

The Governor's proclamation 20-28 regarding the Open Public Meetings Act and Public Records Act temporarily prohibits in-person public attendance at meetings subject to the OPMA.

A GoToMeeting has been arranged to enable the public to listen and make public comments remotely.

To participate remotely, please call-in at: [1-866-899-4679](tel:1-866-899-4679), Access Code: 623-732-221

Or, join on-line at the following link: <https://meet.goto.com/623732221>

AGENDA

Port of Kennewick

Regular Commission Business Meeting

Port of Kennewick Commission Chambers (via GoToMeeting)

350 Clover Island Drive, Suite 200, Kennewick Washington

April 26, 2022

2:00 p.m.

I. CALL TO ORDER

II. ANNOUNCEMENTS AND ROLL CALL

A. Introduction of Carolyn A. Lake (**TIM**)

III. PLEDGE OF ALLEGIANCE

IV. APPROVAL OF AGENDA

V. PUBLIC COMMENT *(Please state your name for the public record)*

VI. CONSENT AGENDA

A. Approval of Direct Deposit and ePayments Dated April 15, 2022

B. Approval of Warrant Register Dated April 26, 2022

C. Approval of Regular Commission Meeting Minutes April 12, 2022

VII. PRESENTATION

A. Benton-Franklin Council of Governments, Michelle Holt

VIII. REPORTS, COMMENTS AND DISCUSSION ITEMS

A. Kennewick Waterfront

1. Clover Island Inn Proposal Update, Taudd Hume (**TIM**)

2. Columbia Gardens Covenants, Conditions & Restrictions (CC&Rs) Mechanism Update; Resolution 2022-13, Ben Floyd (**TIM**)

B. Vista Field

1. Implementation of Owner's Associations (**TIM** / **NICK**)

C. Vista Field Development Facility

1. Bruker Handheld LLC Lease Amendment #5; Resolution 2022-12 (**TIM**)

D. CEO Direction Topics (**TIM**)

E. Commission meetings (formal and informal meetings with groups or individuals)

F. Non-Scheduled Items (**LISA/BRIDGETTE/TANA/NICK/LARRY/TIM/KEN/TOM/SKIP**)

IX. PUBLIC COMMENT *(Please state your name for the public record)*

X. ADJOURNMENT

PLEASE SILENCE ALL NOISE MAKING DEVICES



PORT OF KENNEWICK REGULAR COMMISSION MEETING

DRAFT

APRIL 12, 2022 MINUTES

Commission Meeting recordings, with agenda items linked to corresponding audio, can be found on the Port's website at: <https://www.portofkennewick.org/commission-meetings-audio/>

Commission President Skip Novakovich called the Regular Commission Meeting to order at 2:00 p.m. via GoToMeeting Teleconference.

ANNOUNCEMENTS AND ROLL CALL

The following were present:

Board Members: Skip Novakovich, President (via telephone)
Kenneth Hohenberg, Vice President (via telephone)
Thomas Moak, Secretary (via telephone)

Staff Members: Tim Arntzen, Chief Executive Officer (via telephone)
Tana Bader Inglima, Deputy Chief Executive Officer (via telephone)
Amber Hanchette, Director of Real Estate and Operations (via telephone)
Nick Kooiker, Chief Finance Officer (via telephone)
Lisa Schumacher, Special Projects Coordinator
Bridgette Scott, Executive Assistant (via telephone)
Lucinda Luke, Port Counsel (via telephone)

PLEDGE OF ALLEGIANCE

Cal Coie led the Pledge of Allegiance.

APPROVAL OF THE AGENDA

MOTION: Commissioner Hohenberg moved to approve the Agenda as presented; 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 April 1, 2022**
Direct Deposit and E-Payments totaling \$91,811.29
- B. Approval of Warrant Register Dated April 12, 2022**
Expense Fund Voucher Number 103644 through 103703 for a grand total of \$620,853.52
- C. Approval of Regular Commission Meeting Minutes March 22, 2022**

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

PORT OF KENNEWICK REGULAR COMMISSION MEETING

APRIL 12, 2022 MINUTES

DRAFT

PRESENTATIONS

A. *Laserfiche Update*

Ms. Scott presented an update to the Port's Laserfiche contract routing process (*Exhibit A*).

Commissioner Hohenberg is familiar with records management and applauds all the work. It is very time consuming to convert paper records to digital, but in the long run, it is worth every hour and penny.

Commissioner Moak has been a big proponent of this and is glad to see it moved to this status and appreciates the work on the project.

REPORTS, COMMENTS AND DISCUSSION ITEMS

A. *Dr. Patrick Jones COVID Economic Analysis Report*

Ms. Bader Inglima stated at the March 22, 2022 Commission Meeting, Dr. Patrick Jones presented a summary of the COVID Economic Analysis Report. The Port received the final report (*Exhibit B*) and since then, Dr. Jones has mentioned his work on the Port's behalf to several other organizations including: the Benton Franklin Community Health Alliance, the Greater Columbia Accountable Community of Health, TRIDEC and the Tri-Cities Area Journal of Business. Dr. Jones believes other entities would find the report interesting and Ms. Bader Inglima is working with him to prepare a media release to make the findings available to a larger audience. Ms. Bader Inglima stated that with this report, the Commission is being recognized as leaders for taking a thoughtful and strategic approach to economic development.

B. *Amendment of the 2019 and 2021 Performance Evaluation Ratings*

Ms. Luke presented Resolution 2022-11, which is part of the Port's process to resolve the tort claim filed by Mr. Arntzen. The Port agreed to revise the CEO's 2019 and 2021 rating from above satisfactory to exceptional.

MOTION: Commissioner Hohenberg moved for approval of Resolution 2022-11, to change the CEO's 2019 and 2021 performance evaluation ratings from "above satisfactory" to "exceptional" and authorizing all other action necessary by port officers and employees in furtherance hereof; Commissioner Novakovich seconded.

PUBLIC COMMENTS

No comments were made.

With no further discussion, motion carried. All in favor, 2 Ayes (Commissioners Hohenberg and Novakovich) Nay: 1 (Commissioner Moak).

C. *CEO Employment Agreement Amendment*

Mr. Arntzen stated he has an employment agreement with Port and over time, amendments have been made. Mr. Arntzen requested the Commission consider amending the employment agreement to update a few housekeeping items. Mr. Arntzen stated Ann Allen, a contract attorney for the Port who specializes in Human Resources has agreed to review the suggested changes and will advise the Commission on any potential revisions that should be considered.

PORT OF KENNEWICK REGULAR COMMISSION MEETING

APRIL 12, 2022 MINUTES

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Commissioner Novakovich inquired when will the revisions come before the Commission.

Mr. Arntzen stated Ms. Allen would tentatively present the revisions in May.

D. Vista Field Hangar Update

Mr. Arntzen provided a brief history of the Vista Field Hangar remodel project and previous reports. It was determined that the previous report was too costly, therefore the Port is pursuing a leaner version for the hangars. The Port has been working CKJT Architects, who worked on the first draft, to create a leaner version. Mr. Arntzen anticipates bringing a draft to the Commission with several different ideas and possible construction costs.

Ms. Hanchette outlined her meeting with CKJT Architects and provided their suggestions:

- The hangars are painted a consistent color with pops of color that are inline with the Vista Field branding, since it is a key entrance;
- Building B is used for a “flex” assembly space; and
- Cohesive landscaping.

Commissioner Hohenberg is excited about the possibilities and moving forward with this on the heels of our ribbon cutting.

Commissioner Moak inquired if the Port is considering partnering with the City of Kennewick and Benton County on funding this project.

Mr. Arntzen believes this project could be a standalone Port project since we are approximately 40% done. Mr. Arntzen stated the Port has accrued Rural County Capital Funds (RCCF) and it would be beneficial to expend those funds before they possibly expire. Mr. Arntzen believes there are other partnership opportunities for the Port and the City.

Commissioner Novakovich stated because it is one of the entrances into Vista Field, it should be a showcase.

E. Kennewick Waterfront

1. Columbia Gardens Covenants, Conditions & Restrictions (CC&R's) Update

Ms. Hanchette reported in September 2021, the Commission approved a Resolution for the Columbia Gardens Wine Village owners' association assessment mechanism, which outlines the common area maintenance charges. Mr. Hanchette outlined the mechanics of the CCR's and stated we are trying to streamline the process and hope to present the legal recommendations soon.

We are currently in the process of a land sale with Pipeworks, LLC who plan to build a commercial kitchen for Swampy's BBQ and are set to close on May 17, 2022. We are currently waiting for their updated designs from our recent meeting to submit to our town architect for review.

PORT OF KENNEWICK REGULAR COMMISSION MEETING

APRIL 12, 2022 MINUTES

DRAFT

2. *Wine & Artisan Village Wayfinding & Monument Signage Funding Options*

Mr. Arntzen stated Ms. Bader Inglima presented the wayfinding and monument signage report in February. Mr. Arntzen believes the report was well received and the Commission inquired if there was a plan to fund the signage. Mr. Arntzen stated if the Commission were to move forward with the signage, it would be better to do it now, versus later when costs continue to rise.

Mr. Kooiker stated the estimated signage package is approximately \$259,000 but believes we should round up to \$300,000 to cover any extra costs. Mr. Kooiker recommended the Commission use \$150,000 from the Columbia Drive capital budget line item and utilize the Opportunity fund for the remaining balance. Mr. Kooiker stated if the Commission approves of using the Opportunity fund as a source, all they would need to do is approve by consensus.

Commissioner Hohenberg is in favor of moving forward and stated wayfinding has been a community vision for almost 10 years.

Commissioner Moak inquired if this would encompass all the signage for this area.

Ms. Bader Inglima believes one sign may need to be added at Cable Greens, once it is developed.

Commissioner Novakovich stated this is a wonder opportunity and the Port should move forward.

It is the Consensus of the Commission to move forward with the Wayfinding and Signage Project as outlined in the February 2022 report and utilize the Columbia Drive capital budget line and \$150,000 from the Opportunity Fund.

3. *Clover Island Inn Proposal Update*

Mr. Arntzen outlined the history of the proposal made by Fortify Holdings to purchase the Clover Island Inn and request a lease assignment. The Port requested information in February 2022 to continue the due diligence; however, to date, the Port has not received all the requested documents. Additionally, Mr. Arntzen is unsure of the closing status because the Port is not a party to that transaction.

Commissioner Hohenberg appreciates the update and based on the information Mr. Arntzen provided, it does not appear that the Port has been an impediment to the process.

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

Commissioners reported on their respective committee meetings.

PORT OF KENNEWICK REGULAR COMMISSION MEETING

APRIL 12, 2022 MINUTES

DRAFT

G. Non-Scheduled Items

Ms. Bader Inglima mentioned the Port is an advertising partner with Visit Tri-Cities for the Travel Bloggers Exchange Conference. Travel bloggers from all over will be visiting the Tri-Cities and Columbia Gardens. David Phongsa, our food truck consultant, has been instrumental in organizing and coordinating with our food trucks and wineries for this private event.

Ms. Luke reported that she will be retiring as Port Counsel and expressed her sincere appreciation to the Port and the time she has been with the Port. Ms. Luke has been working with Port for almost 20 years and stated it has been her honor to be Port Counsel and wanted to thank the staff and Commission and wish everyone the very best.

Commissioner Novakovich thanked Ms. Luke for her legal counsel on behalf of the Port of Kennewick and wished her well in the future.

Mr. Arntzen stated Ms. Luke has been a good friend to the team and the Commission. She has dedicated a good portion of her life to the Port of Kennewick through trials and tribulations, and has been a stellar member of the team. This is bittersweet, but the good part is that Ms. Luke will have more time to spend with her family and pursue other activities. It is always sad to see a good friend move on and transition into different things. We wish her the best and every team member has complimented Mr. Arntzen on Ms. Luke's ability to work with the Port and for the Port.

Mr. Arntzen is proud of Ms. Scott and Ms. Schumacher for their work on Laserfiche, which has been a lengthy project that they have worked on for quite some time.

Mr. Arntzen thanked Commissioner Novakovich for introducing the ladies of the Cable Bridge Lighting Project to the Tri Cities Rivershore Enhancement Council (TREC).

Mr. Arntzen will be following up with Carl Dye of TRIDEC and thanked Commissioner Hohenberg for representing the Port. Mr. Dye recently presented before the Commission and Mr. Arntzen will be reaching out this week to discuss joint projects.

Mr. Arntzen recently met with Don Sampson, Executive Director and Kat Brigham, Chairwoman of the Confederated Tribes of the Umatilla Indian Reservation (CTUIR). Mr. Sampson and Ms. Brigham will be touring Vista Field with Mr. Arntzen to discuss potential opportunities.

Commissioner Hohenberg expressed his thanks to Ms. Luke and appreciates what she has brought to the table. Ms. Luke has been the utmost professional, and he appreciates the way she has gone about things.

Commission Hohenberg stated the Kennewick Man of the Year has decided to hold a banquet to honor the 2020 and 2021 Kennewick Man and Women of the Year, which will be held June 13, 2022 at the Convention Center.

PORT OF KENNEWICK REGULAR COMMISSION MEETING

APRIL 12, 2022 MINUTES

DRAFT

Commissioner Novakovich stated the Port has had a relationship with CTUIR for some time and reported that Les Minthorn's daughter Marie passed away, and the memorial will be held at the Longhouse on April 23, 2022 and Port staff is invited.

Commissioner Novakovich stated the Hanford Area Economic Investment Fund Advisory Committee (HAEIFAC) is a state agency under the Department of Commerce, which receives money from low level waste fees collected at the Hanford Area. Commissioner Novakovich stated between the years of 1994-2001, HAEIFAC loaned over \$27,000,000, created 493 jobs, and had an economic impact leverage of over \$330,000,000 in the Benton-Franklin County area.

PUBLIC COMMENTS

No comments were made.

COMMISSION COMMENTS

No comments were made.

ADJOURNMENT

With no further business to bring before the Board; the meeting was adjourned 3:31 p.m.

APPROVED:

**PORT of KENNEWICK
BOARD of COMMISSIONERS**

Skip Novakovich, President

Kenneth Hohenberg, Vice President

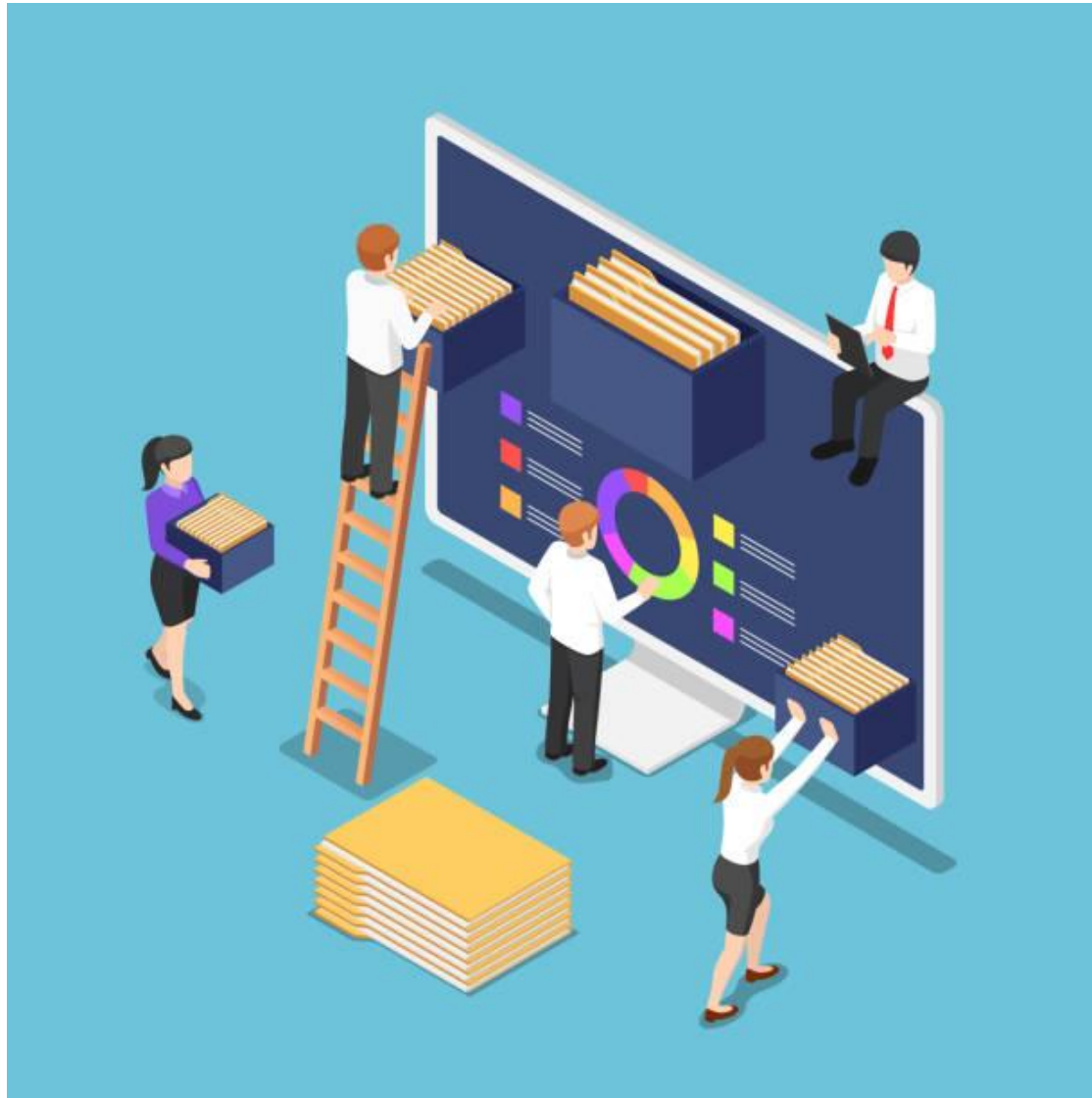
Thomas Moak, Secretary

What is Laserfiche?



- Laserfiche is an Enterprise Content Management (ECM) System
 - ✓ Efficiently manages documents and information
 - ✓ Permits Full-Text Search and Retrieval of documents
 - ✓ Provides Process Automation
 - ✓ Assists with records management, retention and destruction





➤ History

- ✓ Port purchased Laserfiche December 2017
- ✓ Began using Laserfiche to process invoices in 2018
- ✓ DocuSign 2020
- ✓ Records Management 2021 - 2022
- ✓ Contract Routing Process 2021 – 2022
- ✓ Small Works Roster Process 2022

Invoice Processing

Approvals - Laserfiche

File Edit View Tasks Tools Records Window Help

Location: PortOfKennewick\Accounts Payable\Approvals

Folders	Name	Level 1 Approver	Gross Amount	Page Count	Creation Date	Last Modified
Laserfiche Repositories	Amber Hanchette				6/14/2018 4:09 PM	10/9/2018 10:51 AM
PortOfKennewick	Anthony Eleshio				9/12/2018 6:38 PM	9/12/2018 6:43 PM
Accounts Payable	Bookkeeper				5/15/2018 2:53 PM	10/9/2018 9:54 AM
1. Incoming	Bridgette Scott				6/12/2018 11:17 AM	10/9/2018 10:03 AM
2. AP Clerk	Jennifer Roach				5/15/2018 2:53 PM	10/9/2018 10:51 AM
3. Approved	Kandy Yates				6/20/2018 2:13 PM	10/1/2018 3:21 PM
4. Denied	Larry Peterson				6/14/2018 10:26 AM	9/24/2018 12:28 PM
5. Archive	Lisa Schumacher				6/20/2018 2:14 PM	9/18/2018 11:29 AM
6. Error	Mike Boehnke				9/12/2018 6:43 PM	9/12/2018 6:45 PM
Approvals	Mike Melia				9/12/2018 6:43 PM	9/21/2018 11:02 AM
Amber Hanchette	Nick Kooiker				5/15/2018 2:54 PM	10/9/2018 9:54 AM
Anthony Eleshio	Tammy Fine				9/12/2018 6:44 PM	9/12/2018 6:44 PM
Bookkeeper	Tana Bader-Inglima				6/20/2018 2:16 PM	10/4/2018 4:33 PM
Bridgette Scott						
Jennifer Roach						
Kandy Yates						
Larry Peterson						
Lisa Schumacher						
Mike Boehnke						
Mike Melia						
Nick Kooiker						
Tammy Fine						
Tana Bader-Inglima						
Minutes						
Payroll						
Recycle Bin						

Invoice Processing

Fields	Tags	Links	Versions
Template: SAGE			
Level 1 Approver			
Bridgette Scott			
Vendor Name			
B-F Council of Governments			
Vendor Address			
P. O. Box 217, Richland, WA, 99352			
Vendor ID (required)			
BFRC			
AP Division Number (required)			
01			
Invoice Number			
215			
Invoice Date			
1/3/2022			
Invoice Description			
2022 Membership Dues			
Comment (Required only when denied.)			
Gross Amount			
10457			
GL Entry			
781-7500-00:10457			
Company ID			
01			
Expense Year Month			
202201			
GL Comment			
2022 Membership Dues			
Check Number			
103511			
Check Date			
2022-02-08			
Add/Remove Fields...			
Approval			
Approve			
GL Code Description			
Membership dues & publications			

Invoice Processing

Business Process

4



AP - Approval - 1-21-2022 4:20:27 PM [completed]

Business Process: AP - Approval

Status: Completed

Duration: 11 days 18 hours

Average Duration: 7 days 15 hours

▼ History

▼ Older

2/2/2022 10:25 AM

Status changed from 'Running' to 'Completed'

2/2/2022 10:25 AM

Step: BP Level 4 Approval

Duration: 16 hours 36 minutes (Avg: 1 day 6 hours)

Resolution: This invoice was Approve by POK\inkooiker on 2/2/2022 10:25:41 AM.

Comments:

2/1/2022 5:48 PM

Step: BP Level 3 Approval

Duration: 7 days 5 hours (Avg: 4 days 12 hours)

Resolution: This invoice was Approve by POK\bookkeeper on 2/1/2022 5:48:45 PM.

Comments:

1/25/2022 12:27 PM

Step: BP Level 2 Approval

Duration: 2 hours 49 minutes (Avg: 7 hours 48 minutes)

Resolution: This invoice was Approve by POK\jroach on 1/25/2022 12:27:40 PM.

Comments:

1/25/2022 9:37 AM

Step: BP Level 1 Approval

Duration: 3 days 17 hours (Avg: 1 day 12 hours)

Resolution: This invoice was Approve by POK\bscott on 1/25/2022 9:37:56 AM.

Comments:

1/21/2022 4:20 PM

Status: Running

Records Management



Searching for Records



Contract Routing



Bid and Contracts Processing

General

Contract Award

Bidding Procedures

Project Name*

Vista Field Hangar Remodel Report

Firm Awarded Bid

Oneza & Associates

Amendment or Change Order?*☐ Yes ☒ No**Contract Type***

- ☐ A&E ☒ Non A&E
- ☐ Public Works under \$300k ☐ Public Works over \$300k
- ☐ Planned Maintenance and Operations

Project Location*

Vista Field Redevelopment

Bid Amount Under \$2,500?*☐ Yes ☒ No**Bid Amount Over \$50,000?***☐ Yes ☒ No**Within Port Approved Budget?***☒ Yes ☐ No**Does This Contract Require Insurance?***☐ Yes ☐ No**Project Advertised?***☐ Yes ☒ No**Firms Evaluated**☒ Yes ☐ No[Previous](#)[Next](#)[Save as Draft](#)

Contract Routing



Bid and Contracts Processing

General

Contract Award

Bidding Procedures

Non A&E Contract Section

Agreement Date *

2/18/2022



Contract Party *

Oneza & Associates

Contractor Proposal Date *

2/14/2022



Exhibit A *

Upload

Vista Field - ... 118.... X

Additional Exhibit Documentation

Upload

Term of Agreement Start *

2/18/2022



Term of Agreement End *

9/30/2022



Cancellation Notice *

of Days

30

Purpose

The purpose of this agreement is to:


work with staff to provide a memo summarizing the process, ideas, and final recommendation for the Vista Field corporate hangars, kiosk cluster and iconic elements.

Limit to 500 Characters

Contractor Responsibilities *

- ☐ Identify all tasks, work elements and objectives of the agreement, and timetables by which major parts of the work are to be completed. The scope of work may be included within the text of the Agreement or set forth in an attachment referred to as Exhibit "A" or as noted in Option 2 below.
- ☐ As included in the CONTRACTOR'S Proposal dated _____ attached hereto as Exhibit "A".

Contract Routing



**PORT of
KENNEWICK**

Bid and Contracts Processing

General
Contract Award
Bidding Procedures

Bidding Procedures For Non-Architectural/Engineering Services
(DOES NOT INCLUDE VENDORS – Vendors are routine, continuing, and necessary functions such as repair to copier, security, computer hardware & software maintenance, marketing ads, business cards)

Bid Process

- Obtain verbal approval from CEO if services will be under \$5,000. Obtain written approval from CEO if services are between \$5,000 and \$50,000. Obtain Commission approval if services are over \$200,000. ☒
- Document in detail the scope of work to be performed. ☒

Document Scope of Work

work with staff to provide a memo summarizing the process, ideas, and final recommendation for the Vista Field corporate hangars, kiosk cluster and iconic elements.

- Identify and document firms to invite for contracts \$50,000- \$200,000. Per RCW 53.19.020, contracts of less than \$50,000, it is not required. ☒

Document Names of Firms Evaluated

Contract Routing

CFO Review Section

Date Received

4/8/2022

Review Date

4/8/2022

Approved

☒ Yes ☐ No

Comments

CFO Internal Signature

Lisa for Nick

Name

Lisa Schumacher

Deputy CEO Review Section

Date Received

4/8/2022

Review Date

Date will be captured on form submission

Comments

Deputy CEO Internal Signature*

Lisa for Tara

x



Name

Lisa Schumacher

Contract Routing

DocuSign Envelope ID: 27F62466-5D09-4CF0-88FC-0205F48687C0

CONSULTANT/SERVICE AGREEMENT

THIS AGREEMENT is made on the 18 day of February, 2022, between the **Port of Kennewick** (hereinafter referred to as the "Port") and Oneza & Associates (hereinafter referred to as the "Contractor") (collectively referred to as the "Parties"). The Parties, in consideration of the mutual promises contained herein, agree as follows:

ARTICLE 1. Purpose.

The purpose of this agreement is to:
work with staff to provide a memo summarizing the process, ideas, and final recommendation for the Vista Field corporate hangars, kiosk cluster and iconic elements.

ARTICLE 2. Scope of Work.

2.1. Relationship of the Parties. It is understood by both Parties that the Contractor is an independent contractor, and not an employee of the Port. The Port will not provide the Contractor with any fringe benefits, including but not limited to health insurance benefits, paid vacation, or any other employee benefit. The Contractor shall be solely responsible for any and all local, state, or federal withholding taxes, social security, or self-employment taxes, business or occupation taxes, or any other tax obligation which arises from compensation received pursuant to this Agreement.

2.2. Contractor Responsibilities. The Contractor will provide services, staff, equipment, and otherwise do all things necessary for or incidental to the performance of work, as set forth below:

As included in the CONTRACTOR'S Proposal dated 2/14/2022 attached hereto as Exhibit "A".

Contract Routing

ONEZA AND ASSOCIATES

By: Printed Name: Ferdouse OnezaTitle: PrincipalDate: 02/18/2022

Approved as to form:

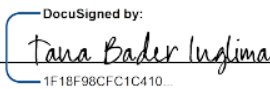
By: NA

Lucinda J. Luke, Port Counsel/Date

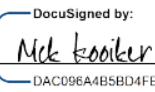
Attachments:

Exhibit A – Scope of Work
Exhibit B – Compensation Schedule

PORT OF KENNEWICK

By: 
Tana Bader Inglima, Deputy CEODate: 2/18/2022

Approved by CFO or Designee:

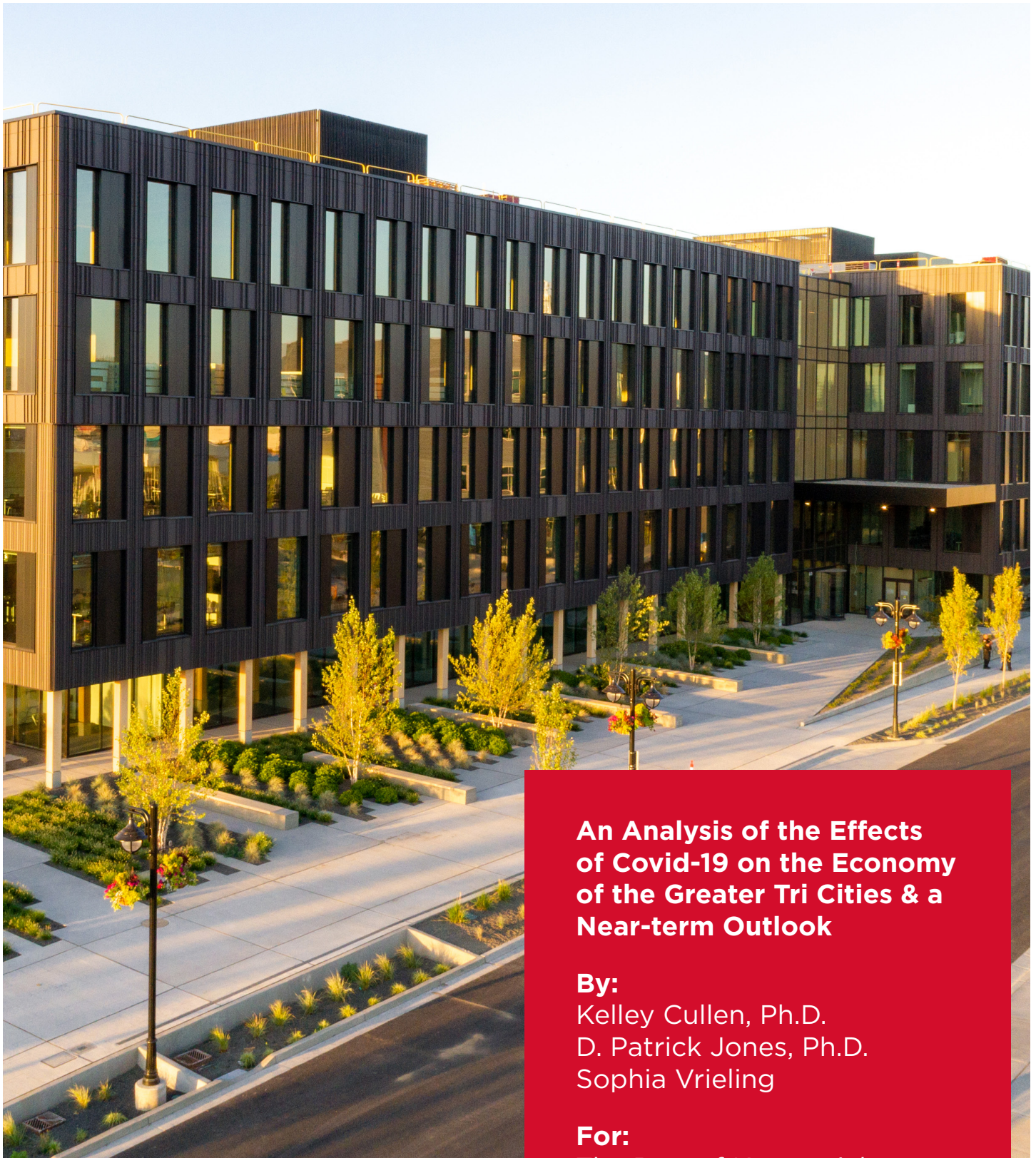
By: 
Nick Kooiker, CFO

CEO Goal Completed



**Any
Questions?**





**An Analysis of the Effects
of Covid-19 on the Economy
of the Greater Tri Cities & a
Near-term Outlook**

By:

Kelley Cullen, Ph.D.
D. Patrick Jones, Ph.D.
Sophia Vrieling

For:

The Port of Kennewick

March, 2022

**INSTITUTE FOR
PUBLIC POLICY AND
ECONOMIC ANALYSIS**



The Institute for Public Policy & Economic Analysis at Eastern Washington University will convey university expertise and sponsor research in social, economic and public policy questions to the region it serves – the Inland Pacific Northwest.

D. Patrick Jones, Ph.D.

Executive Director

Institute for Public Policy & Economic Analysis

601 E. Riverside Ave.

Catalyst Building, #134

Spokane, WA 99202

An Analysis of the Effects of Covid-19 on the Economy of the Greater Tri Cities & a Near-term Outlook

By

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MARCH 1, 2022
EASTERN WASHINGTON UNIVERSITY

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Executive Summary

The purpose of this study was to analyze the effects of Covid-19 on the economy of the greater Tri Cities and to provide a near-term outlook for the region. Our findings, summarized briefly below, attempt to answer the following questions:

What does the structure of the local economy look like and how did it weather the pandemic?

- Not surprisingly, the use of location quotients reveals that three industries are much more important to the Tri Cities economy than to the US economy as a whole: waste management, crop production and agricultural support activities. Additionally, beverage manufacturing, animal production and building construction had strong LQ values, in large part related to the top 3 industries.
- From the perspective of economic activity that is subject to retail sales taxes, very little slowdown in the Tri Cities, Benton County and the city of Kennewick has occurred during the pandemic. When it did happen, it was concentrated in only one quarter. Undoubtedly, the quick federal stimulus payments contributed greatly in preventing the drop of one quarter extending into subsequent ones. **This result, combined with the other three of measures of aggregate quarterly economic activity, all point to the greater Tri Cities absorbing the pandemic downturn relatively better than the state.**
- The worst hit sectors by the pandemic were (1) Hospitality, (2) Entertainment & Recreation, (3) Retail, (4) Agriculture and (5) Construction.
- The sectors of the local economy that fared best through the pandemic, as measured by employment change, were (1) Finance & Insurance, (2) Transportation & Warehousing, (3) Information, (4) Wholesale Trade and (5) Real Estate, Rental & Leasing.
- In sum, it certainly appears that Latino workers bore a greater burden of the pandemic than the workforce overall, as their claims were proportionally higher than average and their average wage increases were not large enough to offset the likely greater rate of unemployment.
- Bankruptcies during the pandemic actually declined, in part due to federal assistance. In March 2020, the CARES Act pumped money into the businesses around the U.S., relief checks sent directly to residents of the country, and extended unemployment benefits were handed out to many. All these factors shored up household finances, and as a result, economic stability.
- It is clear that the most vulnerable jobs over the near-term will be those in customer-facing roles, or more generally service jobs.
- Growth, at least highest percentage growth, will take place in mid-sized sectors such as Transportation & Warehousing, Manufacturing, and Healthcare.

What are strategies to promote continued growth in the Tri Cities?

- A short-term solution, beyond raising wages, lies in facilitating training for certain occupations. This holds for truck drivers, nursing assistants and sales representatives.
- A longer-term strategy is to promote the expansion of training of those high-demand occupations that require at least an associate's degree. Nursing and computer science fields are at the top of this list. Of course, this list is not unique to the greater Tri Cities; the entire state is

facing a demand-supply imbalance for these professions. The expansion of educational pathways is not a typical economic development activity but increasingly it should be.

- A final area strategy area that the greater Tri Cities community must consider is housing, especially lower- to middle income market housing. If the area is to be successful in attracting and retaining a top-notch workforce, an arrest of the decreasing affordability of housing must occur. As Benton Franklin Trends affordability [indicator](#) shows, housing in the two counties has, on average, been more affordable than throughout the state. That advantage, however, is eroding. The most recent index reading, for Q3 of 2021, was 121. Four years prior, it was 141.
- The affordability decline of housing is captured on another Trends indicator: median resale price for existing homes. As of the third quarter of last year, it was nearly \$400,000 (\$393,000). Four years prior, it was about \$245,000. That is a percentage rise of 60%. Household incomes have hardly risen at a comparable rate.

How were local government revenues affected by the pandemic?

- Revenues increased for both Benton and Franklin Counties, proving that the Tri-Cities community as a whole continued spending money even through the pandemic. All local government revenue budgets, apart from Kennewick, planned increases for the upcoming years, and Kennewick's finance director stated that his city's budget decrease was much less drastic than they had earlier anticipated. The pandemic affected many different aspects of life, but in terms of local government revenues, it is clear that revenues continued to grow and did not affect as severely as expected.

Looking forward, what does demand for housing look like in the Tri-Cities?

- Using econometric modelling and data from the US Census Bureau and the Washington State Office of Financial Management (OFM), it was determined that population is the principal determinant of growth in housing over time in the Tri Cities, outweighing other demand factors such as price, affordability, incomes, and interest rates.
- Official forecasts of population for Benton County predict a growth of more than 20,000 people at an average annual rate of growth tapering off from approximately 1.3 to 1.1% by 2030. Franklin County is predicted to grow at a slightly faster clip from 2.7% in 2022 to 2.3% by 2030.
- Our econometric model predicts that there will be an increase in the quantity demanded of single-family homes of around 5,469 between 2022 and 2030 and a corresponding increase in multi-family units of around 1,670 for a combined increase in total housing of approximately 7,139.

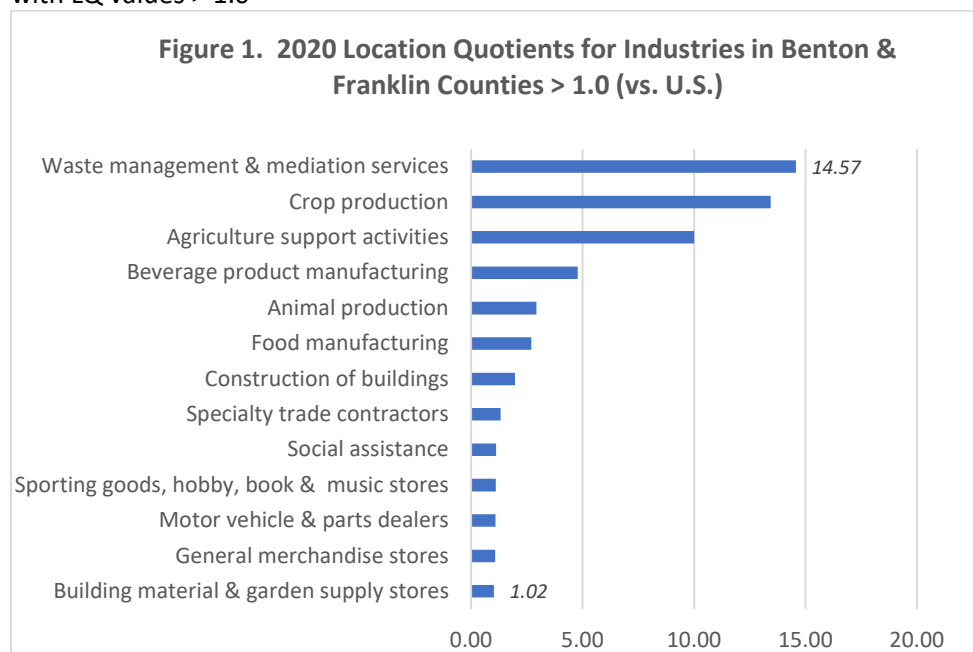
1. The structure of the economy of Benton & Franklin Counties

To understand how the covid-19 pandemic has impacted the local economy, a good place to start is to review the structure of the economy. What sectors (groups of industries) predominate which ones seem small, and which ones are entirely absent. These are statements are relative, made in a comparison to other, usually larger, economies.

Methodologically, these questions are often handled via a concept of cluster analysis. This approach usually rests on comparing employment concentration of a given sector or industry to the concentration of the same sector or industry nationally. The tool used is a *location quotient (LQ)*, or a ratio of the local concentration to the national concentration.

As an example, consider a local economy of 100 workers and a national economy of 1,000 workers. If 10 of the local workers are employed in industry A, the local concentration ratio is 0.1. Assume that the national economy's concentration ratio for industry A is 50 out of 1,000, or 0.05. The ratio of the two ratios (local economy is in the numerator) is 2.0. This is the location quotient for industry A. The interpretation of the result is that industry A in the local economy is twice as large as in the national economy. Usually, a location quotient value > 1.0 leads to the characterization of a cluster in the local economy. Clusters typically are interpreted to imply a certain competitive advantage that the local economy may possess over other local or regional economies.

In a look at the structure of the economy of the greater Tri Cities, the economies of both the U.S. and the state of Washington are considered. The data stem from 2020 employment levels in firms that pay into the state unemployment insurance fund; in other words, sole proprietors are not included. The level of detail is somewhat aggregated. Specifically, the location quotients reflect a level of aggregation known as 3-digit in the ordering scheme of the North American Industrial Classification Scheme, or NAICS. (6-digit entries are the most detailed, and therefore numerous. Figure 1 displays those local industries with LQ values > 1.0



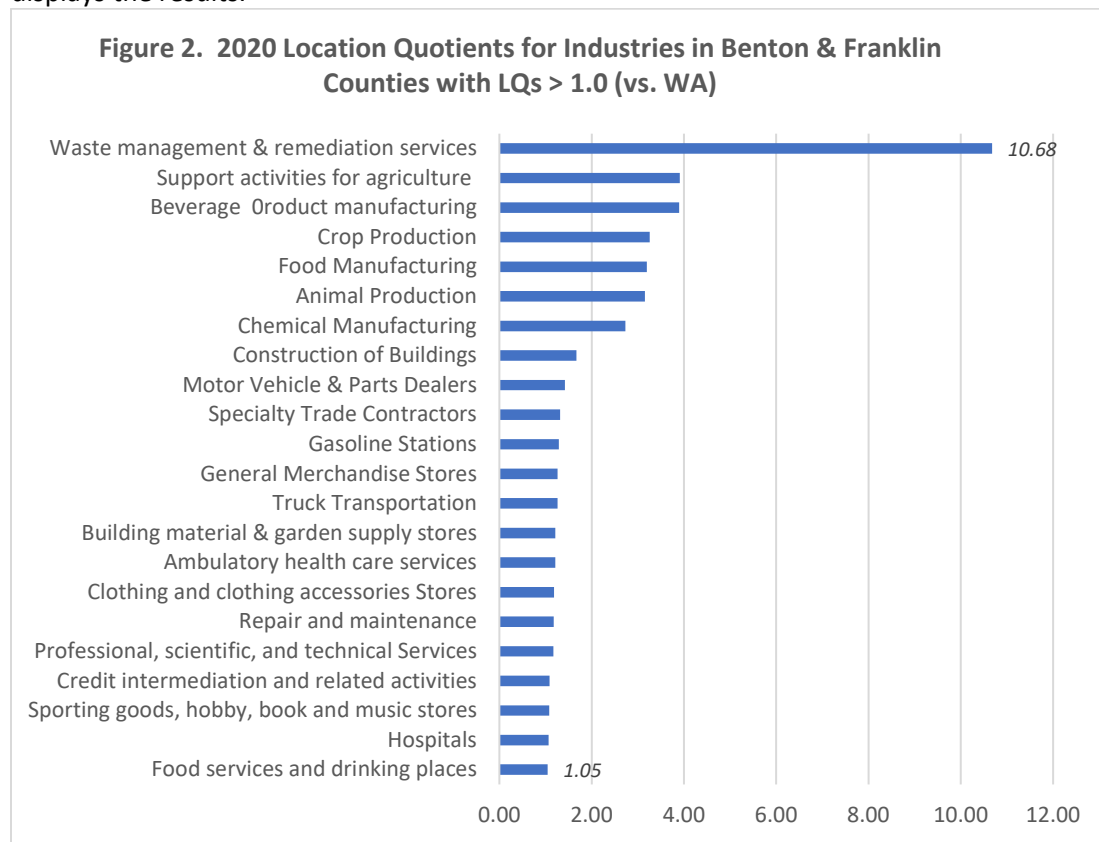
Source: Washington State Employment Security Department, "Quarterly Census of Employment & Wages"

As Figure 1 displays, 13 industries yielded LQ values > 1.0 in 2020. Several, however, are characterized by values barely larger than one, and with these values, one shouldn't conclude that they reflect strong specialization. On the other hand, three industries display very large location quotients: waste management, crop production and agricultural support activities, with values of 14.57, 13.44 and 10.01, respectively. The presence of these three will not likely surprise too many followers of the local economy; their size might, however. The implication of the LQ values is that the three industries are nearly 15, 13 and 10 times more important here than in the U.S.

Several more industries singled out by this analysis with quite strong LQ values, in large part related to the top 3 industries: These are beverage manufacturing, animal production and building construction.

Location quotients can change over time, especially in dynamic local economics. In 2010, the number of industries that yielded LQ values > 1.0 was about the same, but the composition a bit different. Animal production and construction were absent.

The same analysis can be undertaken with the Washington State economy in the denominator. Figure 2 displays the results.



Sources: Washington State Employment Security Department, "Quarterly Census of Employment & Wages" & U.S. Bureau of Labor Statistics, "Quarterly Census of Employment & Wages."

A similar pattern holds in the comparison between the economies of the greater Tri Cities and the state of Washington. The LQ values in Figure 2 for agricultural activities are not quite as high, indicating

the overall strength of agriculture in the Washington economy vis-à-vis the U.S. In this comparison, the Tri Cities economy yields more clusters, but for the most part the LQ values are just a bit over 1.0, indicating strengths not too different than overall in the state. The one exception is chemical manufacturing, with an LQ of 2.73 in 2020. In summary, neither this cluster definition nor the one based on national concentration ratios leads to any other conclusion than the local economy is highly concentrated in two areas: waste management and agriculture (including food processing).

2. The immediate effects of the pandemic on the Greater Tri Cities economy, by aggregate measures

This section portrays how the local economy reacted, in aggregate, to the pandemic-induced business closures and wave of infections that swept over the community starting in spring of 2020. The headline metric is the **unemployment rate**. This is calculated from a relatively small survey of households (Current Population Survey) taken monthly in the U.S., states, metro areas and major cities. The survey tracks the share of the people who are not working compared to the total labor force (people working plus those not but wanting to). For this analysis, the monthly values have been averaged into quarterly data.

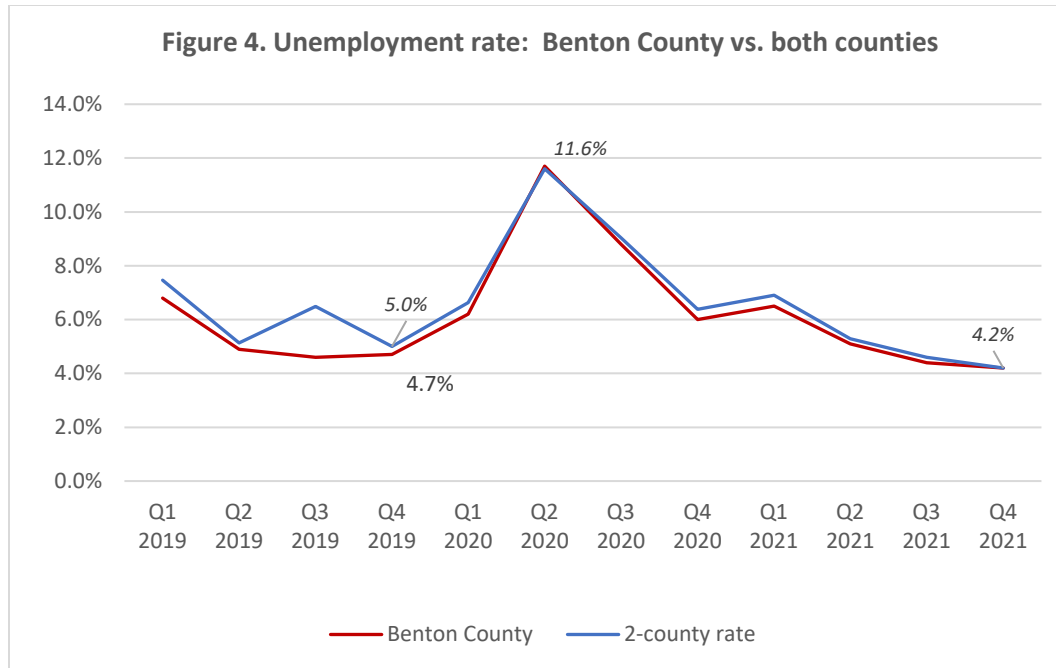
Figure 3 displays the survey estimates over the past three years for Washington State and Benton and Franklin Counties. While unemployment was a bit more elevated in the two counties before the



Source: U.S. Bureau of Labor Statistics, "Local Area Unemployment Statistics"

pandemic, the local economy clearly performed better than the state in the in the hardest-hit quarter, the second of 2020. Since then, the recovery, by this measure, has been equal to or slightly better than the state has experienced.

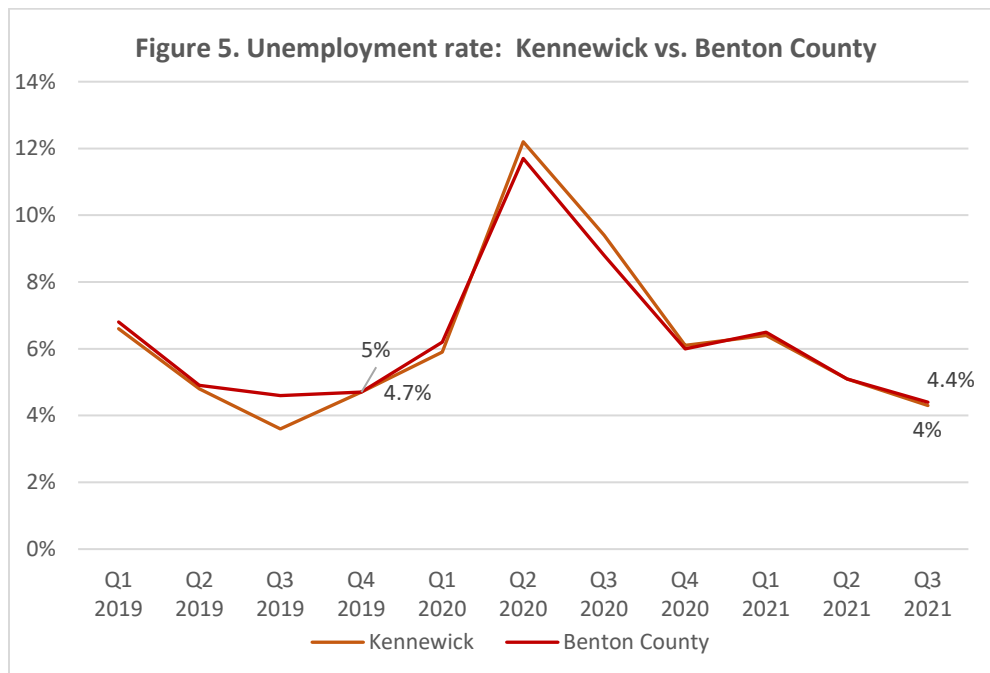
Figure 4 displays path of the unemployment rate in the two counties and in Benton County alone. As is easily observed, there has been little difference between the overall experience of the two counties versus that of Benton County. The rate peaked in the second quarter of 2020 at 11.6%.



Source: U.S. Bureau of Labor Statistics, "Local Area Unemployment Statistics"

As of the final quarter of last year, the implied quarterly rate of 4.2% in both counties and in Benton County was lower than the rate registered in the same quarter in pre-pandemic year 2019. The recovery, by this measure has been complete.

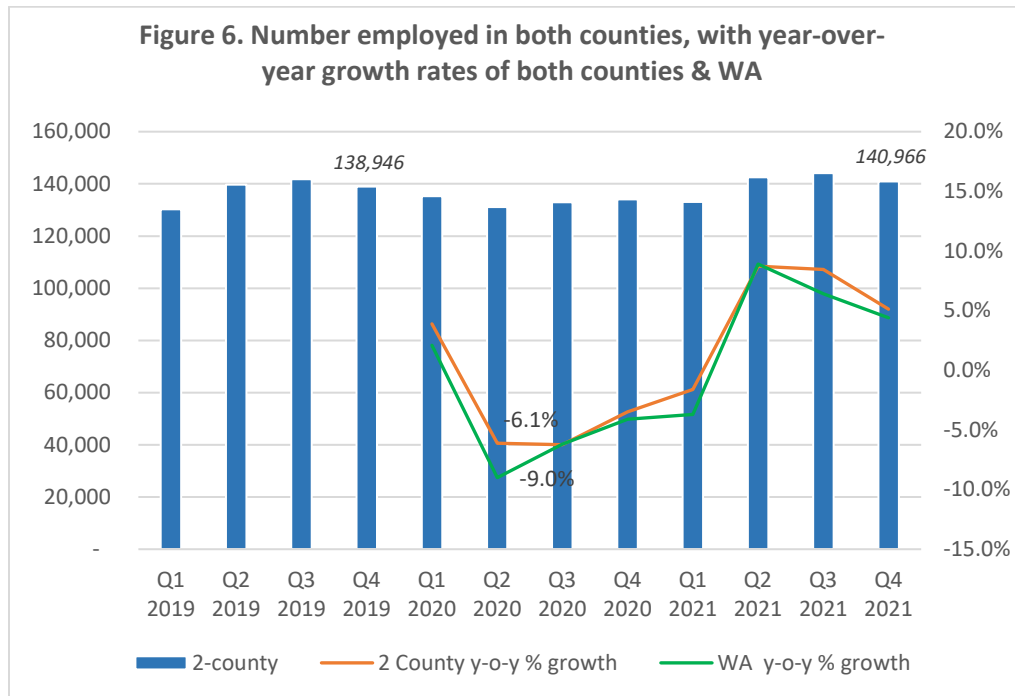
Not surprisingly, a "tight fit" applies to a comparison between Benton County and the city of Kennewick. Figure 5 displays the path of the unemployment rate estimate over the last three years.



Source: U.S. Bureau of Labor Statistics, "Local Area Unemployment Statistics"

The unemployment rate in Kennewick since the start of the pandemic has been slightly above that of Benton County until recently. In those quarters where it was elevated, the magnitude was small enough to be likely statistically insignificant. In other words, Kennewick's experience during the pandemic has been little different from that of the rest of the local economy, as measured by the unemployment rate.

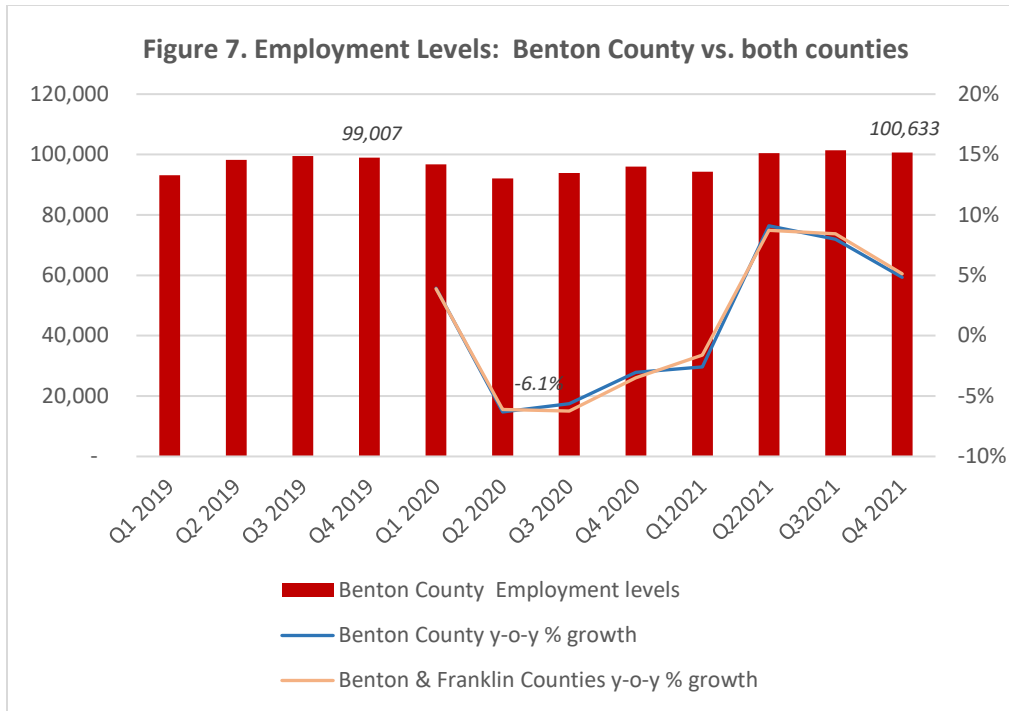
A similar conclusion holds when the metric is the **number of people employed** in the two counties. Figure 6 shows the quarterly path of employment growth, decline and recovery over the past



Source: U.S. Bureau of Labor Statistics, "Local Area Unemployment Statistics"

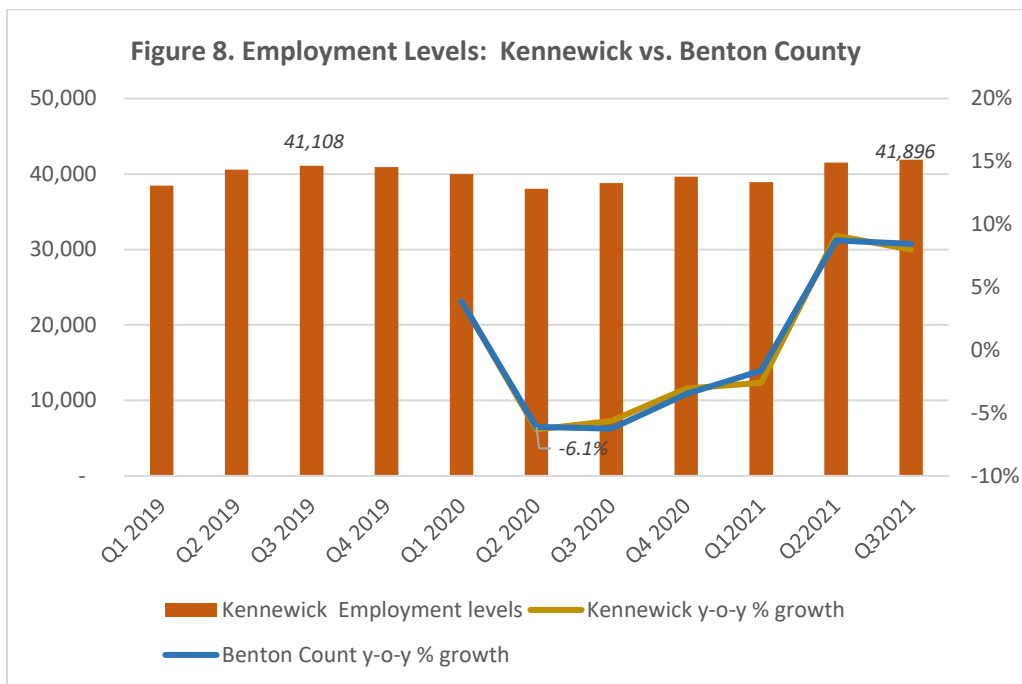
three years. For the majority of the quarters considered, the year-over-year growth rate of the number employed in the two counties has exceeded the rate in the entire state. And as noted above, the drop in the number employed here was about two thirds as severe as the drop statewide. As of the last quarter of 2021, the estimated number of people employed in the two counties was about 2,000 *greater* than two years prior. For that matter, employment growth rate for all of 2021 was higher than that of Washington State.

Not surprisingly, the look at Benton County and Kennewick reveal similar patterns, as shown in



Source: U.S. Bureau of Labor Statistics, "Local Area Unemployment Statistics"

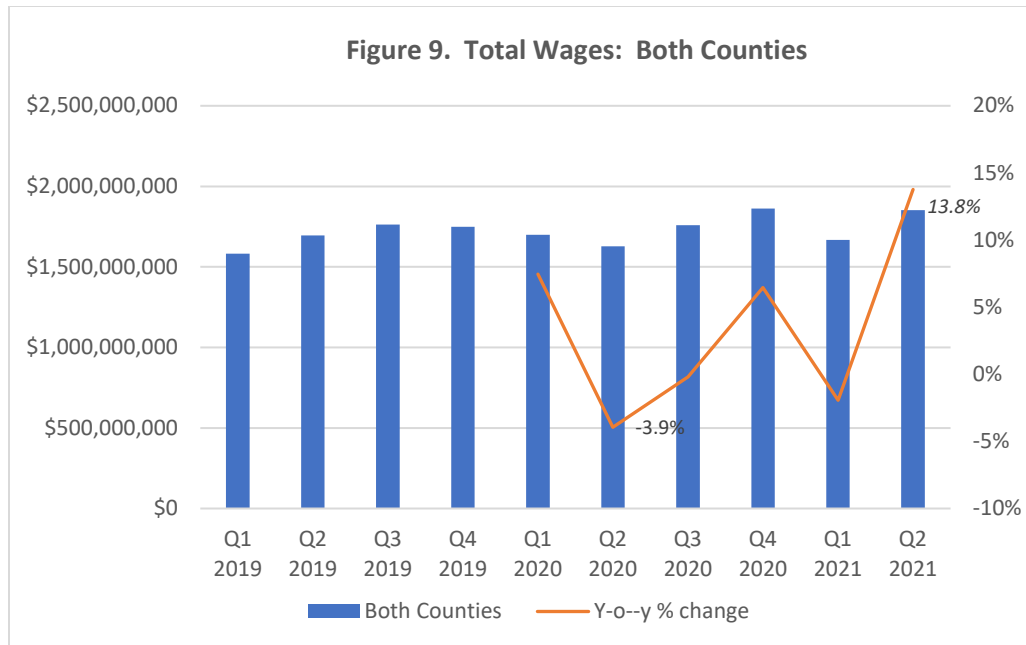
Figure 7. Benton County employment levels in every quarter of 2021 were also higher than those of 2019, with the fourth quarter finishing with over 1,600 more employed. Data for the city of Kennewick mirror



Source: U.S. Bureau of Labor Statistics, "Local Area Unemployment Statistics"

the pattern of Benton County, although data limitations stop the comparison at the third quarter of 2021. In sum, the labor market recovery, as measured by total employment was complete in 2021 at the metro, county and city (of Kennewick) level.

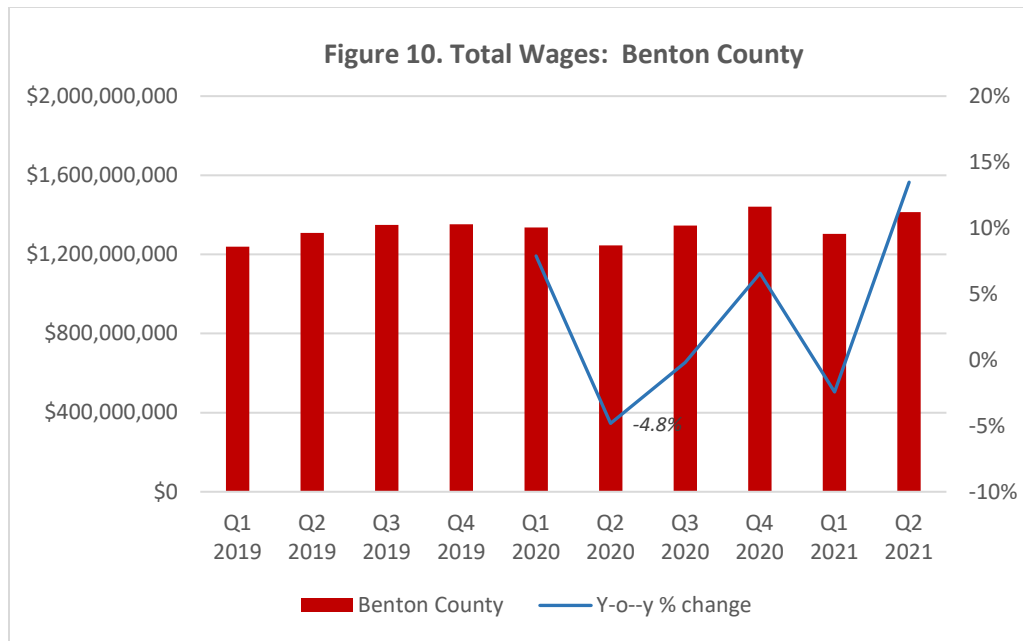
A third aggregate measure of a regional economy is income. Data on income, however, are released only annually, whether at the household or individual level. But higher frequency data on **wages** allow us to develop a good sense of changes in income, since wages typically constitute the largest portion of personal income. (The other two components are investment income and federal transfer payments.) Figure 8 depicts the path of quarterly total wages the past three years at the metro



Source: Washington State Employment Security Department, "Quarterly Census of Employment & Wages"

level. The most recent from this source are from the second quarter of 2021.

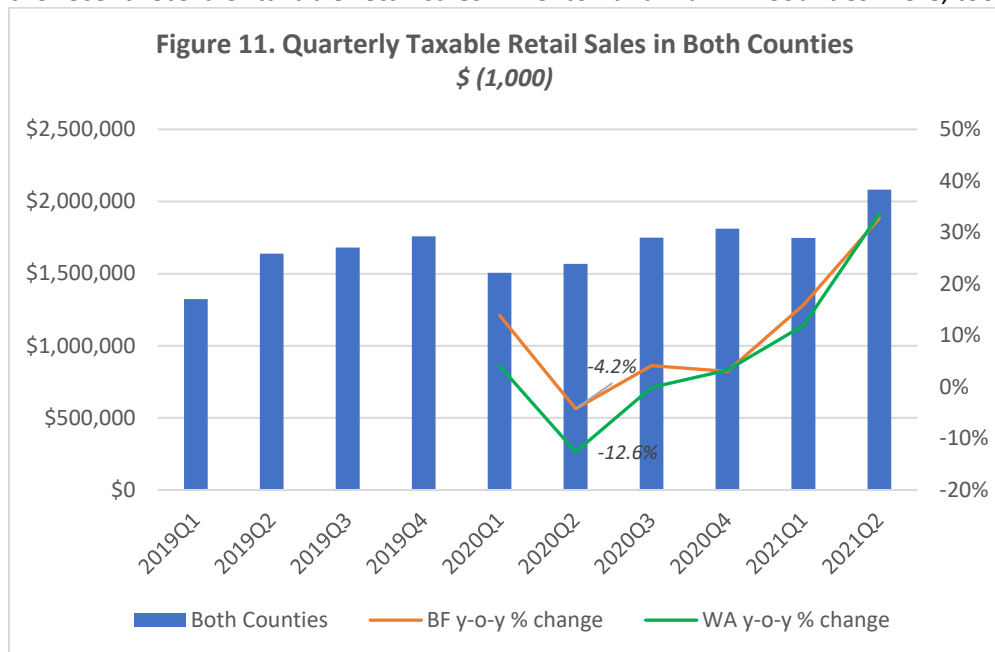
Total wages in the second quarter of 2020 were slightly below those of Q2 of 2019 - about \$67 million or -4%. But by 4th quarter of 2020 total wages were higher than their counterpart quarter in 2019. The gains continued into 2021. Not surprisingly, the results for Benton County paralleled those of the two counties, as seen in Figure 9.



Source: Washington State Employment Security Department, "Quarterly Census of Employment & Wages"

In Benton County total wages also exceeded pre-pandemic year 2019 by the final quarter of 2020. In summary, the evidence on the local economy by this aggregate metric points to recovery by at least the second quarter of 2021.

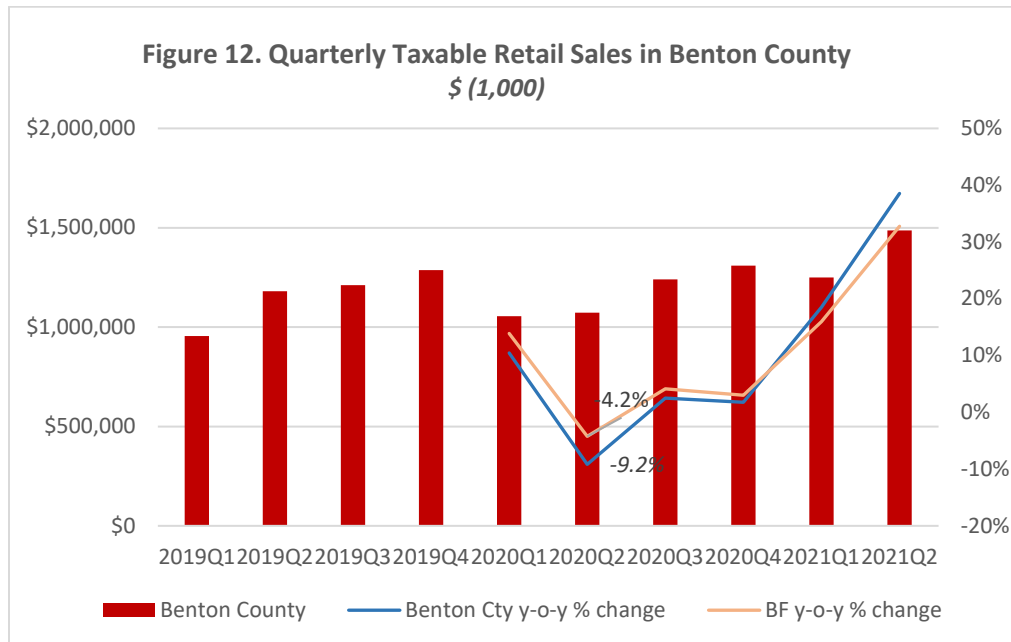
A final means of assessing the impact of the pandemic on the local economy is available through a measure of what consumers purchased. At least, those purchases that were taxed. Figure 10 lays out the recent record of **taxable retail sales** in Benton and Franklin Counties. Here, too, the most recent



Source: Washington State Department of Revenue, "[Quarterly Business Reviews](#)"

quarter for which data are available ended in June, 2021. It easy to observe that the local decline in spending in the trough quarter of the pandemic was, at -4.2%, mild compared to that of the state overall, -12.6%. It was the only quarter that yielded negative year-over-year comparisons for the greater Tri Cities economy. A year later, at \$2.1 billion, taxable spending same 2nd quarter was far above the levels of the most recent pre-pandemic year, at \$1.64 billion.

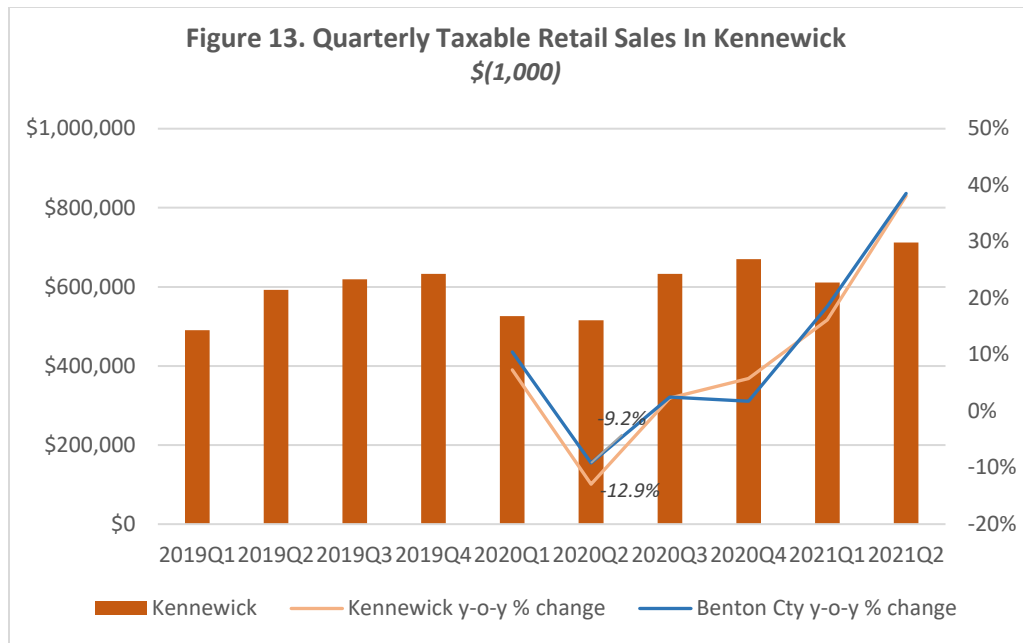
Benton County's experience was similar, although it endured a larger decline than the local economy as Figure 11 displays. In the most recently available two quarters, however, Benton County's



Source: Washington State Department of Revenue, ["Quarterly Business Reviews"](#)

year-over-year growth outpaced that of the greater Tri Cities. Its 2nd quarter results last year of \$1.49 billion were much larger than the \$1.18 billion in 2019.

Finally, the path of taxable sales in the city of Kennewick can be considered. As Figure 10 displays, the drop in the city was more pronounced than in Benton County but the recovery



Source: Washington State Department of Revenue, "[Quarterly Business Reviews](#)"

has been just as swift. Total retail sales in Q2 of last year, at \$710 million, were substantially higher than its counterpart two year's prior, at \$592 million.

From the perspective of economic activity that is subject to retail sales taxes, very little slowdown in the Tri Cities, Benton County and the city of Kennewick has occurred during the pandemic. When it did happen, it was concentrated in only one quarter. Undoubtedly, the quick federal stimulus payments contributed greatly in preventing the drop of one quarter extending into subsequent ones. This result, combined with the other three of measures of aggregate quarterly economic activity, all point to the greater Tri Cities absorbing the pandemic downturn relatively better than the state.

Yet, the downturn did impact certain sectors more severely than others. How a worker fared in the pandemic economy has depended to large degree on where they are employed. The next section explores the differential effects by business sector.

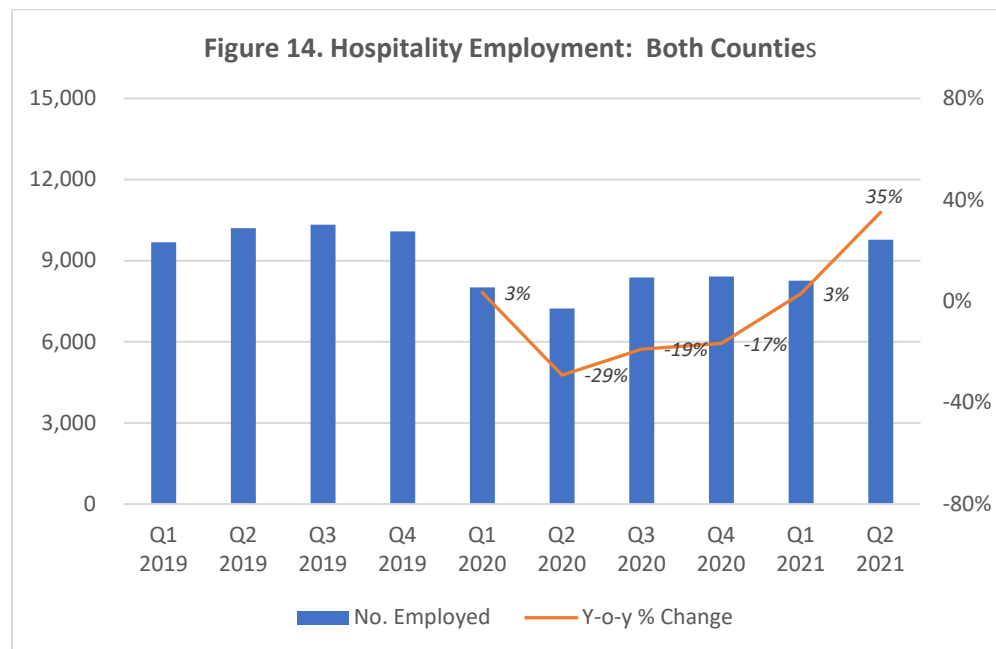
3. The differential paths of sectors in the “pandemic economy”

3.a. Worst-hit sectors

This section examines the differential impact of the pandemic-induced economic changes by sector by quarter. It first considers those sectors most adversely impacted in the second quarter of 2020, as measured by total, not percentage, effect. We utilize three the four measures considered in the review of aggregate economic results – employment, total wages paid, and taxable retail sales. For each measure, the five most negatively impacted sectors are taken up. And for each sector, values for both the metro area (two counties) and Benton County are considered. Data are available through the second quarter of last year.

To streamline the report, the narrative will consider only the differential impacts on jobs. Impacts on sectors via total wages and retail sales are presented in the appendix in the form of graphs. In many cases, the same sector was among the five worst impacted, whether measured by job, total wages, or retail sales. In some cases, however, the impact varied by the measure chosen. We present a summary table to display this variation. The same approach is then taken with those sectors that weathered the pandemic-induced turndown in the second quarter of 2020 the best.

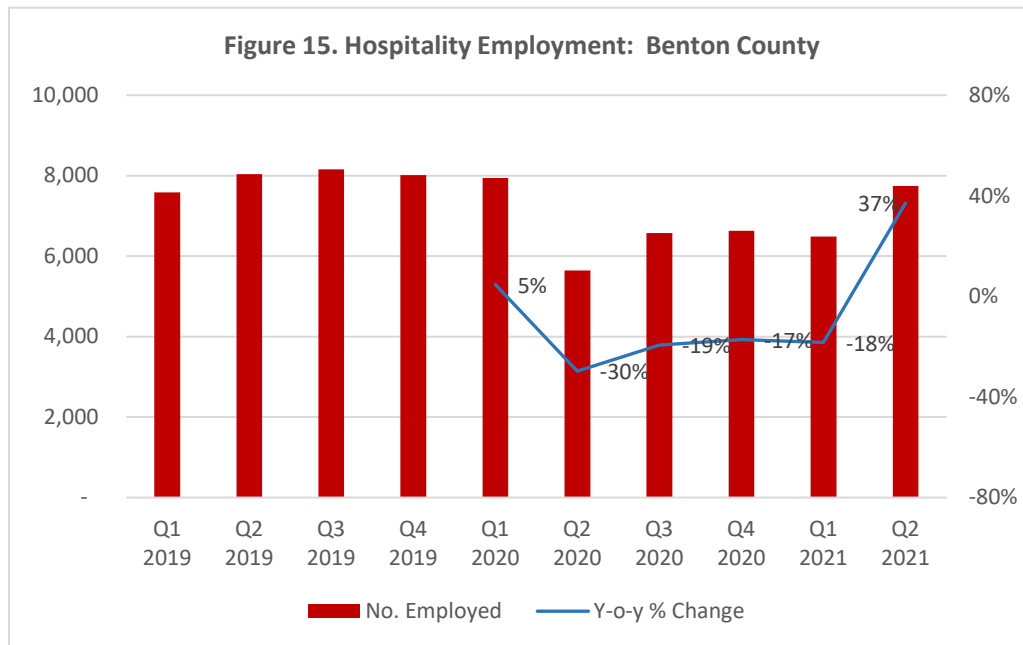
The **worst-hit** sector at the start of the pandemic in the two counties was **Hospitality**. This consists of establishments offering lodging, eating, drinking and catering services. It is one the largest sectors in the metro economy. Here the drop, seen in Figure 11, was nearly 3,000 workers, or 29% from



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

the second quarter in 2019. Negative year-over-year comparisons continued the rest of 2020, although 2021 started to show modest improvement. Year-over-year percentage comparisons became positive. The number of workers in the sector in the second quarter, however, was still about 500 below the

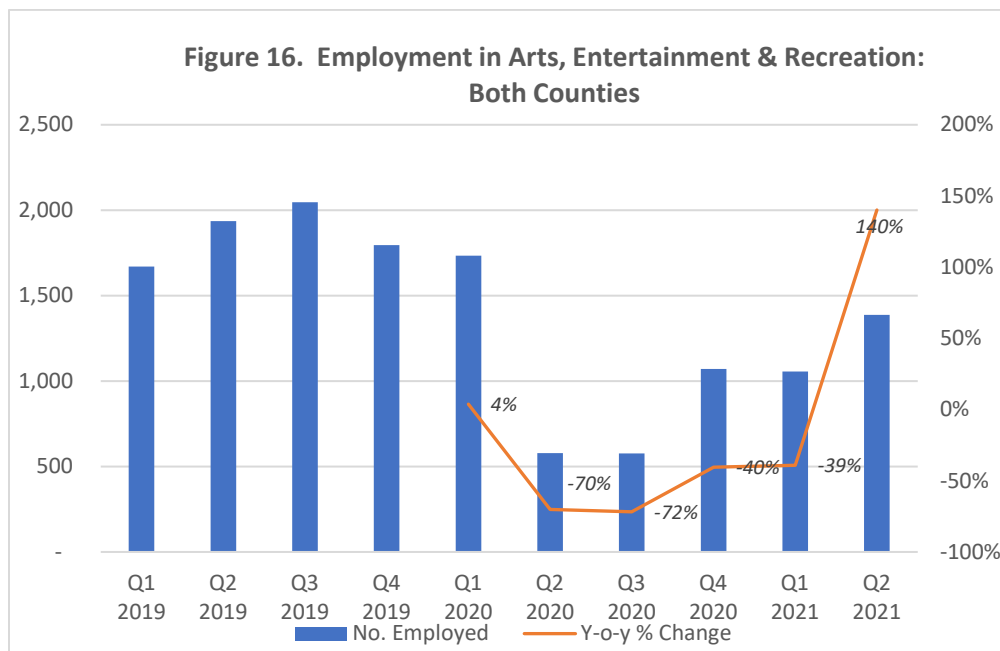
number reported in 2019. Similar results follow for drop in the city was more pronounced than in



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

Benton County, as seen in Figure 12. Note, however, that the year-over-year declines continued through the first quarter of 2021.

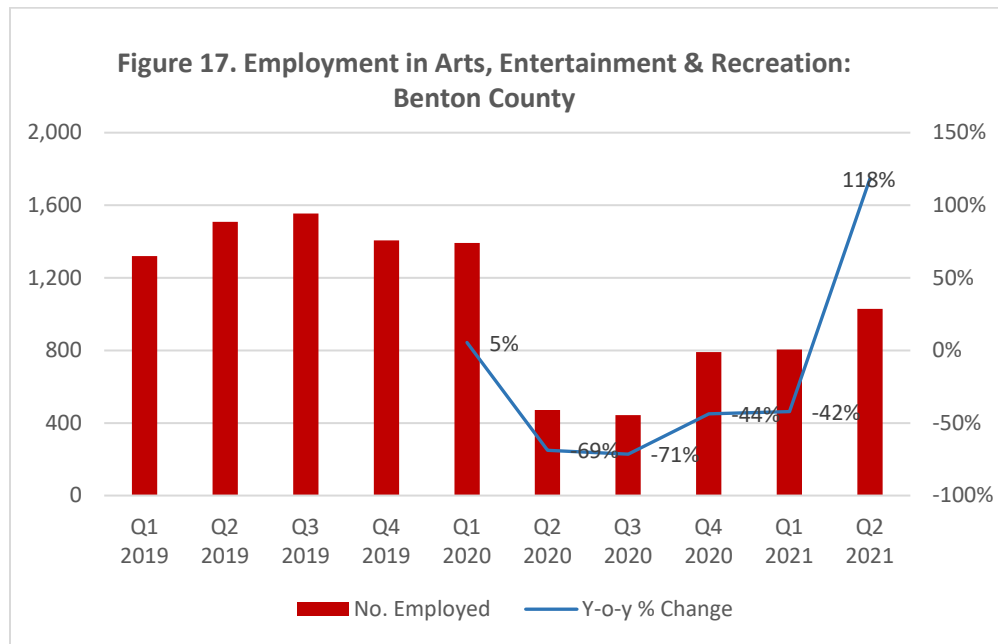
The second worst-hit sector by the pandemic was the relatively small sector of **Arts, Entertainment & Recreation**. Figure 13 tracks the dramatic decline in Q2 of 2020 for the two counties combined. While the drop was “only” 1,200 approximately, it represented 70% of the



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

jobs in that sector in the two counties from the same quarter the prior year! No other sector experienced this outcome. Until the second quarter of last year, substantial year-over-over declines continued. While Q2 of last year witnessed a triple-digit percentage increase over the “pandemic quarter,” the total number employed in this sector was still more than 500 less than in the same quarter of 2019.

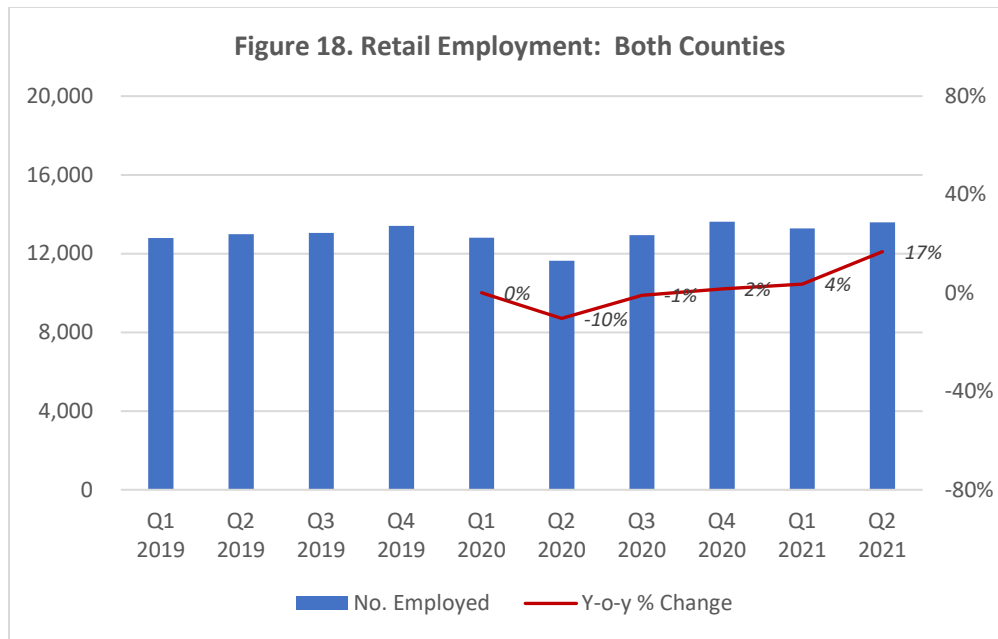
To no surprise, since most of the sector’s jobs in the two counties lie in Benton County, the



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

result for that county is very similar, as Figure 14 reveals.

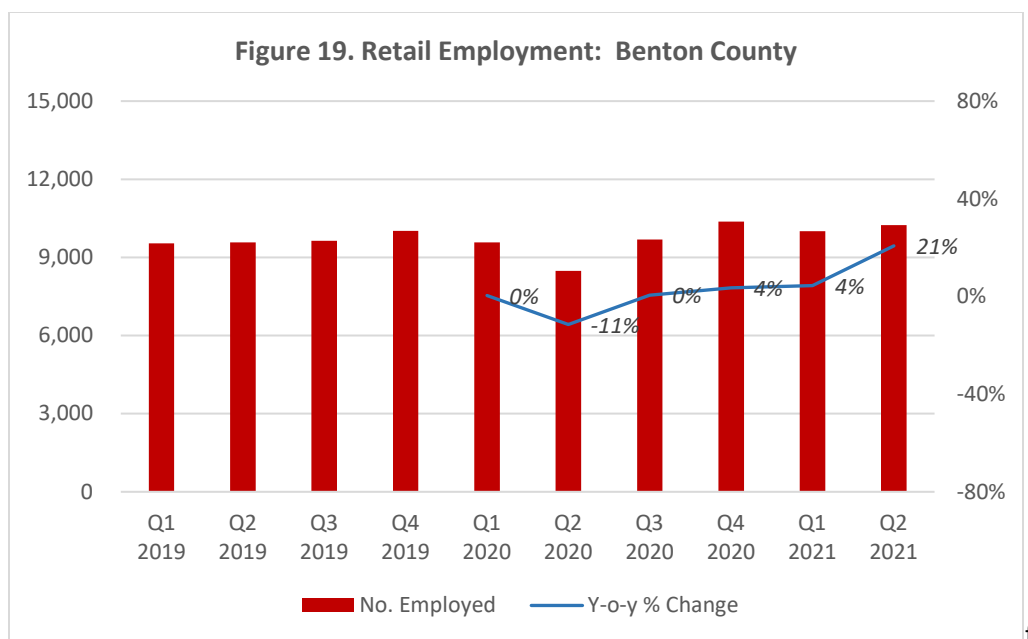
The sector in the greater Tri Cities impacted third hardest has been **Retail**. This too, is a large sector in the regional economy. As seen in Figure 15, the drop in the second quarter of 2020 was over



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

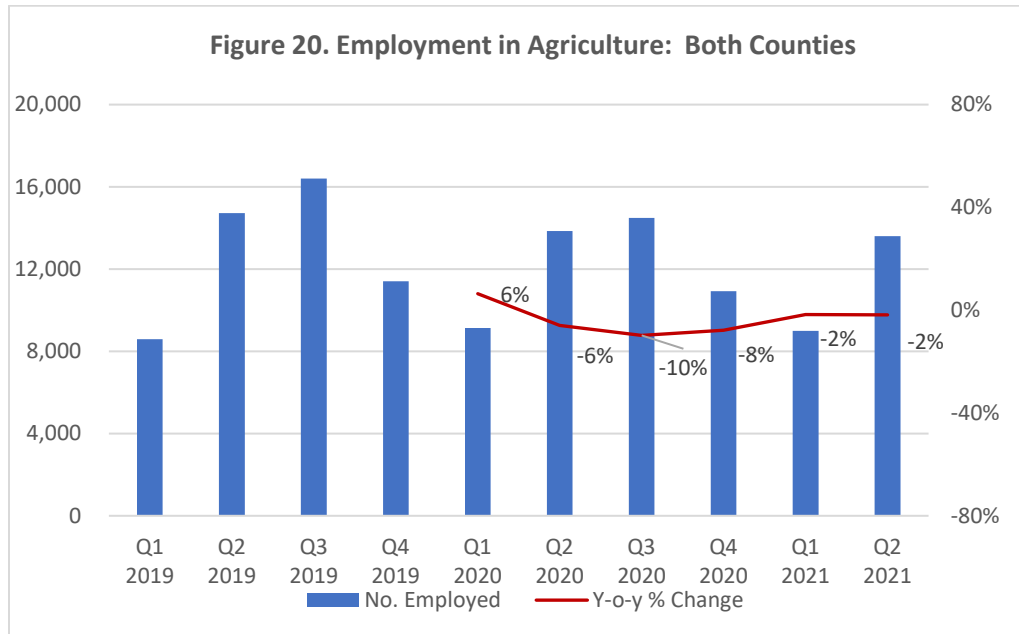
1,300 workers, or 10% of its workforce of the same quarter the prior year. Notably, however, this sector was marked by a swift recovery. By the subsequent quarter, employment levels were greater than in the third quarter of 2019. These gains over the prior year continued into 2021.

Since most of retail employment in the metro area falls into Benton County, it follows that the pattern of employment has been similar, as Figure 16 lays out. The recovery to-date in this sector, has been just a bit stronger here than overall in the two counties, and by extension, than in Franklin County.



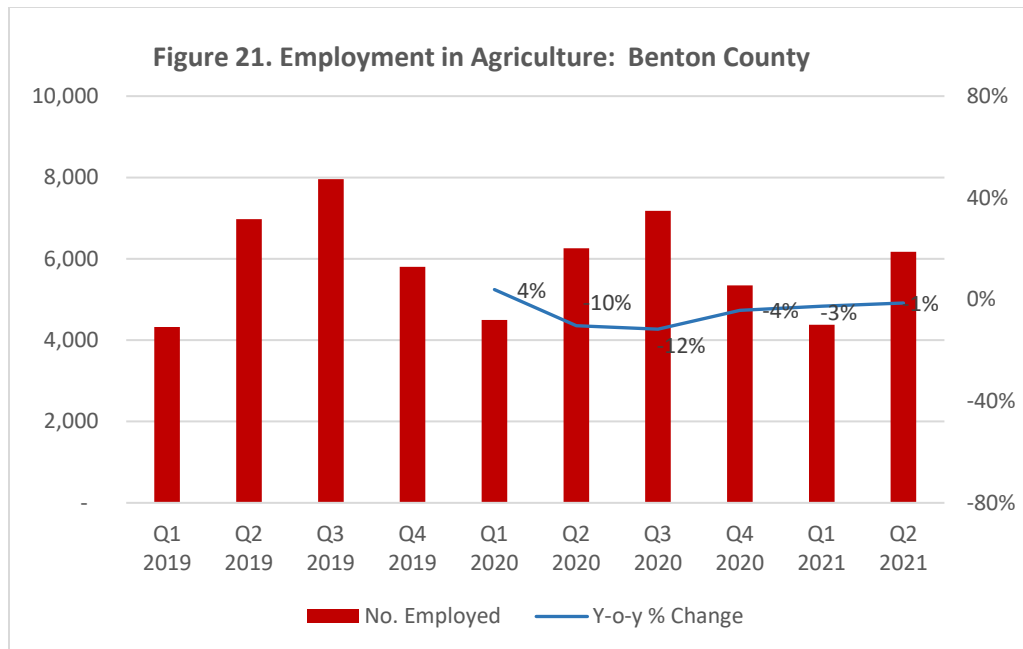
Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

The fourth most-impacted sector by job loss in the greater Tri Cities has been **Agriculture**,



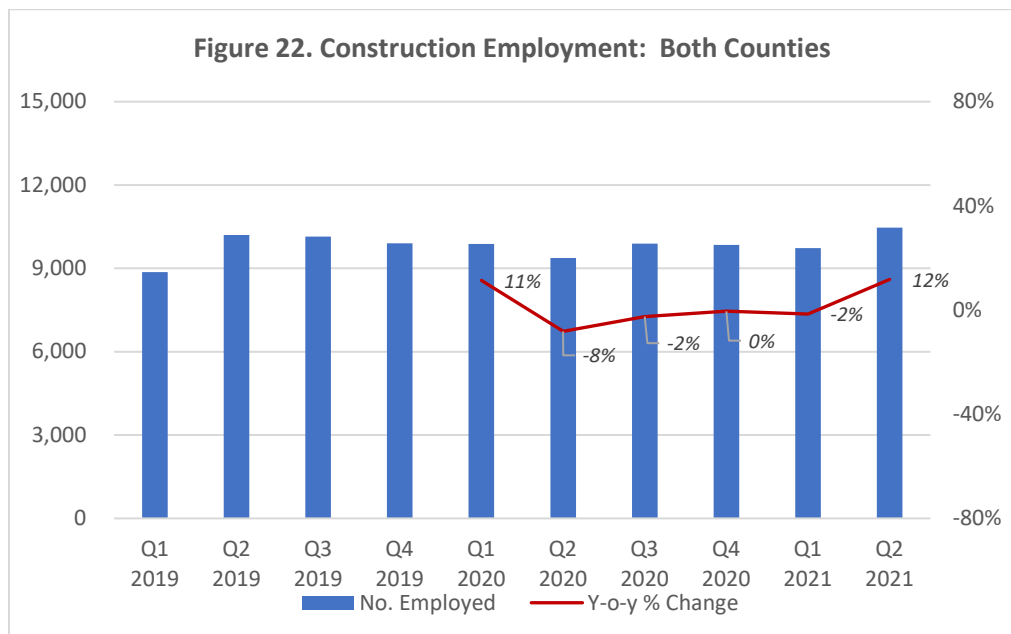
Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

among the top five sectors by headcount in the two counties. Figure 17 shows a decline in Q2 of 2020 of about 870 jobs, or 6%, from the same quarter the prior year. Importantly, and likely a surprise for many in the two counties, has been the sector/s slow recovery in employment. Unlike any of the sectors featured in this section, employment in Agriculture has not recovered to pre-pandemic levels in the two counties. The results for Benton County are little different, as seen in Figure 18.



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

Rounding out the group of five sectors which fared worst by head count is **Construction**. It is currently the sixth-largest by headcount in the regional economy and encompasses of firms specializing heavy construction, building construction, as well as those in the sub-contracting trades. As Figure 19 depicts,

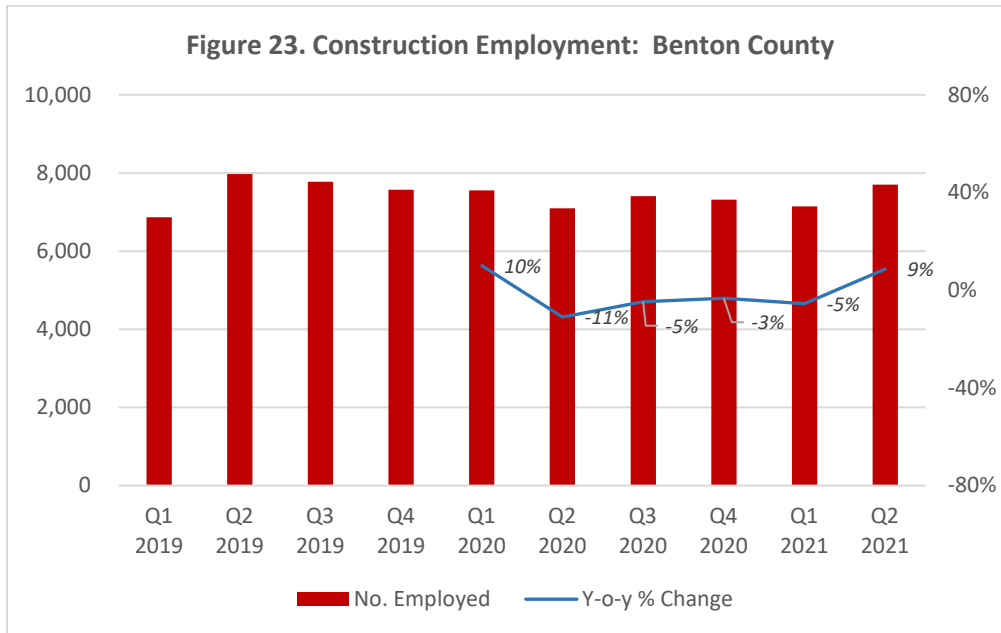


Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

the drop in employment in the second quarter of 2020 was about 830 and amounted to 8% from its base in the same quarter the prior year. Further, unlike Retail, the sector has not enjoyed a quick

recovery. It was not until the second quarter of last year that the year-over-year comparison turned positive. Both quarters, however, shown for 2021 demonstrate levels above 2019.

The experience for Construction in Benton County was similar, as shown in Figure 18. Generally,



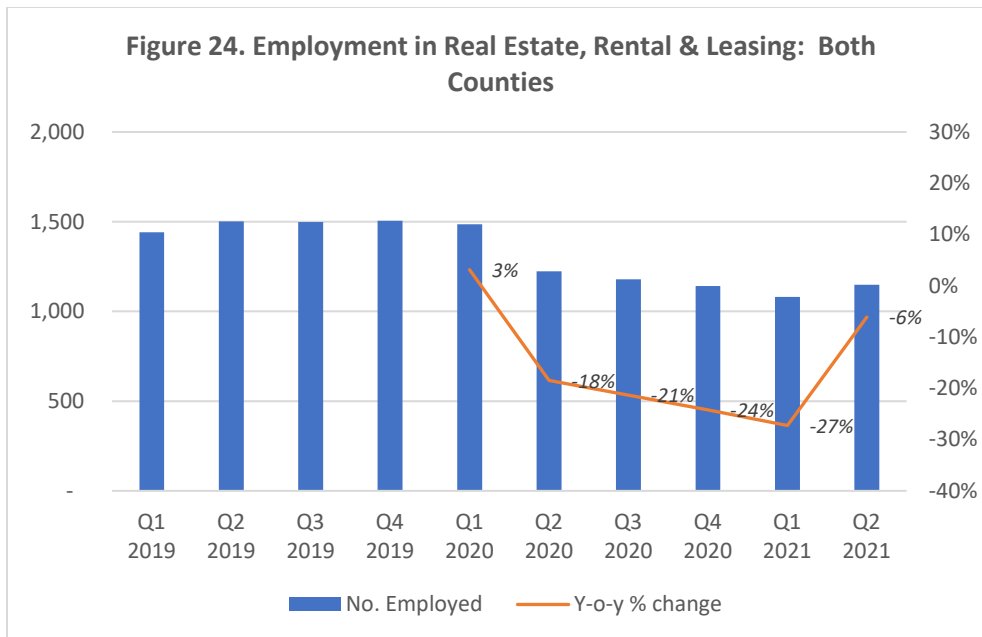
Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

the sector hasn't fared as well as it has in the metro area, suggesting slightly better performance in Franklin County.

3.b. Sectors least affected by the pandemic

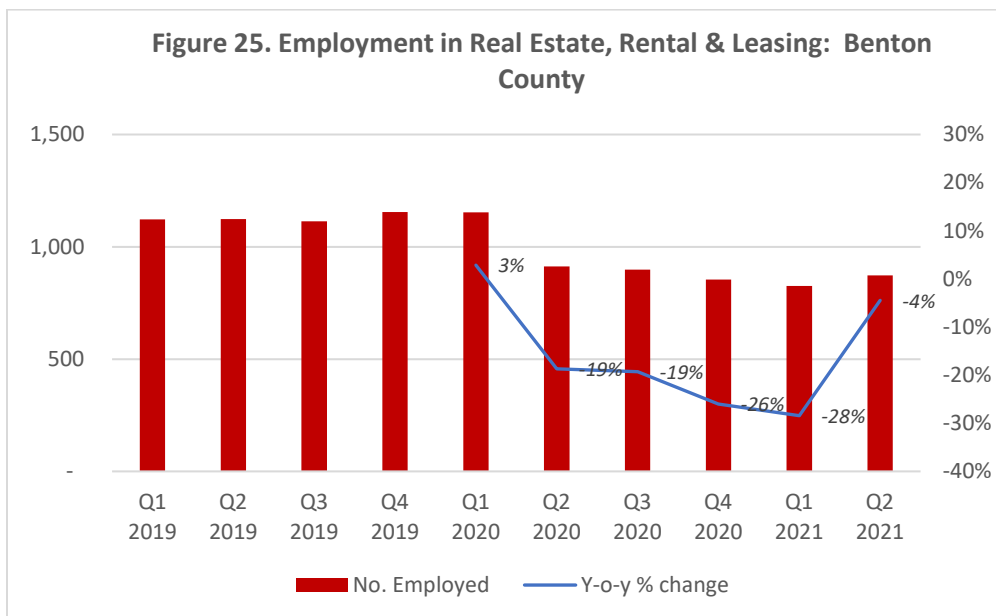
The following section takes up those five sectors that **fared best** by the metric of employment change during the second quarter of 2020. Unlike those that fared worst, these are relatively small sectors. Many experienced negative, sometimes strongly negative, outcomes in percentage terms, in the first quarter of the pandemic-induced shutdown. But because their employment levels were low to start with, the loss in headcount was small relative to the sectors considered above.

The sector that experienced the fifth best employment outcome in the Q2 of 2020 was **Real Estate, Rental & Leasing**. It actually lost jobs, about 275, or 18% of the sector's workforce, from a year



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#) prior. As Figure 19 lays out, that decline was followed by several quarters of further losses, each one a bit steeper than the prior one, until the second quarter of 2021 when the year-over-year loss was -6%. While the job losses were small in an economy of over 122,000 employed in the first quarter of 2020, they likely represent devastating conditions for many local real estate and property management firms.

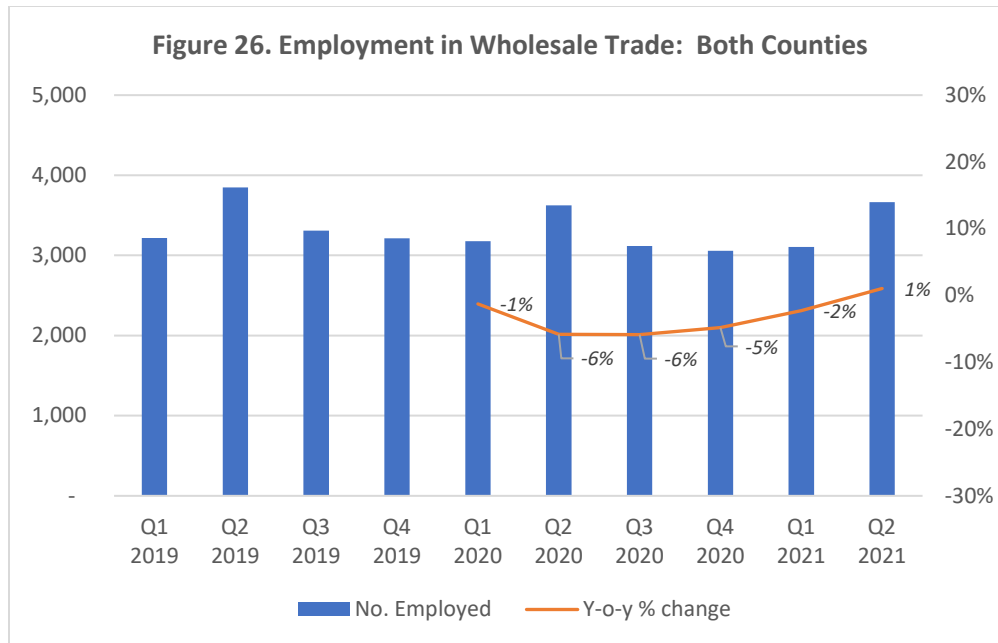
Figure 20 offers the path of employment in the sector for Benton County. As the majority of the



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

metro area jobs in the sector are in Benton County, the results differ little, in percentage terms, from those of the counties combined.

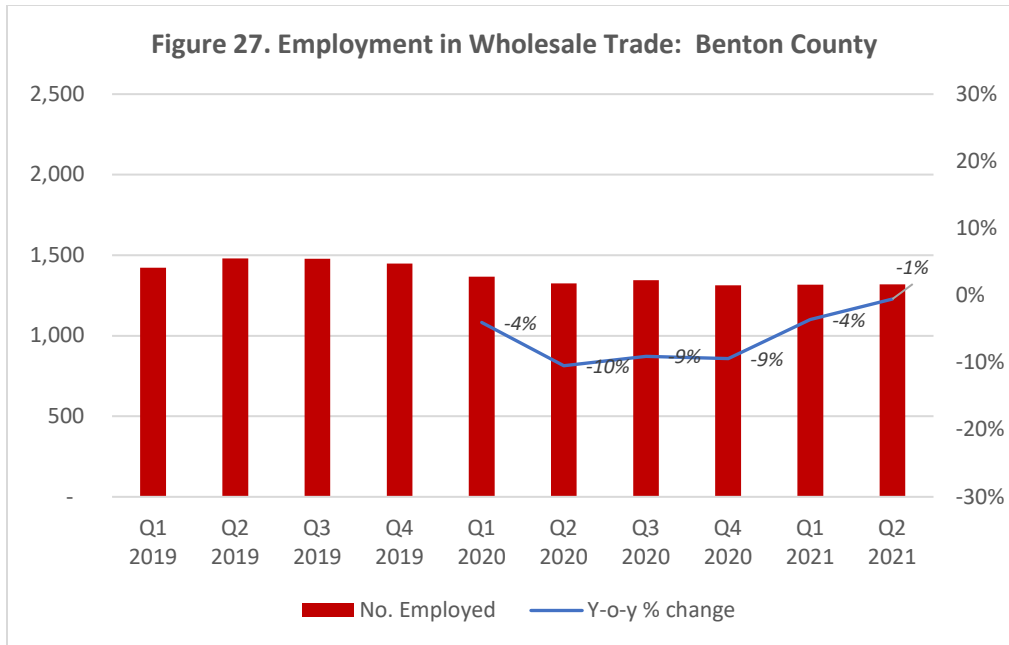
In fourth best place was **Wholesale Trade**, a mid-sized sector with a few more than 3,000 workers at the start of the pandemic. It, too, shed jobs in Q2 2020: 224. But the percentage loss that quarter was small, at about -6%. Figure 21 lays out the course of employment in the



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

metro area over the past 10 quarters. As one can observe, while the year-over-year percentage losses are small, they turned positive only by the second quarter of 2021.

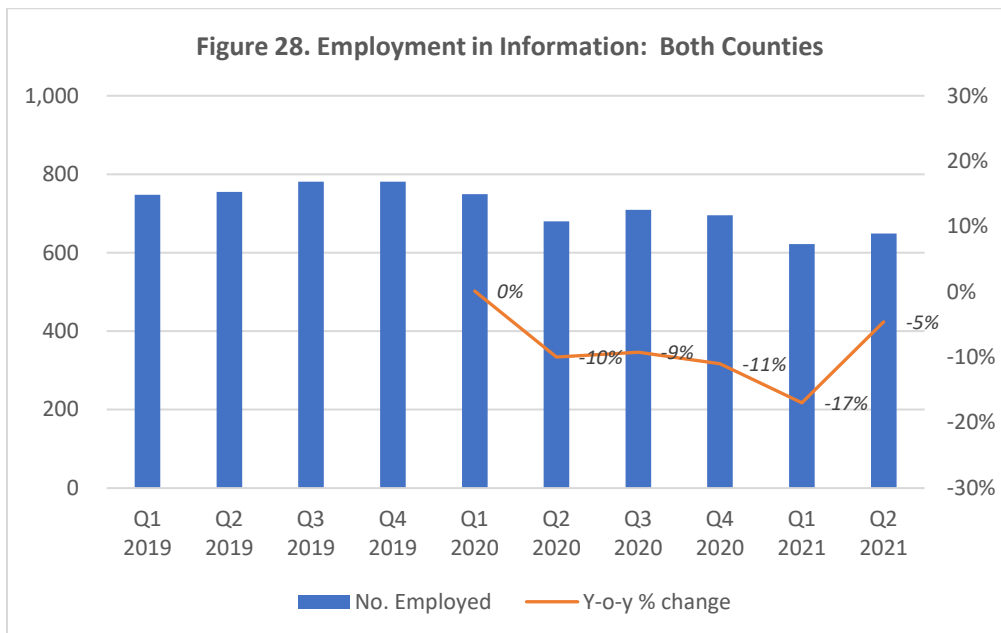
The experience in Benton County mirrored that of the combined counties, as depicted in Figure



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

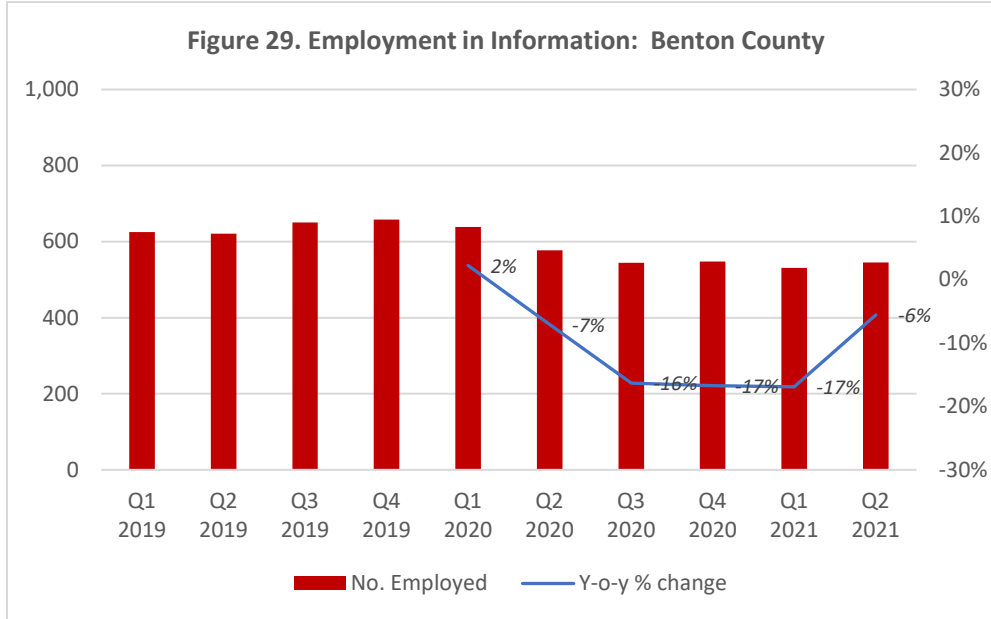
22. In this county, the year-over-year losses have been a bit steeper and consistently negative.

Ranked third best by the employment metric is the **Information** sector. A diverse group of industries are captured by this heading: telecommunications, print and electronic press, ISP providers and notably in the state but not in the greater Tri Cities, software publishing firms. As Figure 23 portrays, it is one of the smallest sectors with an annual average number employed in 2019



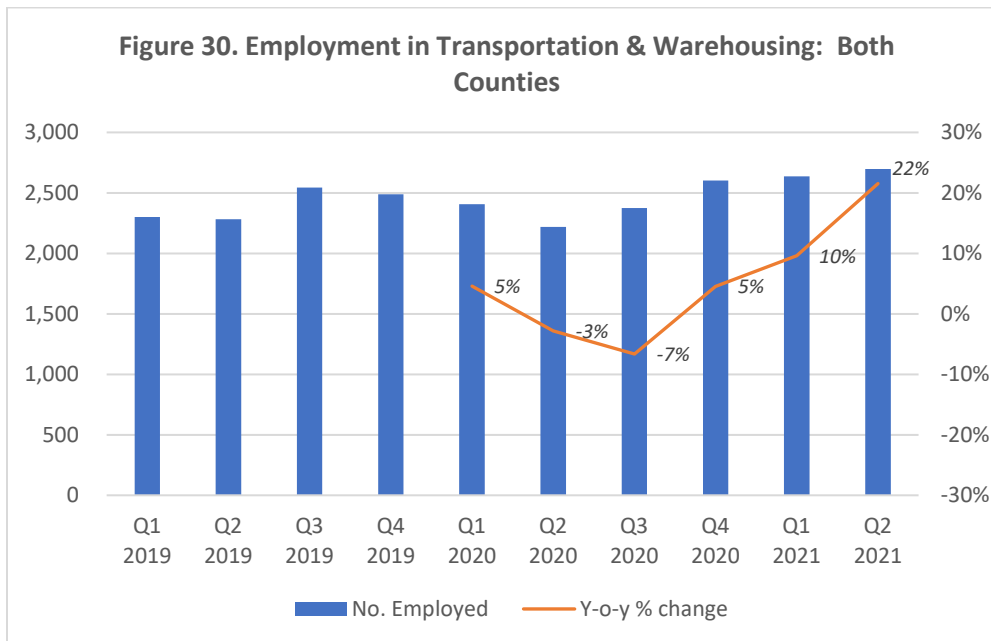
Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

of less than 800. Consequently, although the percentage loss in Q2 of 2020 was 10%, the number of jobs lost in the two counties was small, at 75. Much like the Wholesale Trade sector, however, year-over-year losses continued in subsequent quarters. Figure 24 displays a parallel path for Benton County. This is not surprising, since most of the greater Tri Cities jobs in this sector reside in this county.



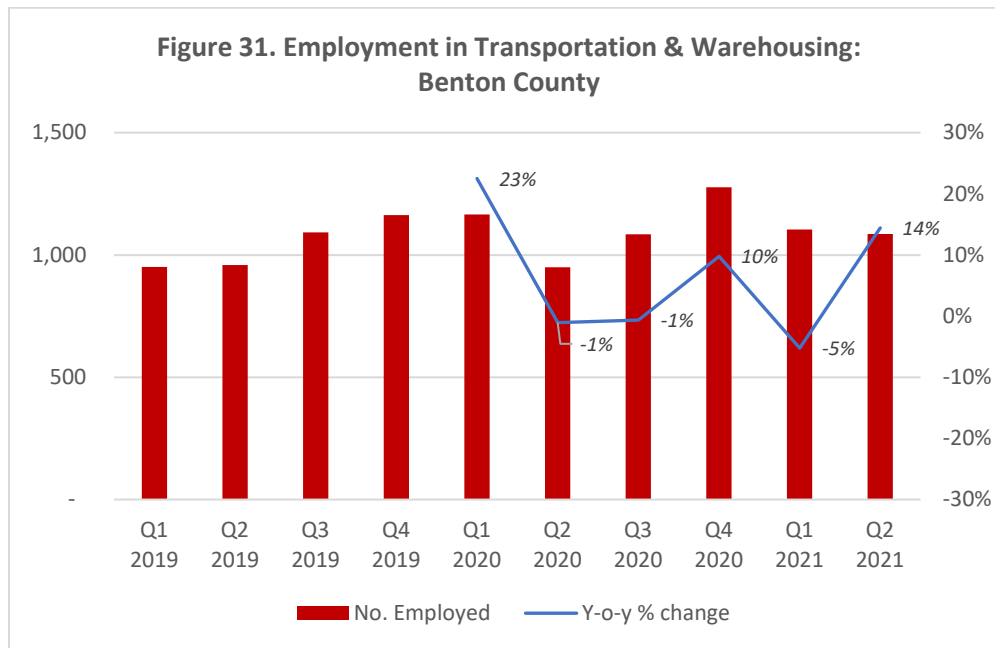
Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

The second-best performing sector in the first pandemic quarter was **Transportation & Warehousing**, another mid-sized sector. The industries that dominate the local sector are firms



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

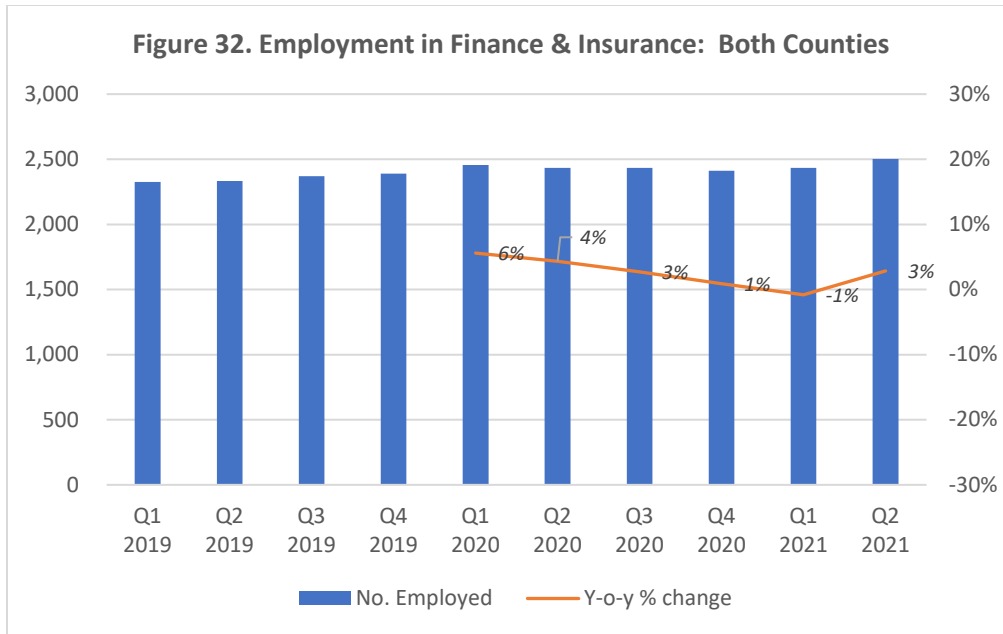
providing warehousing and trucking services. Agricultural products are likely the products stored and moved by most of the firms in the sector. Figure 25 shows a loss of 64 jobs in Q2 of 2020, or a drop of 3% from the same quarter of 2019. Note that while the decline deepened in the subsequent quarter by 7% year-over-year, since that time the quarterly comparisons reveal a strong bounce back. These latter quarters all show employment levels greater than 2019. Figure 26 charts a roughly similar path for Benton County, although the recovery has not been as strong. By the fourth quarter of 2020, quarterly



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

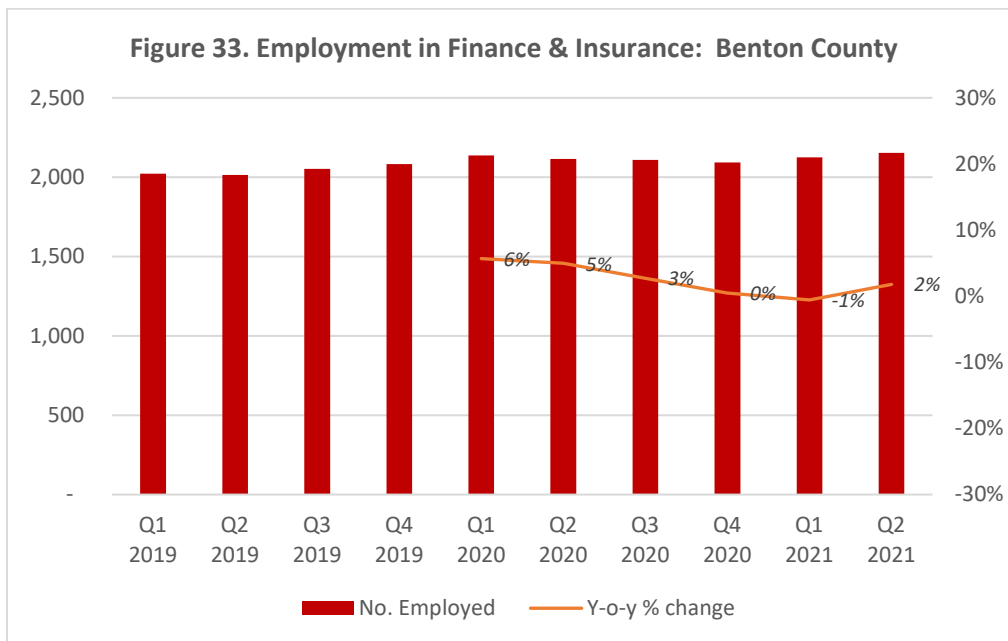
employment levels in the county were greater than those of 2019.

The sector that performed best by the employment measure in Q2 2020 was **Finance & Insurance**. Its job change was a positive 4%, as Figure 27 depicts. While employment growth in subsequent quarters was slightly weaker, the sector still marked, with one exception, year-over-year



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

growth in all of the quarters. The sector's pandemic experience with employment was very similar in Benton County, as Figure 28 lays out. This is not surprising, since the bulk of the jobs in



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

this mid-sized sector is located in Benton County.

Table 1 below summarizes the experience of the five highest and five lowest performing sectors by their experience in Q2 2020 by percentage change. Graphs for the two measures not displayed in the

Table 1. Tabulation of Recovery by Sector or Industry from 2020 Q2 for Benton & Franklin Counties Combined		Employment Impact of Q2 2020 & whether recovered by 2021 Q2 to 2019 Q2 levels		Total wages impact of Q2 2020 & whether recovered by 2021 Q2 to 2019 Q2 levels		Retail sales impact of Q2 2020 & whether recovered by 2021 Q2 to 2019 Q2 levels	
Sector	Impact	Y/N		Impact	Y/N	Impact	Y/N
Agriculture	-5.9%	Y		1%	Y	*	*
Construction	-8.2%	Y		-17%	Y	*	*
Wholesale trade	-5.8%	N		*	*	-10.4%	Y
Retail trade	-10.3%	Y		0%	Y	See below	*
Transportation & warehousing	-2.8%	Y		2%	Y	*	*
Information	-9.9%	N		-1%	Y	*	*
Finance & insurance	4.3%	Y		20%	Y	*	*
Real estate, rental & leasing	-18.5%	N		*	*	*	*
Professional & technical services	*	*		-3%	Y	*	*
Healthcare & social assistance	*	*		-2%	Y	See below	*
Arts, entertainment & recreation	-70.1%	N		-68%	Y	-76.7%	N
Accommodations & food services	-29.1%	N		-29%	Y	-38.6%	Y
Electronics & appliance stores	n/a	n/a		n/a	n/a	16.9%	Y
Building materials & garden supplies stores	n/a	n/a		n/a	n/a	21.6%	Y
Food & beverage stores	n/a	n/a		n/a	n/a	7.8%	Y
Apparel & accessory stores	n/a	n/a		n/a	n/a	-63.4%	Y
General merchandise stores	n/a	n/a		n/a	n/a	2.3%	Y
Management, education & health services	n/a	n/a		n/a	n/a	12.8%	Y
Other services	n/a	n/a		n/a	n/a	-24.9%	Y

Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

Source: Washington State Department of Revenue, ["Quarterly Business Reviews"](#)

narrative— total wages paid and retail sales – can be found in Appendix A. As in the narrative, the top five and bottom five performing sectors, or in the case of taxable retail sales, industries, are listed. The entry “n/a” means that no data exist for this level of detail.

An examination of the pattern of sectoral outcomes when **total wages** is added as a criterion typically shows that if a sector regained 2019 Q2 employment levels by Q2 of 2021, total wages did as well. Further, some of the hardest hit sectors by percentage drops in employment in Q2 2020 registered total wages paid a year later that were above 2019 Q2 levels. This holds for the hard-hit sectors of Information, Hospitality and Arts, Entertainment and Recreation.

In other words, individual wages strongly increased to compensate for employment levels that still haven't matched pre-pandemic levels. Note that one of the regional economy's most important sectors, Professional & Technical Services, registered an immediate decline in total wages paid in the first pandemic quarter, but showed growth over the same quarter in 2019 by 2021.

The addition of the third criterion – **taxable retail sales** – to the sectoral comparisons presents a mixed picture. Consider Wholesale Trade. Although employment was not back to pre-pandemic levels by Q2 of 2021, taxable sales were. The same applies to Hospitality. However, revenues from activities in Arts, Entertainment & Recreation still hadn't re-attained 2019 levels, even if total wages had.

It is also clear that with one exception, retail firms performed well in the first stage of the pandemic and continued to do so, with taxable retail sales above pre-pandemic levels in mid-year 2021. The one exception consisted of apparel, accessories and jewelry retailers who suffered steep sales declines in the second quarter of 2020. Note, however, that a year later, these retailers reported sales high than in the same quarter of 2019.

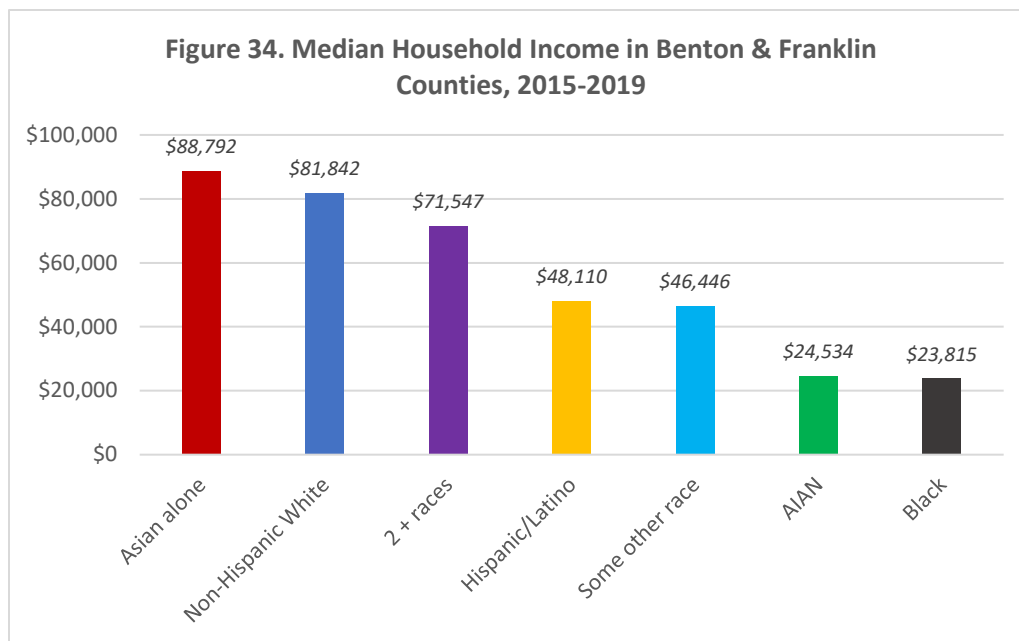
All in all, this sectoral look at the economy leads to the conclusion that by mid-year of 2021 nearly all sectors had recovered when the criterion is monetary, either total wages paid or taxable sales. Employment, however, was still below the appropriate quarterly levels of 2019 for several sectors.

4. Differential Impacts of the pandemic-induced downturn on racial & ethnic groups

All U.S. communities reveal a differential pattern of key socio-economic measures among racial and ethnic groups. Whether educational attainment, poverty or income, the measures display results that vary widely within a state, region or city. The greater Tri Cities is no exception.

Unfortunately, most of these measures are not available at a sub-annual level. As a consequence, they prevent an examination of the differential impacts of the pandemic on racial and ethnic groups, with two exceptions. One is a key measure of economic health, median household income, Median household income embraces first households not individuals. Households may have more than one wage earner, or more generally income recipient, in the family, allowing for some insights into the finances of the typical “unit of life”. Median is typically preferred over the mean, or average, in income measurement because the distribution of income does not resemble a bell curve, and in those circumstances, a median provides a better sense of the middle value.

The data below in Figure 29 come from the estimates of the American Community Survey from the U.S. Census. For a metro area of the size of the greater Tri Cities, five years are required to provide estimates where the margins of error are not impossibly large, since the population of some racial groups is quite small. As a consequence, these data reflect five years’ worth of surveying. As can readily

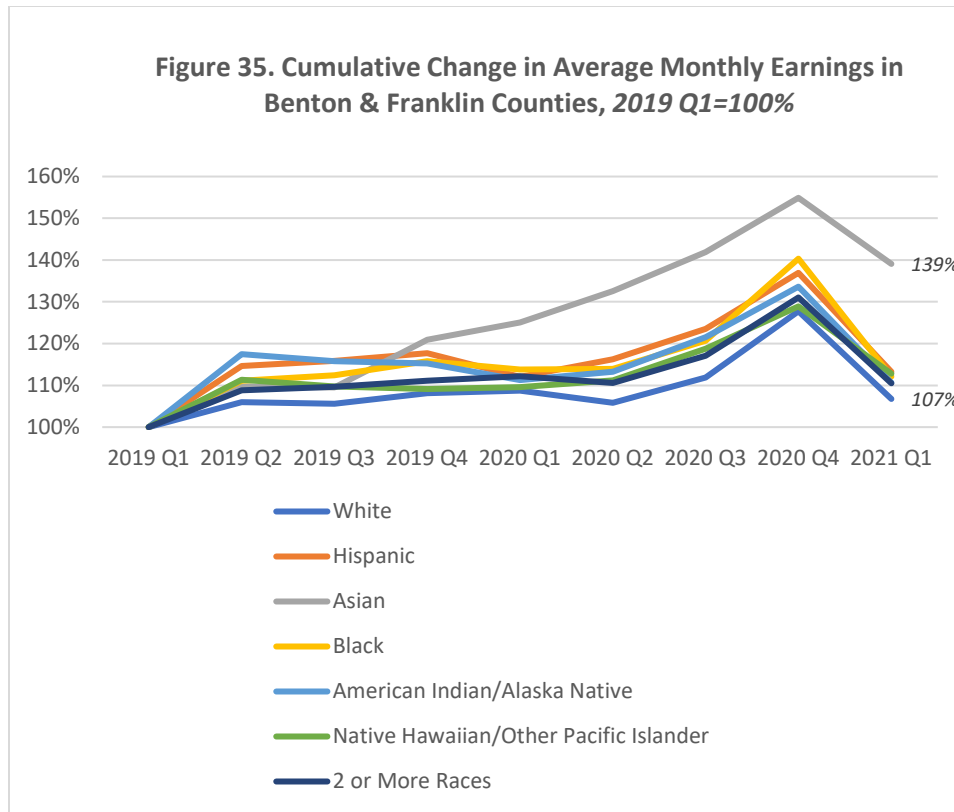


Source: [American Community Survey Table B19013a-i](#)

AIAN is American Indian, Alaska Native. Hawaii & Pacific Islanders were too few to allow an estimates

be seen, the spread of results is breathtakingly large. The difference in estimated annual income, for instance between Asian American and Black households is \$55,000! The overall median for 2015-2019 was \$67,310. Four of the racial or ethnic groups fall well below the median. In 2020, these groups made up 43% of the entire population, as seen in [Benton Franklin Trends](#). Even with the wide margins of error that might bring up the true median household income of the AIAN and Black populations, the upper bound of these estimates still remain far below the overall median.

The majority of household income comes from wages and salaries. These in turn, depend on the average wage as well as the number of people employed. Thanks to a U.S. Census product, the Quarterly Workforce Indicators (QWI), based on a novel data compilation project, the Longitudinal Employer-Household Dynamics, we know these. Figure 30 depicts QWI-reported monthly earnings by race and ethnicity in the two counties, with the results indexed to Q1 2019.



Source: U.S. Census Bureau, 2022. Quarterly Workforce Indicators [QWI](#).

As is quickly apparent, one group experienced substantial earnings increases over the 11 quarters: Asian Americans, at 39%. The dominant group in the work, non-Hispanic whites, actually registered the lowest earnings cumulative growth, at 7%. The remaining racial and ethnic groups showed cumulative earnings increasing in a narrow range of 11-13% over the period. By this measure, then, we can observe some differential response to the pandemic, largely by a small racial group, Asian-Americans

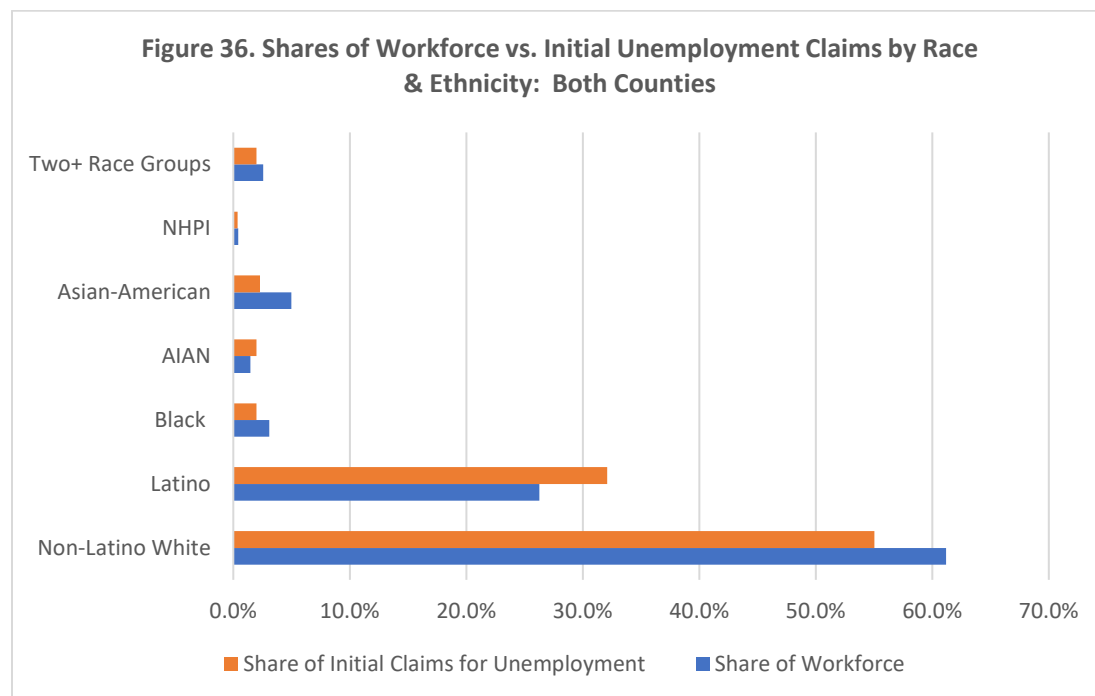
Another measure of the labor market is unemployment. Statistics by race and ethnicity at the metro level aren't available for unemployment. If, however, the national experience holds for the greater Tri Cities, then higher unemployment rates were likely experienced by Blacks and Latinos than for other groups. We have already seen in Section 3 that Agriculture, a sector employing large numbers of Latinos, still had not recovered its headcount by Q2 of 2021.

An approach to understand unemployment by race and ethnicity is to consider the *initial filings* for unemployment insurance. Since the start of the stay-at-home policies in March, 2020, Washington State Department of Employment Security has kept track of filings by race and ethnicity by county. A look at cumulative filings from that date through the end of 2021 shows, to no surprise, that the

majority of the filings, 55%, in the two counties came from non-Hispanic Whites. In second place were Hispanics/Latinos, at 32%. The rest of the racial and ethnic groups claimed only very small shares of the cumulative total of initial claims.

When however, the shares of claims are matched to workforce shares by racial & ethnic groups, we can draw some conclusion. They are displayed in Figure 31. It is immediately clear the relationship of initial claims to workforce shares is reversed between Latinos and non-Latino Whites. Latinos accounted for nearly a third (32%) of all initial claims over this period, yet their average share of the workforce was about 26%. Non-Latino Whites, on the other hand, accounted for slightly more than half (55%) of initial claims, yet had slightly over 60% of the greater Tri Cities workforce, on average. Asian Americans showed another mismatch, but it was much smaller. This group accounted for 5% of the local workforce but only 2.3% of initial claims. The matches of between claims and workforce shares for the three other groups were quite close.

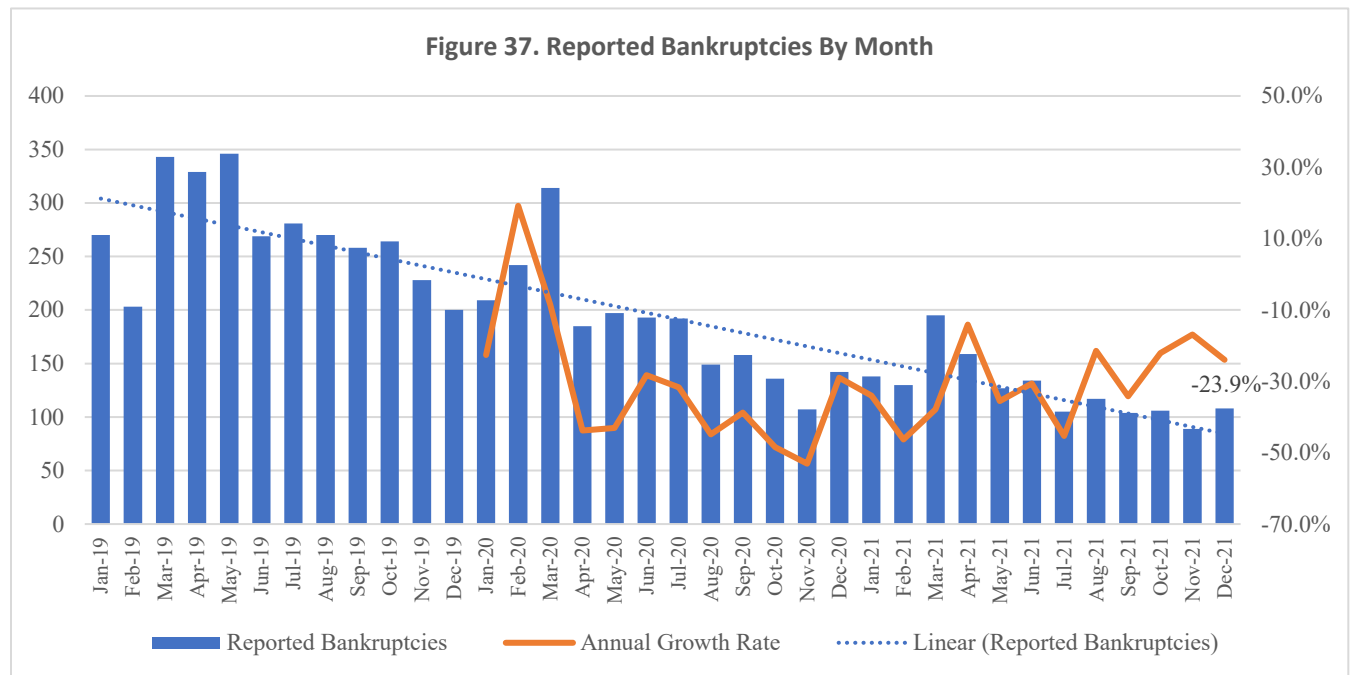
In sum, it certainly appears that Latino workers bore a greater burden of the pandemic than the workforce overall, as their claims were proportionally higher than average and their average wage increases were not large enough to offset the likely greater rate of unemployment.



Sources: Initial Claims for Unemployment: WA ESD, [Unemployment insurance claims & benefits data](#), March 10, 2020 -December 31, 2021

Share of the workforce by race & ethnicity: an average of the shares 2020Q1-2021Q2, U.S. Census Bureau, 2022. Quarterly Workforce Indicators [QWI](#).

5. Bankruptcies in Eastern Washington before and during the Pandemic



Source: [American Bankruptcy Institute](#)

Bankruptcy is a legal process through which people or other entities who cannot repay debts to creditors may seek relief from some or all of their debts. For this analysis, the number of reported bankruptcies in the Eastern District of Washington state every month for the years 2019, 2020 and 2021. Data on just Benton and Franklin Counties are not available. We have no reason to think that bankruptcy rates in the greater Tri Cities will be much different than those through eastern Washington. Do, then, bankruptcy data reflect an increase in reported bankruptcies?

According to the source, the [American Bankruptcy Institute](#), no. The trend since the start of the pandemic is actually a falling one. Reported bankruptcies in January 2019 were 270 versus 108 in December 2021. The overall negative linear trend over time is represented by the dashed linear line on the graph. There was a spike in reported bankruptcies when COVID-19 hit the country in March 2020 (314 reports). But since then, a substantial decrease.

Why might have bankruptcies subsided? Federal assistance certainly helped incomes. In March 2020, the CARES Act pumped money into the businesses around the U.S., relief checks sent directly to residents of the country, and extended unemployment benefits were handed out to many. All these factors shored up household finances, and as a result, economic stability.

6. What sectors hold the most vulnerable jobs in the immediate future?

It is clear that the most vulnerable jobs over the near-term will be those in customer-facing roles, or more generally service jobs. While the reach of the omicron variant is rapidly retrenching and masks are coming off, those that involve close physical presence with clients will likely not be as attractive as those with less exposure. It will take time for people to regain trust with one other, and we suspect that the time will be highly correlated with age. Visits to health care professionals for non-covid-19 matters will likely resume pre-covid-19 levels. More discretionary visits may not.

The examination of sectors in section 3 gives likely answers to the question of sectoral winners and losers. The trends observed through midyear 2021 are likely to continue. Perhaps the most vulnerable industry will be those firms offering **eating and drinking services**. Purchases of these goods and services is usually viewed as discretionary. Indeed, a recently issued [study](#) by the National Restaurant Association points to continuing challenges in the industry; according to the study, a full return to pre-covid-19 environment may not happen. While the report forecasts annual sales higher than 2019, staffing levels will remain below pre-pandemic levels, as the industry continues to face a diminished flow of workers into the field.

The other, and smaller, part of the Hospitality sector, **accommodations**, will also face continuing challenges in 2022. Assuming no further covid-19 escalations, leisure travel will likely return to 2019 levels. Nearly all analyses point to business travel continuing to be weak. Businesses have learned that virtual meetings work and certainly cost-effective. But pent-up demand for vacations may compensate for the downturn in business travel. As a consequence, revenue from rooms may be return to pre-pandemic levels but revenue from meetings, hotel food and beverage service and other services will not. The recent outlook [report](#) from the American Hotel and Lodging Association, “The Year of the ‘New’ Traveler,” states that full recovery by this industry might not occur before 2025.

As section 3 demonstrates, the hardest hit sector in the local economy by percentage terms was **Arts, Entertainment & Recreation**. As in leisure travel, this sector is likely to experience a strong bounce from pent-up demand, once case rates drop dramatically. But it is still likely that older patrons, often strong supporters of arts & culture, will not return in the same numbers, as they – for good reason – are fearful of the consequences of contracting covid-19. Recent experience in cinemas provides a good insight into the consequences of hesitancy by this age group.

The final sector in the two counties that will likely be susceptible to a slow comeback is **Agriculture**, at least agricultural employment. As section 3 showed, the employment recovery hadn’t occurred by mid-year 2021. This is likely a consequence of high infection rates among the sector’s workforce. But as is well-known, the agricultural workforce is rapidly aging (see a recent USDA [report](#)), due to a dramatic decrease in immigration and a hesitancy for the immigrants’ 2nd generation to follow their parents into the fields, orchards and vineyards. Technology can provide some labor-saving solutions, but it is likely that the lower numbers of employed will also reflect continuing labor supply constraints.

7. What will the recovery in the economy of the greater Tri Cities look like?

As noted in section 2, by the end of 2021 the recovery *in the aggregate* was already present in the labor market. Unemployment rates were lower than before the pandemic while employment levels were higher. With the exception of the second quarter of 2020, year-over-year quarterly taxable retail sales for the area economy hasn't skipped a beat.

The *sectoral* story is, of course, different and richer. Since section 9 focuses on vulnerable or lagging sectors and essentially argues that they will continue to lag. Developing a parallel argument for those sectors that have led and might continue to lead is a bit more challenging. It seems to us that growth, at least highest percentage growth, will take place in mid-sized sectors.

The obvious one, in light of recent announcements, is **Transportation & Warehousing**. Up until the present, this sector has been dominated by agriculture. The USDA's Economic Research Services is [forecasting](#) a modest increase for net farm income nationally in 2022. Gains are projected for wheat production, corn production and horticulture. Longer-term, agriculture in the greater Tri Cities economy is likely to remain strong. So should the ancillary activities of holding and moving product.

A game-changer for the Transportation and Warehousing sector is the development of two Amazon fulfillment centers in Pasco. As covered in the [Tri Cities Business Journal](#), the company plans on hiring about 1,500 workers. This should expand the sector head count to over 4,200, or by 55%. The openings should bump Transportation & Warehousing into the top 10 sectors by employee count.

A second sector that stands to gain is **Manufacturing**. In the greater Tri Cities, this sector is dominated by food processing. Recent announcements point to this dominance increasing further. As the [Tri Cities Business Journal](#) noted, Darigold has plans to build a milk drying plant in Pasco that will employ 200 workers. Further, Resers is planning a second processing plant in Pasco that will likely employ dozens. Beyond these new projects, growth of the sector in the near-term will depend on the ability of Lamb Weston and Tyson Foods, the two companies that dominate local manufacturing employment, to expand markets. The past year was trying for agribusiness due to supply chain challenges. As those are solved, the two companies may acquire a few dozen more jobs over the coming year or two. Currently, they employ over 4,300 combined.

Currently, manufacturing is the 8th largest sector in the local economy, largely supported by food processing. While the announced additions will not likely bump up the sector on the list, its growth is notable for a sector that, nationally, is not adding many jobs.

A third sector that will undoubtedly continue to grow is **Healthcare**. Among the metro area's five largest sectors by headcount, it has grown the fastest, by total numbers, over the past 15 years. This largely reflects a rapidly growing population. But it also likely owes some of its expansion to an aging population in the greater Tri Cities. As Benton Franklin Trends indicator ["Population by Age Groups"](#) demonstrates, the share of the population taken by the 65 and over age group is now 14.5%. A decade ago, it was 10.5%. Health care utilization is highly correlated with age.

Absent from this quick survey of sectors that are likely to expand are Waste Management as well as Professional & Technical Services. The former, one of the five largest by headcount, will depend entirely on federal funding. The second, dominated by Pacific Northwest National Laboratory (PNNL), also depends on federal funds. The study team is not in a position to know what additional contracts may be available to the firms active in the Hanford remediation nor PNNL.

The most recent (2017) forecast from the Washington Office of Financial Management estimated the population increase between 2021 and 2030 at about 48,000. This increase represents, in percentage terms, the fastest-growing metro area in the state. It is our strong sense that rate of population increase will bring some expansion to all sectors

Another way to view the recovery is by *occupation*. Washington State Employment Security Department (ESD) regularly issues compilations of open jobs by various criteria – by the top 25 employers, skills demanded, certificates required and occupations. The summaries are taken from dozens of job posting websites by the researchers at the Conference Board. The summaries offer a window in the local labor market and, by extension, into the Benton Franklin economy. Within the span of a year or two, these lists do not change much. As a consequence, we can apply their current insights into those of the immediate future.

Table 2. Job Openings by Occupation in Benton & Franklin Counties, August, 2021			
Occupation	No.	Degree Requirements	Average Annual Salary
Registered nurses	162	Bachelors	\$76,616
Heavy & Tractor-trailer truck drivers	123	Certified DL	\$46,284
Retail salespersons	110	None	\$32,167
Laborers & freight, stock & material movers - hand	90	None	\$30,836
Maintenance & repair workers, general	89	None	\$43,463
First-line supervisors of retail sales workers	81	None	\$49,606
Customer service representatives	79	None	\$36,055
Managers, all other	78	Various	\$144,240
Sales reps, wholesale & manufacturing, except technical & scientific	71	None	\$65,420
Combined food preparation & serving workers, including fast food	49	None	\$24,627
Janitors & cleaners, except maids & housekeeping cleaners	48	None	\$34,198
Medical & health service managers	48	BS/MS	\$106,248
Nursing assistants	47	Certificate	\$28,935
Stock clerks & order filers	46	None	\$32,092
Secretaries & administrative assistants, except legal, medical & executive	42	None	\$42,341
First-line supervisors of food preparation & serving workers	39	None	\$33,976
Computer occupations, all other	39	Bachelors	\$91,327
Merchandise displayers & window trimmers	36	None	\$32,069
Licensed practical & licensed vocational nurses	34	Community C	\$52,244
Software developers, applications	33	Bachelors	\$96,821
Cooks, restaurants	31	None	\$28,143
Medical & clinical laboratory technicians	30	Community C	n/a
Food service managers	39	None	n/a
Cashiers	27	None	\$25,724
Nurse practitioners	27	Masters	\$111,293

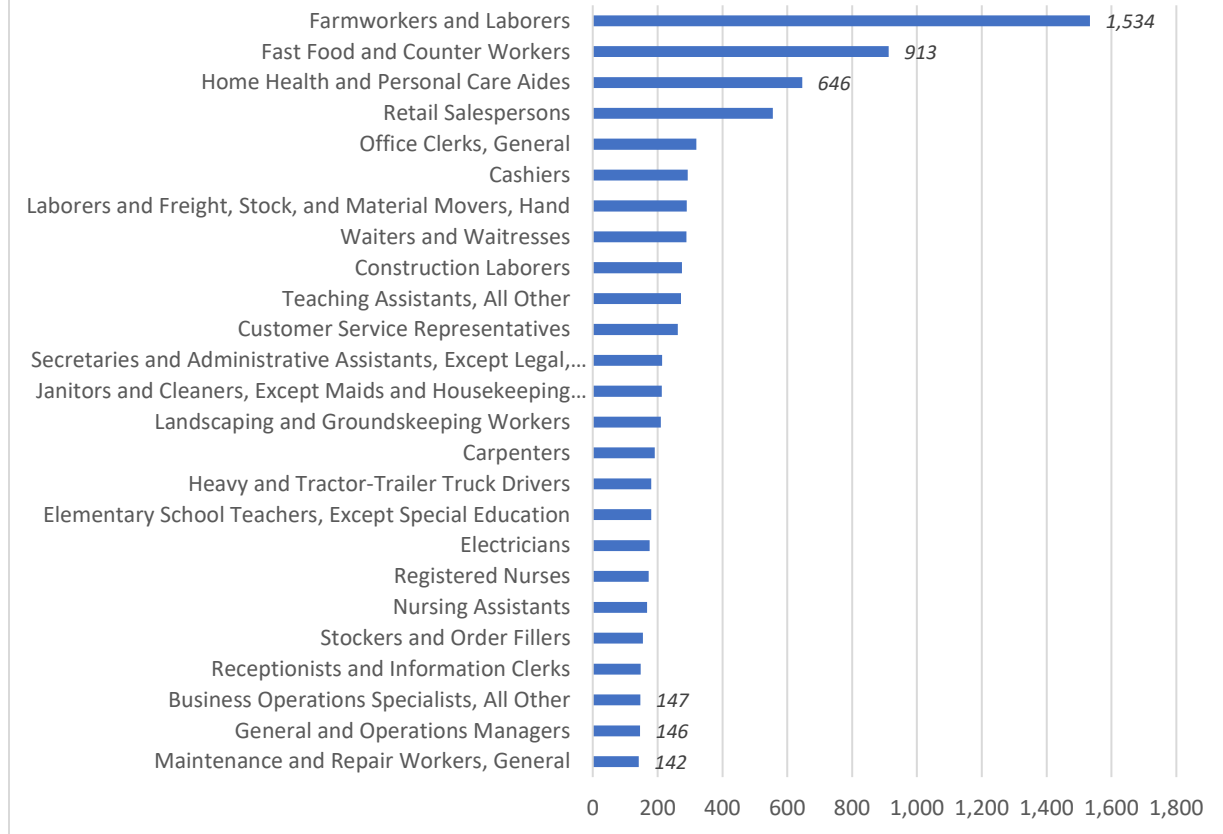
Source: Washington State Employment Security Department, [Employer Demand](#)

Table 2 summarizes the openings by specific occupation as of August, 2021. Besides the number of open positions, degree requirements and the average annual salary are provided. A scan of the table quickly reveals the majority of the openings do not require any post-secondary training. For this snapshot, the percentage is 59%. Degree or training requirements for the remainder ranged from the need for a certified drivers licenses (truck drivers) to some community college to a Master's degree (nurse practitioner). Furthermore, about 30% of the open positions were for occupations where the average annual salary was over the 2020 average in the two counties, about \$58,000. Once Amazon and the food processing companies come start production, this top 25 list will likely include logistics, warehouse and manufacturing occupations.

ESD also issues [projections](#) annually, both short term and longer term. Figure 33 below depicts the projections as of July, 2021 for occupations, using the more conservative of the two approaches. (These do not account for "churn" within an occupation; rather, they count only those anticipated openings due to industry growth, retirements or exits from one occupation to another.) We have used the longer-term projection, 2024-2029. Another is available, 2019-2024, but a good part of this interval has not passed.

This projection corroborates to a large degree the openings listed in Table 2. It does tilt, however, away from occupations that require some post-secondary certificates or degrees. In fact, only about 6% of the projected top 25 occupations demand a Bachelor's degree. And unlike the "Jobs in Demand" listing, it covers agricultural jobs. It is clear that the most important occupation to fill in the over the rest of the decade will be in agriculture. The next five are in customer-facing activities

Figure 38. Average annual projected openings, 2024-2029 in Benton & Franklin Counties



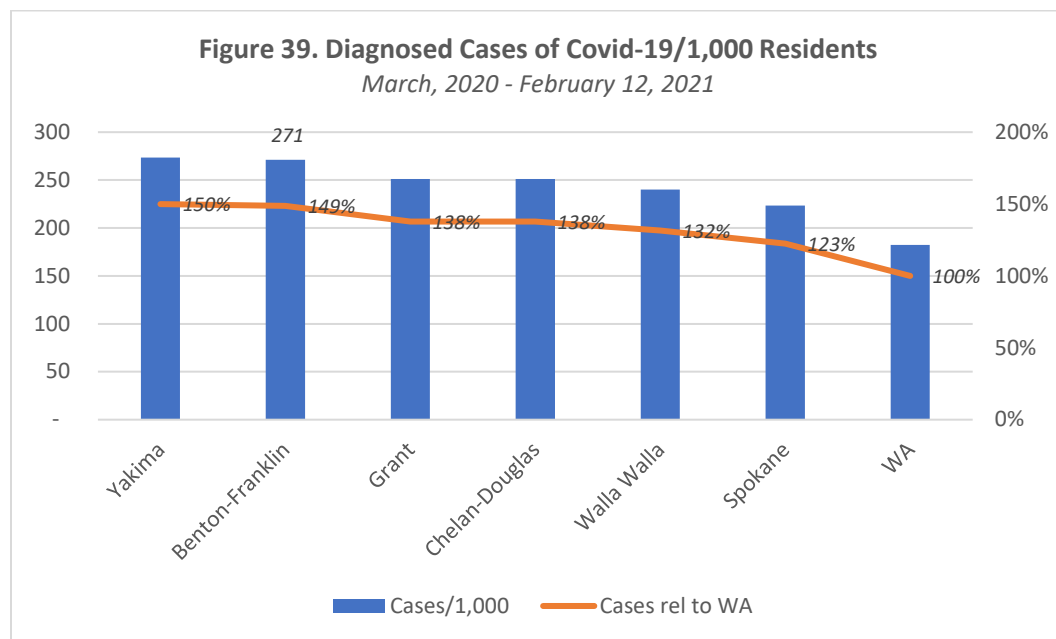
Source: Washington State Employment Security Department, [Projections](#)

It remains, of course, to be seen how accurate these projections will be. Labor economists and think tanks are wrestling with the future look of work. (See this recent [report](#) from the Brookings Institute, or this international [analysis](#) by McKinsey.) It is beyond the scope our report to attempt to evaluate projections of future work in the Tri Cities. Changes wrought by the pandemic to the labor force, both here and nationally, are still very much in flux. In the end, it is important to recognize that in the near future, at least, the make-up of the workforce will not change dramatically, if only because economies change slowly.

8. What strategies will help the local economy recovery most quickly?

By most measures, the local economy has recovered, as has been noted. The most obvious solution to a fuller economic recovery is to restore the ability of Tri Citians to engage with one other. At a fundamental level, economic activities are based on trust among the various parties. Achieving a high level of trust depends on the assumption that one will not catch covid-19 by interacting in person with others. As the case rate goes, so goes the economy, obviously in opposite ways. Consequently, it is the study team's opinion that lower case rates and lower death rates will encourage pro-social, economic behavior.

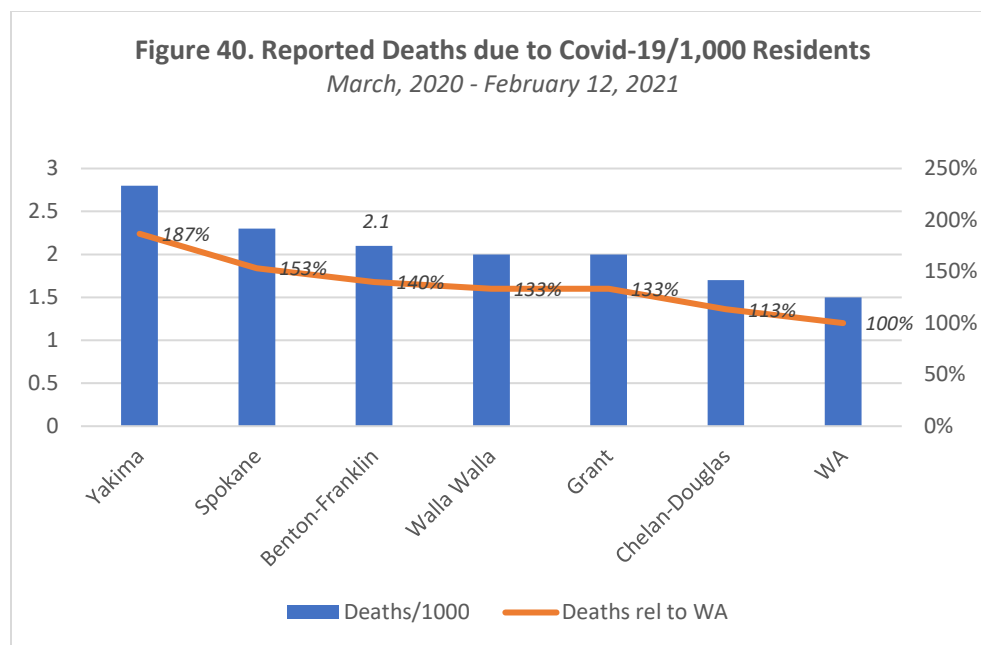
Compared to the state and to most metro areas in Eastern Washington, the Tri Cities have not been leaders in these metrics. Figure 34, which summarizes the data from the outset of the pandemic to mid-February, shows the number of cases at 271 per 1,000 residents; in other words, about 27% of



Source: Washington State Department of Health, [Covid-19 Data Dashboard](#)

local residents have contracted covid-19. (The total is nearly 83,000 by mid-February.) This rate places the two counties, along with Yakima, as the most affected metro area in Eastern Washington. In addition, the rate is about 50% higher than the state average. This is seen from the line in Figure 34 which lists the percentage by which the various counties stand relative to the state (= 100%).

Contracting covid is an event from which most recover, even if the “long covid” cases are becoming more prominent. To die from covid is a different matter. The greater Tri Cities has not fared well by this metric either. Figure 35 tracks the death rate from covid-19 over the same time period. In this case, the two counties place 3rd highest among eastern Washington metro areas, behind Yakima and Spokane, with a rate of 2.3 per 1,000 residents. (Total deaths have been nearly 640.) This experience



Source: Washington State Department of Health, [Covid-19 Data Dashboard](#)

places the greater Tri Cities 40% higher than the overall death rate in the state. As in Figure 35, the line portrays the percentage difference to the state (WA = 100%)

The obvious way to avoid cases and deaths is to receive a vaccination. It should not be surprising then, that the rate of residents who are fully vaccinated in Benton and Franklin Counties is relatively low. As of mid-February, it was 55% in Benton County and 50% in Franklin County. When combined, this yields a fully vaccinated rate that is the *lowest* of all metro areas in eastern Washington, along with Grant County. No metro area in eastern Washington approaches the state fully vaccinated rate of 66%. Higher vaccination rates and lower death rates will lead to greater trust to engage with each, which leads to more economic transactions.

In general, the specter of serious illness has weighed on both the availability of workers and the demand for certain services. Nowhere is this more apparent in those customer-facing industries that have suffered the greatest losses, in Hospitality, Arts, Entertainment and Recreation.

Beyond public health initiatives, there are three further suggestions for more robust economic recovery. These address impediment to the expansion of labor supply. Two are directly workforce related; the third touches on housing. Of the two workforce challenges, one is short-term, the other longer-term.

As a nation, we face the curious dilemma of simultaneously experiencing millions of jobs openings with millions of people not working. Some are in the workforce and unemployed; others have left the workforce. How does this look for the greater Tri Cities? Section 7 and Table 2 summarized those occupations with the greatest current unfilled demand. Undoubtedly, some of the numbers reflect “friction” in the labor market, that is, openings that take place as jobs are posted and people find them. Yet, consistent with the longer-term outlook expressed in Figure 38, many of these occupations show consistently high demand.

Will the U.S., and by extension the local economy, enjoy an adequate number of job seekers? For some occupations, the answer is at best, a maybe. Economists point to, in particular, the hospitality

industry. Another one specific to the mid-Columbia region is agriculture. Yet another area lies in low-paid personal services.

Over time, automation may help alleviate anticipated lower levels of workers willing to go into these industries. In the short run, however, a market-driven response is to raise wages. In fact, that appears to be happening. For example, in Q2 of 2021 the average weekly wage in Benton County's Hospitality sector was \$477; in pre-pandemic 2019, the average was \$402. That's a 19% increase over an approximate two-year period, more than double that 8% increase for all of Benton County's workers over the same period. The weekly wage increase in "Other Services" between mid-2019 and mid-2021 was even more pronounced, at 26%.

Whether these wages increases are adequate to draw out, or bring back, a desired number of workers remains an open question. Those on the sidelines are usually seen as older workers whose response to the pandemic was to retire, or parents, usually women, of young children. Certainly, the greater Tri Cities has experienced a sharp fall in the labor force participation rate. Benton Franklin Trends [indicator](#) shows the rate falling to nearly 61% in 2020 from 66% in 2019. The study team will not be able to calculate the 2021 rate for a few months.

The monthly survey data, however, cited in section 2 reveal a large rebound in the workforce (employed or looking for work) in the greater Tri Cities. But since the two counties continue to gain population at rates among the highest in the state, it is unclear whether this rise in the local labor force will be adequate.

Even if the aggregate numbers were adequate, a nagging question remains of matching skills with openings. There might not be much of a learning curve for many of those job postings listed in Table 2. For others, however, some certification is required. Consequently, a short-term solution, beyond raising wages, lies in facilitating training for certain occupations. This holds for truck drivers, nursing assistants and sales representatives. The Workforce Development Council of Benton and Franklin Counties is likely aware of these needs and working toward some solutions with Columbia Basin College likely involved as well.

A longer-term strategy is to promote the expansion of training of those high-demand occupations that require at least an associate's degree. Nursing and computer science fields are at the top of this list. Of course, this list is not unique to the greater Tri Cities; the entire state is facing a demand-supply imbalance for these professions. The expansion of educational pathways is not a typical economic development activity but increasingly it should be.

A final area strategy area that the greater Tri Cities community must consider is housing, especially lower- to middle income market housing. If the area is to be successful in attracting and retaining a top-notch workforce, an arrest of the decreasing affordability of housing must occur. As Benton Franklin Trends affordability [indicator](#) shows, housing in the two counties has, on average, been more affordable than throughout the state. That advantage, however, is eroding. The most recent index reading, for Q3 of 2021, was 121. Four years prior, it was 141.

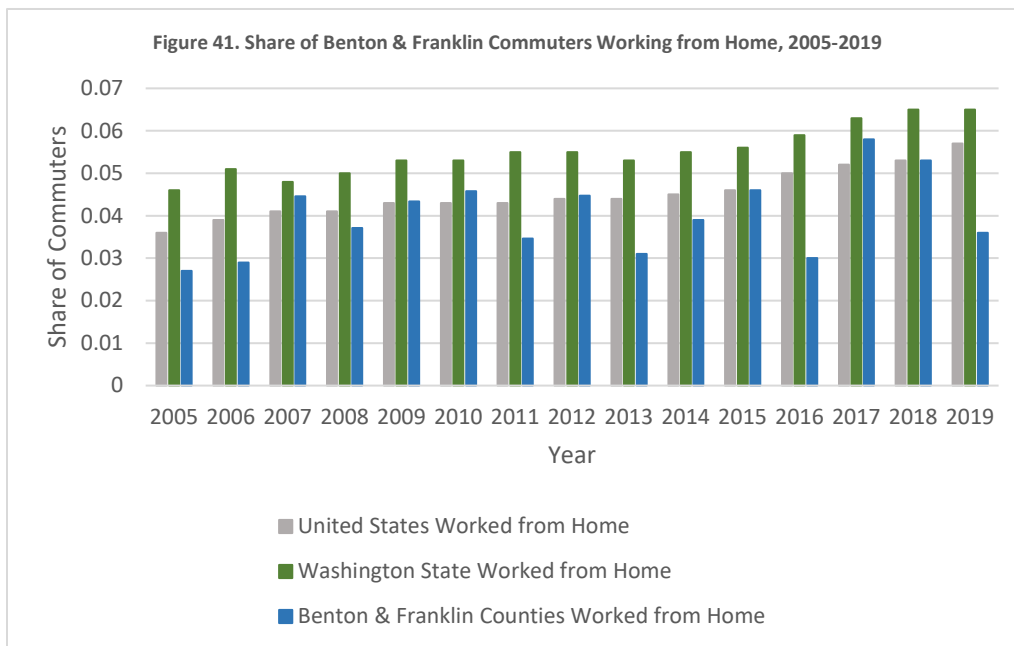
The affordability decline of housing is captured on another Trends indicator: median resale price for existing homes. As of the third quarter of last year, it was nearly \$400,000 (\$393,000). Four years prior, it was about \$245,000. That is a percentage rise of 60%. Household incomes have hardly risen at a comparable rate.

Providing a less inflationary housing market lies largely on the supply side. Influencing some inputs to supply, such as raw materials, are clearly beyond scope of local intervention. Others, however, may not be. That includes zoning changes that permit greater density of housing units, including multi-family.

9. How significant is the “work from home” trend and how will it affect the local economy?

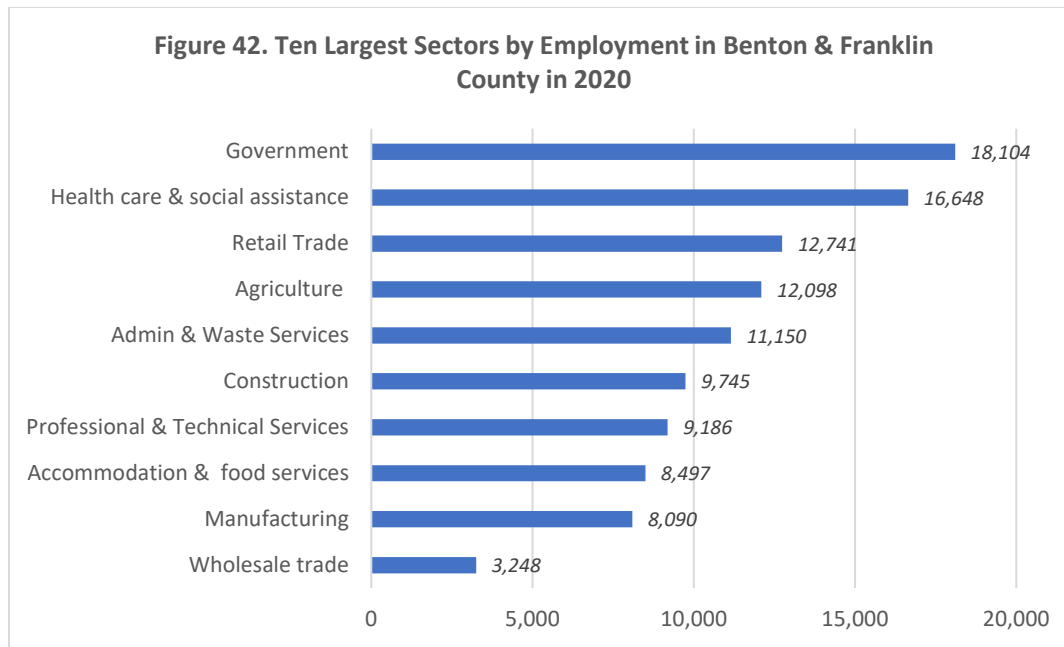
Unlike larger urban areas, Benton and Franklin Counties have not embraced, perhaps until now, working from home. The American Community Survey (ACS) tracks various types of alternative means of “getting to work,”; working from home is one. Others are public transit, carpooling, biking or walking. In the greater Tri Cities, the most popular alternative commute mode has still been car-driven: carpooling. The second largest has been working from home. As a Benton Franklins Trend [indicator](#) lays out, this has been true of both Washington state overall and the U.S.

A version of the Trends indicator is reproduced below, showing only the working from home share of “commuters.” The most recent data are from 2019, as the ACS did not publish 2020 results due to a much lower response rate than normal. As is easily seen, the share of commuters in the greater Tri Cities working from home has been less than the shares for Washington and U.S. commuters.



Source: [Benton Franklin Trends](#)

This result undoubtedly follows from the nature of the economy in the greater Tri Cities. With the exception of the sector Professional & Technical Services, the top 10 sectors are composed of firms where a physical presence is usually necessary to conduct one’s work. A depiction of these sectors in 2020 by headcount is given below, based on data presented in a Benton Franklin Trends [indicator](#). The sectors made up 90% of the workforce in the two counties in 2020. Of the ten, in Figure 37, several



Source: Washington State Employment Security Department, ["Quarterly Census of Employment & Wages"](#)

are composed of jobs that unambiguously require a physical presence. These are Healthcare & Social Assistance, Retail Trade, Agriculture, Administrative & Waste services, Construction, Accommodations & Food services, Manufacturing and Wholesale Trade. In total, these sectors constituted about two thirds of the workforce in 2020.

Of the remaining two, perhaps Professional & Technical Services exhibits the highest potential from working from home. Broadly speaking, these are jobs that have traditionally been conducted in an office setting, such as accounting, architectural, engineering, consulting and law firms. One of the early takeaways from the pandemic is that the tasks in this sector are often mobile enough to permit work-from-home arrangements. The greater Tri Cities, however, holds one organization that makes up the bulk of this sector, Pacific Northwest National Laboratory (PNNL). Consequently, the degree to which Professional & Technical Services contributes to a new work-from-home paradigm will largely depend on PNNL's policies.

The other large sector where work-from-home might take hold is Government. As the largest employing sector in the regional economy, Government encompasses federal, state, and local agencies. Local government makes up the lion's share, at 78% in pre-pandemic Q1 of 2020. Yet, school districts constitute the largest component of local government, and while instruction has gone online involuntarily, it is doubtful that distance K-12 education will continue in force that once the pandemic restrictions have been fully lifted. Perhaps municipal, state and federal government policies will allow work-from-home arrangements, at least in a hybrid form. Yet, it is difficult to imagine that the majority of state and local governmental staff are in positions that allow them to discharge their duties remotely.

Consequently, it is our view that when the ACS estimates are next reported (September, 2022), work-for-home as a share of "commuters" will certainly surge from the 3.6% estimated in 2019. But we do not expect to see the portion in the greater Tri Cities much beyond 10%.

10. What has been the impact of COVID-19 on local government revenues?

The impact of COVID-19 on local government revenues can be measured using a few different means. Firstly, we can compare the 2019 actual revenues to the 2020 actual revenues, analyzing if there was a consistent revenue decrease across the local governments in response to the pandemic. A few of the local governments we tracked did not have actual revenues reported for 2020 from a published annual financial report, therefore we decided to consistently track the actual revenues from the [Financial Intelligence Tool](#) from the Office of the Washington State Auditor.

General revenue is the best way to measure a local government's fiscal health, since it is the general revenue that is the funding that is available for the government's expenditures. With this said, we accessed the FIT website to compile the 2019 and 2020 actual revenues for Benton and Franklin Counties, and the cities of Kennewick, Pasco and Richland. Our general finding was an increase in revenues from 2019 to 2020 for Benton County, Franklin County, and the city of Kennewick. The cities of Richland and Pasco, however, registered a decrease in actual revenues.

Local government revenues are made up from two *primary* sources: property tax and sales tax. There are other taxes involved in local government revenues, but since property and sales taxes are the main sources of the revenues, we want to analyze the tax trends in each county and city to understand the reason why there was either an increase or decrease in revenues.

Table 3. 2019-2020 Actual Revenues		
Financial Intelligence Tool		
Benton County		
Year	Revenues	AGR
2019	117,320,039	
2020	136,376,530	16.24%
Financial Intelligence Tool		
Franklin County		
Year	Revenues	AGR
2019	47,861,511	
2020	53,804,572	12.42%
Financial Intelligence Tool		
City of Kennewick		
Year	Revenues	AGR
2019	76,642,491	
2020	80,411,506	4.92%
Financial Intelligence Tool		
City of Richland		
Year	Revenues	AGR
2019	104,435,849	
2020	91,833,153	-12.07%
Financial Intelligence Tool		

City of Pasco		
Year	Revenues	AGR
2019	87,210,477	
2020	86,966,015	-0.28%

Sources: [Financial Intelligence Tool](#)

As far as property tax goes, our Benton Franklin Trends reveals that both Benton County and Franklin County had [property tax rolls that increased](#) in 2020, both from one-year previous in 2019 and two-years previous in 2018. The Trends site also tracks taxable retail sales for both counties and the three cities of Kennewick, Pasco, and Richland. Again, [our annual taxable retail sales data](#) shows that there was also an increase in taxable retail sales for both counties and every city, except for Richland, which had an annual growth rate of -2.8% from 2019 (We also track [quarterly taxable retail sales](#), which breaks down the data even more thoroughly). This provides reconciliation for the increase in revenues in Benton County, Franklin County, and Kennewick, because both property and sales taxes increased during the pandemic.

This still leaves us with the question of why two cities experienced a decrease in revenues in 2020. The City Manager from Richland explained that the revenue decrease between 2019 and 2020 was not solely pandemic related, but to a major transaction that took place in 2019. This would explain why Richland had such a greater decrease in revenues than other local governments (along with the negative sales taxes for Richland). Pasco also reported a revenue decrease, but its decrease was less severe (-0.28% annual growth rate). We can also try and line up the FIT website's data to the City of Pasco's [2020 Annual Financial Report](#) (page 31), which shows that there actually *was* an increase in general government revenues from 2019 to 2020 (It is normal to have different numbers reported, because there are differences in how the FIT website and CAFR's report their revenues). Therefore, considering that the decrease on the FIT website was so minor, and the 2020 Pasco CAFR actually showed an increase in revenues, we can assume that the pandemic affected Pasco's revenues very little, if at all.

The second way we can analyze how COVID-19 has impacted local government revenues is by comparing the 2019-2020 budgeted revenues with the 2021-2022 budgeted revenues. This comparison allows us to see, in response to the pandemic, if there were consistent budget cuts across the local governments. If there are similar decreases in budgeted revenue, we know that most local governments suffered a decrease in actual revenues during the pandemic; thus, they needed to decrease the budgeted revenues moving forward.

The data, however, shows differently than many would expect. We can see that, with exception to the city of Kennewick, all the 2021 and 2022 budgeted revenues increased from their previous 2019 and 2020 budgets. Not only did the budgets increase, but they increased by a fairly large amount. Apparently, even with the pandemic, these local governments (collectively) continued to increase in revenues, so their budgets reflected this continued growth.

Table 4. 2019-2020 Budgeted Revenues	
Annual Financial Report	
Benton County (Biennial)	
Year	Revenues
2019	64,813,838
2020	64,813,838
Annual Financial Report	
Franklin County	
Year	Revenues
2019	31,063,000
2020	33,130,000
Annual Financial Report	
City of Kennewick (Biennial)	
Year	Revenues
2019	57,302,500
2020	57,302,500
Annual Financial Report	
City of Richland	
Year	Revenues
2019	56,247,605
2020	57,048,746
Annual Financial Report	
City of Pasco (Biennial)	
Year	Revenues
2019	51,017,368
2020	51,017,368

Table 5. 2021-2022 Budgeted Revenues		
Annual Financial Report		
Benton County (Biennial)		
Year	Planned Revenue	Change (from 2020)
2021	71,143,966	
2022	71,143,966	9.77%
Annual Financial Report		
Franklin County		
Year	Planned Revenue	Change (from 2020)
2021	40,830,000	23.24%
2022	40,355,320	21.81%
Annual Financial Report		
City of Kennewick (Biennial)		
Year	Planned Revenue	Change (from 2020)
2021	56,352,500	
2022	56,352,500	-1.66%
Annual Financial Report		
City of Richland		
Year	Planned Revenue	Change (from 2020)
2021	58,416,093	2.40%
2022	66,976,518	17.40%
Annual Financial Report		
City of Pasco (Biennial)		
Year	Planned Revenue	Change (from 2020)
2021	55,694,013	
2022	55,694,013	9.17%

Sources: [Benton County CAFR, pg. 129](#); [Franklin County Budget Book, pg. 43](#); [Franklin County Preliminary Budget Book, pg. 3](#); [City of Kennewick, pg. 2](#); [City of Richland 2021 Budget Summary](#); [City of Richland 2022 Budget Summary](#); [City of Pasco Adopted 2021/22 Biennial Budget, pg. 46](#)

The majority of the actual revenues tracked had an increase from 2019 to 2020, with the exception of Richland and Pasco. Richland was the city with the hardest hit particularly because they were the only city with a decrease in sales taxes, and they had a major transaction in 2019 which gave them extra revenues. Pasco's property taxes and sales taxes increased during the pandemic, so their revenues decreased very little, if they decreased at all.

Revenues increased for both Benton and Franklin Counties, proving that the Tri-Cities community as a whole continued spending money even through the pandemic. All local government revenue budgets, apart from Kennewick, planned increases for the upcoming years, and Kennewick's finance director stated that his city's budget decrease was much less drastic than they had earlier anticipated. The pandemic affected many different aspects of life, but in terms of local government revenues, it is clear that revenues continued to grow and did not affect as severely as expected.

11. Estimating housing demand in the greater Tri Cities

An adequate supply of housing is essential to fostering economic development in a community. Households across all income levels want to utilize housing in close proximity to their jobs, schools, shopping and other economic and social activities. Therefore, it is important for policy makers to regularly assess whether the community is meeting the housing needs of its residents in the present as well as being prepared for future growth. In this portion of the study, we will use existing data to provide forecasts for housing demand for both single family and multi-family units.

When economists estimate demand functions, they typically the quantity demanded of a certain good or service, in this case housing, is a function of price, income, number of consumers, and prices of related goods (substitutes or complements). Initially, in this study, housing demand was estimated using the following variables: price, affordability (as measured by the Housing Affordability Index – HHI), household size, population, housing costs, rent, interest rates and taxes. Using annual data from the US Census Bureau’s American Community Survey (ACS) over a ten-year period from 2010 to 2019, regression analysis is conducted to use the variation in the independent variables to explain the variation in the dependent variables. After model specification, predicted values of the dependent value (housing units) were forecasted for the next ten years from 2020 through 2030 under alternate specifications of the independent variables. This is a time series study using the median values of some variables. Separate regressions will be conducted for houses with a mortgage and rental units.

Population is a driving factor in housing demand.

Ultimately, after many reiterations and specifications of the econometric model, it was not surprisingly determined that population is the major factor influencing changes in demand for housing. This is wholly consistent with other previous econometric findings around the US as well as internationally.

The relationship between population and housing is two-sided. On the one hand, population change leads to a changing demand for housing. Population growth, and particularly the growth in the number of households, leads to a growth in housing demand. Population decline might, in the long run, lead to a decrease in housing demand. But at the same time, the supply of housing influences the opportunities for population increase through immigration and the opportunities for people to form new households. Adequate housing supply might attract immigrants or influence their choice of residential location. Housing supply may also play a decisive part in leaving the parental home and the formation of married and unmarried unions. It is even possible that the supply of housing plays a part in the timing of fertility or the number of children people have. The link from population to housing seems obvious. People live in households and households need housing. In the long run, the supply of housing will follow the demand and the number of dwellings in an area will approximately reflect the number of households, at least if a population is not too poor to afford the cheapest housing. But the market for housing differs from the market for other commodities (Bourne 1981). The production of housing is slow and subject to many laws and regulations. Once built, housing has a life of several decades. And housing is so expensive that hardly any household can just draw out the cheque book and buy a home immediately. So, there are not just producers and consumers on the market for housing; there is also a prominent role for landlords, developers, and financial institutions.

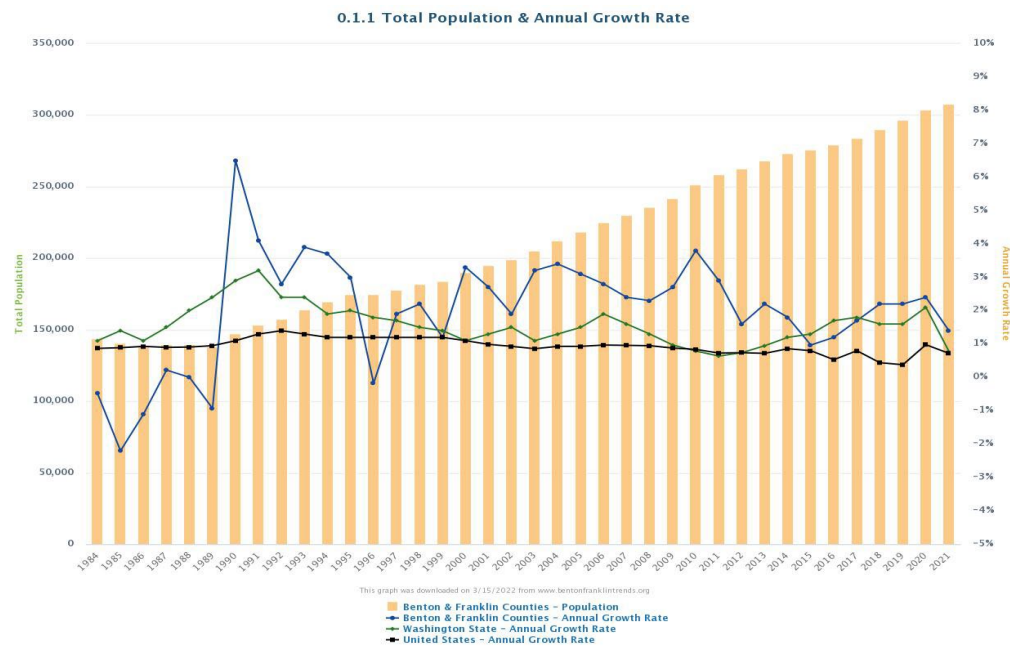
12. Population Trends in the Tri-Cities

12.a What has been happening with population growth recently?

Because population is the driving factor, it is important to understand recent trends in population in the region. The data presented in Benton Franklin Trends (BFT), using data from US Census American Community Survey (ACS) provides a rich set of over three decades of population estimates. In Figure XX, historically, the annual growth rate for the combined counties was more volatile than the state and national averages but appears to have stabilized over the past ten years.

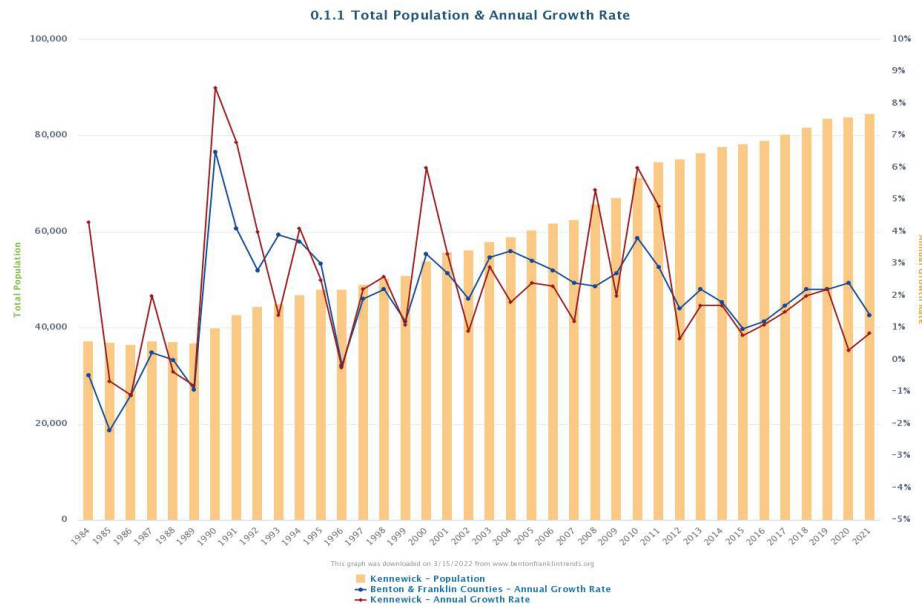
In 2021, the annual growth rate for the combined counties was 1.4%, exceeding both the state (0.78%) and national (0.72%) averages. Some of the drop off in population from 2020 to 2021 could be attributed to the pandemic.

Figure 43. Total Population & Annual Growth Rate, Tri-Cities



Source: [Benton Franklin Trends](#)

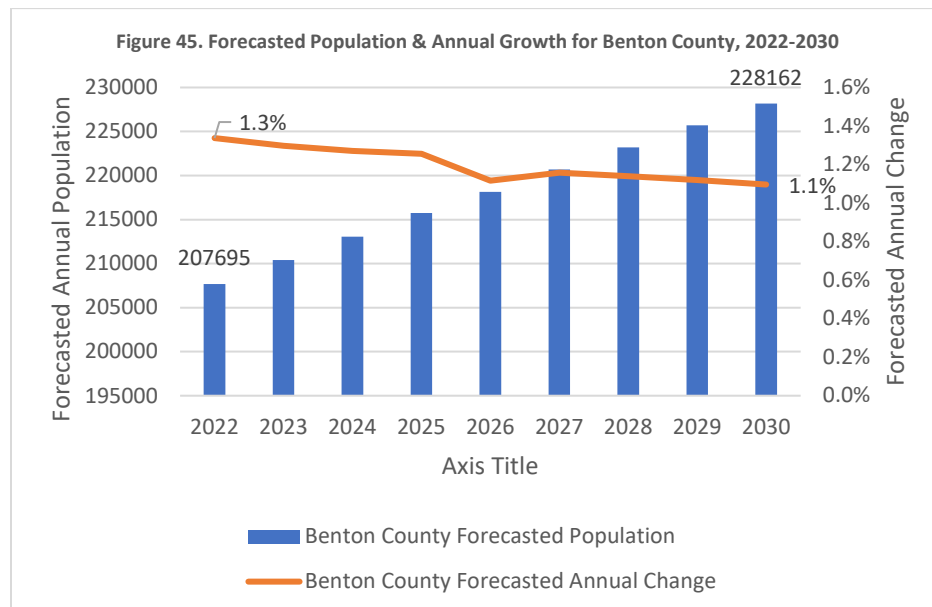
Looking at the population and annual growth for just the City of Kennewick using our Benton Franklin Trends indicator 0.1.1, in 2021, the City of Kennewick had a population growth rate of 0.83% -- on par with the state and national average but below that of the larger area covered by the combined counties.

Figure 44. Total Population & Annual Growth Rate, Kennewick, WA

Source: [Benton Franklin Trends](#)

12.b What kind of population should be expected in the near future?

Forecasts of population provided are provided by the Washington State Office of Financial Management (OFM). From 2022 to 2030, it is predicted that *Benton County* will grow by 20,467 more people. The rate of expected population growth is relatively flat, showing only a slight tapering off from 1.3% to 1.1% over the time period. This matches the state average. In contrast, *Franklin County* is predicted to grow at a faster clip initially but slows down also from 2.7% in 2022 to 2.3% in 2030.

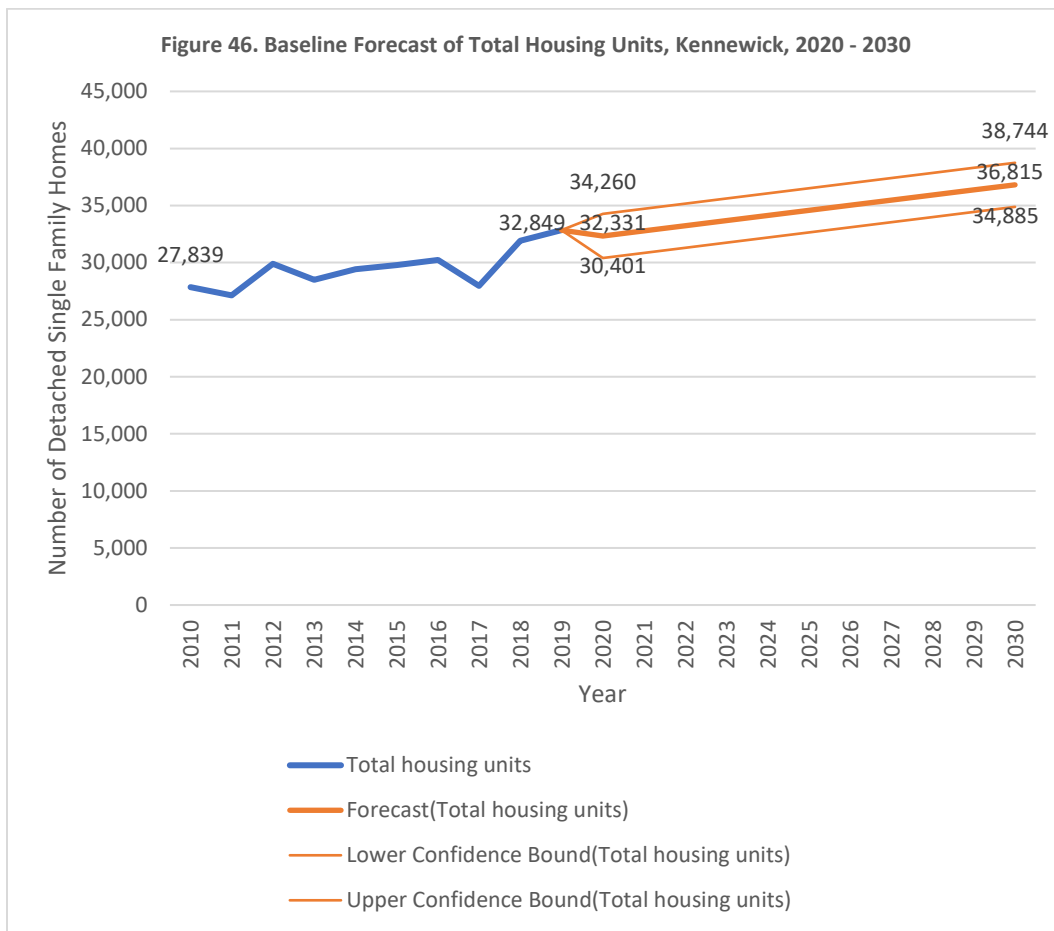


Source: *Washington State Office of Financial Management (OFM)*

13. What does existing housing stock look like in the Tri-Cities?

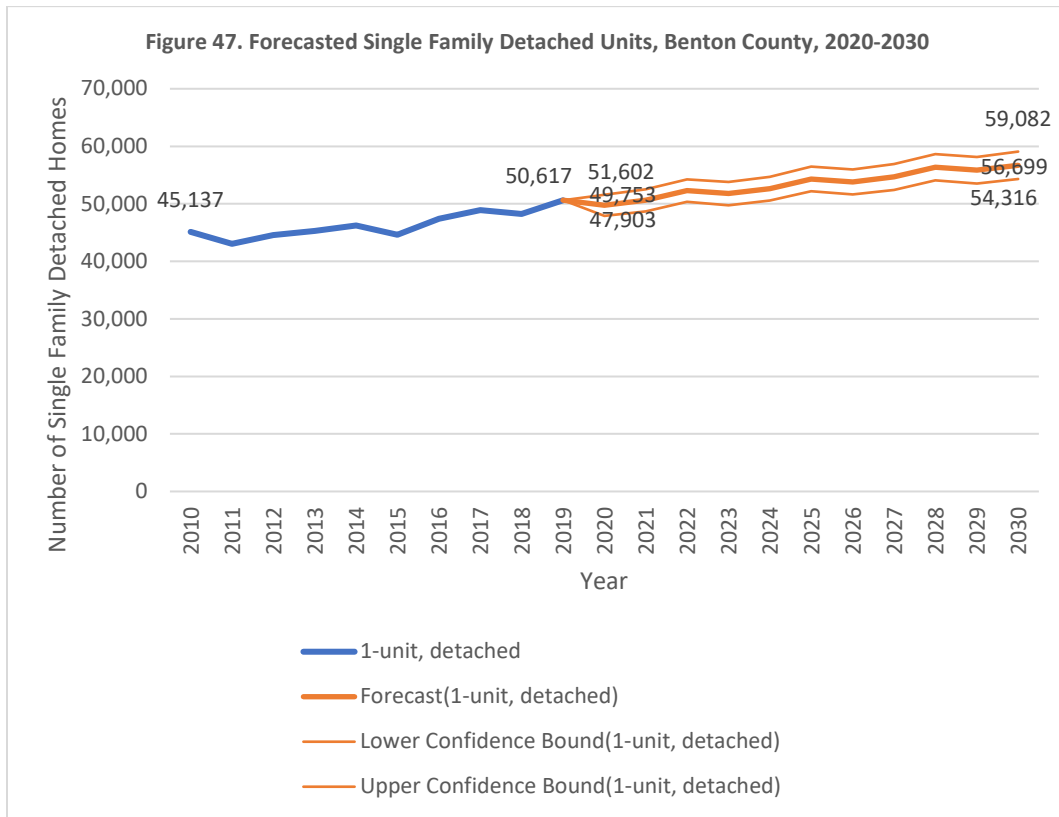
Using data from the American Community Survey (ACS), existing single-family homes in the Kennewick metropolitan area were estimated to have grown from 27,839 to 32,849 (18%) over the nine-year period from 2010 to 2019. This represents an average of 2% per year. Using an exponential triple smoothing (ETS) algorithm with an additive error, additive trend and additive seasonality (AAA version) to smooth minor deviations in past data trends by detecting seasonality patterns and confidence intervals, predicted future values of single-family housing can be presented as a continuation of the timeline. Using historical estimates, a singular baseline forecast that does not consider any other determinants, suggests that the stock of detached single-family homes in the Kennewick metropolitan area should grow from 32,849 to 36,815 – an increase close to 4,000 units -- from 2020 to 2030, on average. Over the decade, this would be approximately 1.2% increase per year. Using a 90% confidence interval, this estimate could be as high as 38,744 (+1.6% annually) or as low as 34,885 (+0.56% annually).

This data visualization is presented to provide some context to the historical growth in single-family housing and what it might look like if it were simply to continue along the same trend, independent of all other factors. Because housing markets are complicated and the determinants of demand are important to consider, further statistical analysis will be completed.



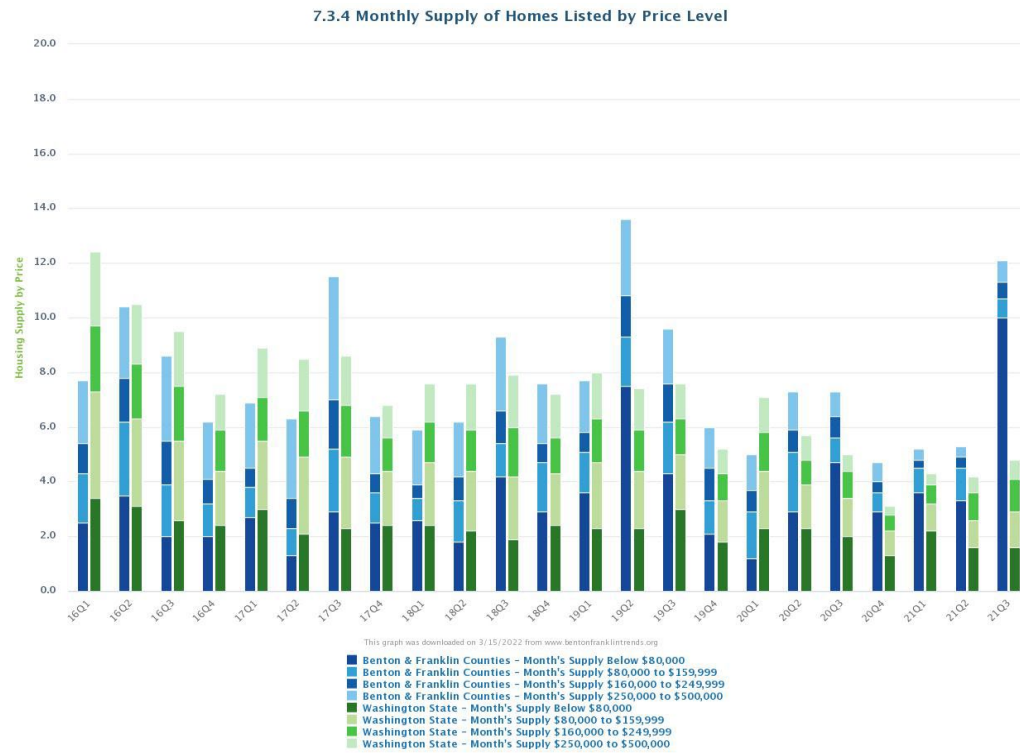
Source: US Census Bureau, ACS

Using the same type of AAA version of ETS, a baseline forecast of single-family housing units for Benton County was also completed and is shown in Figure 44. According to a baseline trend forecast for single family detached units, the county should see an increase of 6,082 units (approximately +1% annually) between 2020 and 2030. Using a 90% confidence interval, this increase could be as low as 3,700 or as high as 8,500. Detached single family houses in the county should be between 54,000 & 59,000 by 2030.



Source: US Census Bureau, ACS

In addition to just the amount of single-family homes in the region, it is helpful to consider the supply of units across various price levels. Benton Franklin Trends provides the data for the monthly supply of homes listed by price level and is shown for the combined counties from 2016 to 2021 with Washington state provided as a benchmark in Figure 45 below. Compared to the state average supply of housing, Benton & Franklin counties have a relatively larger supply of houses listed in a month, especially at the lower price levels. This speaks to good available of housing stock for the market to reach equilibrium.

Figure 48. Monthly Supply of Homes Listed by Price Level, Combined Counties, 2016-2021

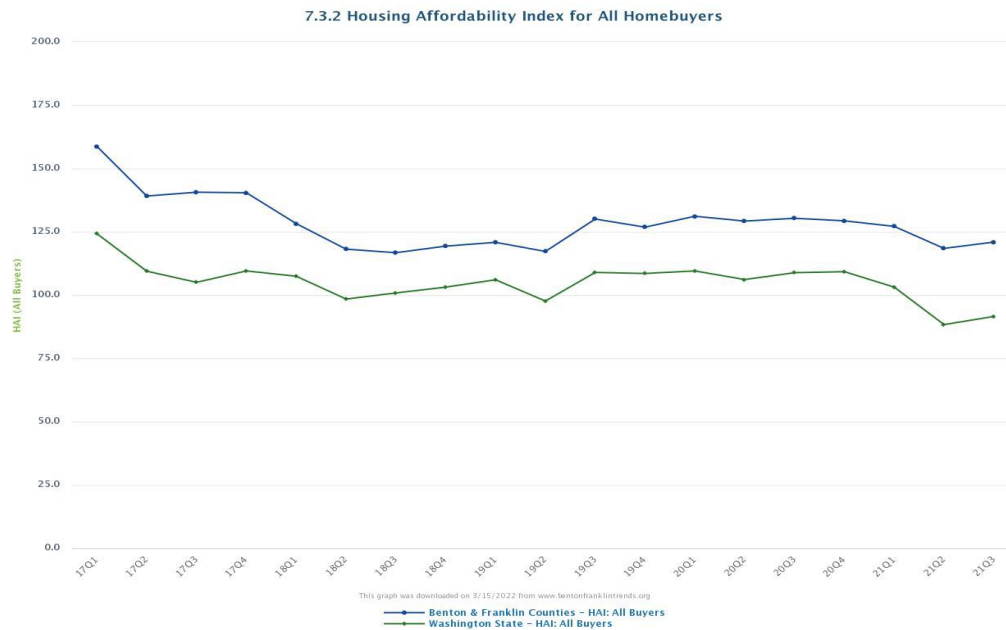
Source: [Benton Franklin Trends](http://www.bentonfranklintrends.org)

14. How does the affordability of houses affect housing demand?

As mentioned previously, housing plays an important part in attracting and keeping workers in a community. It is important to have an adequate supply of affordable housing to facilitate economic growth. Unfortunately, with rising housing prices and construction either slowed during the pandemic or simply unable to keep pace with demand in some areas, housing affordability is becoming a major concern for many households. In fact, about half of Americans (49%) say the availability of affordable housing in their local community is a major problem, up 10 percentage points from early 2018, according to a [Pew Research Center survey](#) conducted in October 2021.

The Housing Affordability Index (HAI) for all homebuyers and separately for first-time homebuyers is calculated and maintained by Washington Center for Real Estate Research (WCRER). The HAI for all homebuyers is a ratio of median income to the payment required for a mortgage (principal + interest) on a median-priced home in the area. The HAI is indexed at 100 implying that a household spends 25% of their income on mortgage at this level. When the HAI rises to values above 100, a household is deemed to have more than enough income to satisfy their mortgage responsibilities and their mortgage payment makes up less than 25% of their income. When the HAI falls below 100, housing is less affordable because the median household income is not sufficient to cover the mortgage payments on a median-priced home in the area and the household would have to direct more than 25% of their income towards the direct housing expense.

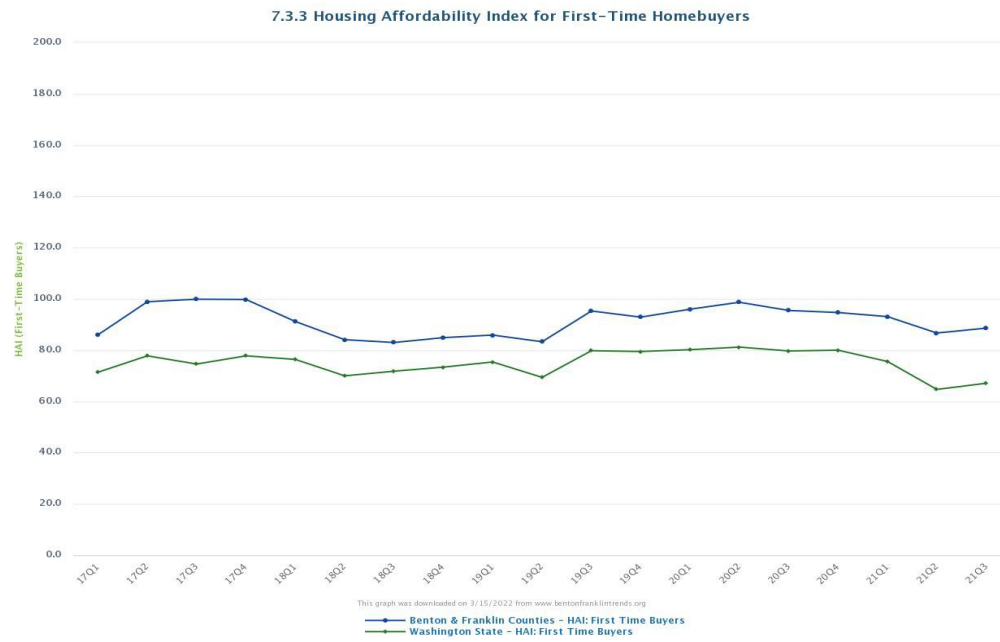
The Housing Affordability Index (HAI) is provided at Benton Franklin Trends (BFT) both for all homebuyers and first-time homebuyers in particular. Not surprisingly, the combined counties of Benton & Franklin have been consistently more affordable than the state average. Figure 46 below shows the quarterly HAI for the combined counties as well as the state of Washington. Particularly, from late 2019 to late 2020, the HAI for the Tri-Cities was around 130, implying that median household income was more than sufficient to purchase a median-priced single-family home. Recently, however, the combined counties saw the HAI fall (housing become more expensive). As of third quarter 2021, the HAI for the combined counties (all buyers) was 121 – still more affordable than average. This decrease in affordability was also seen across the state and in fact the state saw a larger drop in its HAI index for all homebuyers.

Figure 49. Housing Affordability Index (HAI) for ALL Homebuyers, Tri Cities, 2017-2021

Source: [Benton Franklin Trends](http://www.bentonfranklintrends.org)

Recognizing that buying a home for the first time can be particularly challenging for some households, the Washington Center for Real Estate Research also tracks the Housing Affordability Index for First-time buyers using a slightly different set of criteria. For example, first time buyers tend to be younger with lower incomes and less extensive credit history. The HAI for First-time buyers assumes a less-expensive house (85% of the median) and a lower income (70% of the median). Because of these additional challenges, housing often seems less affordable to first-time buyers and the HAI index for first-time buyers is often lower than for all homebuyers.

As shown on the next page in Figure 47, for the combined counties, in mid 2020, first time homebuyers had 98% of the income necessary to meet mortgage obligations on a starter home. This is very close to the indexed value of 100 implying that first time homebuyers in the combined counties would be spending approximately 25% of their income on their mortgage obligations. However, by third quarter of 2021, the affordability index had fallen to 88.6 meaning starter homes were becoming more expensive in the area. It is important to note that the combined counties are still more affordable than the state average (HAI index of 67 in Q3 of 2021).

Figure 50. Housing Affordability Index for First-Time Homebuyers, Combined Counties, 2017-2021

Source: [Benton Franklin Trends](http://www.bentonfranklintrends.org)

15. What role does income play in housing demand?

15.a. The relationship between income & housing demand

Along with population and affordability, income is often considered to be an important factor that can affect the demand for any good or service, especially a durable good that makes up a large part of the typical household budget. The HAI implicitly considers median household income as a part of the ratio of income to price. But it is often insightful to look at a time series trend for median household income by itself as well as a baseline forecast.

Figure 48 on the following page is presented from the Benton Franklin Trends site and compares median household income for the combined counties with the state and national averages. Since the Great Recession (2008-09), a healthy economy has contributed to sustained growth in median household income. In 2019, median household income for the combined counties (\$68,283) has trended slightly above the national average (\$65,712) but below the state average of \$78,687. Fiscal stimulus likely helped buoy household incomes during the pandemic so we do not expect a decline. In fact, per capita personal incomes increased in 2020.

Figure 51. Median Household Income, 2005-2019

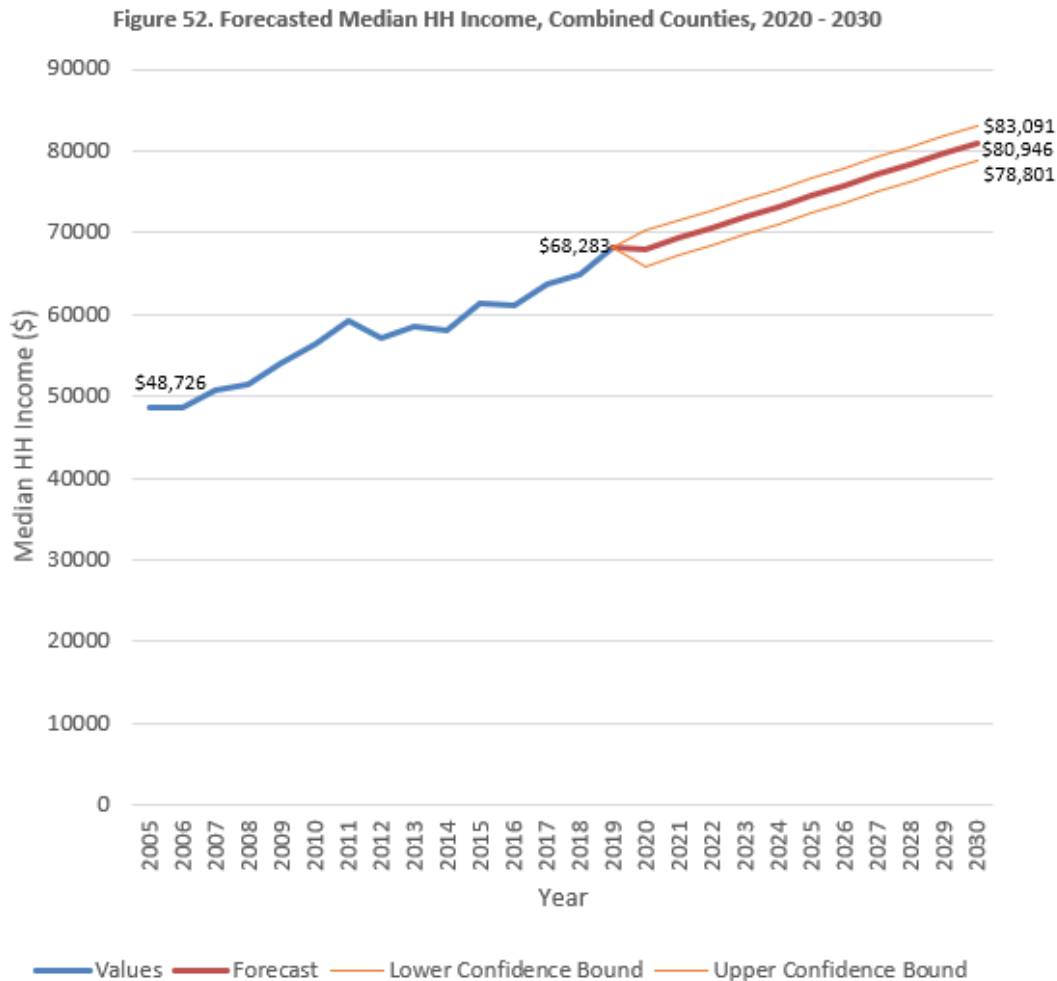


Source: [Benton Franklin Trends](http://www.bentonfranklintrends.org)

15.b A baseline forecast of median household income is presented for 2020-2030

Benton & Franklin Counties

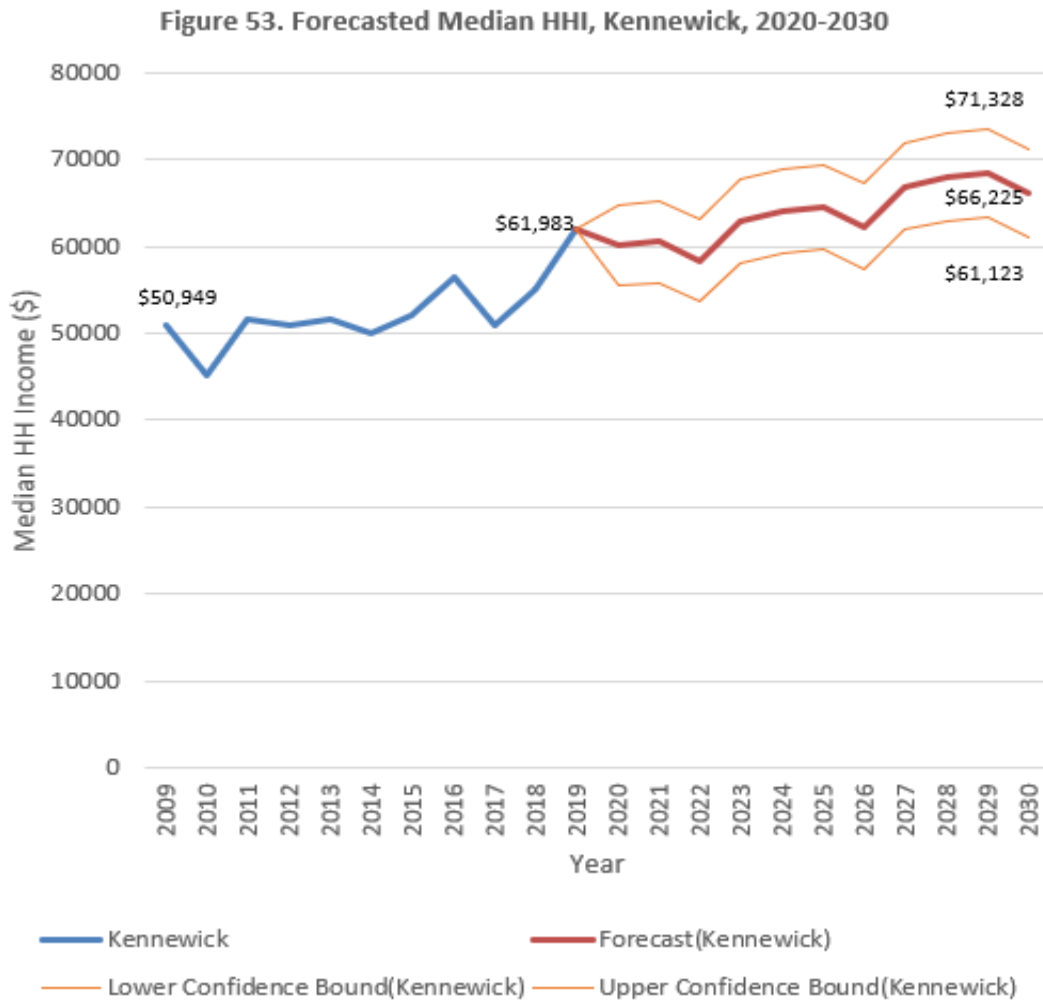
Using the exponential triple smoothing (ETS) algorithm with an additive error, additive trend and additive seasonality (AAA version) to smooth minor deviations in past data trends by detecting seasonality patterns and confidence intervals, predicted future values of median household income can be presented as a continuation of the timeline. Figure 49 on the following page shows this forecast. Based on historical estimates, a singular baseline forecast that does not take into account any other determinants shows that median household income for the combined counties is forecasted to increase from \$68,283 to \$80,946 (by \$12,663) from 2020 to 2030. This is an 18.5% increase over 11 years for an average annual increase of 1.7%. Using a 90% confidence interval, the increase in HH income could be as much as \$14,807, 21.6% growth overall or annual average of 2%. Conversely, the increase in median HHI could be as small as \$10,518, 15.4% over the forecasted period for an annual average growth of 1.4%



Source: US Census Bureau, ACS

City of Kennewick

For comparison, a baseline forecast using the same ETS algorithm was generated for the City of Kennewick independently and is presented in Figure 50 on the following page. The median household income for the City of Kennewick is forecasted to increase from \$61,983 to \$66,225 from 2020 to 2030 – an increase of 6.8% total or an annual average growth of about 0.6%. Using a 90% confidence interval, this increase could be as high as \$71,327 – 15% over the entire forecasted period or 1.4% annual growth. The lower bound shows essentially no change from the 2019 level. Notice there is a little more volatility for the city estimates than the estimates for the larger combined counties.



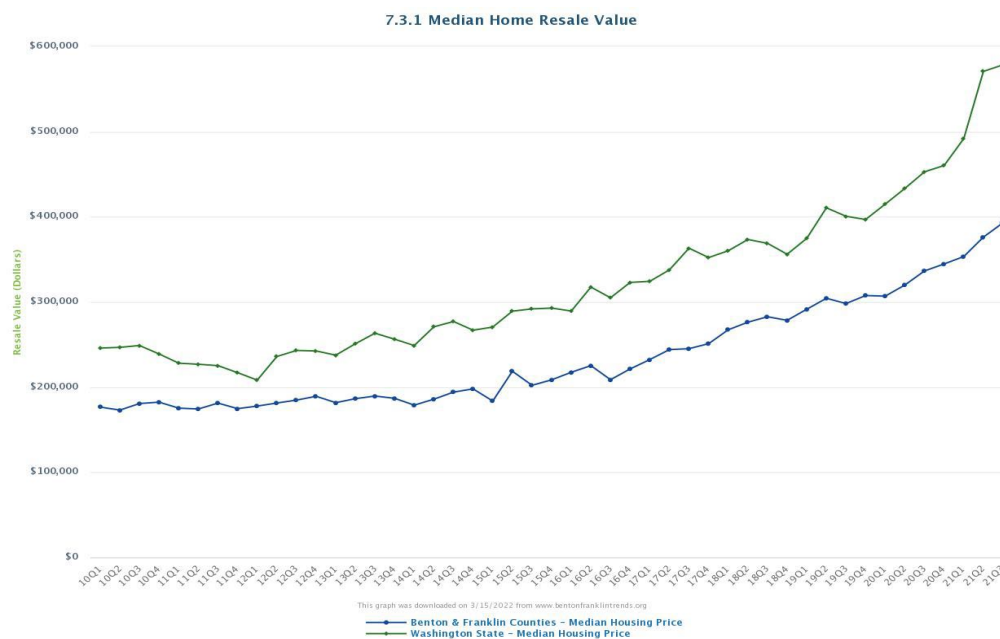
Source: US Census Bureau, ACS

16. What has been happening to the prices of houses?

16.a. Historical trend for median home resale value

Much like with median household income, median housing prices are implicitly shown in the HAI. However, it is often insightful to look at the median home resale value on its own. The Benton Franklin Trends site provides the data for Figure 51 on the following page showing the quarterly median home resale value from 2010 to third quarter of 2021. As of third quarter of 2021 the median home resale value in the combined counties was \$393,000 below the state average of \$578,500 and rising at a slightly slower rate than the state. This contributes to the higher affordability index of the combined counties.

Figure 54. Median Home Resale Value, Combined Counties, 2010-2021



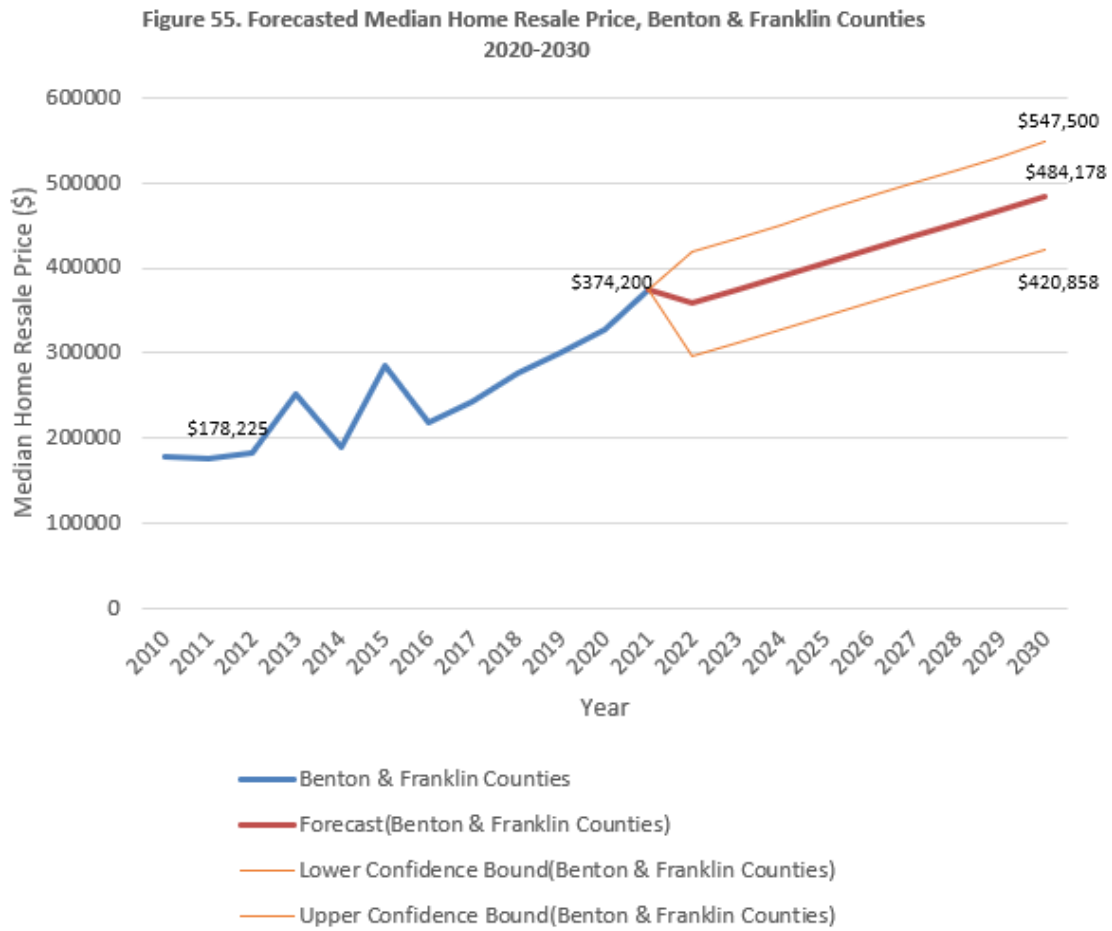
Source: [Benton Franklin Trends](http://www.bentonfranklintrends.org)

16.b A baseline forecast of median home resale price is presented for 2020-2030

Benton & Franklin Counties

Using the exponential triple smoothing (ETS) algorithm with an additive error, additive trend and additive seasonality (AAA version) to smooth minor deviations in past data trends by detecting seasonality patterns and confidence intervals, predicted future values of median home resale value can be presented as a continuation of the timeline. Figure 52 on the following page shows the data visualization of this trend forecast. Based on historical estimates, a singular baseline forecast that does not take into account any other determinants shows that median home resale price for the combined counties is forecasted to increase from \$374,200 to \$484,178 over the decade 2020-2030, for an average annual growth in prices of 2.67%. Using a 90% confidence interval, the upper bound is \$547,500

(average annual growth of 4.2%). The lower bound is \$420,858 or 1.1% average annual growth in median home resale price.



Source: US Census Bureau, ACS

17. An empirical econometric estimation for housing demand in the combined counties

Although these baseline forecasts are provided, they should be considered independently of each other. A more complete econometric model of housing demand was conducted using a reduced form structural equation that considers the simultaneous determination of supply and demand. Because price jointly affects both the demand and supply of housing in the market, this type of regression analysis is typical. A system of reduced form equations for (1) demand, (2) supply and (3) equilibrium was estimated linearly with the following results.

Not surprisingly, population is the dominant determinant of single-family housing demand in the combined counties. When estimated as a system of reduced form equations, population was the only jointly significant variable and dominated the influence of the other independent variables in the model. Figure 53 is presented on the next page showing the goodness of fit when regressing population against the inventory of single-family homes. Notice how the predicted values from the model match up nearly exactly with the actual values from the data. The estimated coefficient on population variable for single family homes was +0.2915 implying that for every 1,000 increase in population, we should see 291 more single family homes.

Figure 56. Population Line Fit Plot, Regression Analysis, Single Family Units

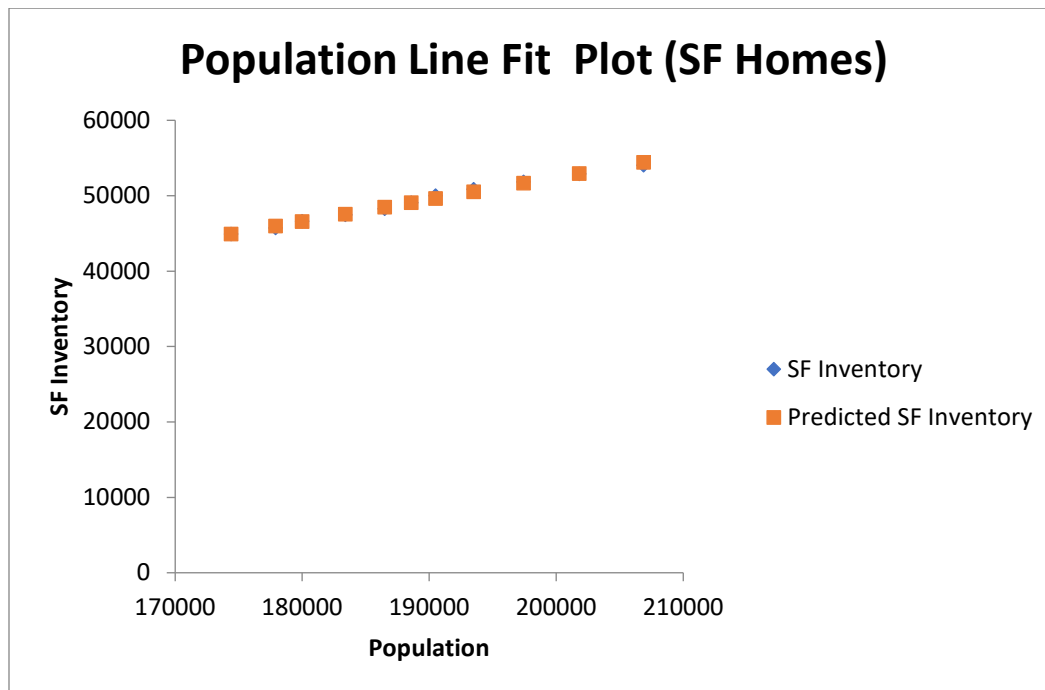
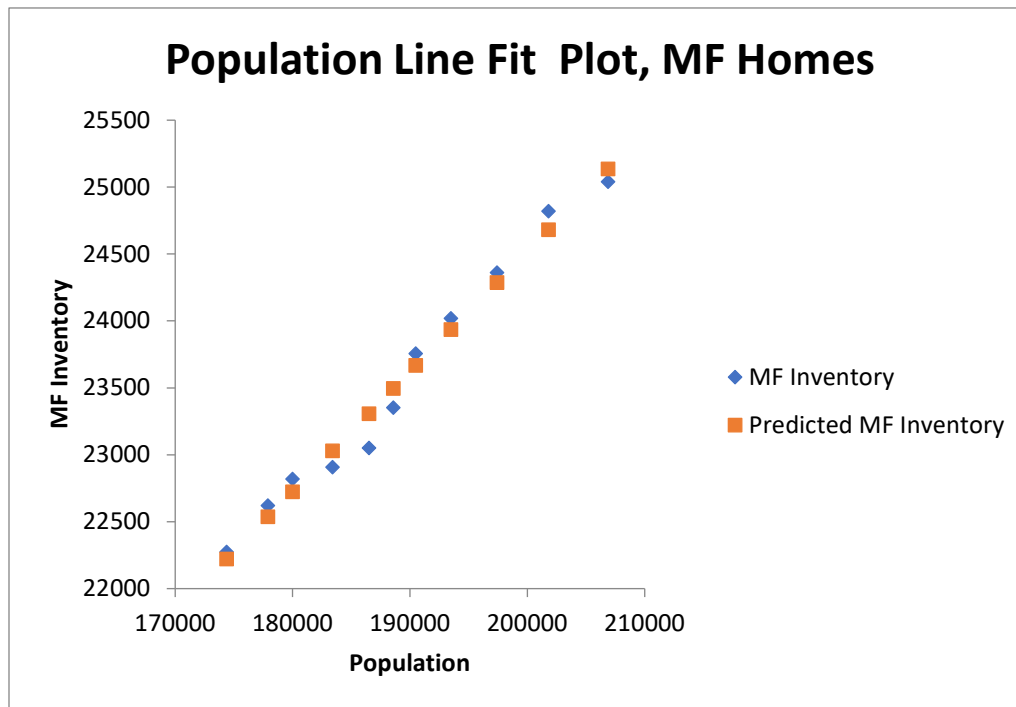


Figure 57. Population Line Fit Plot, Regression Analysis, Multi-Family Units



The same type econometric model was estimated for multi-family homes with the similar finding that population also dominates the demand for multi-family homes. Although the model does not fit as perfectly as for single family homes (see Figure 54 on the previous page), changes in population dominate all other independent variables in a system of equations model. The coefficient on the population variable for multi-family homes is +0.089, implying that for every 1,000 increase in population, we should see 89 new multi-family homes.

Since population was the only statistically significant variable in the full model, it made sense to use the forecasted values of population provided by the Washington State OFM to forecast housing demand using the estimated coefficients from the econometric model. Figure 55 below summarizes both the population forecasts that were put into the model as well as the predicted number of new single-family units and multi-family units that would be expected to occur over the time period 2022 to 2030.

Table 6. Forecasted Single Family & Multi-Family Units, 2022-2030

Year	Population Forecast	Change	New SF Homes	New MF Homes	Combined Homes
2021	209400	--			
2022	207695	-1705	-497	-152	-649
2023	210391	2696	786	240	1026
2024	213065	2674	779	238	1017
2025	215740	2675	780	238	1018
2026	218148	2408	702	214	916
2027	220674	2526	736	225	961
2028	223190	2516	733	224	957
2029	225688	2498	728	222	950
2030	228162	2474	721	220	941
		TOTAL	5469	1670	7139

Source: Washington State Office of Financial Management (OFM)

Using the Washington State OFM official population forecast for Benton County, our model makes the following predictions for growth in housing stock. Between 2022 and 2030, demand will be for an additional 5,469 single family homes. Between 2022 and 2030, housing demand will be for an additional 1,670 multi-family homes. Over the forecasted time period, combined single and multi-family homes should increase 7,139.

Because the other independent variables of median household income and median resale price were not statistically significant when estimated jointly with population in the model, single factor analysis was conducted to predict how the quantity of single-family units might respond to an autonomous change in either median household income or median resale price holding all other variables constant.

Using the single factor analysis to predict the impact of changes in just median household income holds constant the impact of other demand determinants such as population, price, and interest rates, considering only the direct relationship between income & quantity demanded. In this case, the estimated coefficient on income is +0.6356, meaning that for every \$1,000 increase in median household income, an increase in single family homes of 636 should occur, ceteris paribus.

Using single factor analysis to predict the impact of changes in median home resale price on demand for single family units considers only the isolated effect of changes in median home resale price on changes in quantity of single-family homes over time. The estimated coefficient on median home resale price is statistically significant at +0.05 meaning that a \$10,000 increase in median home price is correlated with an increase of 500 more units, *ceteris paribus*. This could be due to price rising as a result of increased demand.

Conclusions

Obviously, there were bound to be regional differences to how local economies would weather the impacts of the pandemic. A quantitative investigation of the most recent economic data for the counties of Benton & Franklin suggests that the greater Tri Cities absorbed the pandemic downturn relatively better than the state.

Although certain sectors of the local economy were largely impacted by the pandemic, there were other sectors that proved to be less susceptible to the disruptions of the pandemic. Looking at economic activity that is subject to retail sales tax, contraction was limited to one quarter, in part due to the quick distribution of fiscal stimulus payments. The worst hit sectors by the pandemic were (1) Hospitality, (2) Entertainment & Recreation, (3) Retail, (4) Agriculture and (5) Construction. The sectors of the local economy that fared best through the pandemic, as measured by employment change, were (1) Finance & Insurance, (2) Transportation & Wharehousing, (3) Information, (4) Wholesale Trade and (5) Real Estate, Rental & Leasing.

Looking for evidence of any racial or ethnic disparities in impacts on employment and wages due to the pandemic, it certainly appears that Latino workers bore a greater burden of the pandemic than the workforce overall, as their claims were proportionally higher than average and their average wage increases were not large enough to offset the likely greater rate of unemployment.

Although economists might have expected firms, especially small businesses, to be more vulnerable to the economic downturn during the pandemic, surprisingly, bankruptcies during the pandemic actually declined, in part due to federal assistance. In March 2020, the CARES Act pumped money into the businesses around the U.S., relief checks sent directly to residents of the country, and extended unemployment benefits were handed out to many. All these factors shored up household finances, and as a result, economic stability.

As many jobs moved to work-from-home during the pandemic, there will likely be changes in how work gets done in certain industries. We believe that the most vulnerable jobs over the near-term will be those in customer-facing roles, or more generally service jobs. Job growth, at least highest percentage growth, will take place in mid-sized sectors such as Transportation & Wharehousing, Manufacturing, and Healthcare.

As the local economy continues to heat up, we have provided some specific recommendations to help promote continued growth in the greater Tri Cities area. In particular, we encourage facilitating training for certain occupations such as truck drivers, nursing assistants and sales representatives and even expanding training opportunities for high-demand occupations that require at least an associate's degree such as in nursing and computer science fields.

An area of concern in the near future is an adequate supply of affordable housing to attract and retain a top-notch workforce. Although the Tri Cities has enjoyed much more affordable housing than the state average, the affordability indexes for both first-time homebuyers and all homebuyers have been falling meaning that housing has become less affordable, especially in the last several years. In

part, this is due to rising median resale home prices. Over the last four years, the median home resale value has risen 60%, outpacing the increase in household incomes.

Although there was a sharp decline in economic activity due to shutdowns associated with the pandemic, government revenues were not significantly impacted. Local consumers continued to spend and in fact local government revenues increased over the pandemic.

Looking forward, we considered what housing demand might look like in the greater Tri Cities area. Using econometric modelling and data from the US Census Bureau and the Washington State Office of Financial Management (OFM), it was determined that population is the principal determinant of growth in housing over time in the Tri Cities, outweighing other demand factors such as price, affordability, incomes, and interest rates.

Official forecasts of population for Benton County predict a growth of more than 20,000 people at an average annual rate of growth tapering off from approximately 1.3 to 1.1% by 2030. Franklin County is predicted to grow at a slightly faster clip from 2.7% in 2022 to 2.3% by 2030. Our econometric model predicts that there will be an increase in the quantity demanded of single-family homes of around 5,469 between 2022 and 2030 and a corresponding increase in multi-family units of around 1,670 for a combined increase in total housing of approximately 7,139.

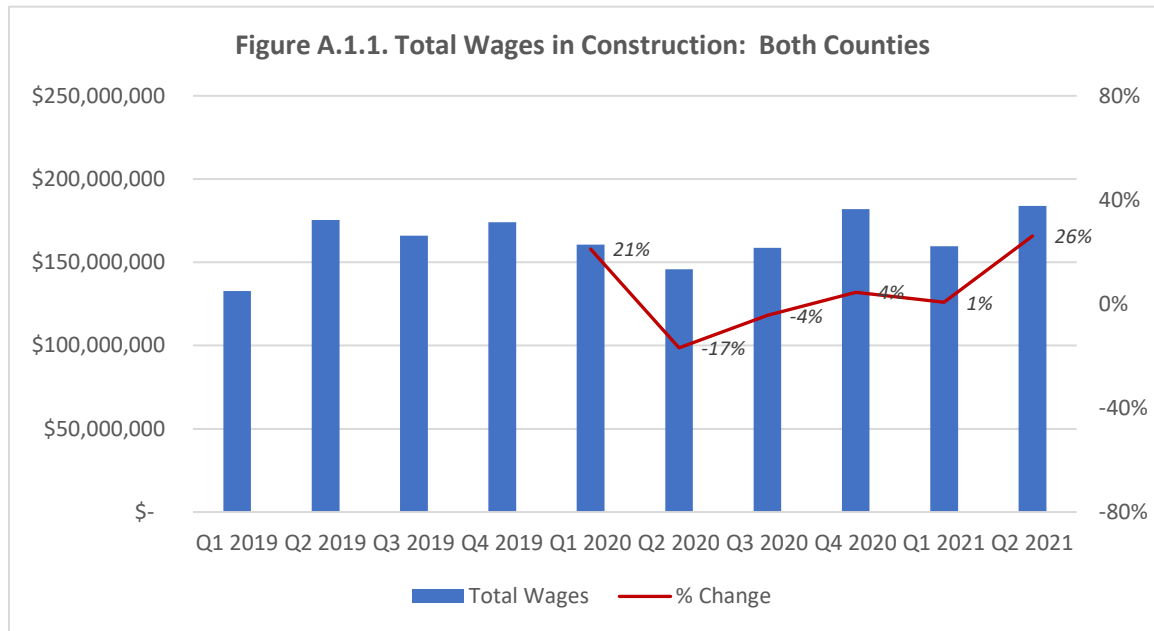
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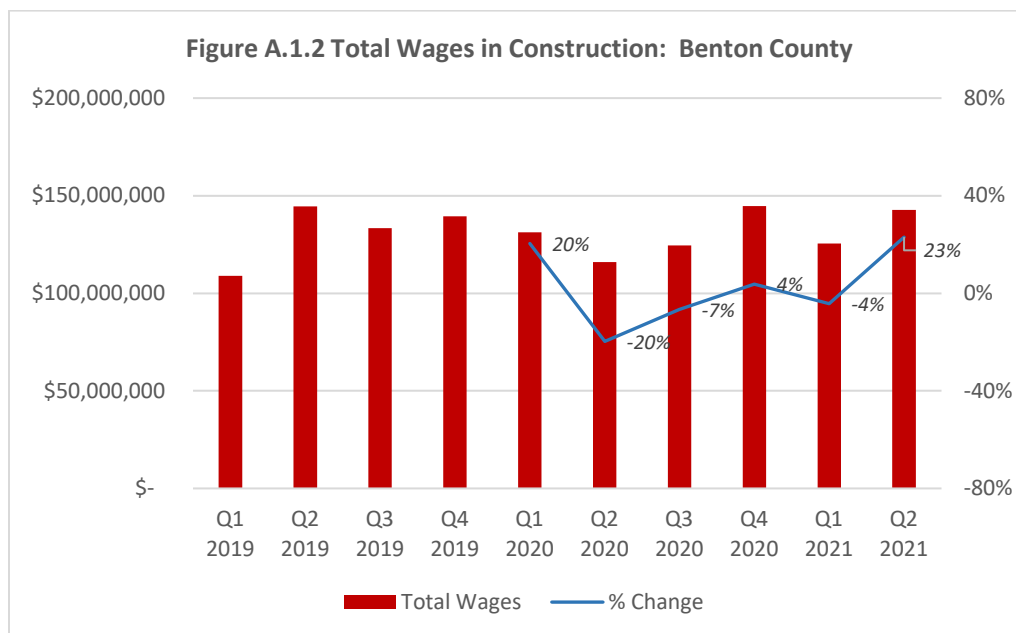
Appendix A: Presentation of the Recovery Path of Sectors or Industries in the Greater Tri Cities Most Impacted by the Pandemic by Two Criteria – Total Wages Paid & Retail Sales

Source: Washington State Employment Security Department, "[Quarterly Census of Employment & Wages](#)"

A.1. Quarterly Path by Total Wages Paid in Most Affected Sectors (Q22020 vs. Q22019)



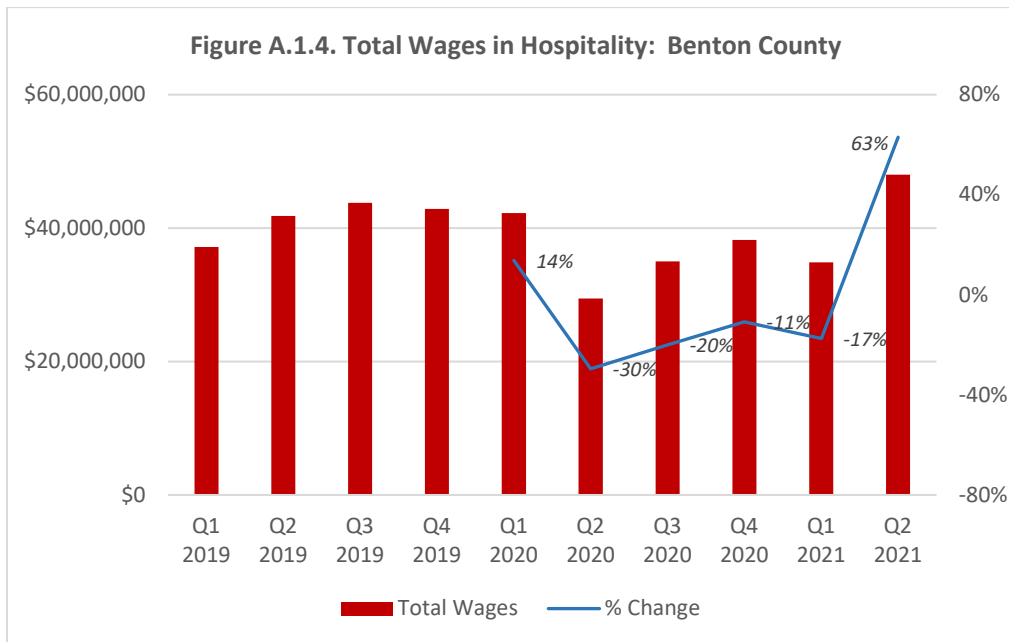
Comment: A drop of \$29.6 million in Q2 2020 from Q2 2019. Recovery (vs. 2019) in place by Q1 2021



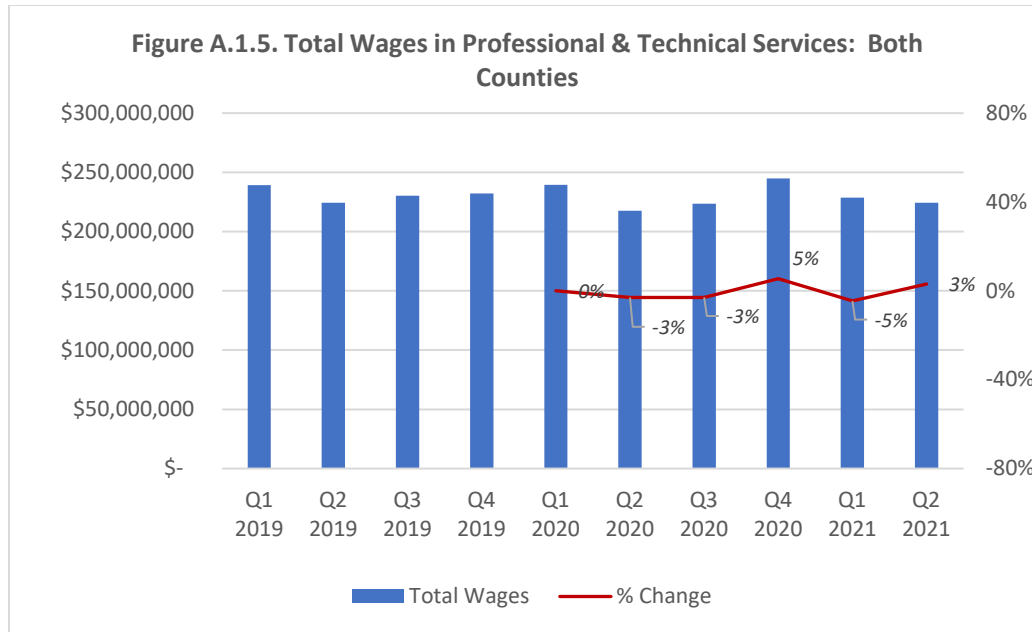
Comment: A drop of \$28.5 million from Q2 2020 to Q2 2019. Recovery still pending at Q2 2021.



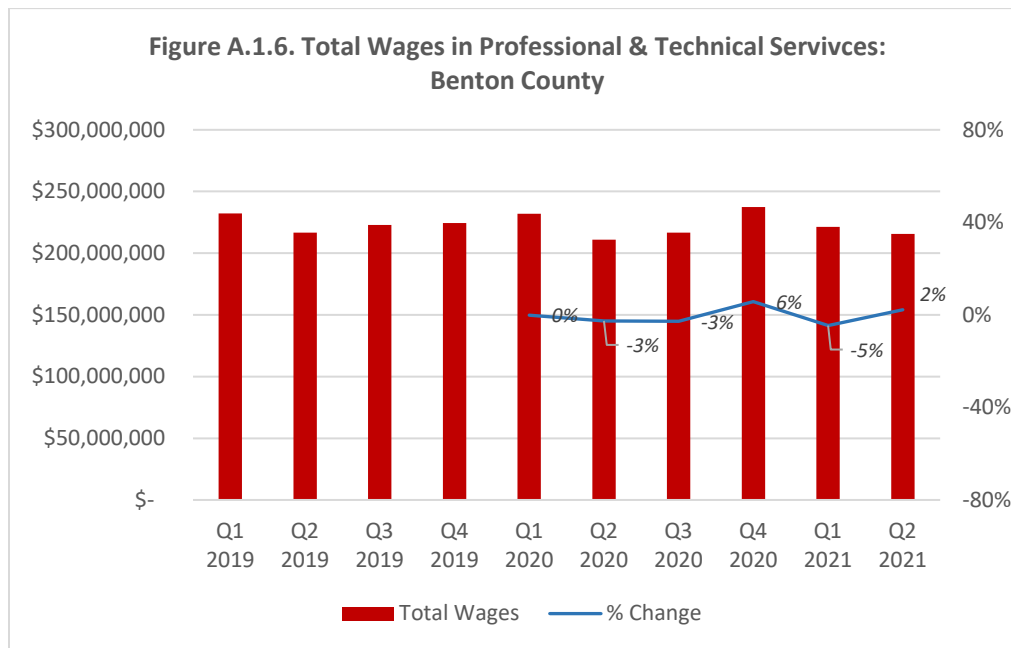
Comment: A drop of \$15.5 million from Q2 2020 to Q2 2019. Recovery by Q2 2021.



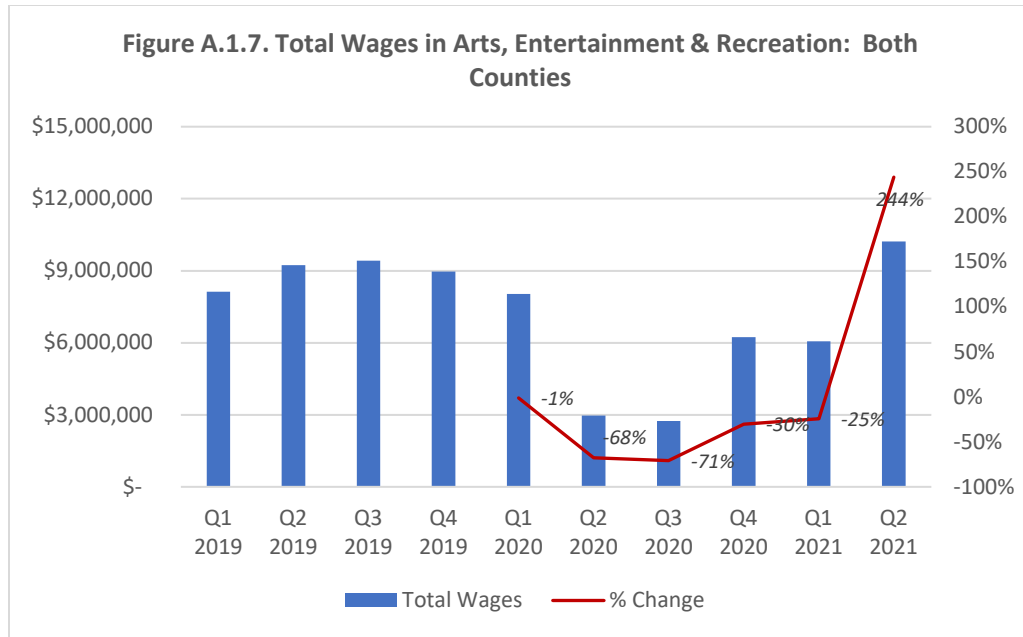
Comment: A drop of \$12.4 million in Q2 2020 from Q2 2019. Recovery by Q2 2021.



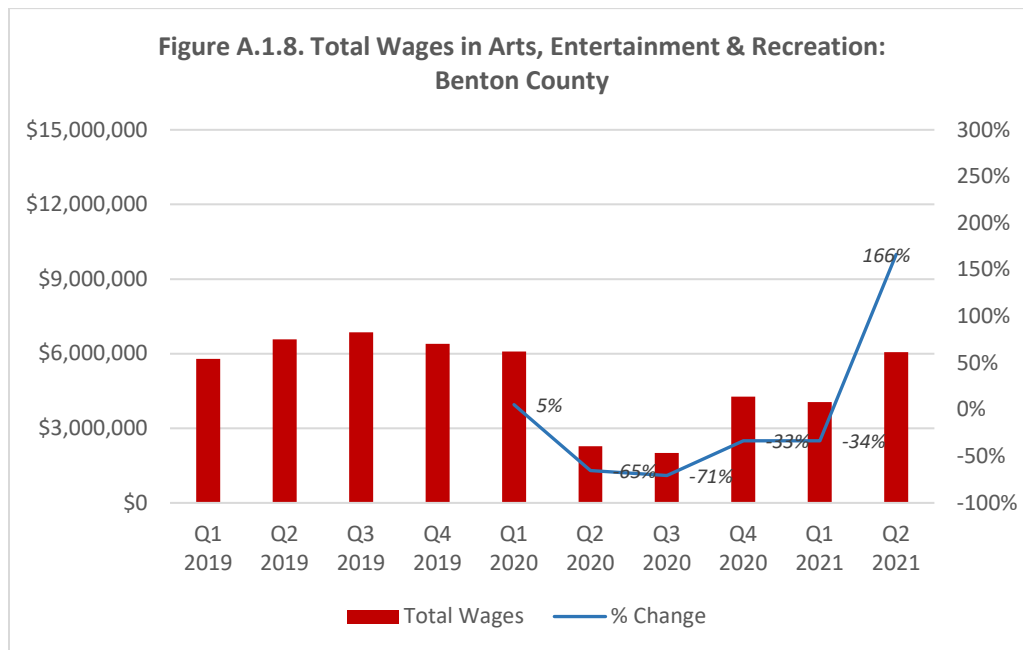
Comment: A drop of \$6.7 million in Q2 2020 from Q2 2019. Recovery by Q2 2021.



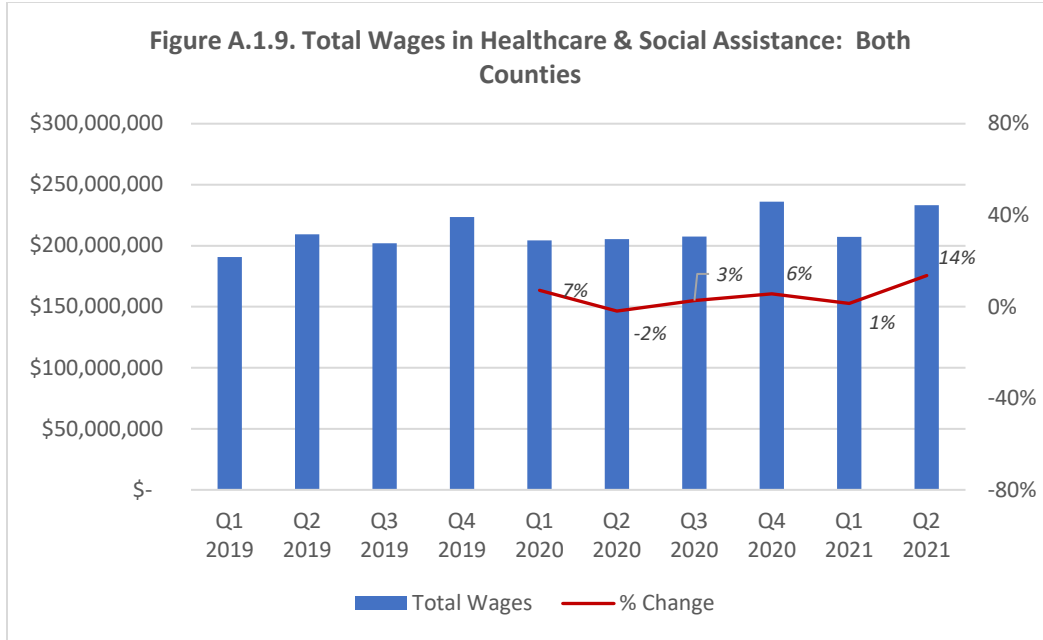
Comment: A drop of \$5.6 million in Q2 2020 from Q2 2019. Recovery still pending.



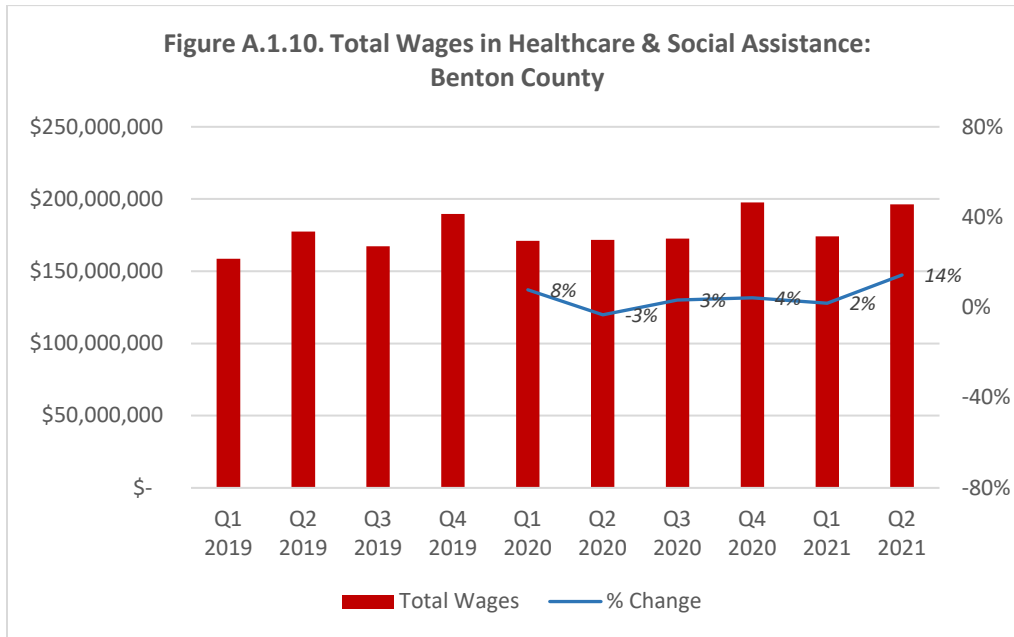
Comment: A drop of \$6.3 million in Q2 2020 from Q2 2019. Recovery by Q2 2021.



Comment: A drop of \$4.3 million in Q2 2020 from Q2 2019. No recovery yet.

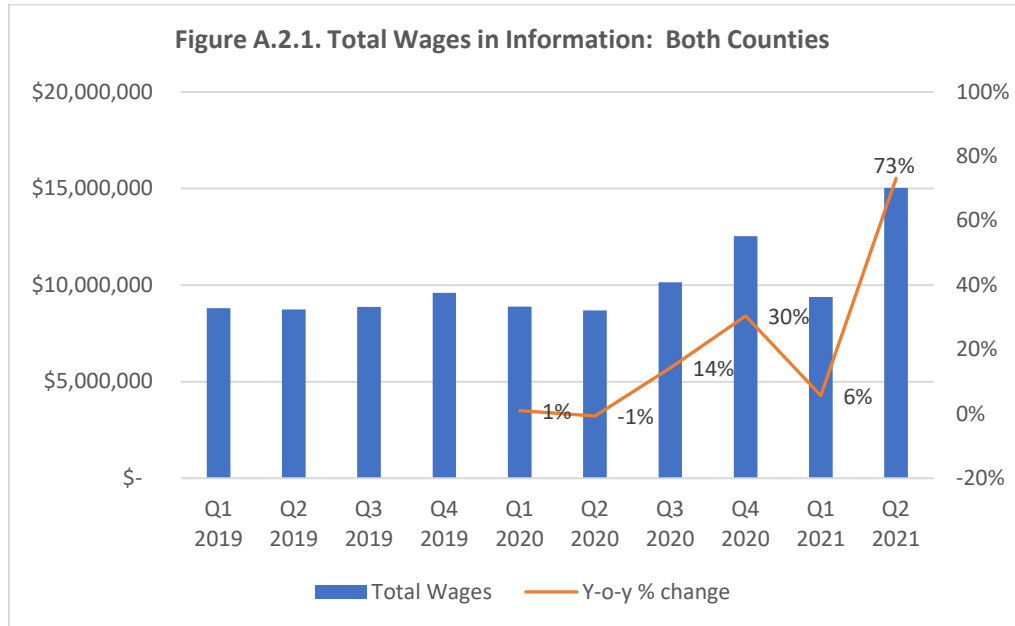


Comment: A drop of \$3.9 million in Q2 2020 from Q2 2019. Recovery in place by Q3 2020.

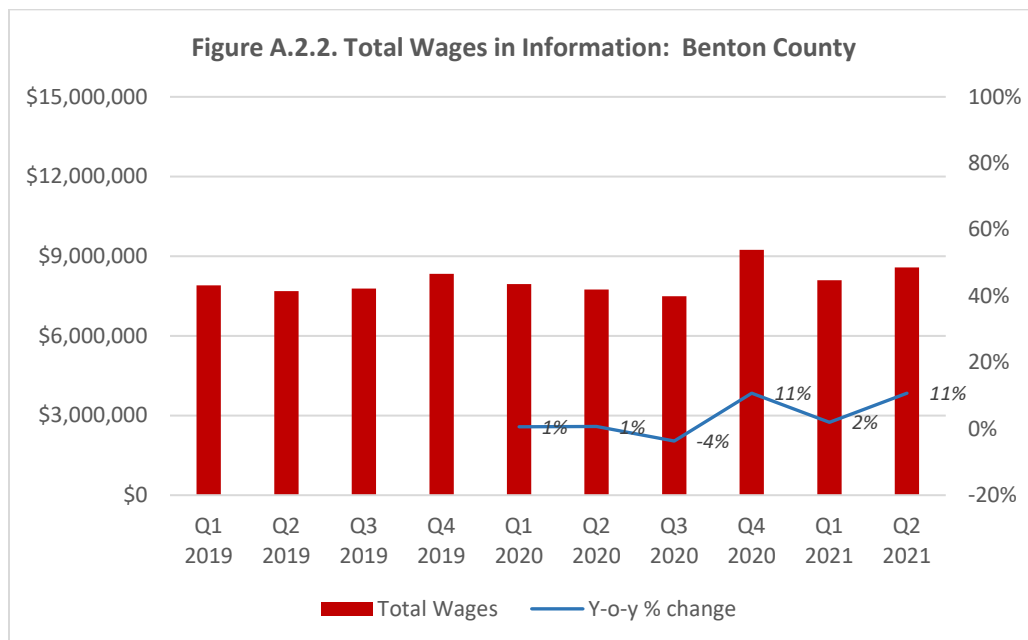


Comment: A drop of \$5.9 million in Q2 2020 from Q2 2019. Recovery in place by Q3 2020.

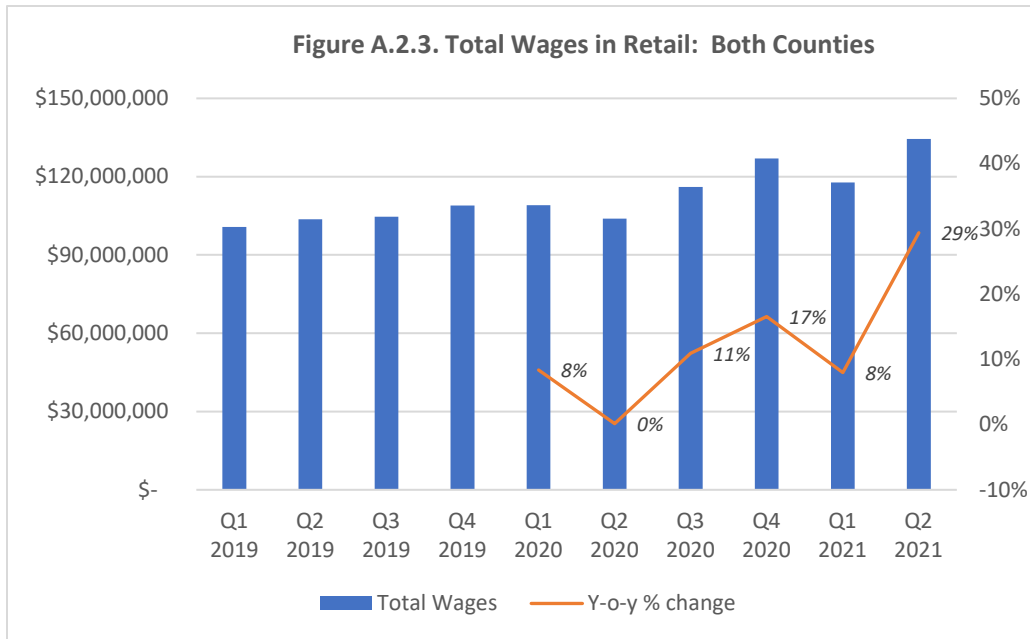
A.2. Quarterly Path by Total Wages Paid: 5 Least Affected Sectors (Q22020 vs. Q22019)



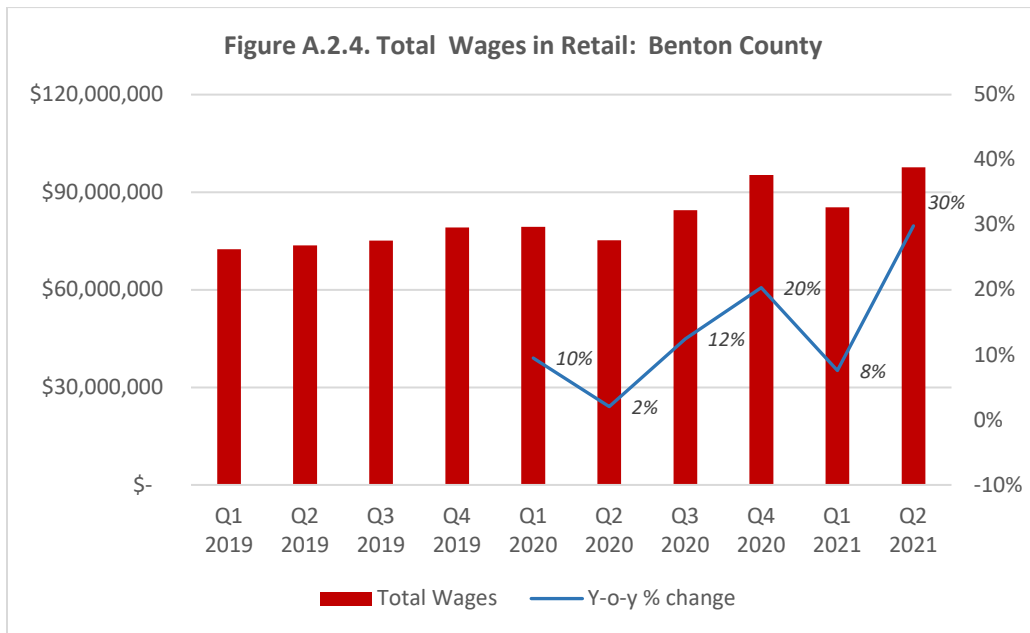
Comment: A drop of \$0.06 million in Q2 2020 from Q2 2019. Recovery in place in Q3 2020.



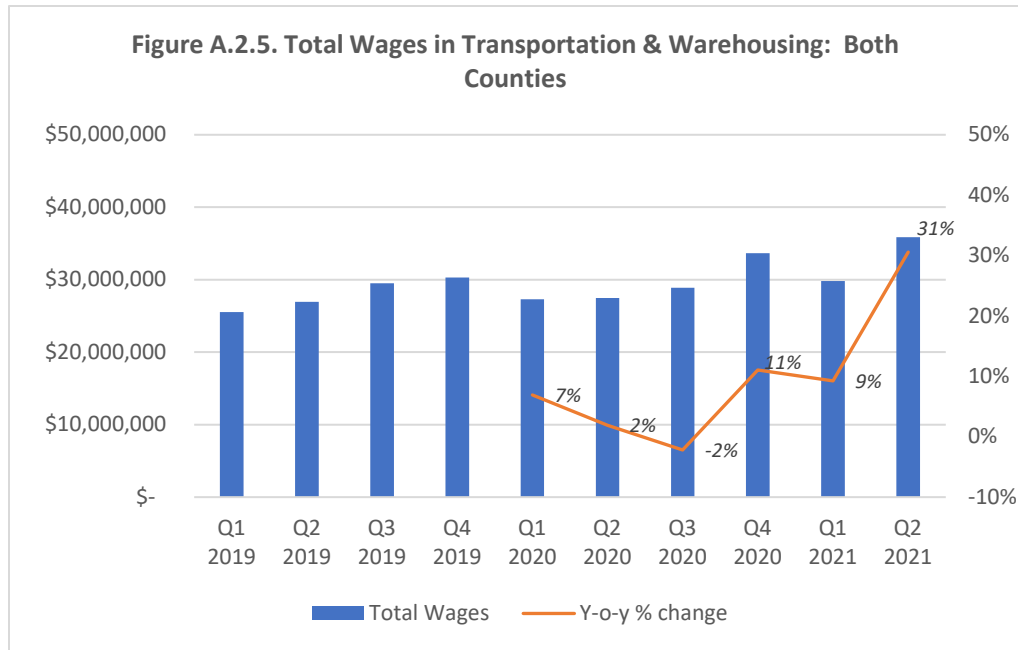
Comment: A gain of \$0.05 million in Q2 2020 from Q2 2019. Recovery in place in Q4 2020.



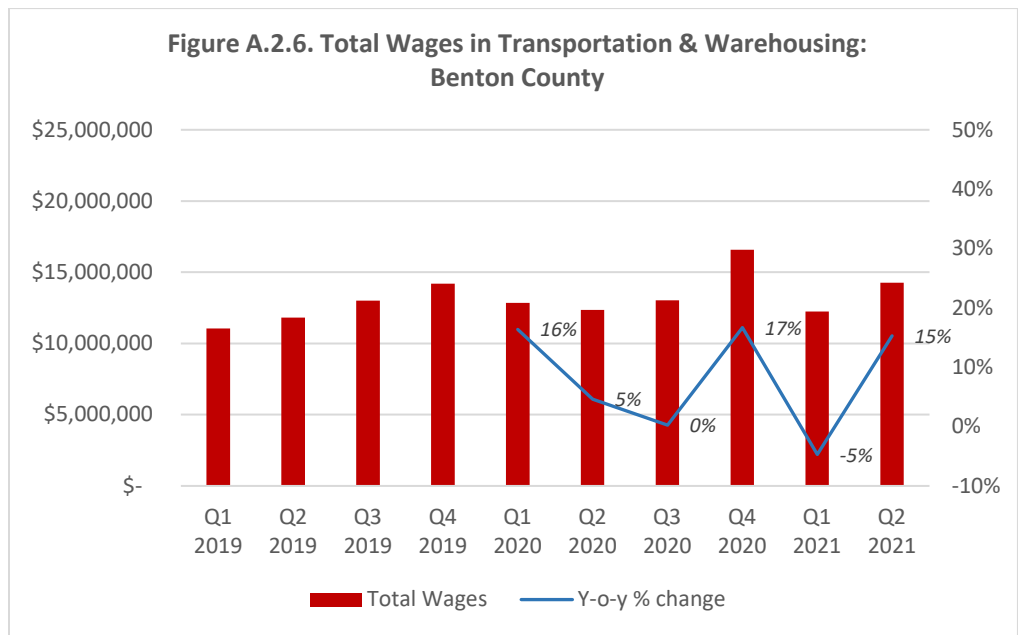
Comment: A gain of \$0.14 million in Q2 2020 from Q2 2019. Recovery in place that quarter.



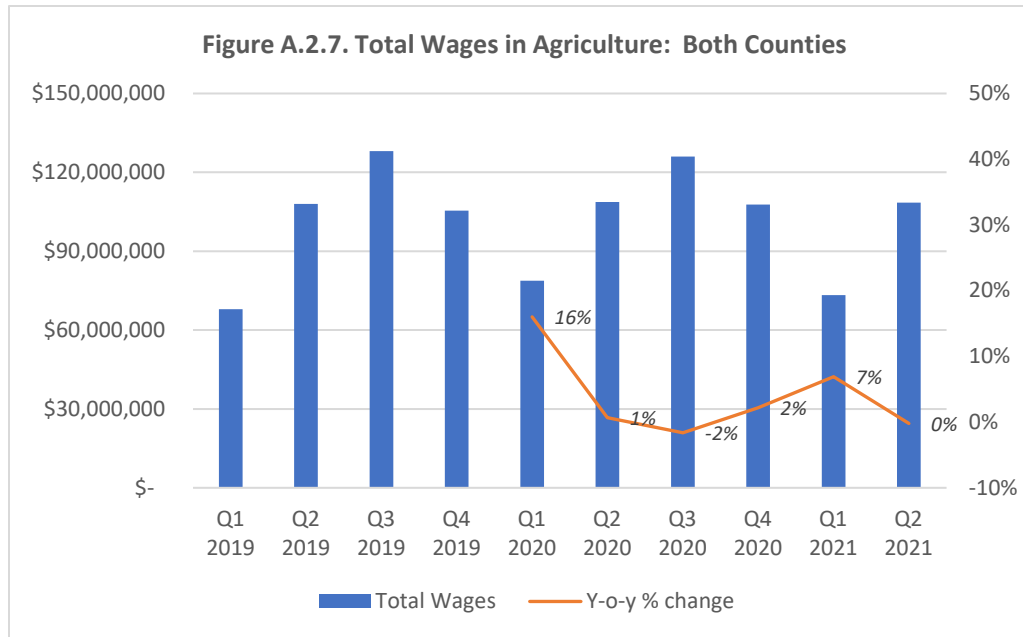
Comment: A gain of \$1.50 million in Q2 2020 from Q2 2019. Recovery in place that quarter.



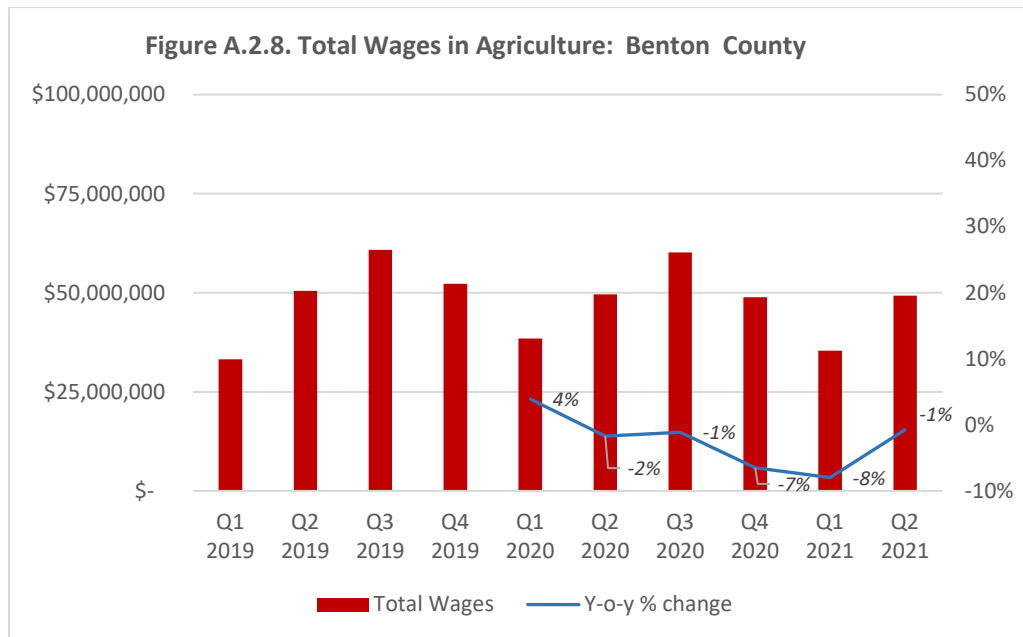
Comment: A gain of \$0.51 million in Q2 2020 from Q2 2019. Recovery in place in Q4 2020.



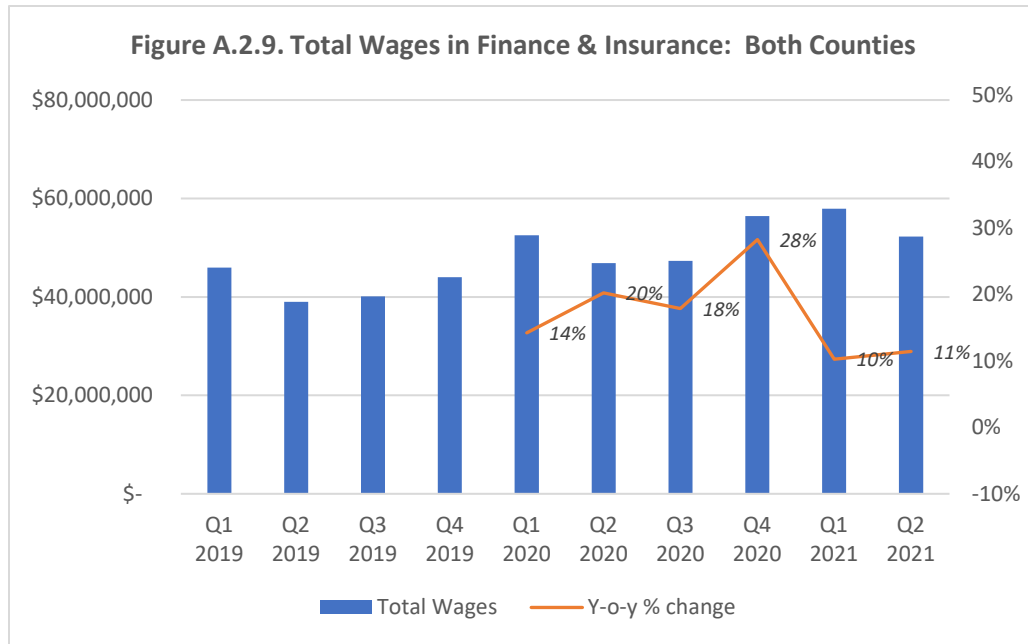
Comment: A gain of \$0.54 million in Q2 2020 from Q2 2019. Recovery in place that quarter.



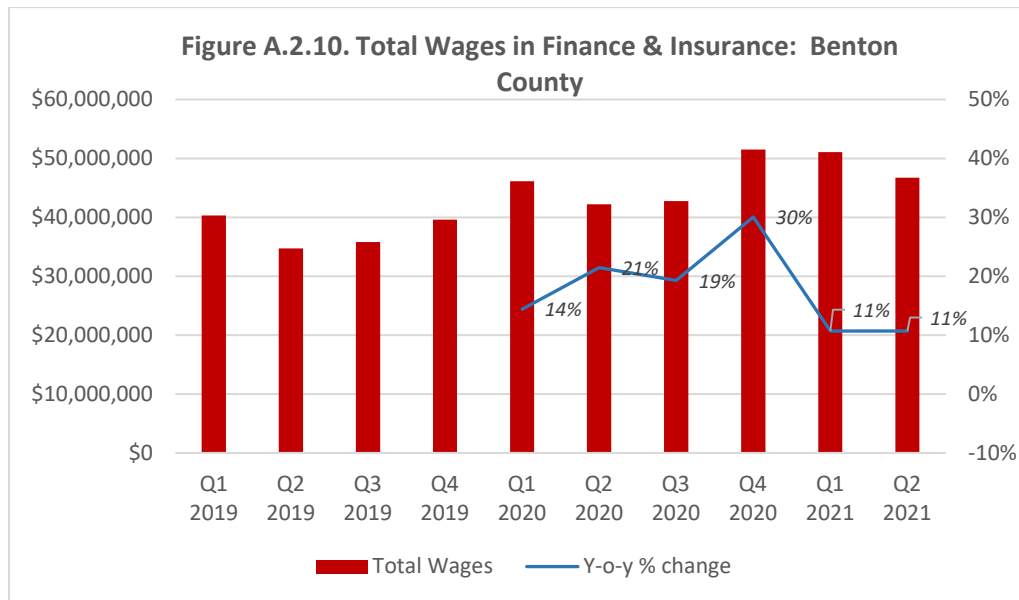
Comment: A gain of \$0.74 million in Q2 2020 from Q2 2019. Recovery in place in Q4 2020.



Comment: A loss of -\$0.86 million in Q2 2020 from Q2 2019. No recovery yet.

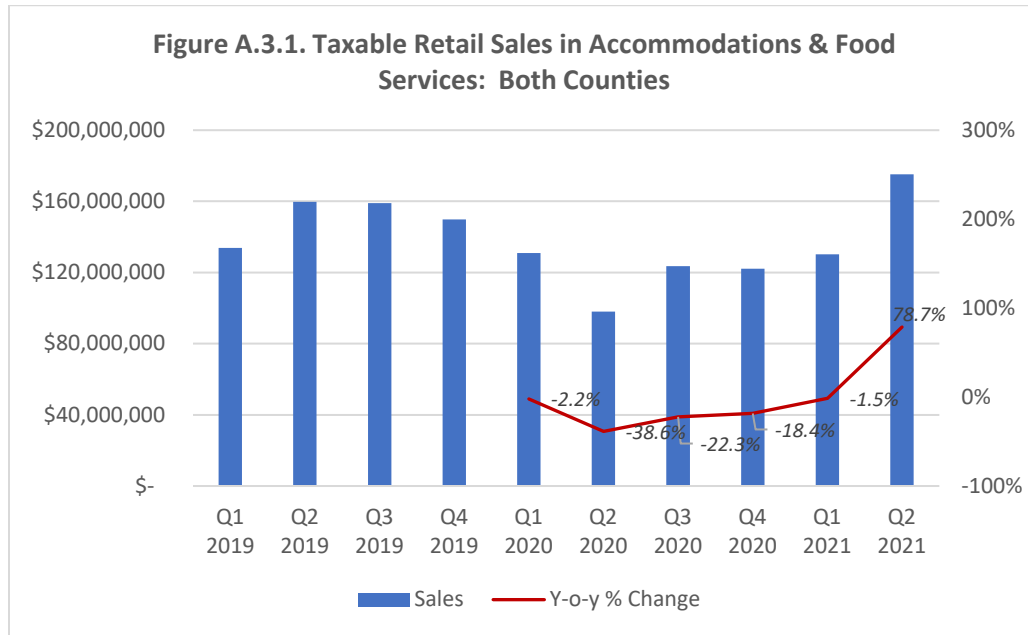


Comment: A gain of \$7.90 million in Q2 2020 from Q2 2019. Recovery started then.

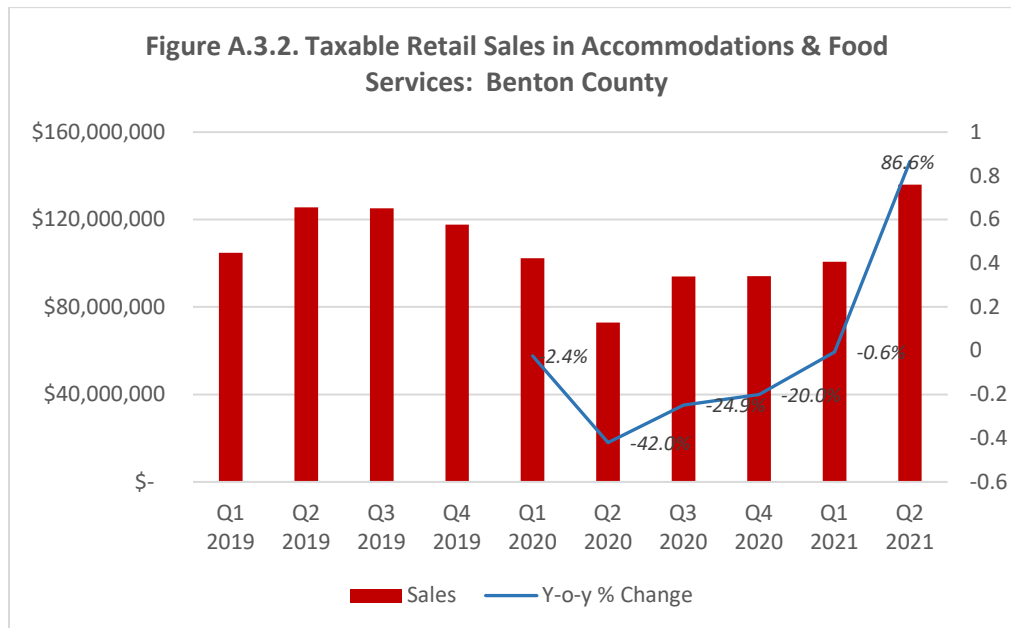


Comment: A gain of \$7.46 million in Q2 2020 from Q2 2019. Recovery started then.

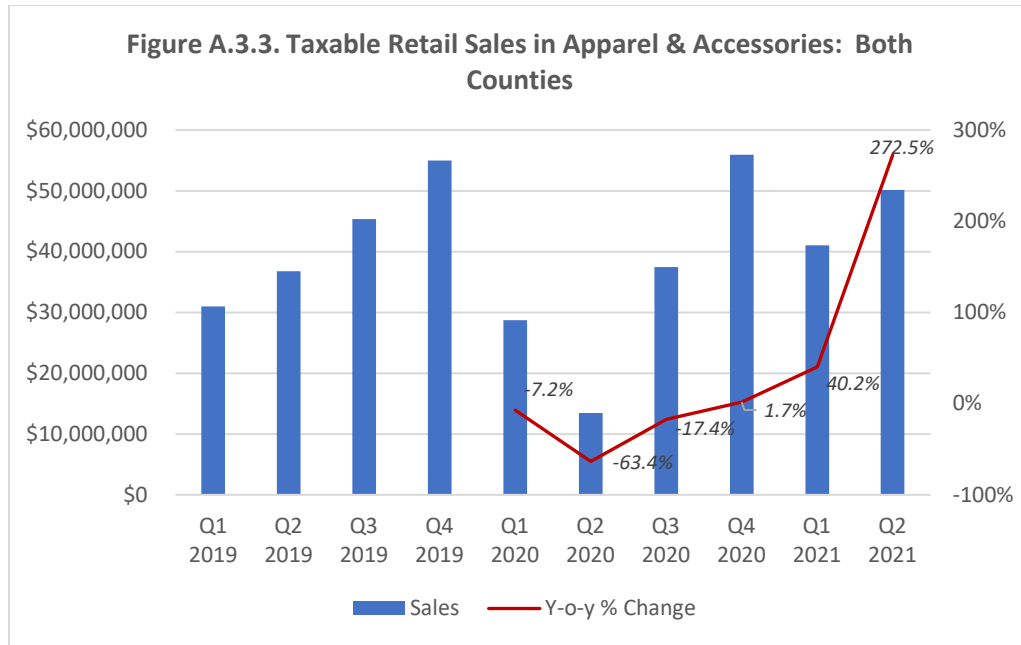
A.3. Quarterly Path by Taxable Retail Sales: Most Affected Sectors/Industries (Q22020 vs. Q22019)



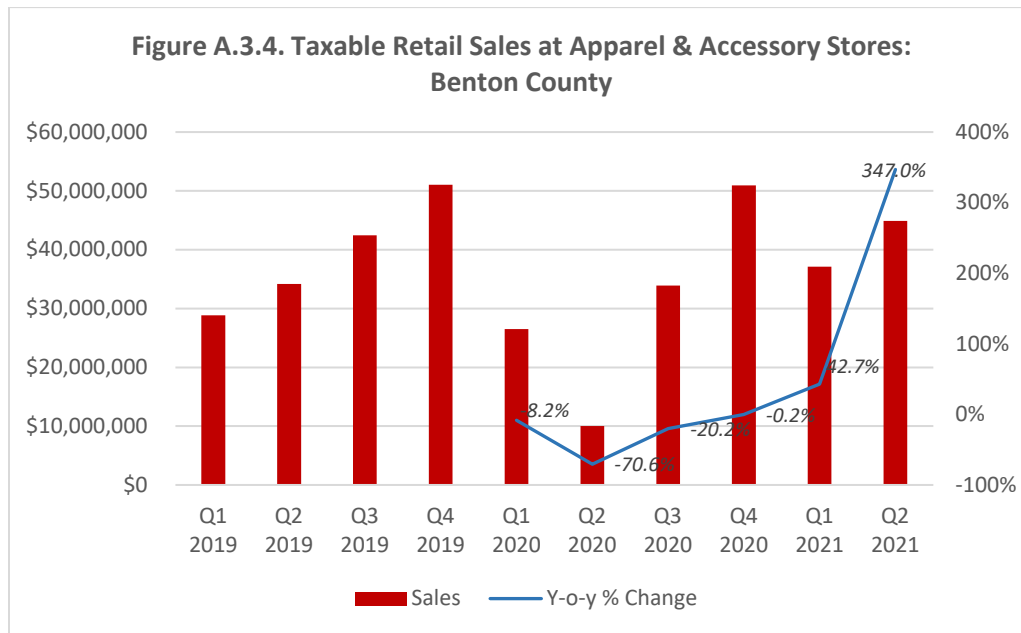
Comment: A drop of \$61.71 million in Q2 2020 from Q2 2019. Recovery as of Q2 2021.



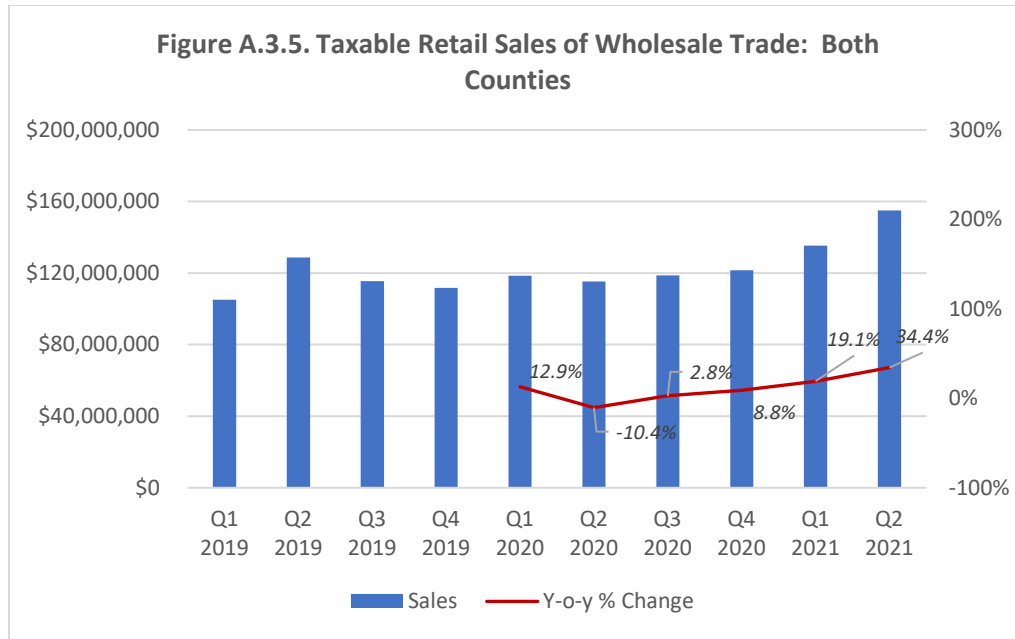
Comment: A drop of \$52.79 million in Q2 2020 from Q2 2019. Recovery in Q2 2021.



Comment: A drop of \$23.31 million in Q2 2020 from Q2 2019. Recovery in Q4 2020.



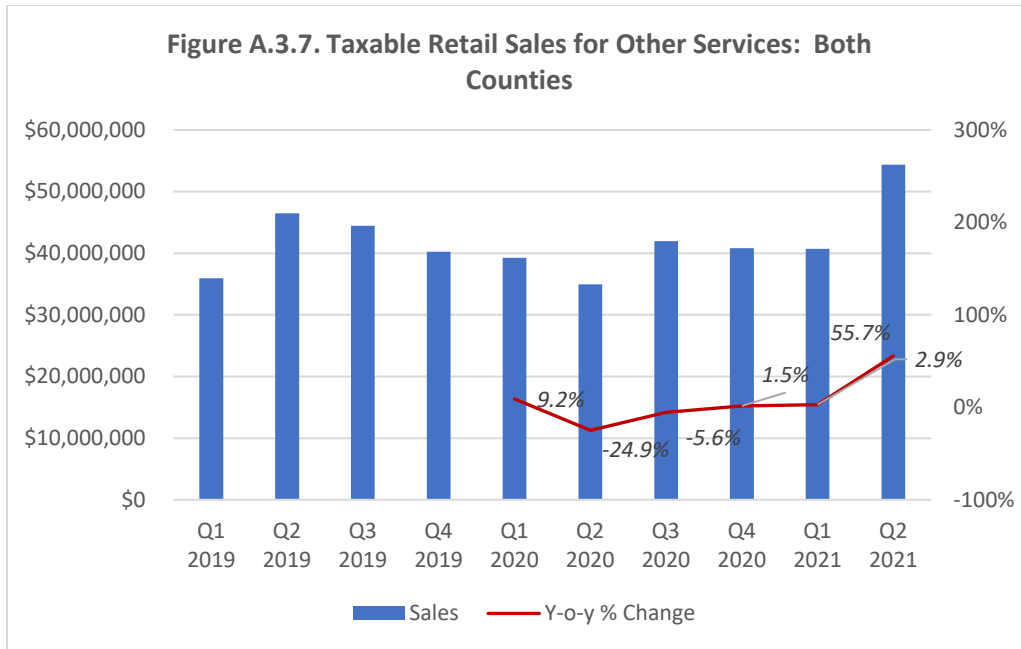
Comment: A drop of \$24.12 million in Q2 2020 from Q2 2019. Recovery in Q1 2021.



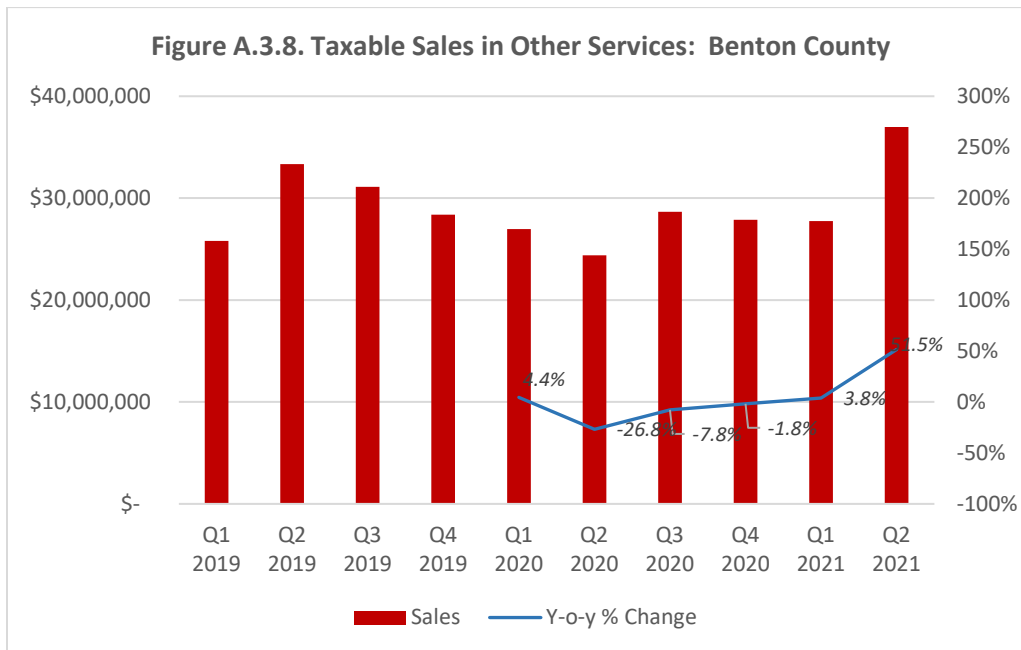
Comment: A drop of \$13.4 million in Q2 2020 from Q2 2019. Recovery in Q3 2020.



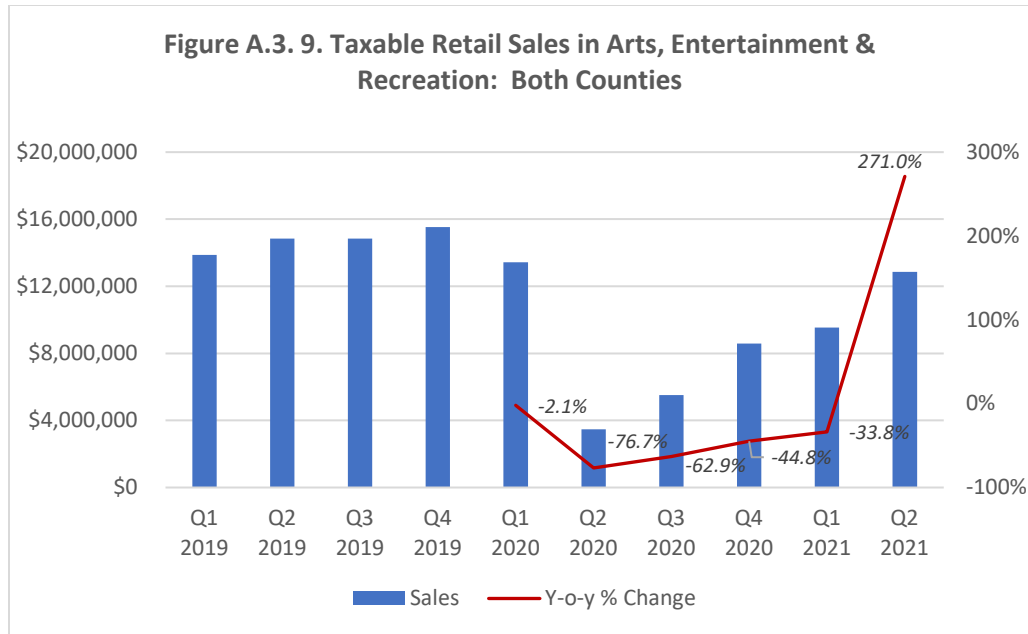
Comment: A drop of \$14.66 million in Q2 2020 from Q2 2019. Recovery in Q4 2020.



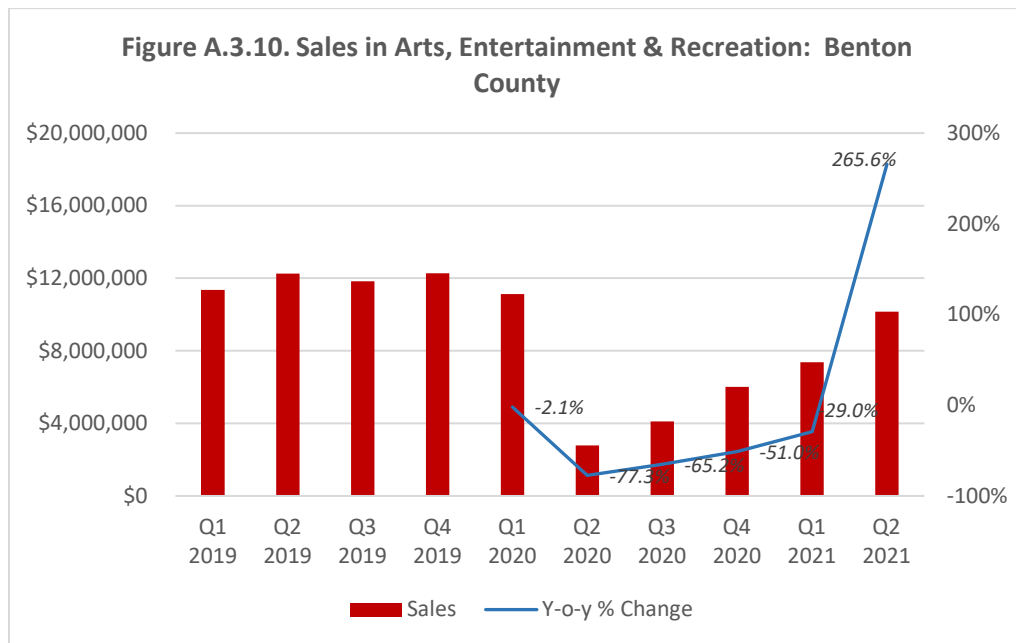
Comment: A drop of \$11.57 million in Q2 2020 from Q2 2019. Recovery in Q4 2020.



Comment: A drop of \$8.95 million in Q2 2020 from Q2 2019. Recovery in Q1 2021.



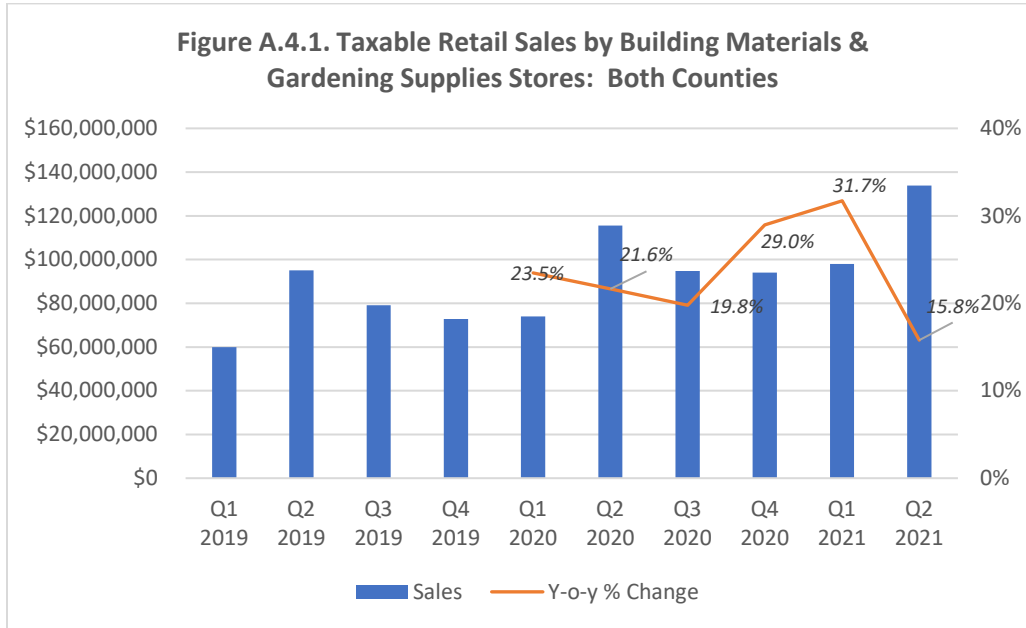
Comment: A drop of \$11.39 million in Q2 2020 from Q2 2019. No recovery yet.



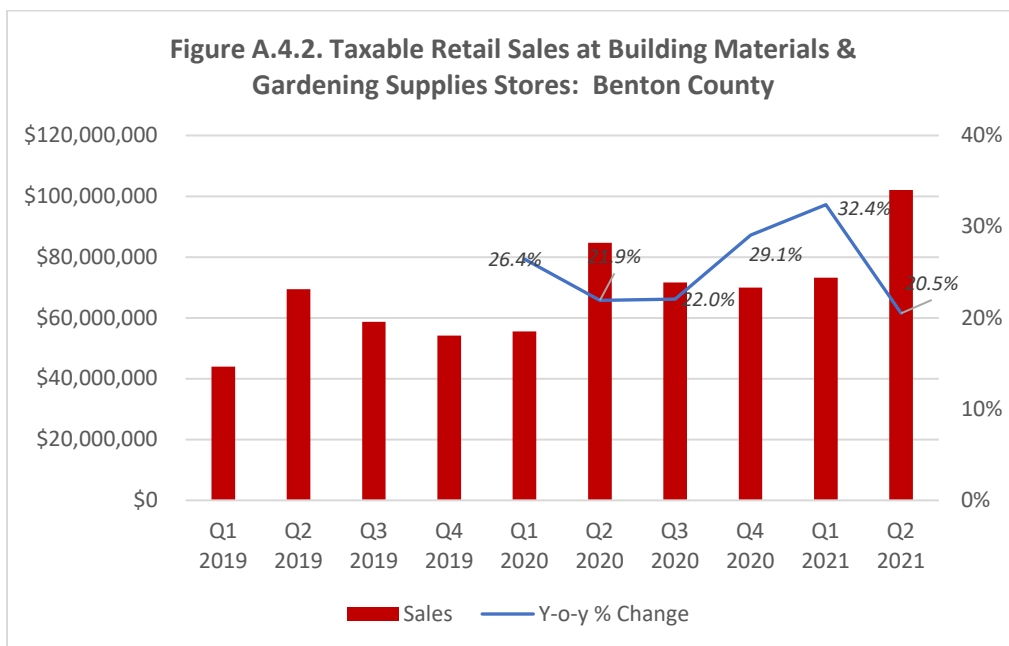
Comment: A drop of \$9.48 million in Q2 2020 from Q2 2019. No recovery yet.

A.4. Quarterly Path by Taxable Retail Sales: Least Affected Sectors/Industries (Q22020 vs. Q22019)

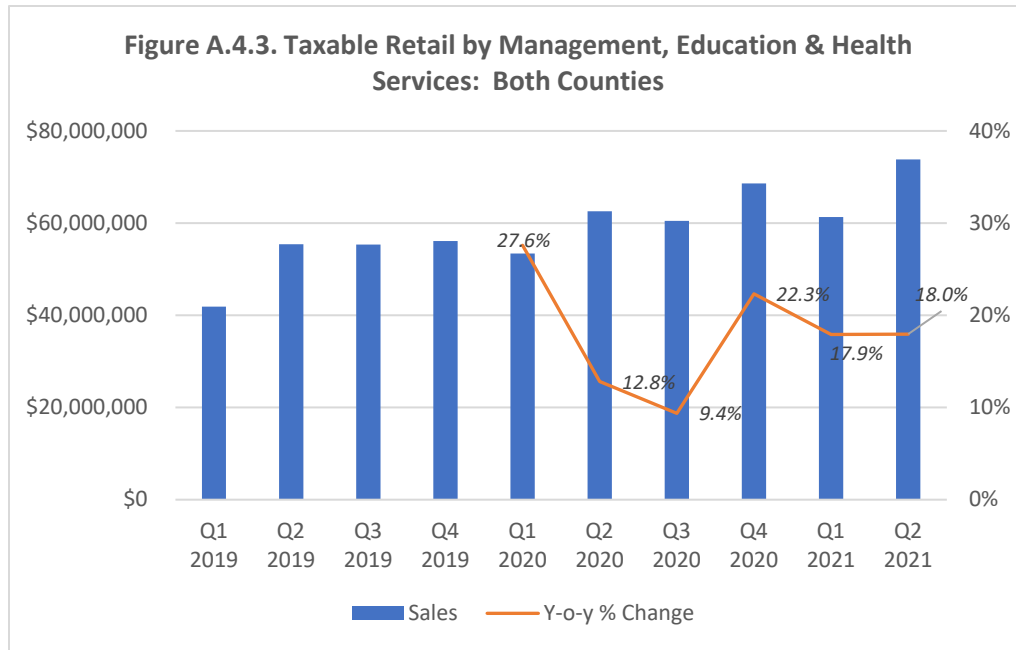
Source: Washington State Department of Revenue, ["Quarterly Business Reviews"](#)



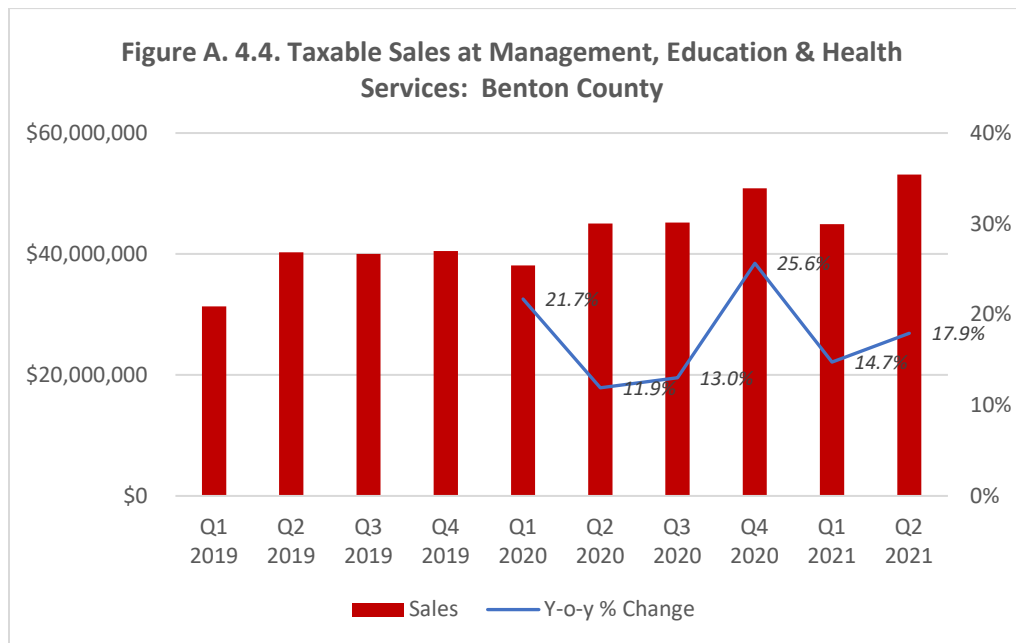
Comment: A gain of \$20.57 million in Q2 2020 from Q2 2019.



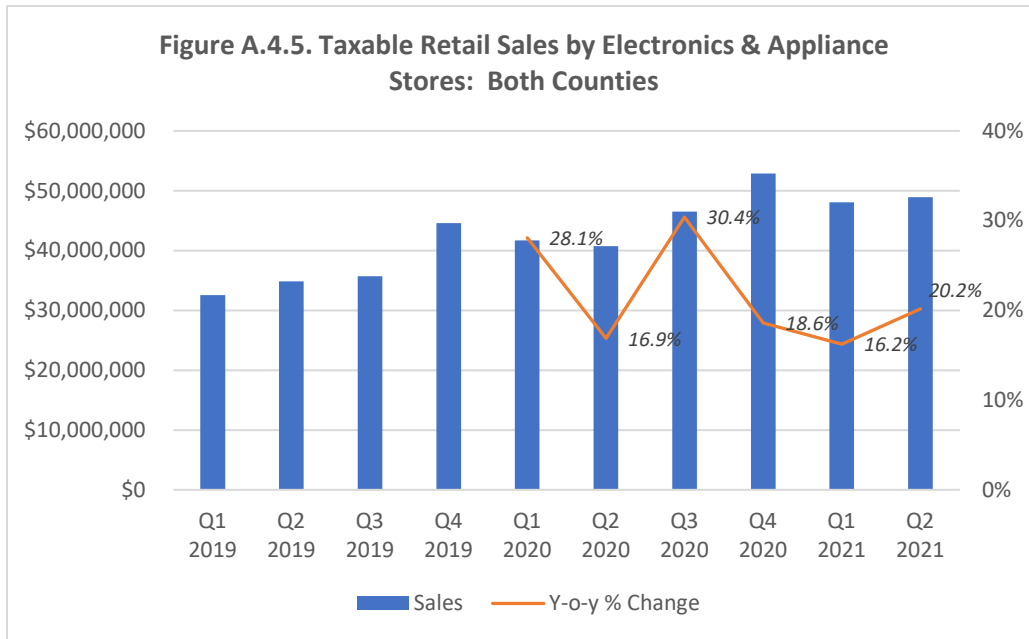
Comment: A gain of \$15.22 million in Q2 2020 from Q2 2019.



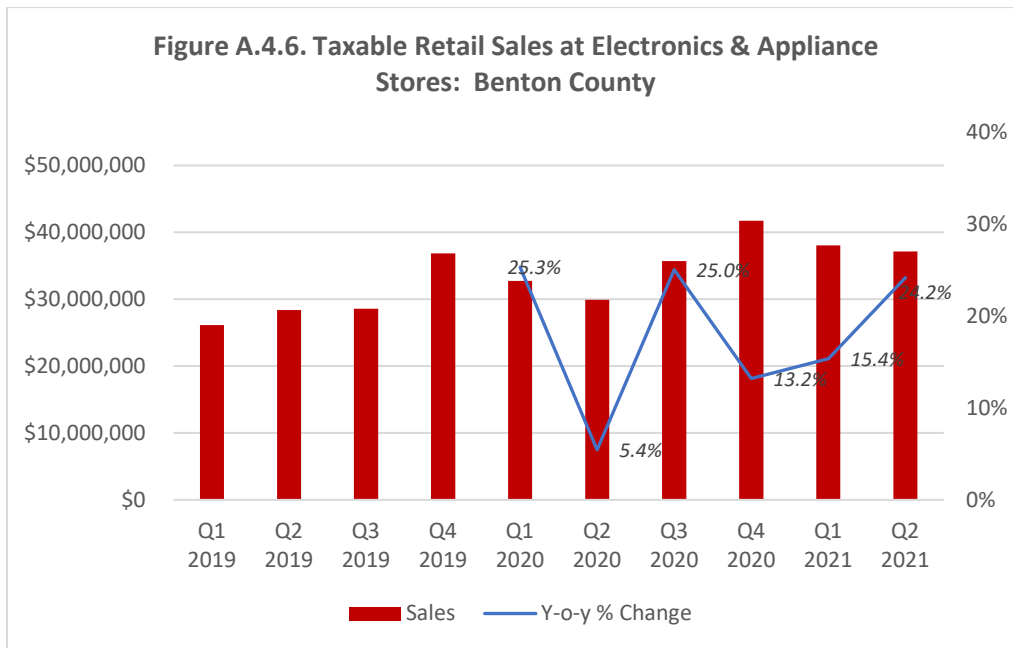
Comment: A gain of \$7.11 million in Q2 2020 from Q2 2019.



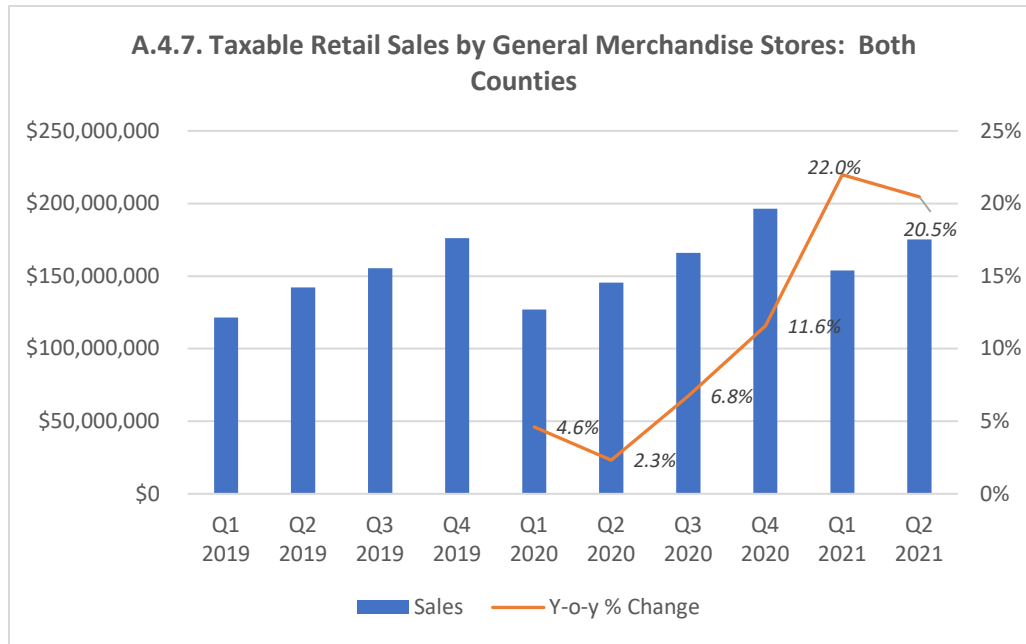
Comment: A gain of \$4.8 million in Q2 2020 from Q2 2019.



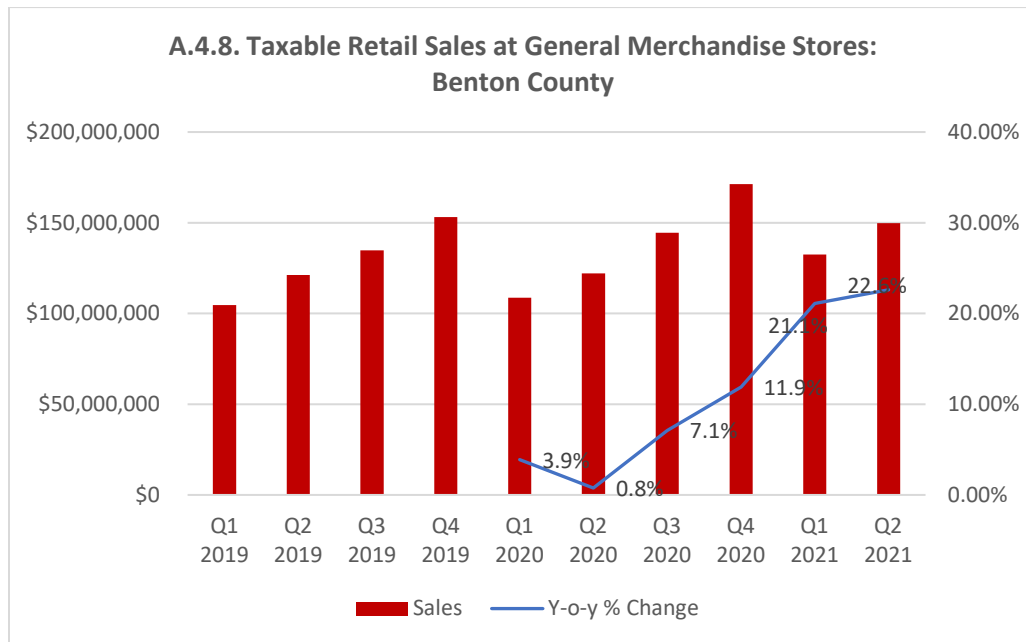
Comment: A gain of \$5.88 million in Q2 2020 from Q2 2019.



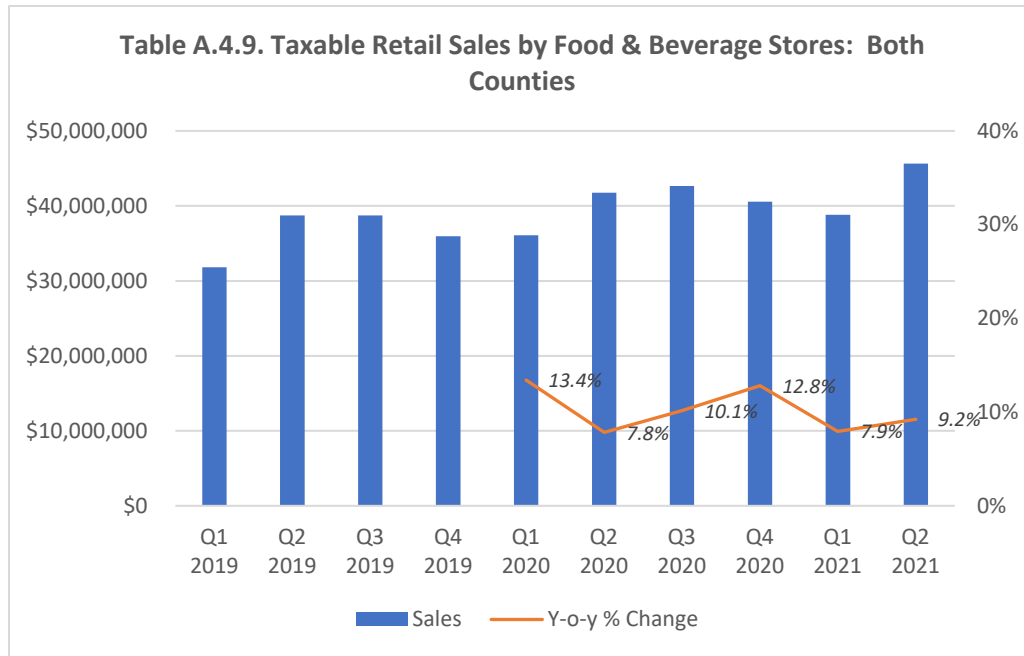
Comment: A gain of \$1.54 million in Q2 2020 from Q2 2019.



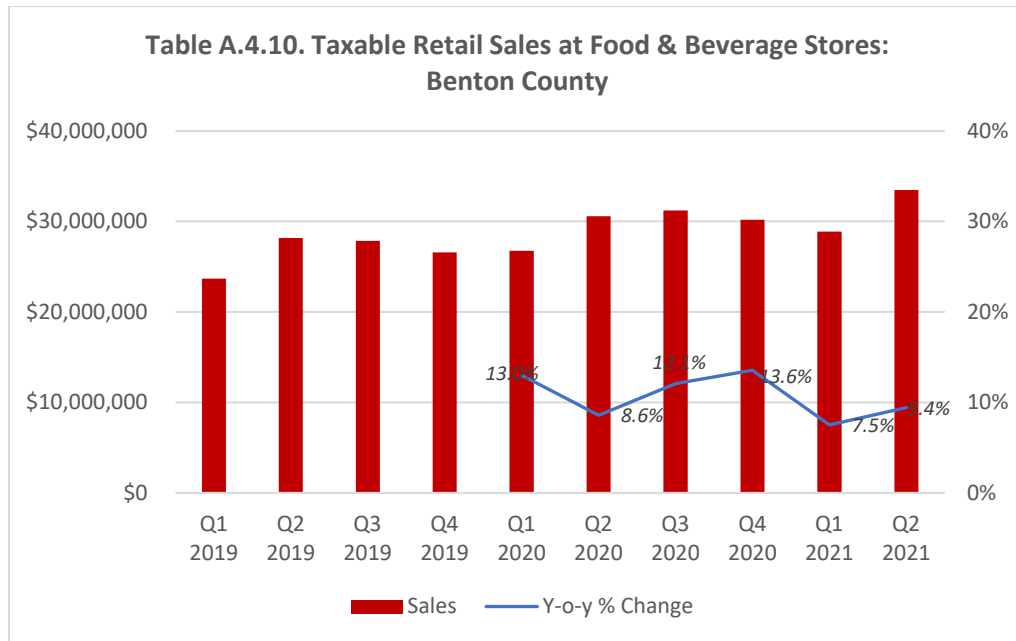
Comment: A gain of \$3.3 million in Q2 2020 from Q2 2019.



Comment: A gain of \$0.92 million in Q2 2020 from Q2 2019.



Comment: A gain of \$3.0 million in Q2 2020 from Q2 2019.



Comment: A gain of \$2.42 million in Q2 2020 from Q2 2019.



BENTON-FRANKLIN
COUNCIL OF GOVERNMENTS

Michelle Holt,
Executive Director

Benton-Franklin Council of Governments

Benton-Franklin Council of Governments (BFCOG) was established by voluntary association of the local units of government in 1966 with the vision of providing a forum for improved communication, multi-jurisdictional decision making, regional planning, and lead agency capacity for provision of multi-jurisdictional programs. The services currently provided to the member jurisdictions are outlined by Interlocal Agreement and can evolve with the needs of the region. BFCOG currently fulfills the following designations on behalf of the Benton-Franklin region:

- **Regional Planning Commission** (RCW 36.70.60)
- **Conference/Council of Governments** (RCW 36.64.80)
- **Regional Transportation Planning Organization** (RCW 47.80.20) (WSDOT)
- **Metropolitan Planning Organization/Transportation Management Area** (Federal Highway Administration, Federal Transit Administration)
- **Economic Development District** (US Department of Commerce, Economic Development Administration)

What is a Council of Governments?

Council of Governments –We exist to study regional and governmental problems of mutual interest and concern, to formulate recommendations for review and action by member jurisdictions legislative bodies. *(RCW 36.54.080)*

Councils of Governments are unique, reflecting the needs of their respective regional needs.





Solutions for Shared Regional Problems

Benton-Franklin Council of Governments convenes local governments to collaboratively plan, fund, and administer solutions to shared community needs.





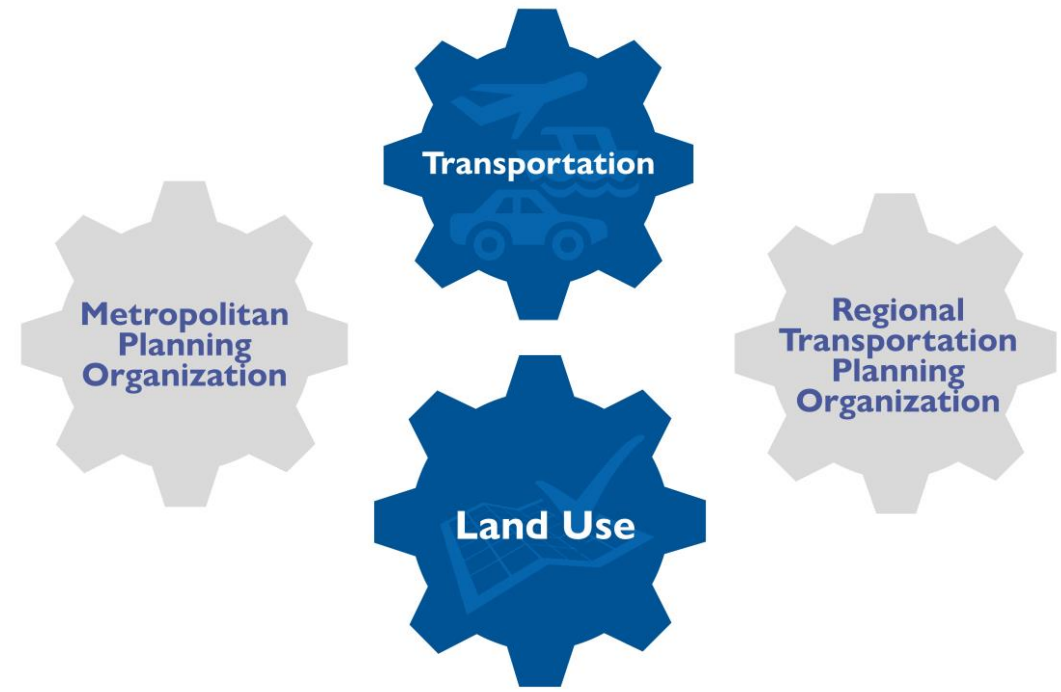
Regional Planning

Call for Projects Funding Allocation makes available roughly \$5M annually to local jurisdictions for local multi-modal projects through a competitive process in cooperation with WSDOT. This funding is only available to jurisdictions through the local MPO.

Metropolitan Transportation Plan (MTP) is a long range, multi-modal planning document that identifies the mobility needs of the region for 20+ years. It provides a policy framework for the investment of anticipated federal, state, and local funds based on the anticipated needs and regional goals and objective. Transportation projects that are not part of the MTP are not eligible for state and federal transportation funding.

Transportation Improvement Program (TIP) Assistance is provided to local jurisdictions to ensure projects are entered into the WSDOT project software. Projects not entered are not eligible for state or federal/state pass through funds.

Regional Transportation Priorities is an annually compiled list of collaborative transportation projects for the Tri-Cities region highlighting the highest priority projects as adopted by the BFCOG. This listing is useful to local, state, and federal agencies in accomplishing planning tasks and provides information to support pursuit of projects and funding including grant applications.



Comprehensive Plan Growth Management Act Certification:

Review of the transportation element of local jurisdiction comp plans to ensure consistency with GMA requirements, then issue required GMA certification.

Travel Demand Modeling Data and Land Use Scenarios for developments and comprehensive planning is provided to local jurisdictions and regularly updated on behalf of the region. This service would have to be procured by each individual jurisdiction if not provided by BFCOG.

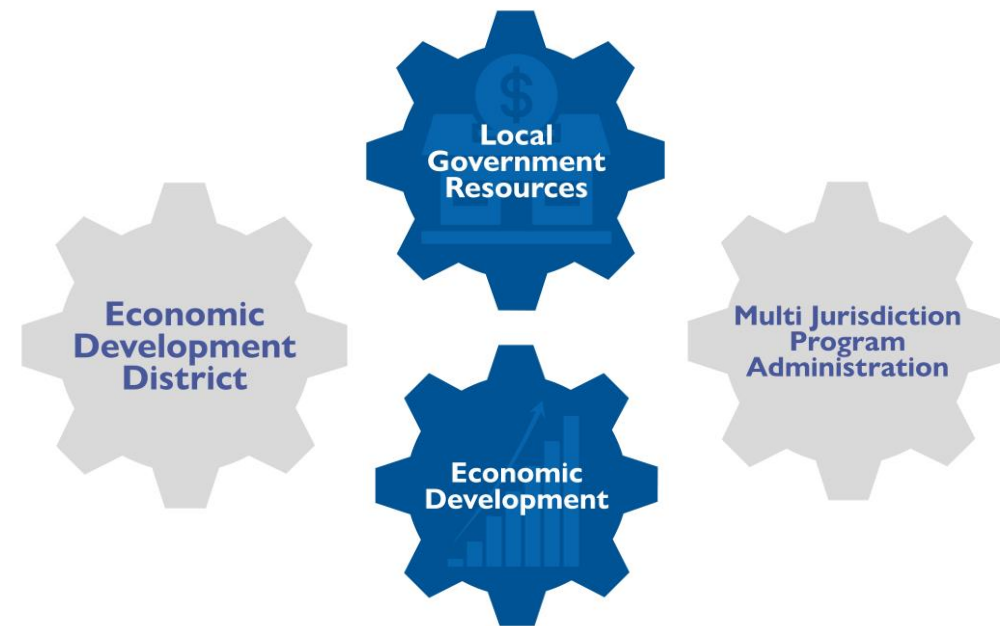
Additional services available upon request by local jurisdictions include **Land Use Planning, Land Suitability Analysis, Mapping Services,** and **Equity Data Support.**



Comprehensive Economic Development Strategy (CEDS) is produced by BFCOG on behalf of the region. The CEDS, which showcases projects and regional economic areas of emphasis, is a requirement of the Economic Development Administration (EDA) to support investment of EDA grant funding in the region. Since 2009 more than \$12.5M has been invested by the EDA for projects in this region.

Regional Revolving Loan Funds are administered by BFCOG, with over \$500K currently available for loan to spur economic growth. Since inception, these loan funds have funded \$16.4M loans through 177 small businesses loans throughout the region.

Funding Technical Assistance is provided to local jurisdictions to facility the flow of state and federal funding into the region through grants and ongoing programs. We do this by providing educational and networking with program administrators like EDA – which has over \$3.5B available nationally for community building programs. The IJA is filled with funding opportunities. BFCOG is the Notice of Record resource for Sen. Murray and Cantwell's offices for dissemination of federal Notice of Funding Opportunities (NOFO) to regional jurisdictions.



Lead Agency Capability is available for BFCOG to by the applicant and administrator for state or federal programs that allow collaboration and impact to more than one jurisdiction in the region.

Regional Brownfields Program is a new initiative to identify and prioritize brownfield sites to facilitate potential redevelopment or reuse through environmental assessment, remediation, and site-specific planning. An environmental consulting firm has been contracted to support these activities and identification of other funding support for related activities.

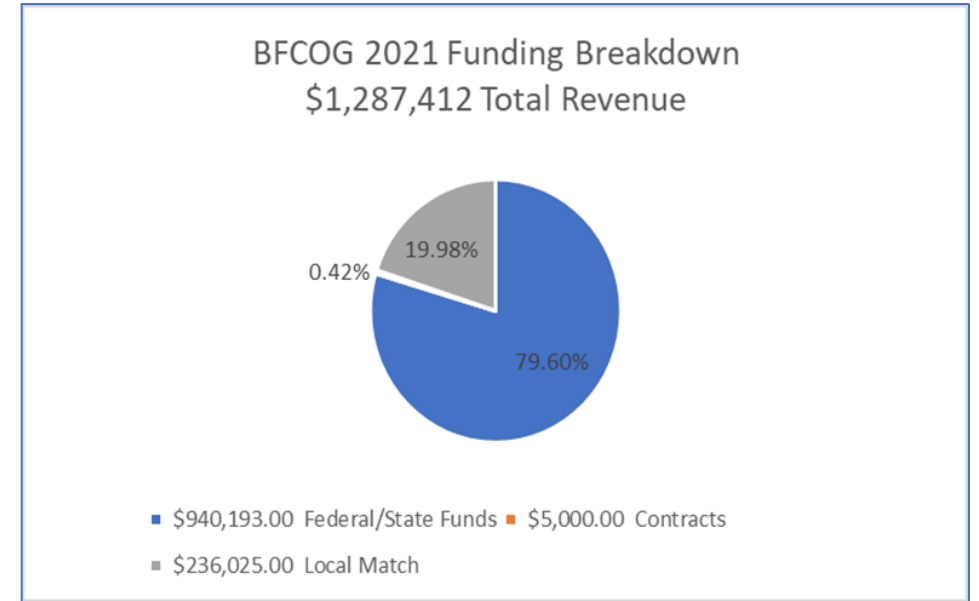


Funding Sources



BFCOG receives operating revenues through 4 funding sources.

- **Renewing Program Funding** (Grants/Federal & State Allocations)
- **Single Opportunity Grants** (Direct/Lead Agency)
- **Contracted Services**
- **Local Funds** (Jurisdictional Member Assessments)



Renewing Program Funding – Per Biennium

Federal Transportation Funding – 13.5% Local Match Required

Federal Highway Administration Planning Program (FHAPL) - \$384,000*

Federal Transit Administration 5303 Program (FTA5303) - \$134,400*

Surface Transportation Block Grant (STBG) - \$279,800*

**This process allocates roughly \$5M annually to local transportation projects in the region through competitive call for projects.*

WSDOT RTPO Funding (No Local Match Required) - \$247,500*

*(*Annual amounts can vary due to funder allocation changes and carry-over funds)*

Economic Development Administration Funding – 100% Local Match Required

Comprehensive Economic Development Strategy Planning Grant (CEDS) Renewable 3-Year \$225K grant (\$75K per year) to produce and update the CEDS, which EDA uses to determine potential economic impact related to EDA grant making within the region.

Since 2009 **\$12.5M in EDA grants** have been awarded in our region to the benefit of the cities of West Richland, Pasco & Connell, and all three of the Ports for infrastructure projects.



Funding Sources

Single Opportunity Grants

- Awarded directly to BFCOG for a program that is part of the BFCOG mission or awarded to BFCOG as “Lead Agency” on behalf of one or more local jurisdictions.

Direct Grant Award Example – EDA Covid Relief Grant 2020

BFCOG received \$400,000 to provide economic and environmental resiliency support and to add economic resiliency planning into the CEDS. These funds were used to hire our Economic Recovery Coordinator Position. *This funding expires in June 2022.*

Lead Agency Grant Award Example – EPA Brownfields Coalition Assessment Grant

BFCOG received a 3-Year, \$600,000 grant to work with a local coalition made up of cities of Kennewick, Pasco & Richland to identify, rank by potential economic impact, and assess multiple Brownfield properties within the Benton-Franklin region. A ranking and selection criteria will determine sites to be assessed and is open to properties within Benton or Franklin counties.

Contracted Services

- RCW 39.34.010, BFCOG can enter into a cooperative contracting agreement with any other local government entity for the purpose of mutual advantage to provide services and facilities that accord with factors influencing the needs and development of local communities.

Benton County PFD & Tri-City Regional PFD Administration

BFCOG provides administrative support for two Public Facilities Districts. This provides only a nominal source of revenue as these two districts require a minimal time on behalf of BFCOG staff.

Annually this is less than \$2,500 total and minimal net revenue.



Funding Sources

Local Funds

- As part of the BFCOG Interlocal Agreement, member jurisdictions agree to fund the operations of BFCOG. Local funds are required to balance the organizational budget after all other forms of funding have been applied.

FY2022 Local Funding Total - \$260,774

Federal Transportation Programs – 13.5% Local Match

WSDOT RTPO Program – No Required Local Match

CEDS Planning Grant – 100% Local Match (\$75K per year*)

No other current program funding requires a local match. BFCOG board must approve any grant application that would require local matching dollars on behalf of the jurisdiction members.

Important Note About Local Funds

BFCOG has limited its annual dues to only those funds required for required program matching for many years.

BFCOG has operated with limited operational staff, subsidizing overhead expenses, when necessary, from its reserve funds, which have been nearly depleted.

The only source of operational funds beyond what is recouped through indirect rates on our federal programs are local funds.





Support Summary

Summary of Support Provided to: **Port of Kennewick**

Transportation Planning & Funding:

- Eligible for Transportation Call for Projects competitive funding in late summer/early fall 2021.

Economic Development:

- Access to Brownfields Coalition Assessment Grant funding for eligible Phase I, Phase II, Site/Area Wide Planning nominated brownfield sites.
- Technical Assistance available for EDA Funding and other NOFO
- Clover Island Revitalization, Vista Field Redevelopment, The Willows Infrastructure Project (Columbia Drive Revitalization Phase 3) Projects inclusion in the *2021 Comprehensive Economic Development Strategy (CEDS)* document to support the acquisition of future project funding.

Fiscal Impact to: **Port of Kennewick**

2022 Dues Assessment: \$10,457 (Federal Matching Only – 4.01% of Assessment Budget)

- Total Assessment Investment since 1997: \$278,112





BENTON-FRANKLIN
COUNCIL OF GOVERNMENTS

Questions?



AGENDA REPORT

TO: Port Commission

FROM: Amber Hanchette, Director of Real Estate and Operations

MEETING DATE: April 26, 2022

AGENDA ITEM: Columbia Gardens Property Owners Association (POA) Assessment Mechanism – Streamlined Assessment Calculation

I. REFERENCE(S): Resolution 2021-16, Resolution 2022-13

II. BACKGROUND

In September 2021, the Port Commission approved Resolution 2021-16, an assessment mechanism for Columbia Gardens to help offset some of the operational costs associated with the perpetual maintenance of common area improvements in the Columbia Gardens Wine & Artisan Village. Establishing the “assessment mechanism” was necessary before the parcels could be offered for sale or lease, to both make the assessments applicable to any subsequent deal, and to allow the prospective buyers/builders to understand their long-term financial expectations.

While drafting the Covenants, Conditions, Restrictions and Easements (CCRE) documents, a steering team (Amber Hanchette, Larry Peterson, Ben Floyd and Chris Napier) explored many variations for an assessment calculation. It was determined that by narrowing down the many potential assessment factors to one (building square footage) the calculation became more objective than subjective, and also less complicated to explain and administer. The ongoing Port support for 35% of the Shared Foundational item costs, the five-year grace period, and the other facilities the Port is providing and maintaining also helps make this attractive for private sector participation.

Elements that remain are:

- Neighborhood pays 65% of Shared Foundational item costs (roadway, sidewalks, parking lots, landscape, lighting, security)
- Assessments would be levied against Property Owners
- Shares would be based upon Overall Buildout and not upon the existing increment
- Assessments based upon Building Gross square footage
- Port pays each property owner’s share for the initial Five (5) Year period*

*The 5-year grace period for both currently developed and vacant parcels would begin at recording of the Columbia Gardens covenants documents. Regardless of tenant and/or business owner changes, the property owner would be responsible for paying their share of the neighborhood assessments on the 61st month after the Certificate of Occupancy is issued.

Working elements of the overall CCRE document:

- Voting rights and responsibilities for owners
- Defining the context of each foundational item
- Clearly identifying parcels and foundational item (common area) locations/easements in figure
- Future proofing: giving the Port an option to exit the association
- Define any excluded uses

III. ACTION REQUESTED OF COMMISSION:

Commission to consider streamlining the Columbia Gardens owner's association assessment calculation based on gross building square footage for each parcel.

MOTION: I move approval of Resolution 2022-13, streamlining the Columbia Gardens Property Owner's Assessment calculation based on gross building square footage only; and ratify and approve all action by port officers and employees in furtherance hereof; and authorize the port Chief Executive Officer to take all action necessary in furtherance hereof.

PORT OF KENNEWICK

RESOLUTION No. 2022-13

***A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF THE PORT OF KENNEWICK STREAMLINING THE COLUMBIA GARDENS
PROPERTY OWNERS' ASSOCIATION ASSESSMENT CALCULATION***

WHEREAS, the Port intends to establish a property owners' association to share responsibility for some of the operational costs associated with the perpetual maintenance of common area improvements in the Columbia Gardens Wine & Artisan Village; and

WHEREAS, the Board of Commissioners has approved an owner's association assessment mechanism through Resolution 2021-16;

WHEREAS, any such assessments be fair and equitable to both the existing and future property owners within the Columbia Gardens Wine & Artisan Village.

NOW, THEREFORE, BE IT RESOLVED that the Port of Kennewick Board of Commissioners hereby approves a streamlined calculation for the Columbia Gardens Wine & Artisan Village property owners' association assessment as identified in Exhibit A attached hereto.

BE IT FURTHER RESOLVED that the Port of Kennewick Board of Commissioners hereby ratify and approve all action by port officers and employees in furtherance hereof; and authorize the port Chief Executive Officer to take all action necessary in furtherance hereof.

ADOPTED by the Board of Commissioners of Port of Kennewick on the 26th day of April, 2022.

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

By: _____

SKIP NOVAKOVICH, President

By: _____

KENNETH HOHENBERG, Vice President

By: _____

THOMAS MOAK, Secretary

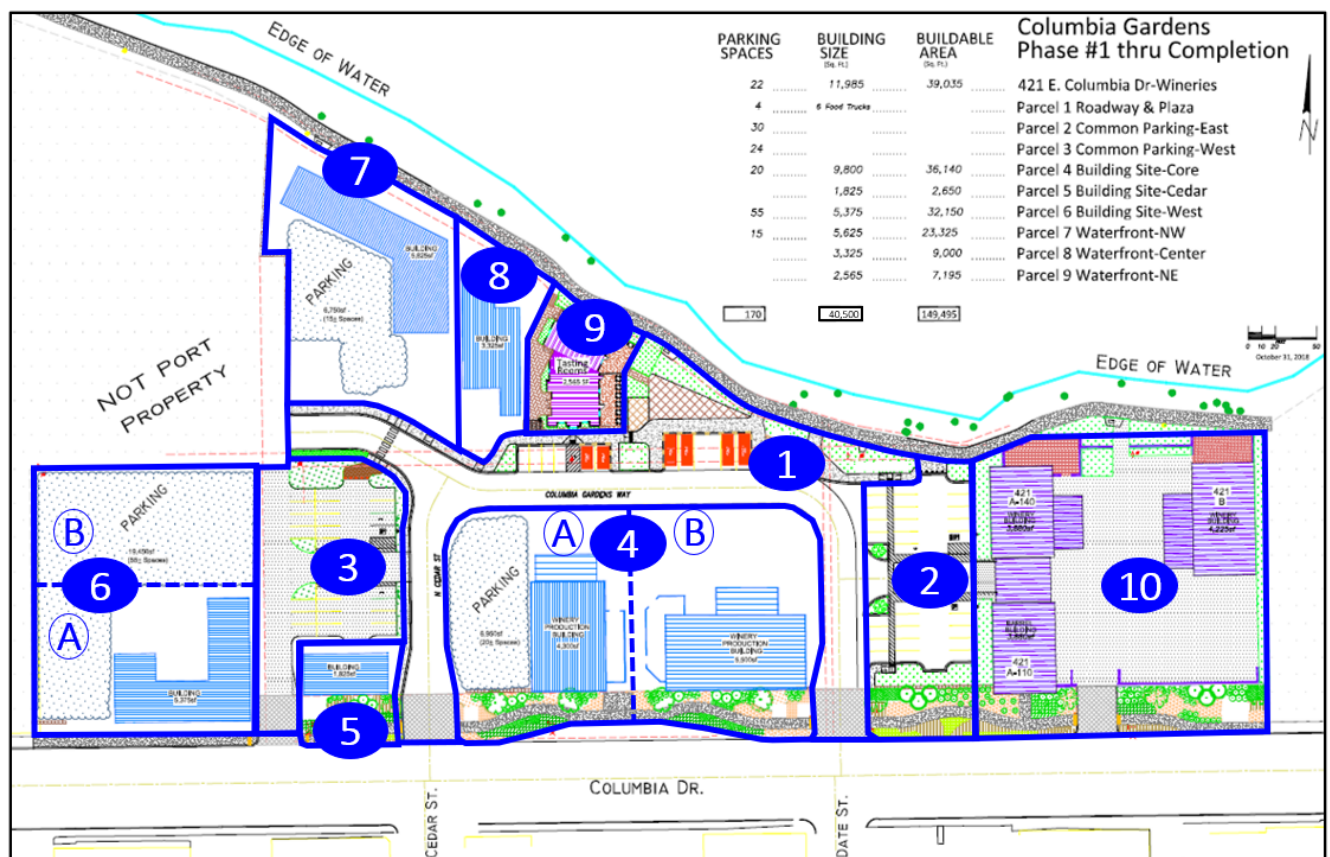
RESOLUTION No. 2022-13
Exhibit A

The Columbia Gardens Wine & Artisan Village, referred to below as the Neighborhood shall be responsible for 65% of the annual operational costs associated of the Shared Foundational items which include: internal roadways located north of Columbia Drive (Columbia Gardens Way, Date Street & Cedar Street); the existing 30-space Date Street and 24-space Cedar Street parking lots as well as joint use parking lots that may be developed in the future; sidewalks, illumination and landscaping associated with these internal streets and parking lots; Columbia Drive streetscape improvements and insurance & security expenses. The Port will not attempt to recapture the initial capital outlay to construct these improvements.

Assessments will be based upon each property share of the overall neighborhood expense and shall be assessed against the property owners of record.

Shares will be based upon the gross building square footage.

The Port would directly pay for all shares for all properties for a period of five (5) years from the date of recording of the covenants.



AGENDA REPORT



TO: Port of Kennewick Commission

FROM: Amber Hanchette, Director of Real Estate & Operations

MEETING DATE: April 26, 2022

AGENDA ITEM: Bruker – Lease Termination, Amendment #5; Resolution 2022-12

BACKGROUND:

In June 2021, Bruker leadership gave notice to the port that they would be vacating the building no later than May 31, 2022 and requested early lease termination consideration.

Lease Summary:

- Current Bruker lease term – 5 years (June 1, 2018 – May 31, 2023)
- Current lease rate - \$12,054.20 plus leasehold tax per month
- Deposit on file - \$24,115.00
- Leased space – 21,000 square feet

Commission approved an early lease termination request through lease Amendment #4 and Resolution 2021-21.

Lease Amendment #4 Terms:

- Tenant shall vacate the Premises on or before May 31, 2022.
- On or before May 31, 2022, Tenant shall pay Port a lump sum equivalent to the monthly rent (\$12,054.20 per month, plus leasehold tax) for the period June 1, 2022 through December 31, 2022 for a total payment of \$84,379.40 plus leasehold tax)
- Tenant shall be relieved of monthly rent for the period January 1, 2023 through the end of the Lease term (May 31, 2023).
- Port shall return the Lease deposit (\$24,115.00) to Tenant on or before June 30, 2022.
- Port may begin efforts to market the Premises effective with the signing of this Amendment. Tenant shall cooperate with Port's efforts to market the Premises.

Staff received a request from Bruker legal counsel to amend several elements of Amendment #4 including:

- Name change to Bruker Handheld LLC.
- Clarification language that the lease termination would relieve Bruker of further liability, insurance, and maintenance costs.
- Bruker has offered further monetary consideration to the port for maintenance, security, cleaning, landscape, and waiver of deposit that will assist in marketing efforts.

MOTION:

I move approval of Resolution 2022-12 approving the Lease Amendment #5 between the Port of Kennewick and Bruker Handheld LLC, and hereby ratify and approve all action by port officers and employees in furtherance hereof; and authorize the port Chief Executive Officer to take all action necessary in furtherance hereof.

PORT OF KENNEWICK

RESOLUTION 2022-12

***A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF THE PORT OF KENNEWICK AUTHORIZING
REVISED EARLY LEASE TERMINATION
FOR BRUKER AXS HANDHELD INC.***

WHEREAS, the Board of Commissioners received written notice from Bruker AXS Handheld Inc. to vacate 21,000 square feet of light industrial space at 415 N. Roosevelt Street, Kennewick and terminate their lease early due to corporate restructuring; and

WHEREAS, Bruker AXS proposed to the Commission a lease buyout plan and early termination terms found in Lease Amendment #4;

WHEREAS, Bruker AXS requested revised language to the lease buyout plan and early termination terms found in Lease Amendment #5 (Exhibit A);

NOW, THEREFORE BE IT RESOLVED, that the Board of Commissioners of the Port of Kennewick hereby approves and adopts Lease Amendment #5 between the Port of Kennewick and Bruker Handheld LLC.

BE IT FURTHER RESOLVED that the Port of Kennewick Board of Commissioners hereby ratifies and approves all action by port officers and employees in furtherance hereof; and authorizes the port Chief Executive Officer to take all action necessary in furtherance hereof.

ADOPTED by the Board of Commissioners of the Port of Kennewick this 26th day of April 2022.

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

By: _____

SKIP NOVAKOVICH, President

By: _____

KEN HOHENBERG, Vice President

By: _____

THOMAS MOAK, Secretary

AMENDMENT #5 TO COMMERCIAL LEASE AGREEMENT

THIS AMENDMENT, entered into this ____ day of _____, 2022, by and between the Port of Kennewick, a Washington municipal corporation (hereinafter referred to as "Port"), and Bruker Handheld LLC, a Delaware limited liability company formerly named Bruker AXS Handheld, Inc. (hereinafter referred to as "Tenant").

WITNESSETH

WHEREAS, on June 1, 2018, Port and Tenant entered into a Commercial Lease for the lease of the premises located at Vista Field Development Building A, Suite No. 1 located at 415 N. Roosevelt Street (formerly known as Quay Street), Kennewick, Washington (hereinafter referred to as the "Premises"). The Commercial Lease, Exhibits (including full legal description), and Amendment Nos. 1—3 (hereinafter collectively referred to as the "Lease") are attached hereto and incorporated herein by reference as Exhibit "A".

AND, WHEREAS, the Port and Tenant wish to amend the Lease to address Tenant's request to modify the terms of Amendment No. 4 terminating the Lease before the end of the Lease term.

NOW, THEREFORE, it is agreed by and between the parties that they adopt the following amendments to the Lease:

1. Tenant shall vacate the Premises on or before May 31, 2022. Tenant shall continue to make ordinary rental payments through such date.
2. On or before May 31, 2022, Tenant shall pay Port a lump sum of \$156,625.32, such sum being approximately equivalent to the monthly rent (\$12,054.20 per month, plus leasehold tax) for the period June 1, 2022 through December 31, 2022, plus additional cleaning and security services taken over by Port.
3. The "Expiration Date" of the Lease shall be amended to be May 31, 2022, and the Lease shall terminate upon such date.
4. Tenant shall be relieved of monthly rent for the period January 1, 2023 through the end of the current Lease term (May 31, 2023).
5. Tenant shall waive any and all interest to, and Port shall retain as its separate property, the Lease deposit (\$24,115.00) as of May 31, 2022.
6. Port may begin efforts to market the Premises effective with the signing of this Amendment. Tenant shall cooperate with Port's efforts to market the Premises.
7. Port hereby consents to the transfer of Tenant's remaining rights and obligations under the Lease to Tenant's affiliate, Bruker AXS LLC, subject to receipt of such additional reasonable information and documentation as Port may request and execution of a commercially reasonable acknowledgement agreement.

All remaining terms and conditions of the Lease remain unchanged. This Amendment may be executed in one or more counterparts, all of which together constitute one and the same instrument.


PORT OF KENNEWICK

By: _____
Name: Tim Arntzen
Title: Chief Executive Officer

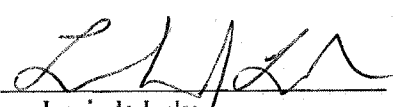
Reviewed:

By: _____
Name: Nick Kooiker
Title: Port CFO

BRUKER HANDHELD LLC

By:  _____
Name: Thomas Schuelein
Title: Manager

Approved as to form:

By:  _____
Name: Lucinda Luke
Title: Port Legal Counsel