,816,000
		<hr/>
(=) Total Appraised Value:	=	\$1,816,000
(-) Senior Exemption Loss:	-	\$0
(-) Exemption Loss:	-	\$1,816,000
		<hr/>
(=) Taxable Value:	=	\$0

Taxing Jurisdiction

Owner: PORT OF KENNEWICK
 % Ownership: 100.000000000000%
 Total Value: \$1,816,000
 Tax Area: W1 - W1

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

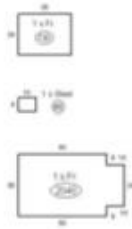
Levy Code	Description	Levy Rate	Appraised Value	Taxable Value	Estimated Tax
WRICH	W RICHLAND	1.8087206035	\$1,816,000	\$0	\$0.00
WRICHADR	WEST RICHLAND ADMIN REFUND	0.0019526767	\$1,816,000	\$0	\$0.00
CNYADMIR	COUNTY ADMIN REFUND	0.0047029530	\$1,816,000	\$0	\$0.00
CNYHMSVCS	COUNTY HUMAN SERVICES	0.0249999999	\$1,816,000	\$0	\$0.00
CNYVET	COUNTY VETERANS	0.0113000000	\$1,816,000	\$0	\$0.00
COUNTY	COUNTY	1.1298139936	\$1,816,000	\$0	\$0.00
FIRE4	FIRE DIST #4	1.4868047088	\$1,816,000	\$0	\$0.00
FIREALTOBO	FIRE DIST #4 BOND	0.2502877361	\$1,816,000	\$0	\$0.00
PTKEN	PORT OF KENNEWICK	0.3060895201	\$1,816,000	\$0	\$0.00
PTKENADR	PORT OF KENNEWICK ADMIN REFUND	0.0007181977	\$1,816,000	\$0	\$0.00
SD400	SCHOOL DIST 400 DEBT SERVICE	2.2146109574	\$1,816,000	\$0	\$0.00
SD400CP	SCHOOL DIST 400 CAPITAL PROJECTS	0.4694012355	\$1,816,000	\$0	\$0.00
SD400MD	SCHOOL DIST 400 ENRICHMENT	1.5000000000	\$1,816,000	\$0	\$0.00
STATE	STATE SCHOOL	1.9954720971	\$1,816,000	\$0	\$0.00
STATE2	STATE SCHOOL PART 2	0.7436615969	\$1,816,000	\$0	\$0.00
FIRE4EVS	FIRE DIST #4 EMS	0.4600913130	\$1,816,000	\$0	\$0.00
Total Tax Rate:		12.4086275493			
				Taxes w/Current Exemptions:	\$0.00
				Taxes w/o Exemptions:	\$22,534.07

Improvement / Building

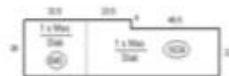
Improvement #1:	Commercial	State Code:	474	0.0 sqft	Value:	\$100
Improvement #2:	Commercial	State Code:	474	0.0 sqft	Value:	\$100

Property Image

Tri-Cities Raceway (Former)
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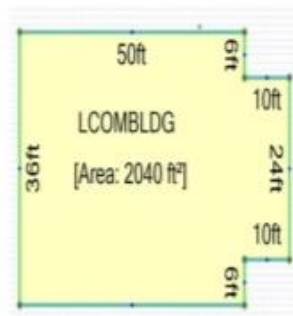
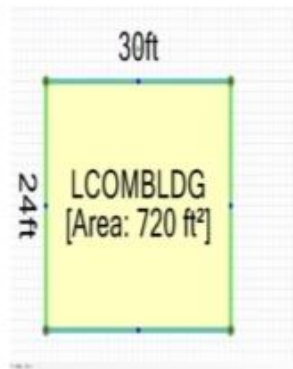
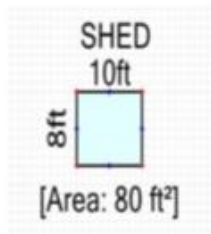


Concession Buildings and Restrooms



101	102	103	104	105	106	107	108	109	110
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Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	11	Primary Commercial/Indust Land	92.6100	4034092.00	0.00	0.00	\$1,815,800	\$0

Roll Value History

Year	Improvements	Land Market	Current Use	Total Appraised	Taxable Value
2019	N/A	N/A	N/A	N/A	N/A
2018	\$200	\$1,815,800	\$0	\$1,816,000	\$0
2017	\$200	\$1,815,800	\$0	\$1,816,000	\$0

Deed and Sales History

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Sale Price	Excise Number	Deed Number
1	05/12/2008	SWD	Statutory Warranty Deed	RACEWAY PROPERTIES LLC	PORT OF KENNEWICK	2008-014231	08X02388	\$1,750,000.00	0	46613

Payout Agreement

No payout information available.

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Other Terms of Agreement

APPLICABLE REQUIREMENTS

- ☒ The Uniform Standards of Professional Appraisal Practice, Current Year Edition (as of date of inspection)
- ☒ The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute

WHEN APPRAISER'S OBLIGATIONS ARE COMPLETE

Appraiser's obligations pursuant to this Agreement are complete when the Appraisal Report in the form specified in this Agreement is delivered to Client pursuant to this Agreement. Appraiser agrees to be responsive to Client's legitimate inquiries regarding the contents of the report after delivery.

CONFIDENTIALITY

Appraiser shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement to, any party other than Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the Ethics Rule of the Uniform Standards of Professional Appraisal Practice (USPAP).

USE OF EMPLOYEES OR INDEPENDENT CONTRACTORS

Appraiser may use employees or independent contractors at Appraiser's discretion to complete the assignment, unless otherwise agreed by the parties. Notwithstanding, Appraiser shall observe the property, sign the written Appraisal Report and take full responsibility for the services provided as a result of this Agreement.

SERVICES NOT PROVIDED

The fees set forth in this Agreement apply to the appraisal services rendered by Appraiser as set forth in this Agreement. Unless otherwise specified herein, Appraiser's services for which the fees in this Agreement apply shall not include meetings with persons other than Client or Client's agents or professional advisors; Appraiser's deposition(s) or testimony before judicial, arbitration or administrative tribunals; or any preparation associated with such depositions or testimony. Any additional services performed by Appraiser not set forth in this Agreement will be performed on terms and conditions set forth in an amendment to this Agreement, or in a separate agreement.

TESTIMONY AT COURT OR OTHER PROCEEDINGS

Unless otherwise stated in this Agreement, Client agrees that Appraiser's assignment pursuant to this Agreement shall not include Appraiser's participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery, sworn testimony in a judicial, arbitration or administrative proceeding, or attendance at any judicial, arbitration or administrative proceeding relating to this assignment.

CHANGES TO AGREEMENT

Any changes to the assignment as outlined in this Agreement shall necessitate an amendment to this Agreement and may constitute a new Assignment under USPAP. The identity of the Client, intended users, or intended use; the date of value; type of value; or property appraised cannot be changed without a new Agreement.

CANCELLATION

Client may cancel this Agreement at any time prior to Appraiser's delivery of the Appraisal Report upon written notification to Appraiser. Client shall pay Appraiser for work completed on assignment prior to Appraiser's receipt of written cancellation notice, unless otherwise agreed upon by Appraiser and Client in writing.

GOVERNING LAW AND JURISDICTION

This Agreement shall be governed by the law of the state in which Appraiser's office as specified in this Agreement is located, exclusive of that state's choice of law rules. The parties agree that any legal proceeding brought by either party to interpret or enforce this Agreement, or to enforce an arbitration award entered pursuant to this Agreement, shall be brought in a state or federal court having jurisdiction over the location of Appraiser's office as specified in this Agreement, and the parties hereby waive any objections to the personal jurisdiction of said court.

APPRAISER INDEPENDENCE

Appraiser cannot agree to provide a value opinion that is contingent on a predetermined amount. Appraiser cannot guarantee the outcome of the assignment in advance. Appraiser cannot ensure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective of Client or others or advance any particular cause. Appraiser's opinion of value will be developed competently and with independence, impartiality and objectivity.

NOTICES

Any notice or request required or permitted to be given to any party shall be given in writing and shall be delivered to the receiving party by: a) registered or certified mail, postage prepaid; (b) overnight courier, such as Federal Express, United Parcel Service or equivalent; or (c) hand delivery. The address for delivery of any notice shall be the address for the party as specified in this Agreement or at such other address as party may designate by written notice to the other party in conformance with this paragraph. Unless otherwise specified herein, notice shall be effective the date it is postmarked or given to a third party for delivery to the receiving party, whether or not the receiving party signs for or accepts delivery of such notice.

NO THIRD-PARTY BENEFICIARIES

Nothing in this Agreement shall create a contractual relationship between Appraiser or Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.

MEDIATION & ARBITRATION

In the event of a dispute concerning the subject matter of this Agreement, the parties shall in good faith attempt to resolve such dispute by negotiation between the parties' principals, or, if such negotiation is unsuccessful, by mediation conducted by a third-party mediator. If such mediation results in an impasse, the parties shall submit their dispute to binding arbitration. Such mediation or, if necessary, binding arbitration shall be conducted

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47615 E SR 224 Hwy, West Richland, Benton County, Washington

pursuant to the mediation procedures or the commercial arbitration rules of the American Arbitration Association. Any arbitration shall be conducted in the city in which Appraiser's office as specified herein is located. The parties shall share equally the costs of any mediation. In the event of binding arbitration, the arbitrators shall, in addition to any relief appropriate to be awarded to the prevailing party, enter an award in favor of the prevailing party for that party's costs of the arbitration, including the party's reasonable attorneys' fees and arbitration expenses incurred in prosecuting or defending the arbitration proceeding. Subject to the right of the prevailing party to recover its share of the costs of the arbitration services pursuant to the arbitrator's award, the costs of the arbitration services shall be borne equally by the parties. If the prevailing party seeks judicial confirmation of any arbitration award entered pursuant to this Agreement, the court shall, in addition to any other appropriate relief, enter an award to the prevailing party in such confirmation proceeding for its reasonable attorneys' fees and litigation expenses incurred in confirming or successfully opposing the confirmation of such an award.

SPECIAL OR CONSEQUENTIAL DAMAGES

Neither party shall under any circumstances be liable to the other party for special, exemplary, punitive or consequential damages, including, without limitation, loss of profits or damages proximately caused by loss of use of any property, whether arising from either party's negligence, breach of the Agreement or otherwise, whether or not a party was advised, or knew, of the possibility of such damages, or such possibility was foreseeable by that party. In no event shall Appraiser be liable to Client for any amounts that exceed the fees and costs paid by Client to Appraiser pursuant to this Agreement.

ASSIGNMENT

Neither party may assign this Agreement to a third party without the express written consent of the other party, which the non-assigning party may withhold in its sole discretion. In the event this Agreement is assigned by mutual consent of the parties, it shall become binding on the assigning party's permitted assigns.

SEVERABILITY

In the event any provision of this Agreement shall be determined to be void or unenforceable by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement and all such other provisions shall remain in full force and effect.

CLIENT'S DUTY TO INDEMNIFY APPRAISER

Client agrees to defend, indemnify and hold harmless Appraiser from any damages, losses or expenses, including attorneys' fees and litigation expenses at trial or on appeal, arising from allegations asserted against Appraiser by any third party that if proven to be true would constitute a breach by Client of any of Client's obligations, representations or warranties made in this Agreement, or any violation by Client of any federal, state or local law, ordinance or regulation, or common law (a "Claim"). In the event of a Claim, Appraiser shall promptly notify Client of such Claim, and shall cooperate with Client in the defense or settlement of any Claim. Client shall have the right to select legal counsel to defend any Claim, provided that Appraiser shall have the right to engage independent counsel at Appraiser's expense to monitor the defense or settlement of any Claim. Client shall have the right to settle any Claim, provided that Appraiser shall have the right to approve any settlement that results in any modification of Appraiser's rights under this Agreement, which approval will not be unreasonably withheld, delayed or conditioned.

CLIENT'S REPRESENTATIONS AND WARRANTIES

Client represents and warrants to Appraiser that (1) Client has all right, power and authority to enter into this Agreement; (2) Client's duties and obligations under this Agreement do not conflict with any other duties or obligations assumed by Client under any agreement between Client and any other party; and (3) Client has not engaged Appraiser, nor will Client use Appraiser's Appraisal Report, for any purposes that violate any federal, state or local law, regulation or ordinance or common law.

EXTENT OF AGREEMENT

This Agreement represents the entire and integrated agreement between the Client and Appraiser and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by a written instrument signed by both Client and Appraiser. This Agreement includes the following Appendices, which are incorporated into, and made a part of this Agreement:

- Appendix A: Extraordinary Assumptions and Hypothetical Conditions
- Appendix B: Information Request
- Other documents as follows

EXPIRATION OF AGREEMENT

This Agreement is valid only if signed by both Appraiser and Client within seven (7) days of the Date of Agreement specified.

THE REPORT WILL CONTAIN THE FOLLOWING

"GENERAL ASSUMPTIONS AND LIMITING CONDITIONS"

Unless otherwise stated, this appraisal report is made expressly subject to, and limited by the following conditions and stipulations:

1. This appraisal report is prepared for the sole and exclusive use of the client. It is not to be relied upon by any third parties for any purpose, whatsoever.
2. Legal descriptions furnished the appraiser are correct. No responsibility is assumed for legal descriptions or for matters including legal or title considerations.
3. Any sketches in this report are included to assist the reader in visualizing the property. The appraiser has not made a survey of the property, and assumes no responsibility for the legal description provided.
4. Title to the property is good and marketable, insurable, free and clear of liens; and, unless otherwise mentioned in this report, is appraised as if owned in fee simple title without encumbrances.
5. Unless otherwise stated, the market value estimate rendered herein applies to real estate and real property only. It does not include any additional value created by personal property, trade fixtures, or the "going concern value" of the business.
6. The appraiser is not responsible for the accuracy of opinions or information furnished by others contained within this report, nor is he responsible for the reliability of government data utilized herein. The appraiser has made a reasonable attempt to consider all available governmental regulations and

Tri-Cities Raceway (Former)
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restrictions, but assumes no responsibility for future conditions which are not readily available or were public knowledge at the time the appraisal was made.

7. The appraiser assumes neither liability nor responsibility for the affect of events that might concern the value of the subject property subsequent to the date of appraisal.
8. Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.
9. Compensation for appraisal services is dependent only upon delivery of this report, and is not contingent upon the value of the estimate, the reporting of a predetermined value or direction in value that favors the cause of the client, the occurrence of a subsequent event, or the attainment of a stipulated result.
10. Testimony or attendance in court is not required by reason of this appraisal unless arrangements are previously made. Any court testimony will be at an additional charge.
11. Reasonable inspection has been made and assumption is made that there are no hidden or unapparent conditions of the subject property, subsoil, or structures that would render it more or less valuable. I assume no responsibility for such conditions, or for arranging the studies that might be required to discover such factors. Unless otherwise stated, the appraiser did not observe the existence of hazardous material, which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials nor is he qualified to detect such substances. The presence of hazardous materials may affect the value of the property. Therefore, the value estimate is predicated on the absence of such hazardous materials. If the potential for such materials exists, the client is urged to retain an expert in this field.
12. Unless specifically stated in the body of this report, the analyses, opinions, and conclusions were developed, and this report prepared in accordance with the standards and reporting requirements of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, FIRREA.
13. Responsible ownership and competent management are assumed.
14. Information furnished by the property owner, agent, or management is correct and complete.
15. The right to correct arithmetic errors inadvertently committed is reserved.
16. Market value as expressed herein assumes all cash or its equivalent being paid to the seller.
17. This appraisal report sets forth all the limiting conditions (imposed by the terms of my assignment) affecting the analyses, opinions, and conclusions contained in this report.
18. I am familiar with the appraisal of this type of property and familiar with the locale in which the subject is located. I believe I have sufficient education and experience to appraise the subject property. Consequently, I found no need to take special measures to conform to the "Competency Provision" of the USPAP.

The appraiser reserves the right to amend and add any other limiting conditions specific to the subject property, based upon the physical inspection, investigation, and preparation of the appraisal report.

THE REPORT WILL CONTAIN THE FOLLOWING

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and the Standards of Professional Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I have / have not previously provided appraisal services or any other services in connection with this property.
- Please refer to the Appraiser's Qualifications included in the Addenda for specific information regarding the appraiser's background and experience. Appraiser has previously appraised this property type and is capable of competently completing this assignment.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Statement of Qualifications for
Veronica R. (Nikki) Griffith, MAI, CCIM

EDUCATION

May, 1988	St. Louis University St. Louis, MO	Graduated Cum Laude; Major in Business Management with Minor in Communications
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PROFESSIONAL EXPERIENCE

2014 - Now	 Southeast Washington Appraisal Group, LLP	Owner/Managing Partner Private practice firm specializing in <i>appraisal, appraisal review and consulting</i> for all types of commercial real estate property for a variety of institutional, governmental and other private party clients. Firm is the successor entity of Ms. Griffith's firm (see below) and Chamberlin & Associates, Inc. (Gary Chamberlin, MAI, Owner, now retired).
2004 - Now	 Sandollar Realty Advisors Tri-Cities (Richland, Pasco & Bellingham), WA	Owner/Principal Private practice specializing in (1) <i>appraisal, appraisal review and litigation support</i> for all types of commercial real estate property for a variety of institutional and attorney clients; (2) <i>commercial real estate brokerage</i> (sales and leasing) for office, industrial, retail property including short sale and REO property; and (3) <i>education, curriculum development, and regulatory compliance</i> for the banking, real estate brokerage and appraisal industries. Firm initiated operations in Arizona; relocated to Washington State in mid 2007.
1991 - 2004	Bank One Corporation (now JPMorgan Chase), Phoenix, AZ	SVP, Chief Appraiser, National Manager Real Estate Appraisal Group (REAG) Management and oversight responsibility for the commercial real estate valuation functions of a \$20 Billion commercial real estate portfolio for a \$300 Billion national (5 th largest U.S.) bank including direction of 45+ full time employees with \$4+ Million annual budget. Reported to Senior Credit Officer. Supervised 8 direct reports. Major accomplishments included development and maintenance of: <ul style="list-style-type: none"> • Bank policies for Board of Director action in response to a changing regulatory environment; • Procedures for engagement of independent fee appraisers on a contract basis with annual contracts totaling \$12MM to \$15MM annually; • Procedures for review of 3rd party appraisals to determine regulatory compliance with bank policy, federal and state regulation, and USPAP for commercial real property collateral valued in excess of \$20 Billion annually; • Internet (for 3rd party vendor use) and intranet (for internal bank use); • Appraisal management tracking database software; • Company wide training program for all bankers, underwriters, credit administration staff, etc.; and • Engineering of post merger strategy for five separate legacy banking institutions' appraisal departments including rightsizing over the years from an initial staff of 72 full time employees (legacy institutions included Bank One, 1st Chicago, American National, NBD Detroit, and NBD Indiana).
1990 - 1991	RTC (Western Savings & Loan), Phoenix, AZ	VP, Chief Appraiser Real Estate Appraisal Department Management and oversight responsibility for re-appraisal of all commercial and agricultural real estate assets for the combined \$150 Billion real estate portfolios of four insolvent financial institutions during their receivership / liquidation phase. Facilitated orderly transfer of asset files to private sector asset management firms. Served on Credit Review Committee to determine disposition of assets. Reported directly to RTC Managing Agent / Financial Institutional Specialist in charge of institutions.

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

1988 – 1990	Sandollar Realty Advisors Corp. St. Louis, MO	Principal, Senior Appraiser & Broker
	Private appraisal consulting practice including product development, marketing, staff training, and management. Specialized in preparation of narrative commercial appraisal reports, appraisal review and litigation support on a wide variety of commercial, retail, office, industrial and multi-family properties, for banking, institutional, governmental and private sector clients. Qualified to testify in federal, state and bankruptcy venues.	
1984 – 1988	Buckles & Associates St. Louis, MO	VP, Senior Commercial Appraiser
	Assisted in start-up of private appraisal practice. Responsible for preparation of narrative appraisal reports on a wide variety of commercial, retail, office, industrial, multi-family, special purpose, and single family subdivision properties.	

PROFESSIONAL MEMBERSHIPS & AFFILIATIONS

Licensed Washington State Certified General Real Estate Appraiser (1101758)

- **Appraisal Institute (National Organization)** - MAI Designee qualified/licensed to appraise all varieties of commercial real estate; Former Chair and Member, Commercial Appraisal Report Standards (CARS) Project Team; Former Member of AI's National Client Advisory Committee (CAC) which includes Chief Appraisers from all major banking institutions
- **Appraisal Institute** – President (2017) and Member of the local Columbia Basin Chapter
- **Appraisal Institute** – Candidate for Appraisal Review Designation; education completed

Licensed Washington State Real Estate Broker (9128)

- **Member of the CCIM Institute** - CCIM Designee (Certified Commercial Investment Member) for commercial real estate brokerage, management and investment analysis
- **Member of the National Association of Realtors (NAR)** holding SFR Designation (Short Sale & Foreclosure Resource)
- **Member of the Tri-Cities Association of Realtors (TCAR)**; and **Yakima County Association of Realtors**
- **Member of Commercial Broker's Association (CBA)** of Washington State

OTHER

- **Faculty Member, Appraisal Institute (AI)** - Qualified by AI (the premier education provider to the appraisal industry) to develop curriculum and teach several appraisal courses and seminars at the national level including:
 1. *Appraisal Principles*; and
 2. *Appraisal Procedures*; and
 3. *Highest and Best Use Analysis*; and
 4. Curriculum developer and instructor for new seminar entitled *Appraisal Engagement and Review for Bankers*, launched Spring, 2016 to replace earlier seminar launched in 2012.
- **Faculty Member, Risk Management Associates (RMA)** - Qualified by RMA (the premier education provider to the banking industry) to develop curriculum and teach several courses/seminars at the national level to bankers and regulators including:
 1. Develop and host 1-1/2 day *Real Estate Appraisal Manager's Forum*, twice yearly;
 2. *Real Estate Fundamentals* (REF, 1-day seminar);
 3. *Intermediate Real Estate Lending* (IREL, 1-day seminar);
 4. *Problem Real Estate Loans* (PREL, 1-day seminar);
 5. *Advanced Cash Flow and Valuation for Commercial Real Estate* (ACFVCRE, 1-day seminar);
 6. *Understanding & Interpreting Real Estate Appraisals* (UIREA, 1-day seminar); and
 7. *Real Estate Lending Academy* (RELA, 3-day class);
 8. Curriculum developer for several new products including RELA; UIREA for the banking regulatory agencies; and UIREA for financial institutions.
- **Faculty Member, Washington Association of Realtors; Tri-Cities Association of Realtors** – qualified by WAR and TCAR to develop and teach real estate related curriculum for Washington State Realtors.
- **Approved Instructor, WA State Department of Licensing** – Qualified by WA DOL to teach a wide variety of real estate related curriculum for licensing and continuing education requirements for real estate related trades.

*Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington*

STATE OF WASHINGTON
DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION
THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER

VERONICA R. GRIFFITH
2001 S WASHINGTON ST
KENNEWICK WA 99337

1101758
License Number

07/12/2006
Issued Date

11/15/2019
Expiration Date

Pat Kohler
Pat Kohler, Director

PL 420-100 (5/3/14)

STATE OF WASHINGTON
DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION
THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

REAL ESTATE FIRM

SANDOLLAR LLC
SANDOLLAR REALTY ADVISORS
2810 W CLEARWATER AVE, SUITE 104
KENNEWICK WA 99336

18483
License Number

11/09/2011
Issued Date

11/08/2019
Expiration Date

Pat Kohler
Pat Kohler, Director

PL 420-100 (5/3/14)

STATE OF WASHINGTON
DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION
THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

**REAL ESTATE MANAGING BROKER
DESIGNATED BROKER**

SANDOLLAR LLC
VERONICA R. GRIFFITH
2810 W CLEARWATER AVE, SUITE 104
KENNEWICK WA 99336

18798
License Number

07/24/2006
Issued Date

11/15/2019
Expiration Date

Licensee Released -
Termination Date / /

Pat Kohler
Pat Kohler, Director

PL 420-100 (5/3/14)



Washington Water Rights for Agricultural Producers

WASHINGTON STATE UNIVERSITY EXTENSION FACT SHEET • FSWR001

The Basics

Nobody “owns” water. It legally belongs to everybody. Nevertheless, water resources are limited, and fighting over water is a legacy of the American West. As Mark Twain put it, “Whiskey is for drinking, water is for fighting over.” To limit this fighting, individual states set the rules and manage their own water resources and issue water “rights” to individuals and organizations to use the water.

In Washington, water rights are managed by the Washington State Department of Ecology (hereafter “Ecology”). Since 1917 Washington State has followed the *prior appropriation* doctrine which basically states, “First in time is first in right.” The first water users to make “beneficial” use of the water have the most senior water rights. In water-short years, those who have more junior water rights get their water use cut back first and can lose their entire water allocation before more senior water rights holders will lose any. This applies to groundwater use as well. Water law also states that minimum in-stream flows must be maintained to protect fish, wildlife, and water quality.

There are many competing uses for water including municipal and industrial use, recreation, irrigation for agriculture, power generation, and providing flows for fish and wildlife habitat. Because of the emotional nature of, and large economic benefits related to, these competing interests, the competition for the state’s limited water resources will continue to be intense into the future.

Water rights are typically attached to the land. Water rights are automatically transferred when land is bought or sold unless the seller explicitly reserves the water. Water rights can sometimes be transferred to another piece of land or another type of use. Even if the water is available, irrigating additional land from the same

water source (water spreading) may be an illegal expansion of a water right unless approved by Ecology.

However, you do not need to apply for a water right if the water will be pumped from groundwater to water stock, irrigate a half acre or less of non-commercial lawn and/or garden, or if you are using less than 5,000 gallons per day for domestic or industrial use. A water right is necessary if you plan to divert water for any use from surface waters.

*“Whiskey is for drinking,
water is for fighting over.”*

—Mark Twain

What does it take to get new water rights?

To get new surface or groundwater water rights under Washington State law, an application must meet four criteria:

- 1) the water will be put to “beneficial use” (not wasted),
- 2) the water is available,
- 3) there is no impairment to existing water rights, and
- 4) it is not detrimental to the public interest.

To apply for a water right you must fill out an application (available at your nearest Ecology office or on Ecology’s Web site) and pay an application fee (\$50). If everything is correct, Ecology will send you a legal notice to be published at least once per week for two weeks (at your expense) in an approved newspaper that has a circulation where the water will be used. After a 30-day “protest” period, you then send Ecology

a notarized "Affidavit of Publication" from the paper showing that this was done. Ecology investigates the application, checks the additional water use against the four criteria given above, and issues you a "report of examination" (ROE) and a final decision. (Don't expect a quick turn-around.) If you are denied, you have 30 days to file an appeal. If approved and there are no appeals (from outside interest groups) you get issued a *permit* to "appropriate public waters of the state of Washington." The permit allows you to construct the water system and put the water to beneficial use. There is a timeline specified on the permit based on the size of the project that the work has to be started and completed by. When you are done developing the water right, you submit a "proof of appropriation of water" affidavit form. Once Ecology confirms that all the conditions of the permit are met (the water right is "perfected") you are issued a *certificate* of water right that is the legal record of your water right and this is recorded at the county auditor's office.

Most of the water in Washington has been allocated and is often claimed by several different interest groups. Therefore new water rights are difficult to get and it is often easier to transfer a water right from somewhere else (see below). Also remember that the newest water rights are the most junior and during water-short years will get shut off first.

Can I lose my existing water rights?

Yes. If a water right is idle and isn't put to "beneficial use" at least once every five years, that water right will be lost or "relinquished" and go back to the state. If even part of the water right isn't put to beneficial use, then the unused portion can also be lost through "partial relinquishment." If you can show a "sufficient cause" (good excuse) for not using the water during a time period of disuse then the water right can be retained. There are many exceptions to this "use it or lose it" rule. Check with Ecology to make sure your reason qualifies.

Unused water rights (or portions thereof) can be put into Ecology's "Trust Water Reserve Program" for a specified time period. This will stop the five-year, use-it-or-lose-it clock. If the water rights are "exercised" (used by Ecology to increase in-stream flows) during the time period that the water rights are in the trust, then the clock is reset, not just stopped.

Potential drawbacks to the Water Trust Program are that Ecology can only admit into the trust the maximum amount of water that was beneficially used in the previous five years (based on a review by Ecology). All

water rights not in the trust are not exempted and will be lost if left inactive during the trust period. If your water rights haven't been beneficially used for 5 years you will want to use them (and keep records of it) before contacting Ecology to put them into the water trust or the review will show the non-use and will result in a permanent loss of the water rights with none going into the water trust program.

Can I buy, sell, transfer, or modify water rights?

Essentially, yes. Although water rights are attached to the land, a water right can be legally *transferred* from one piece of land to another. Money can be offered privately to encourage this transfer. Because a water right is attached to the land it can't legally be transferred for use elsewhere without informing Ecology. Water rights can only be transferred if conditions similar to those for obtaining new water rights are met:

- 1) the water right being transferred is a valid and legal water right;
- 2) the water will be beneficially used;
- 3) there is no impairment to existing water rights, including in-stream flows;
- 4) it is not detrimental to the public interest;
- 5) the instantaneous or annual amount of water used won't increase; and
- 6) the water source won't change.

In general, because of in-stream flow requirements for aquatic habitat, it often means that surface water rights can be transferred downstream, but not upstream. Transferring an existing water right does not change the seniority of that right.

The process of transferring a water right is essentially the same as that for obtaining new water rights (see all of the steps for how to obtain a new water right, above). The only difference is that you fill out a different form and you may be required to submit additional documentation. If approved you are issued a *Superseding Certificate* that is then recorded at the county auditor's office.

Instead of Ecology, a local Water Conservancy Board can process a water right *transfer* application and produce the required *report of examination* (ROE) which is then submitted to Ecology for final review. Processing through these boards can result in a much shorter turn-around time. There are 21 different water conservancy boards operating in Washington. Contact Ecology or your local health department for more information.

Water rights can also be changed. A water right holder can ask Ecology to change the place of use, point

of diversion or withdrawal, add additional point of withdrawal, and change the purpose of use. The process is the same as with transfer of water right.

Ecology has a program where they will buy or lease surface water rights in certain target areas where improved in-stream flows could benefit fish. These water rights are either sold permanently or leased and put into the trust water program (see above).

When might I need an attorney, engineer, or hydrogeologist?

You might need an attorney to resolve water disputes in civil courts or if your decision is appealed (by you or someone else). You might need an engineer or hydrogeologist if you work through a conservancy board, since they require an applicant to do work normally done by Ecology staff. Generally, if the application is processed by Ecology, it doesn't require any of these paid consultants to obtain new water rights or transfer existing water rights.

How much water am I entitled to with my existing water right?

Usually a water right is limited to a maximum annual *quantity* withdrawal and a maximum *withdrawal rate*. The quantity that you are entitled to is usually stated in your water right but it is effectively tied to the quantity of water that is needed for your particular "beneficial use." For example, most crops in the Columbia Basin region of Eastern Washington use about 3–3.5 acre-ft of water per acre per season. Overwatering through poor irrigation management would be an illegal expansion of your water right.

What happens if I use more than my share, or get caught stealing water?

If you are caught breaking a water law you can get fined by Ecology up to \$5,000 per day. However, Ecology generally uses fines as a last resort and provides technical assistance to encourage compliance. Anyone deprived of water because of your actions can also sue you.

My neighbor is cheating me out of water. Who can I go to?

The least expensive way is to file a complaint with Ecology. Although Ecology has limited staff, they will try to determine if there is a water law violation and resolve the dispute. However, some disagreements about water use have to be resolved in civil courts.

What does adjudication mean?

Basically this means that an existing water right and its validity, quantity, and priority have been confirmed by the court. This process is especially meaningful to "claims" for old or pre-code water rights that may not have been previously certified.

How much money are my water rights worth?

Water rights can increase property values 5–10 times. Water can enable the production of agricultural crops worth up to thousands of dollars per acre on land where nothing at all could be profitably grown without it. This production stimulates local economies and industries, produces jobs, and increases the state's tax revenue. Water not only makes life possible, it makes it enjoyable. Although it is difficult to put a direct dollar/gallon value on it, water is extremely valuable. Please don't waste it.

Can I put in a pond or reservoir on my property and store large amounts of water?

Usually—as long as you don't exceed your water right to put water into it, it doesn't impact others' water rights, and it doesn't threaten others' safety. Storing water on site for meeting peak irrigation season requirements, frost control, evaporative cooling, out-of-season irrigation, irrigation flexibility, and/or pumping energy savings is a good idea. If a dam has a maximum capacity of more than 10 acre-ft or if the dam is more than 10 feet high, then you have to get it professionally engineered and also follow Ecology's dam safety permitting process (includes a \$1400 application fee). If homes and lives would be at risk if the dam failed, then a prorated annual inspection fee is also required (\$280 in 2008). This fee increases with the number of homes and lives that would be at risk in a dam failure. Check with Ecology as to whether a permit is required or not for your situation.

Where do I go for more information?

Ecology's Water Rights:

<http://www.ecy.wa.gov/programs/wr/rights/water-right-home.html>

Application form and instructions for a new water right:

<http://www.ecy.wa.gov/pubs/ecy040114.pdf>

Application form and instructions for a water right transfer:

<http://www.ecy.wa.gov/pubs/ecy040197.pdf>

Application form and instructions to put water into a water trust:

<http://www.ecy.wa.gov/pubs/ecy07054.pdf>

Ecology's dam safety Web site:

<http://www.ecy.wa.gov/programs/wr/dams/dss.html>

Irrigation water management:

<http://irrigation.wsu.edu>

Ecology's Regional Offices

Northwest Regional Office/Bellingham Field Office

(Island, King, Kitsap, San Juan, Skagit, Snohomish, and Whatcom counties)

3190 – 160th Ave. SE, Bellevue, WA 98008-5452

Phone: 425-649-7000

Southwest Regional Office/Vancouver Field Office

(Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Mason, Lewis, Pacific, Pierce, Skamania, Thurston, and Wahkiakum counties)

300 Desmond Drive, Lacey, WA 98503

Phone: 360-407-6300

Central Regional Office/Methow Valley Field Office/Wenatchee Field Office

(Benton, Chelan, Douglas, Kittitas, Klickitat, Okanogan, and Yakima counties)

15 West Yakima Ave—Suite 200, Yakima, WA 98902-3452

Phone: 509-575-2490

Eastern Regional Office/Ephrata Field Office/Walla Walla Field Office

(Adams, Asotin, Columbia, Ferry, Franklin, Garfield, Grant, Lincoln, Pend Oreille, Spokane, Stevens, Walla Walla, and Whitman counties)

N. 4601 Monroe, Spokane, WA 99205-1295

Phone: 509-329-3400



By **R. Troy Peters**, WSU Prosser Irrigated Agriculture Research and Extension Center.

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FSWR001

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 1



Three Rivers -001 parcel

Location

Property ID	7061	MSA	Richland-Kennewick-Pasco
Property Name	Oak Street Industrial Park, Lots 5 & 6, Lots 1,2,3,4 SP 696	Market Area	East Kennewick
Address	NKA E 7th Ave (East of BF Humane Society)	Traffic Count	<10,000
City/Municipality	Kennewick	Traffic Counter Location	Chemical Drive (S.R. 397)
County	Benton	Property Use	Industrial Land
State	Washington	Environmental Issue?	Unknown
Zip Code	99336		
Environmental Description	Assume no adverse conditions		
Legal Description	Lots 5 and 6, S Oak Street Industrial Park; Lots 1,2,3 4, SP 696		
Additional Location Info	All lots purchased are contiguous		

Land

Tax Parcel Number	105803010696001; -002; -003; -004; 105803030000006; -007		
Land Acres	12.24000	Usable Land Area (SF)	533,174
Land Sq Ft	533,174	Usable Land Percent	100.0%
Usable Land Acres	12.23999		
Primary Frontage Description	E 7th Ave has not been improved, yet, to these parcels		
Zoning Jurisdiction	City of Kennewick	Parcel Type	Interior
Zoning Code	IL	Exposure Rating	Fair
Access	Public right of way	Site Improvements Rating	N/A
Shape	Mostly Rectangular	Overall Site Rating	Average to Good
Topography	Level	Signalization?	No
Grade	At street grade	In Flood Plain?	Unknown
Drainage	Appears adequate	Flood Zone	C or X
Visibility	Fair	Utilities Description	Unknown

Land Comp Number 1

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 1

Sale Transaction

Sale Status	Closed	Recording Number	2019-017821
Seller	Port of Kennewick	Sale Confirmed By	Nikki Griffith
Buyer	Three Rivers Acquisitions, LLC	Sale Confirmed With	Amber Hanchette (email confirmed 09/27/19)
Sale Date	06-28-2019	Confirmation Date	07-23-2019
Sale Price	\$375,000	Seller Broker Info	N/A
Cash Equivalent Price	\$375,000	Buyer Broker Info	N/A
Asking Price	\$400,000	Inspection Date	09-22-2019
Sale Price/List Price Ratio	94%	Comp Classification	A - Confirmed by appraiser with principal/broker involved with transaction.
Conveyance Document Type	Statutory Bargain	Sale ID	5451

Sale History	No prior sales of the property occurred in the three years preceding this transaction
Sale Remarks	Seller reports property sits on a dead-end road and some of the utilities extend a short distance into the property. It is in a flood plain and had decades of construction debris on site that the new owner will have to remove during site development. Buyers are planning an industrial park in the future. Property had been appraised at \$400,000.

Analysis

Property Rights Conveyed	Fee Simple	Conditions of Sale	Typical
Financing Terms	Cash to Seller	Adjusted Sale Price	\$375,000

Adjusted Price Indices

Adjusted Price/Acre	\$30,637	Adjusted Price/SF of Usable Land	\$.70
Adjusted Price/SF of Land	\$.70	Adjusted Price/Acre of Usable Land	\$30,637

UnAdjusted Price Indices

Unadjusted Price/Acre	\$30,637	Unadjusted Price/SF Land	\$.70
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Land Comp Number 1

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 2



2811 Polar Way PTN of parcel

Location

Property ID	7055	MSA	Richland-Kennewick-Pasco
Property Name	MK NW Properties	Market Area	Horn Rapids
Address	2811 Polar Way	Traffic Count	<2500
City/Municipality	Richland	Traffic Counter Location	Polar Way
County	Benton	Property Use	Industrial Land
State	Washington	Environmental Issue?	Unknown
Zip Code	99354		
Environmental Description	Assume no adverse conditions		
Legal Description	PRN of E 1/2 of Sec 21, T10N, R 28E		

Land

Tax Parcel Number	To be Assigned from 121084000006006		
Land Acres	22.09000	Drainage	Appears Adequate
Land Sq Ft	962,240	Visibility	Fair
Usable Land Acres	22.08999	Parcel Type	Interior
Usable Land Area (SF)	962,240	Exposure Rating	Fair
Usable Land Percent	100.0%	Site Improvements Rating	N/A
Zoning Jurisdiction	City of Richland	Overall Site Rating	Fair
Zoning Code	Industrial	Signalization?	No
Access	Public right of way	In Flood Plain?	No
Shape	Irregular	Flood Zone	Out
Topography	Level	Utilities Description	To be extended
Grade	At street grade		

Land Comp Number 2

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 2

Sale Transaction

Sale Status	Closed	Asking Price	\$833,600
Seller	City of Richland	Sale Price/List Price Ratio	100%
Buyer	MK Northwest Properties, LLC	Conveyance Document Type	Statutory Warranty Deed
Sale Date	06-07-2019	Confirmation Date	07-18-2019
Sale Price	\$833,600	Comp Classification	A - Confirmed by appraiser with principal/broker involved with transaction.
Cash Equivalent Price	\$833,600	Sale ID	5443
Sale Remarks	Per Darin Arrowsmith, City of Richland, MK Northwest purchased 22.09 acres from this 24.55 acre parcel. No new parcel number available 7/18/2019.		

Analysis

Property Rights Conveyed	Fee Simple	Conditions of Sale	Typical
Financing Terms	Cash to Seller	Adjusted Sale Price	\$833,600

Adjusted Price Indices

Adjusted Price/Acre	\$37,737	Adjusted Price/SF of Usable Land	\$.87
Adjusted Price/SF of Land	\$.87	Adjusted Price/Acre of Usable Land	\$37,737

UnAdjusted Price Indices

Unadjusted Price/Acre	\$37,737	Unadjusted Price/SF Land	\$.87
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Land Comp Number 2

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 3



NKA Pasco FC Parcel



NKA Pasco parcel

Location

Property ID	7042	MSA	Richland-Kennewick-Pasco
Property Name	Proposed Tribal Casino and Economic Development	Market Area	North Pasco
		Traffic Count	<2500
Address	E/S N Capitol Ave North of Karthner St	Traffic Counter Location	N Capitol Ave
		Property Use	Industrial Land
City/Municipality	Pasco	Environmental Issue?	Unknown
County	Franklin		
State	Washington		
Zip Code	99301		
Environmental Description	Assume no adverse conditions		
Legal Description	Southeast quarter of Section 8, Township 9N, Range 30E		
Additional Location Info	Two parcels, 17.41 AC and		

Land

Tax Parcel Number	113130068 (See also related adjacent parcel sale to same buyer 113220079)		
Land Acres	159.73000	Drainage	Appears adequate
Land Sq Ft	6,957,839	Visibility	Fair
Usable Land Acres	159.73001	Parcel Type	Mid-Block
Usable Land Area (SF)	6,957,839	Exposure Rating	Fair
Usable Land Percent	100.0%	Site Improvements Rating	N/A
Zoning Jurisdiction	City of Pasco	Overall Site Rating	Fair
Zoning Code	I-1	Signalization?	No
Access	Public right of way	In Flood Plain?	Unknown
Shape	Square	Flood Zone	C or X
Topography	Level	Utilities Description	Unknown
Grade	At street grade		

Land Comp Number 3

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 3

Sale Transaction

Sale Status	Closed	Sale Confirmed By	Nikki Griffith
Seller	Katherine Ashley Trust	Sale Confirmed With	Public Records, New Reports
Buyer	Creason, Moore, Dokken & Geidl, PLLC	Confirmation Date	06-25-2019
Sale Date	05-17-2019	Seller Broker Info	N/A
Sale Price	\$7,800,000	Buyer Broker Info	N/A
Cash Equivalent Price	\$7,800,000	Inspection Date	09-23-2019
Asking Price	\$7,800,000	Inspection Type	From a public right-of-way
Sale Price/List Price Ratio	100%	Comp Classification	C - Obtained by appraiser from 3rd party published sources and/or public records.
Conveyance Document Type	Special Warranty Deed		
Recording Number	SpWD 1894666	Sale ID	5423
Sale History	No prior sales in the 3 years preceding this sale		
Sale Remarks	On 5/31/2019 this property was QCD to the Confederated Tribes of the Colville Reservaton (QCD-18-95869)		

Analysis

Property Rights Conveyed	Fee Simple	Conditions of Sale	Typical
Financing Terms	Cash to Seller	Adjusted Sale Price	\$7,800,000

Adjusted Price Indices

Adjusted Price/Acre	\$48,832	Adjusted Price/SF of Usable Land	\$1.12
Adjusted Price/SF of Land	\$1.12	Adjusted Price/Acre of Usable Land	\$48,832

UnAdjusted Price Indices

Unadjusted Price/Acre	\$48,832	Unadjusted Price/SF Land	\$1.12
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Land Comp Number 3

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 4



113220079 parcel



Colville Tribes, Parcel 3

Location

Property ID	7043	MSA	Richland-Kennewick-Pasco
Property Name	Proposed Tribal Casino and Economic Development	Market Area	North Pasco
		Traffic Count	<300
Address	E/S N Capitol Ave North of Kartchner St	Traffic Counter Location	Capitol
City/Municipality	Pasco	Property Use	Industrial Land
County	Franklin	Environmental Issue?	Unknown
State	Washington		
Zip Code	99301		
Environmental Description	Assume no adverse conditions		
Legal Description	That portion of the Southwest quarter of the Northeast quarter of Section 17, Township 9N, Range 30E Lot 1 of Binding Site Plan 2015-06		
Additional Location Info	Parcels are non-contiguous		

Land

Tax Parcel Number	113220079 and 113220073 (see related salesfor #113130068)		
Land Acres	23.99900	Drainage	Appears adequate
Land Sq Ft	1,045,396	Visibility	Average
Usable Land Acres	23.99000	Parcel Type	Soft Corner
Usable Land Area (SF)	1,045,004	Exposure Rating	Average
Usable Land Percent	100.0%	Site Improvements Rating	N/A
Zoning Jurisdiction	City of Pasco	Overall Site Rating	Fair
Zoning Code	I-1	Signalization?	No
Access	Public right of way	In Flood Plain?	Unknown
Shape	Mostly Rectangular	Flood Zone	C or X
Topography	Level	Utilities Description	To be extended
Grade	At street grade		

Land Comp Number 4

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 4

Sale Transaction

Sale Status	Closed	Recording Number	Special Warranty Deed 1894681
Seller	Paul H. Miller and Leah A. Miller	Sale Confirmed By	Nikki Griffith
Buyer	Creason, Moore, Dokken & Geidl, PLLC	Sale Confirmed With	Public Records, New Reports
Sale Date	05-16-2019	Confirmation Date	06-25-2019
Sale Price	\$3,067,821	Seller Broker Info	N/A
Cash Equivalent Price	\$3,067,821	Buyer Broker Info	N/A
Asking Price	\$3,067,821	Comp Classification	C - Obtained by appraiser from 3rd party published sources and/or public records.
Sale Price/List Price Ratio	100%		
Conveyance Document Type	Statutory Warranty Deed	Sale ID	5424
Sale History	No prior sales of the property in the 3 years preceding the sale.		
Sale Remarks	Property was QCD to CONFEDERATED TRIBES OF THE COLVILLE RESERVATION on 5-31-2019 (See QCD 18-95869); two non-contiguous parcels, one at the northwest corner of Kartchner and N Capitol Ave and one on the E/S of N Capitol Ave north of Kartchner and adjacent to a 153 ac parcel purchased at the same time from a different seller.		

Analysis

Property Rights Conveyed	Fee Simple	Conditions of Sale	Typical
Financing Terms	Cash to Seller	Adjusted Sale Price	\$3,067,821

Adjusted Price Indices

Adjusted Price/Acre	\$127,831	Adjusted Price/SF of Usable Land	\$2.94
Adjusted Price/SF of Land	\$2.93	Adjusted Price/Acre of Usable Land	\$127,879

UnAdjusted Price Indices

Unadjusted Price/Acre	\$127,831	Unadjusted Price/SF Land	\$2.93
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Land Comp Number 4

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 5



3003 Kingsgate Way BC parcel



Short Plat CoR

Location

Property ID	6918	MSA	Richland-Kennewick-Pasco
Property Name	DBA Packaging Corporation of America	Market Area	Horn Rapids
Address	3003 Kingsgate Way	Traffic Count	<3,000
City/Municipality	Richland	Traffic Counter Location	Kingsgate Way
County	Benton	Property Use	Industrial Land
State	Washington	Environmental Issue?	Unknown
Zip Code	99354		
Environmental Description	Assume no adverse conditions		
Legal Description	A PORTION OF LAND LYING IN THE NORTHWEST QUARTER OF SECTION 21, TOWNSHIP 10 NORTH, RANGE 28 EAST, W.M. BENTON COUNTY, WASHINGTON, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS; COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 21; THENCE NORTH 89 25'		

Land

Tax Parcel Number	121082013597002		
Land Acres	38.24000	Usable Land Acres	42.06001
Land Sq Ft	1,665,734	Usable Land Area (SF)	1,832,134
Floor to Area Ratio	0.27	Usable Land Percent	110.0%
Primary Frontage Description	42.06AC Gross originally before roadway extension		
Zoning Jurisdiction	City of Richland	Visibility	Average
Zoning Code	I-1	Parcel Type	Mid-Block
Zoning Description	Industrial	Exposure Rating	Average
Permitted Uses	Wide variety of light and medium industrial uses	Site Improvements Rating	N/A
Access	Public right of way	Overall Site Rating	Average
Shape	Square	Signalization?	No
Topography	Level	In Flood Plain?	Unknown
Grade	At street grade	Flood Zone	C or X
Drainage	Appears adequate	Utilities Description	Unknown

Land Comp Number 5

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 5

Building			
Proposed/potential GBA	450,000	Occupancy Type	Owner / Tenant Occupied
Proposed No. of Buildings	1		
Sale Transaction			
Sale Status	Closed	Recording Number	1141711
Seller	City of Richland	Sale Confirmed By	Nikki Griffith
Buyer	Packaging Corporation of America	Sale Confirmed With	COR, Darin Arrinsmith, Journal of Business, 12/18
Sale Date	03-28-2019	Confirmation Date	12-17-2018
Sale Price	\$1,720,714	Buyer Broker Info	CBRE
Cash Equivalent Price	\$1,720,714	Inspection Type	From a public right-of-way
Asking Price	\$1,900,000	Comp Classification	C - Obtained by appraiser from 3rd party published sources and/or public records.
Sale Price/List Price Ratio	91%		
Conveyance Document Type	Statutory Warranty Deed	Sale ID	5266
Sale History	No sales of the property have been recorded in the three years preceding this sale		
Analysis			
Property Rights Conveyed	Fee Simple	Conditions of Sale	Typical
Financing Terms	Cash to Seller	Adjusted Sale Price	\$1,720,714
Adjusted Price Indices			
Adj Price per Proposed GBA SF	\$3.82	Adjusted Price/SF of Usable Land	\$.94
Adjusted Price/Acre	\$44,998	Adjusted Price/Acre of Usable Land	\$40,911
Adjusted Price/SF of Land	\$1.03		
UnAdjusted Price Indices			
Unadjusted Price/Proposed GBA SF	\$3.82	Unadjusted Price/SF Land	\$1.03
Unadjusted Price/Acre	\$44,998		
Remarks			
Property Remarks	Buyer plans to construct a 400,000 to 450,000 SF manufacturing plant; Richland City Council approved the sale in August, 2018. PCA owns Boise Cascade		

Land Comp Number 5

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 6



Prosser Hospital Sale

Location

Property ID	6971	Market Area	Prosser
Property Name	Prosser Public Hospital (Proposed)	Traffic Count	<1000
Address	6001 N Gap Rd	Traffic Counter Location	Gap Rd
City/Municipality	North Prosser	Secondary Traffic Count	<20,000
County	Benton	Secondary Traffic Counter Location	I-182
State	Washington	Property Use	Commercial Land
Zip Code	99350	Environmental Issue?	Unknown
MSA	Richland-Kennewick-Pasco		
Environmental Description	It is assumed that there are no unusual environmental issues that would have an adverse impact on the subject		
Legal Description	<p>Parcel 1: (1-3594-200-0010-000 containing 20.0 acres) - North half of the SW quarter of the NW Quarter of Section 35, Township 9 North, Range 24 East, W.M., records of Benton County, WA AND</p> <p>Parcel 2: (1-3594-200-0011-000, 20 Acres) - SECTION 35 TOWNSHIP 9 NORTH RANGE 24: THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER, LESS THE SOUTH 20 FEET: LESS STATE ROUTE 82, 4-20-76. EASEMENT (2) 4-20-76 AND</p> <p>Parcel 3: (1-3594-200-0012-000, 8.62 Acres) - SECTION 35 TOWNSHIP 9 NORTH RANGE 24: THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER: THE SOUTH 20 FEET OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER. LESS STATE ROUTE 82, 9-28-76.</p>		
Additional Location Info	NIQ I-182 and Gap Road		

Land

Tax Parcel Number	135942000010000, 135942000011000; AND 135942000012000		
Land Acres	33.06000	Topography	Level to Rolling
Land Sq Ft	1,440,094	Grade	At street grade
Usable Land Acres	33.06001	Drainage	Appears Adequate
Usable Land Area (SF)	1,440,094	Visibility	Average to good
Usable Land Percent	100.0%	Parcel Type	Corner

Land Comp Number 6

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 6

Zoning Jurisdiction	City of Prosser	Exposure Rating	Average to Good
Zoning Code	UGAR - General Commercial	Overall Site Rating	Average to Good
Zoning Description	General Commercial	In Flood Plain?	No
Permitted Uses	Wide variety of commercial and industrial use	Flood Zone	C or X
Access	From a public ROW	Utilities Description	Assume nearby
Shape	Irregular		

Sale Transaction

Sale Status	Closed	Days on Market	513
Seller	John E Gibbons, a single person; and Lixsandro Villafan Investments LLC	Sale Confirmed By	Nikki Griffith
Buyer	Prosser Public Hospital District of Benton County	Sale Confirmed With	MLS 219549 Doug Himsl; Public Records; Retrospect
Sale Date	11-20-2017	Confirmation Date	03-12-2019
Sale Price	\$1,716,665	Seller Broker Info	Himsl Realty
Cash Equivalent Price	\$1,716,665	Buyer Broker Info	Travis Davis, C-TABS
Asking Price	\$1,300,000	Inspection Type	From a public right-of-way
Sale Price/List Price Ratio	132%	Comp Classification	A - Confirmed by appraiser with principal/broker involved with transaction.
Conveyance Document Type	Statutory Warranty Deed	Sale ID	5334
Recording Number	2017-034123 D; Excise #131351		
Sale History	No sales of the property were recorded in the three years preceding the sale; marketing time for this property was about 1.5 years.		
Sale Remarks	There were two separate transactions from two individual sellers involved and these were aggregated into the overall price shown here. MLS #219549 for 24.44 acres (2 parcels) sold for \$1,200,000 or \$49,099/AC; the other was not listed and contained 8.62 acres which sold the same day for \$516,665 or \$59,937/AC. The price shown is the blended price for the entire acquisition from two sellers to one buyer. It is also indicative of a price premium for the smaller parcel compared to the larger parcel. The larger parcel of 24 acres is 200% larger than the smaller parcel of 8+ acres and the discount attributable to the larger parcel amounted to about 18%.		

Analysis

Property Rights Conveyed	Fee Simple	Conditions of Sale	Typical
Financing Terms	Cash to Seller	Adjusted Sale Price	\$1,716,665

Adjusted Price Indices

Adjusted Price/Acre	\$51,926	Adjusted Price/SF of Usable Land	\$1.19
Adjusted Price/SF of Land	\$1.19	Adjusted Price/Acre of Usable Land	\$51,926

UnAdjusted Price Indices

Unadjusted Price/Acre	\$51,926	Unadjusted Price/SF Land	\$1.19
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Land Comp Number 6

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 6

Remarks

Property Remarks There were two separate transactions involving three separate parcels; the new Prosser Hospital will be built here.

Land Comp Number 6

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 7



WA Military

Location

Property ID	6494	MSA	Richland-Kennewick-Pasco
Property Name	WA State Military	Market Area	North Richland
Address	SWC of Polar Way and 1st St	Traffic Count	<1,000
City/Municipality	Richland	Traffic Counter Location	Polar Way
County	Benton	Property Use	Industrial Land
State	Washington	Environmental Issue?	Unknown
Zip Code	99354		
Environmental Description	Assume no adverse conditions		
Legal Description	See Attached Deed		

Land

Tax Parcel Number	121084000006005	Drainage	Appears adequate
Land Acres	39.93000	Visibility	Fair
Land Sq Ft	1,739,351	Parcel Type	Corner
Usable Land Acres	39.93001	Exposure Rating	Average
Usable Land Area (SF)	1,739,351	Site Improvements Rating	N/A
Usable Land Percent	100.0%	Overall Site Rating	Fair to Average
Zoning Jurisdiction	City of Richland	Signalization?	No
Zoning Code	M-2 Heavy Mfg	In Flood Plain?	Unknown
Access	1st Street and Polar Way	Flood Zone	C or X
Shape	Irregular	Utilities Description	All available and in street
Topography	Hilly - Uneven land, Slopes from 16% and 30%		
Grade	Above street grade		

Land Comp Number 7

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Land Comp Number 7

Sale Transaction			
Sale Status	Closed	Sale Confirmed By	Norma Miner
Seller	City of Richland	Sale Confirmed With	Darin Arrasmith, City of Richland
Buyer	State of Washington Military Department	Confirmation Date	10-04-2017
Sale Date	04-24-2017	Seller Broker Info	Private Treaty Sale
Sale Price	\$1,600,000	Inspection Type	From a public right-of-way
Cash Equivalent Price	\$1,600,000	Comp Classification	B - Confirmed by appraiser with principal/broker or informed 3rd party.
Recording Number	2017-011609	Sale ID	4723

Sale History There have been no recorded sales of this property in the three years preceding the sale

Analysis			
Property Rights Conveyed	Fee Simple	Conditions of Sale	Typical
Financing Terms	Cash to Seller	Adjusted Sale Price	\$1,600,000

Adjusted Price Indices			
Adjusted Price/Acre	\$40,070	Adjusted Price/SF of Usable Land	\$.92
Adjusted Price/SF of Land	\$.92	Adjusted Price/Acre of Usable Land	\$40,070

UnAdjusted Price Indices			
Unadjusted Price/Acre	\$40,070	Unadjusted Price/SF Land	\$.92

Land Comp Number 7

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

Statement of Qualifications for

Veronica R. (Nikki) Griffith, MAI, CCIM

EDUCATION

May, 1988	St. Louis University St. Louis, MO	Graduated Cum Laude; Major in Business Management with Minor in Communications
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PROFESSIONAL EXPERIENCE

2014 - Now	Sandollar LLC Appraisal Group SEWA	Owner/Principal
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Private practice firm specializing in *appraisal, appraisal review and consulting* for all types of commercial and residential real property for a variety of institutional, governmental and other private party clients. Firm is the successor entity of Ms. Griffith's firm (see below) and Chamberlin & Associates, Inc. (Gary Chamberlin, MAI, Owner, now retired).

2004 - Now	Sandollar Realty Advisors Tri-Cities (Kennewick, Pasco & Richland), WA	Owner/Principal
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Private practice specializing in *commercial real estate brokerage* (sales and leasing) for office, industrial, retail property including short sale and REO property; and *education, curriculum development, and regulatory compliance* for the banking, real estate brokerage and appraisal industries. Firm initiated operations in Arizona; relocated to Washington State in mid 2007.

1991 - 2004	Bank One Corporation (now JPMorgan Chase), Phoenix, AZ	SVP, Chief Appraiser, National Manager Real Estate Appraisal Group (REAG)
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Management and oversight responsibility for the commercial real estate valuation functions of a \$20 Billion commercial real estate portfolio for a \$300 Billion national (5th largest U.S.) bank including direction of 45± full time employees with \$4+ Million annual budget. Reported to Senior Credit Officer. Supervised 8 direct reports. Major accomplishments included development and maintenance of:

- Bank policies for Board of Director action in response to a changing regulatory environment;
- Procedures for engagement of independent fee appraisers on a contract basis with annual contracts totaling \$12MM to \$15MM annually;
- Procedures for review of 3rd party appraisals to determine regulatory compliance with bank policy, federal and state regulation, and USPAP for commercial real property collateral valued in excess of \$20 Billion annually;
- Internet (for 3rd party vendor use) and intranet (for internal bank use);
- Appraisal management tracking database software;
- Company wide training program for all bankers, underwriters, credit administration staff, etc.; and
- Engineering of post merger strategy for five separate legacy banking institutions' appraisal departments including rightsizing over the years from an initial staff of 72 full time employees (legacy institutions included Bank One, 1st Chicago, American National, NBD Detroit, and NBD Indiana).

1990 - 1991	RTC (Western Savings & Loan), Phoenix, AZ	VP, Chief Appraiser Real Estate Appraisal Department
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Management and oversight responsibility for re-appraisal of all commercial and agricultural real estate assets for the combined \$150 Billion real estate portfolios of four insolvent financial institutions during their receivership / liquidation phase. Facilitated orderly transfer of asset files to private sector asset management firms. Served on Credit Review Committee to determine disposition of assets. Reported directly to RTC Managing Agent / Financial Institutional Specialist in charge of institutions.

Tri-Cities Raceway (Former)
47615 E SR 224 Hwy, West Richland, Benton County, Washington

1988 – 1990	Sandollar Realty Advisors Corp. St. Louis, MO Private appraisal consulting practice including product development, marketing, staff training, and management. Specialized in preparation of narrative commercial appraisal reports, appraisal review and litigation support on a wide variety of commercial, retail, office, industrial and multi-family properties, for banking, institutional, governmental and private sector clients. Qualified to testify in federal, state and bankruptcy venues.	Principal, Senior Appraiser & Broker
1984 – 1988	Buckles & Associates St. Louis, MO Assisted in start-up of private appraisal practice. Responsible for preparation of narrative appraisal reports on a wide variety of commercial, retail, office, industrial, multi-family, special purpose, and single family subdivision properties.	VP, Senior Commercial Appraiser

PROFESSIONAL MEMBERSHIPS & AFFILIATIONS

Licensed Washington State Certified General Real Estate Appraiser (1101758)

- **Appraisal Institute (National Organization) - MAI Designee** qualified/licensed to appraise all varieties of commercial real estate; Former Chair and Member, Commercial Appraisal Report Standards (CARS) Project Team; Former Member of AI's National Client Advisory Committee (CAC) which includes Chief Appraisers from all major banking institutions
- **Appraisal Institute** – President (2017-18) and Member of the local Columbia Basin Chapter
- **Appraisal Institute** – Candidate for Appraisal Review Designation

Licensed Washington State Real Estate Broker (9128)

- **Member of the CCIM Institute - CCIM Designee** (Certified Commercial Investment Member) for commercial real estate brokerage, management and investment analysis
- **Member of the National Association of Realtors (NAR) holding SFR Designation** (Short Sale & Foreclosure Resource)
- **Member of the Tri-Cities Association of Realtors (TCAR); and Yakima County Association of Realtors**
- **Member of Commercial Broker's Association (CBA) of Washington State**

OTHER

- **Commissioner, Kennewick Housing Authority (KHA), Kennewick, WA** – Assist in promoting and maintaining affordable housing for the City of Kennewick
- **Faculty Member, Appraisal Institute (AI)** - Qualified by AI (the premier education provider to the appraisal industry) to develop curriculum and teach several appraisal courses and seminars at the national level including:
 1. *Appraisal Principles*;
 2. *Appraisal Procedures*; and
 3. *Highest and Best Use Analysis*;
 4. Curriculum developer and instructor for new seminar entitled *Appraisal Engagement and Review for Bankers*, launched Spring, 2018 to replace earlier seminar launched in 2016.
- **Faculty Member, Risk Management Associates (RMA)** - Qualified by RMA (the premier education provider to the banking industry) to develop curriculum and teach several courses/seminars at the national level to bankers and regulators including:
 1. Develop and host 1-1/2 day *Real Estate Appraisal Manager's Forum*, twice yearly;
 2. *Real Estate Fundamentals* (REF, 1-day seminar);
 3. *Intermediate Real Estate Lending* (IREL, 1-day seminar);
 4. *Problem Real Estate Loans* (PREL, 1-day seminar);
 5. *Advanced Cash Flow and Valuation for Commercial Real Estate* (ACFVCRE, 1-day seminar);
 6. *Understanding & Interpreting Real Estate Appraisals* (UIREA, 1-day seminar); and
 7. *Real Estate Lending Academy* (RELA, 3-day class);
 8. Curriculum developer for several new products including RELA; UIREA for the banking regulatory agencies; and UIREA for financial institutions.
- **Faculty Member, Washington Association of Realtors; Tri-Cities Association of Realtors** – qualified by WAR and TCAR to develop and teach real estate related curriculum for Washington State Realtors.
- **Approved Instructor, WA State Department of Licensing** – Qualified by WA DOL to teach a wide variety of real estate related curriculum for licensing and continuing education requirements for real estate related trades.

STATE OF WASHINGTON
DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION
THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER

VERONICA R GRIFFITH
2001 S WASHINGTON ST
KENNEWICK WA 99337

1101758
License Number

07/12/2006
Issued Date

11/15/2019
Expiration Date

Pat Kohler
Pat Kohler, Director

PL-630-158 (R/3/16)

STATE OF WASHINGTON
DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION
THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

REAL ESTATE FIRM

SANDOLLAR LLC
SANDOLLAR REALTY ADVISORS
2810 W CLEARWATER AVE, SUITE 104
KENNEWICK WA 99336

18453
License Number

11/09/2011
Issued Date

11/09/2019
Expiration Date

Pat Kohler
Pat Kohler, Director

PL-630-180 (R/3/16)

STATE OF WASHINGTON
DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION
THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A

**REAL ESTATE MANAGING BROKER
DESIGNATED BROKER**

SANDOLLAR LLC
VERONICA R GRIFFITH
2810 W CLEARWATER AVE, SUITE 104
KENNEWICK WA 99336

Licensee Released -
Termination Date / /

18798
License Number

07/24/2006
Issued Date

11/15/2019
Expiration Date

Pat Kohler
Pat Kohler, Director