

Port of Kennewick Commission Chambers will be open to the public during Commission Meetings.
However, the Port will continue to use GoToMeeting to provide remote access,
and Commissioners and the Port team will attend remotely.

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

To participate remotely, please call in at: 1-877-309-2073, Access Code: 553-474-685

Or, join on-line at the following link: <https://meet.goto.com/553474685>

AGENDA

***Port of Kennewick
Regular Commission Business Meeting
Port of Kennewick Commission Chambers (or via GoToMeeting)
350 Clover Island Drive, Suite 200, Kennewick Washington***

October 25, 2022

2:00 p.m.

- I. CALL TO ORDER**
- II. ANNOUNCEMENTS AND ROLL CALL**
- 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 October 18, 2022
 - B. Approval of Warrant Register Dated October 25, 2022
 - C. Approval of Regular Commission Meeting Minutes October 11, 2022
 - D. Approval of Palencia Wine Co. Lease Renewal; Resolution 2022-30
- VII. PRESENTATION**
 - A. 2023-2024 Draft Budget Workshop (**NICK**)
- VIII. REPORTS, COMMENTS AND DISCUSSION ITEMS**
 - A. Vista Field Update (**AMBER**)
 - B. Tamastslikt Cultural Institute Trust Board (**BRIDGETTE**)
 - C. Commission meetings (formal and informal meetings with groups or individuals)
 - D. Non-Scheduled Items
(**LISA/BRIDGETTE/NICK/LARRY/AMBER/CAROLYN/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

OCTOBER 11, 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)
Carolyn Lake, Port Counsel (via telephone)

PLEDGE OF ALLEGIANCE

Commissioner Hohenberg 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.

Mr. Arntzen requested approval to add the Tri-Cities Hispanic Chamber of Commerce Community Ally of the Year Award Presentation to the Agenda. Mr. Arntzen inquired if the item could be placed under New Business.

Commissioner Novakovich inquired if the Commission had any objections to adding Community Ally of the Year Award Presentation to the Agenda as Item 7A.

The Commission had no objections and the Agenda was modified as requested.

PORT OF KENNEWICK REGULAR COMMISSION MEETING

OCTOBER 11, 2022 MINUTES

DRAFT

CONSENT AGENDA

- A. Approval of Direct Deposit and E-Payments Dated October 4, 2022**
Direct Deposit and E-Payments totaling \$88,935.45
- B. Approval of Warrant Register Dated October 11, 2022**
Expense Fund Voucher Number 104185 through 104213 for a grand total of \$88,482.12
- C. Approval of Regular Commission Meeting Minutes September 27, 2022**
- D. Bartholomew Winery Lease Renewal; Resolution 2022-29**

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.*

NEW BUSINESS

A. Latino Community Ally of the Year Award

Mr. Arntzen stated this item came to us last minute, and after reviewing, while it is an award for an individual, it reflects on the entire Port as an institution.

Ms. Bader Inglima stated the Tri-Cities Hispanic Chamber of Commerce held their annual awards dinner this past weekend and the Community Ally of the Year Award honors someone who has made a positive impact on the Latino community. Ms. Bader Inglima reported that Commissioner Novakovich was honored to receive the award for his ongoing support and contributions to the Latino community (Exhibit A).

Mr. Arntzen offered congratulations to Commissioner Novakovich from the Port team.

Commissioner Novakovich stated the award was completely unexpected and it is an award that belongs to the team at the Port of Kennewick, and all of the projects we have accomplished over the years to be inclusive of our community.

B. Oak Street Purchase and Sale Agreement; Resolution 2022-28

Ms. Hanchette presented the purchase and sale agreement from Jr's Ironworks for the property located at 192705 East 3rd Avenue for \$150,000. Ms. Hanchette stated the property will be sold "as is" and without a buy back clause.

MOTION: *Commissioner Hohenberg moved to approve Resolution 2022-28, approving a purchase and sale agreement with Jr's Ironworks Inc. for surplus port property located at 192705 East 3rd Avenue for \$150,000 and further move that all action by Port officers and employees in furtherance hereof is ratified and approved; and further that the Port Chief Executive Officer is authorized to take all action and to execute necessary documents; Commissioner Moak seconded.*

PUBLIC COMMENT

No comments were made.

PORT OF KENNEWICK REGULAR COMMISSION MEETING

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Discussion:

Commissioner Hohenberg thanked staff for working with Jr's Ironworks and stated this blighted property has an opportunity to be repurposed and get onto the tax rolls. Commissioner Hohenberg is a big supporter of small business and small business owners, and he believes this is a win win for everyone involved, especially our constituents in the Port of Kennewick. This is great work by staff and Commissioner Hohenberg supports this sale.

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

PRESENTATION

A. Vista Field Aviation History Report

Ms. Bader Inglima stated one of the Port's upcoming capital projects involves a renovation of the hangars at Vista Field, and one aspect of that project is to incorporate the former World War II decking into the plaza area between the hangars. Ms. Bader Inglima asked Mark Showalter, who is both a pilot and aviation history enthusiast, to assist the Port with some research that the Port could use to incorporate into that space.

Mr. Showalter presented the history of aviation at Vista Field (*Exhibit B*).

B. Port Team Longevity

Ms. Bader Inglima stated in today's work climate, there are more jobs open than people to fill them, or people hop from job to job to job, or people are quietly quitting. Even in the Port industry, the average length for an executive or CEO is approximately five years. Ms. Bader Inglima reported that of the 13 people employed with the Port, nine have been with the Port more than 10 years; with four employees having been with the Port over 15 years. Ms. Bader Inglima outlined some of the tasks that the team performs on an on-going basis. Ms. Bader Inglima thinks it is a testament to Mr. Arntzen's leadership and management style and that he has assembled a team that works well together.

REPORTS, COMMENTS AND DISCUSSION ITEMS

A. Vista Field Update

Ms. Hanchette briefed the Commission on the recent Vista Field site tour with Windemere One and the Vista Field presentation to the Home Builders Association. Ms. Hanchette stated each event was well attended.

B. Seabrook Update

Commissioner Hohenberg had the opportunity to visit Seabrook, Washington with Mr. Arntzen and presented photos from the New Urbanism development (*Exhibit C*).

C. Commission Compensation

Mr. Arntzen stated with inflation at 8-10%, he will be giving cost of living adjustments for Port employees and would like to true them up commensurate to what is happening in the open market. Mr. Arntzen stated the Port Commission receives a fixed 4% cost of living adjustment and believes

PORT OF KENNEWICK REGULAR COMMISSION MEETING

OCTOBER 11, 2022 MINUTES

DRAFT

this would be a good time to address the Commission's compensation as well. Mr. Arntzen will work with Mr. Kooiker and Ms. Lake and bring back something for Commission consideration.

Commissioner Moak believes it is important to work with Port Counsel because there is a concern about Commissioners raising their own pay during their term of office.

Commissioner Hohenberg is not opposed to this and stated if there was a cost-of-living adjustment it would not impact the current Commission, it would affect a newly elected or re-elected Commissioner.

Mr. Arntzen stated should this current Commission approve of a salary adjustment, it would not apply to the current Commission, as Commissioner Hohenberg stated, it would be for the next Commission.

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

Commissioners reported on their respective committee meetings.

E. Non-Scheduled Items

Ms. Bader Inglima stated the Washington Public Ports Association sent out a call of nominations for Port of the Year. Ms. Bader Inglima will be submitting a nomination for the Port to be recognized as Port of the Year for the Vista Field redevelopment project.

Ms. Hanchette updated the Commission the following maintenance projects:

- The Vista Field stream is down for maintenance, as the electrical vault flooded with water and the Port is in the process of getting estimates;
- Clover Island Inn posted a private parking sign in the road for that end of the Island. The Port is supportive and understands what they are trying to accomplish and will be adding additional lighting to the parking lot;
- A section of the Cedars Dock piling has failed, and the Port team has removed two sections of the dock. The Port is working with an environmental consultant on the permit process for the in-water work. Ms. Hanchette is hoping to get the work completed in that time frame but does not know if the permits will be issued in time.
- The Catch the Wind artwork is out for a refresh and will be getting a new powder coating.

Mr. Arntzen stated in the upcoming budget there is proposed funding to look at the possibility of putting up a stage at Clover Island Inn, which would be open to the public. Staff worked with Chris Ritter, who drew up stage concepts using shipping containers. Mr. Arntzen has a conference call with the architects and engineers who created the container village on Fremont Street in Las Vegas.

Commissioner Novakovich commended Mr. Arntzen for his perseverance on the stage. We have discussed this item for many years and if the Port can build a stage, it will give the hotel group the opportunity to use great stage for their concert series and bring more people to the Island. Commissioner Novakovich believes it is a worthwhile project.

PORT OF KENNEWICK REGULAR COMMISSION MEETING

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Commissioner Hohenberg thanked Mr. Showalter for his presentation and thanked staff for their continued great work, thanked his fellow Commissioners, and believes this is the best Commission Meeting he has attended.

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 3:18 p.m.

APPROVED:

**PORT of KENNEWICK
BOARD of COMMISSIONERS**

Skip Novakovich, President

Kenneth Hohenberg, Vice President

Thomas Moak, Secretary

PORT OF KENNEWICK

RESOLUTION No. 2022-28

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PORT OF KENNEWICK AUTHORIZING A PURCHASE AND SALE AGREEMENT WITH JR'S IRONWORKS INC

WHEREAS, Jr's Ironworks Inc (Purchaser), has offered to purchase approximately 1.54 acres graphically depicted on "Exhibit A" as 192705 E. 3rd Ave at the Port of Kennewick's Oak Street Industrial Park in Kennewick, Washington from the Port of Kennewick (Seller) for \$150,000.00; and

WHEREAS, Port staff and the Port attorney have reviewed the proposed Purchase and Sale Agreement and find it is in proper form and is in the Port's best interest; and


WHEREAS, the Port Commission finds that said property is surplus to the Port's needs and the proposed sale is consistent with all previous Port policies, including its Comprehensive Scheme of Development.


NOW, THEREFORE; BE IT HEREBY RESOLVED that the Board of Commissioners of the Port of Kennewick hereby authorizes the Port's Chief Executive Officer to execute a Purchase and Sale Agreement with Jr's Ironworks Inc and hereby authorizes the Port's Chief Executive Officer to execute all documents and agreements on behalf of the Port to complete the transaction as specified above.

BE IT FURTHER RESOLVED that the Port Commission declares that said property is surplus to the Port's needs and the proposed sale as referenced above is consistent with all previous Port policies, including its Comprehensive Scheme of Development.

ADOPTED by the Board of Commissioners of the Port of Kennewick on the 11th day of October, 2022.

PORT of KENNEWICK BOARD of COMMISSIONERS

By:  **SKIP NOVAKOVICH, President**

By:  **KENNETH HOHENBERG, Vice President**


By:  **THOMAS MOAK, Secretary**

EXHIBIT A

192705 E. 3rd Ave, Kennewick WA 99336



COMMERCIAL REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS COMMERCIAL REAL ESTATE PURCHASE AND SALE AGREEMENT (this "Agreement") is made and effective on this 30th day of September, 2022 (the "Effective Date"), by and between the Port of Kennewick, a Washington municipal corporation (as "Seller") and Jr's Ironworks Inc., a Washington Corporation (as "Purchaser"), who are hereinafter singularly referred to as a "Party" or collectively as the "Parties."

1. **PROPERTY.** The Seller agrees to sell, and the Purchaser agrees to purchase, upon the terms and conditions herein specified, that certain real property described as 192705 E. 3rd Ave, Kennewick, Benton County, Washington, as shown on **Exhibit "A"** attached hereto (the "Property").

Tax Parcel No.: 1-0580-301-0158-001

2. **PURCHASE PRICE and EARNEST MONEY.**

2.1 Purchase Price. The Purchase Price, inclusive of any applicable earnest money deposits, shall be paid in cash (U.S. Dollars) at Closing shall be \$150,000.00, plus or minus adjustments and credits as provided herein.

2.2 Earnest Money. Receipt is hereby acknowledged of \$7,500.00 delivered as earnest money. Earnest money shall be applied to the Purchase Price at Closing. Earnest money and this Agreement shall be promptly delivered by Seller to the Closing Agent (as defined in Section 7.1 below) hereinafter designated for the benefit of the Parties. Earnest money shall be non-refundable at the end of the feasibility period, as provided in Section 4.1.2 below, unless otherwise specifically provided herein.

3. **TITLE INSURANCE.** The Seller shall provide Purchaser with a standard form owner's policy of title insurance in the amount of the purchase price. The title policy to be issued shall contain no exceptions other than those provided in said standard form plus encumbrances or defects approved by Purchaser as provided below. As soon as reasonably possible after escrow is opened Purchaser shall be furnished with a preliminary commitment therefore issued by **Benton Franklin Title Company**. Said preliminary commitment shall include legible copies of all documents forming the basis for any special exception set forth.

4. **CONTINGENCIES.**

4.1 Purchaser's Contingencies. Purchaser's obligation to purchase the Property shall be contingent upon the following:

4.1.2 Feasibility Determination and Environmental Due Diligence. For a period of sixty (60) days from the Effective Date of this Agreement,

Purchaser may engage consultants or engineers of the Purchaser's choosing to conduct surveys, site studies and tests of the Property as the Purchaser deems necessary. The Purchaser or its agents shall have the right to enter the Property at reasonable times to make such tests, inspections, studies and other investigations as the Purchaser may require, at the Purchaser's expense and risk. During its investigation of the Property, Purchaser shall also have the right to determine if the Property is suitable for Purchaser's contemplated use, that it is properly zoned and that development is feasible. Purchaser and its agents shall have full access to the Property for the purpose of conducting Purchaser's inspections and evaluation. Purchaser's feasibility study shall include environmental due diligence. The Purchaser shall defend, indemnify and hold the Seller harmless from any loss, damage or claim arising out of the Purchaser's access to the Property for purposes of making tests, inspections, studies and other investigations. This contingency shall be deemed waived or satisfied unless Purchaser provides written notice to the contrary within said sixty (60) days, in which case this Agreement shall terminate, and earnest money shall be refunded. If this transaction fails to close due to a default by Purchaser, Purchaser shall immediately deliver to Seller copies of any studies or inspections, appraisals or surveys and any and all information which either the Purchaser or Purchaser's consultants have obtained in connection with the feasibility study.

4.1.3 Survey. A survey has been conducted on the Property and a copy has been provided to the Purchaser. This contingency shall be deemed waived or satisfied unless Purchaser provides written notice to the contrary within ten (10) business days from the Effective Date of this Agreement.

4.1.4 Environmental Site Assessment. If an environmental assessment is performed by Seller, then Seller will provide copies of the assessment to Purchaser within five (5) business days of receipt of the assessment. If no environmental assessment is performed by Seller, Purchaser, at its sole expense, may incur cost and services to have said assessment performed on the property. A copy of the report obtained by the Purchaser shall be provided to Seller within (5) days of receipt.

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

no obligation to make any repairs to the Property, and Purchaser shall accept the Property in its "as is" condition at closing. Purchaser shall assume, as of closing, the responsibility for and risk of all defects and conditions of the Property, including any defects and conditions that cannot be observed by casual inspection. The Parties specifically agree that at closing the Purchaser assumes all environmental liability relating to the Property including without limitation the Washington Model Toxics Control Act ("MTCA"), the Toxic Substances Control Act, the Comprehensive Environmental Response, compensation and Liability Act ("CERCLA"), and the Resource Conservation and Recovery Act ("RCRA"), including without limitation, personal injury to or death of persons whosoever including employees, agents or contractors of the Seller, the Purchaser, or any third party, and damage to property of the Seller, the Purchaser, or any third party.

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

7. **CLOSING.**

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

- 7.2 **Closing Costs.** Closing costs shall be allocated as follows:

Seller	Purchaser
Excise Tax	Recording Fees
Title Insurance Premium	One-Half Closing Fee Costs
One-Half Closing Fee Costs	

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

- 7.3 **Items to be Prorated.** Taxes and assessments for the current year. If applicable, water and other utilities constituting liens, shall be prorated as of date of closing.
- 7.4 **Closing Date - Possession.** This transaction shall be closed when all contingencies have been satisfied and waived but in any event no later than **ninety (90) days** from Effective Date of this Agreement. "Closing" shall be the date on which all documents are recorded and funds are available for disbursement.
- 7.5 **Conveyance.** At Closing Seller shall deliver to Purchaser a Statutory Warranty Deed and free of any other encumbrance or defect except those set forth in the preliminary commitment as set forth above.
- 7.6 **Assignment.** Neither this Agreement nor the rights hereunder shall be assigned without the prior written consent of Seller, which consent shall not be unreasonably withheld.
- 7.7 **Additional Instruments and Documentation.** Seller and Purchaser shall each deposit any other instruments and documents that are reasonably required by the

Closing Agent or required to close and consummate the purchase and sale of the Property in accordance with this Agreement.

- 7.8 **Foreign Investment in Real Property Tax Act.** To the extent applicable, the Parties agree to comply in all respects with Section 1445 of the Internal Revenue Code and the regulations issued thereunder.
8. **No Assignment or Encumbrances.** Purchaser shall not assign, encumber or transfer any right or interest in the Property during the first twenty-four (24) months after the commencement of construction, as defined in Section 8.1.2 above, without the Seller's written approval, which approval shall not be unreasonably withheld.
9. **Hold Harmless.** Further and in consideration of the terms hereof, in the event the Seller repurchases the Property, Purchaser shall release and hold Seller harmless and shall indemnify and defend Seller from any and all claims, demands, liens, or encumbrances arising out of or connected with this Agreement and the Property.
10. **Notices.** All notices required by this Agreement shall be considered properly delivered when (1) personally delivered, (2) transmitted by email showing date and time of transmittal, (3) delivered by regular overnight courier, or (4) delivered or mailed by U.S. registered or certified mail, return receipt requested, and if mailed, shall be considered delivered three (3) business days after deposit in such mail. The addresses to be used in connection with such correspondence and notices are the following, or such other address as a Party shall from time to time direct:

Purchaser: Jr's Ironworks Inc
A Washington Limited Liability Company
c/o Adan Landin De La Mora, Angel Landin De La Mora &
Jr Landin De La Mora
27205 S. 1942 PR SE
Kennewick, WA 99337
Phone No.: (509) 412-0762 (Angel)
Email: lizabella1182@gmail.com

Seller: Port of Kennewick
350 Clover Island Drive, Suite 200
Kennewick, Washington 99336
Attn: Tim Arntzen, Chief Executive Officer
Phone No.: (509) 586-1186
Email: amber@portofkennewick.org

With copy to: Witherspoon Brajcich McPhee
601 W. Main Ave, Suite 1400
Spokane, WA 99201
Attn: Taud Hume, Port Counsel
Phone No.: (509) 455-9077
Email: thume@workwith.com

11. MISCELLANEOUS.

- 11.1 Confidentiality.** Both Parties agree that this transaction shall remain completely confidential and shall not be disclosed to any other third party without the express written consent of the Purchaser and/or Seller, except as may be required by law. Purchaser acknowledges that Seller is subject to Washington State's Public Records Act.
- 11.2 Default and Remedies.** If either Party defaults under this Agreement, the non-defaulting Party may seek (i) specific performance of this Agreement, or (ii) the termination of this Agreement and retention of the deposited Earnest Money, if any.
- 11.3 Dispute Resolution and Attorney's Fees.** In the event of any claim or dispute arising under this Agreement, the Parties agree to submit the same to binding arbitration at a location to be mutually agreed upon in Benton County, Washington. In the event the Parties are unable to promptly agree upon an arbitrator, the same shall be selected by the presiding judge for the Benton County Superior Court at the request of, and upon seven (7) days' notice from, any Party. The arbitrator so appointed shall be a retired superior-court judge or an attorney having at least ten years' experience in matters similar to the subject of the claim or dispute. The court may establish the ground rules by which the initial arbitrator fees are to be paid. The mandatory arbitration rules, as implemented in Benton County Superior Court, shall be binding as to procedure. The arbitrator shall determine an award of reasonable attorney's fees and costs and expenses to the substantially prevailing Party. If any suit or other proceeding is instituted by either Party that is alleged not to come within the foregoing agreement for arbitration, the substantially prevailing Party as determined by the court or in the proceeding shall be entitled to recover its reasonable attorney's fees and all costs and expenses incurred.
- 11.4 Time is of the Essence.** Time is of the essence of this Agreement.
- 11.5 Calculation of Time Periods.** Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday. The final day of any such period shall be deemed to end at 5:00 p.m., Pacific [Daylight] Time.
- 11.6 Governing Law and Venue.** This Agreement shall be governed by and construed according to the laws of the State of Washington. Venue for any dispute arising out of or related to this Agreement shall be exclusively in Benton County, Washington.
- 11.7 Authority to Execute Agreement.** Each of the undersigned represents and warrants that, if not signing on his own behalf, he has the authority to bind the entity for which he/she is executing this Agreement.

- 11.8 Entire Agreement.** There are no verbal or other agreements which modify or affect this Agreement, and Purchaser and Seller acknowledge that this Agreement constitutes the full and complete understanding between Purchaser and Seller.
- 11.9 Amendments.** This Real Estate Purchase and Sale Agreement may be amended or modified only by a written instrument executed by Seller and Purchaser.
- 11.10 Broker Compensation.** Except as specifically disclosed herein, neither Party has had any contact or dealings regarding said property, or any communication in connection with the subject matter of this transaction, through any licensed real estate broker or other person who can claim a right to a commission or finder's fee as a procuring cause of the purchase and sale contemplating this Agreement. If any broker or finder perfects a claim for a commission or finder's fee based upon any other contract, dealings or communication, the Party through whom the broker or finder makes his or her claim will be responsible for that commission or fee and shall indemnify, defend and hold harmless the other Party from and against any liability, cost or damages, including attorney's fees and costs, arising out of that claim.
- 11.11 Obligations to Survive Closing.** The obligations contained herein shall survive closing.
- 11.12 Termination.** Unless otherwise agreed between the Parties, this Agreement shall terminate unless signed by Purchaser and returned to Seller before 5:00 p.m. the 3rd business day following the Port of Kennewick's next scheduled Commission meeting.
- 11.13 Force Majeure.** Except as otherwise specifically provided in this Agreement, in the event either Party is delayed or prevented from performing any of its respective obligations under this Agreement by reason of acts of God, governmental order or requirement, epidemic, pandemic, fire, floods, strikes, cyber attack, or due to any other cause beyond the reasonable control of such Party, then the time period for performance such obligations shall be extended for the period of such delay.
- 11.14 Exhibits.** The following exhibits are attached hereto and made a part of this Agreement by reference:
- Exhibit A Legal Description and Survey (Purchase Parcel)

[Remainder of page left intentionally blank. Signature and notary pages follow.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date first written above.

SELLER:

Port of Kennewick
A Washington Municipal Corporation
By Authority of its Board of Commissioners

By: _____
Tim Arntzen, Chief Executive
Officer

Approved:

Approved as to form:

Nick Kooiker, Port Auditor/CFO

Taud Hume, Port Counsel

PURCHASER:

Jr's Ironworks Inc.

By: Adan Landin De La Mora
Adan Landin De La Mora

Its: President

ACKNOWLEDGEMENTS

State of Washington)
)ss
County of Benton)

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

GIVEN under my hand and official seal this ____ day of _____, 20__.

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

State of Washington)
)ss
County of Benton)

On this day personally appeared before me Adan Landin De La Mora to me known to be the **President** of **Jr's Ironworks Inc.** who executed the foregoing instrument, and acknowledged said instrument, and acknowledged the said instrument to be the free and voluntary act and deed of Jr.'s Ironworks Inc for the uses and purposes therein mentioned, and on oath stated he is authorized to execute said instrument.

GIVEN under my hand and official seal this 30 day of September, 2022

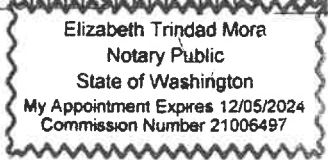
Elizabeth D. Mora
Notary Public in and for the State of Washington
Residing at: 5005 West Margaret St. Pasco, WA 99301
My Commission Expires: 12/05/2024


EXHIBIT A
(Legal Description of the Property)

PORT OF KENNEWICK

RESOLUTION No. 2022-29

***A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF THE PORT OF KENNEWICK TO
APPROVE A FIVE-YEAR LEASE RENEWAL FOR
BARTHOLOMEW WINERY***

WHEREAS, the Port of Kennewick entered into five year lease with Bartholomew Winery November 1, 2017 to lease building space in the Columbia Gardens Wine and Artisan Village at 421 E. Columbia Drive Building B, Kennewick and an addendum dated January 6, 2020 to add bullpen space in the Oak Street Industrial Park; and

WHEREAS, the tenant desires to exercise their option to renew for another five years and has agreed to a 3% annual rent escalation; and

WHEREAS, the tenant has requested an additional five year lease option at the expiration of this term.

NOW, THEREFORE, BE IT RESOLVED that the Port of Kennewick Board of Commissioners hereby approves a five-year lease renewal with an additional five-year option for Bartholomew Winery.

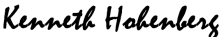
BE IT FURTHER RESOLVED that the Port of Kennewick Board of Commissioners hereby ratify and approve all action by port officers and employees in furtherance hereof; and authorize the Port Chief Executive Officer to take all action necessary in furtherance hereof.

ADOPTED by the Board of Commissioners of Port of Kennewick on the 11th day of October 2022.


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

By: 
0E53A30E1C8E442...

SKIP NOVAKOVICH, President

By: 
89F77EAC8921416...

KENNETH HOHENBERG, Vice President

By: 
A35176A2D2CD413...

THOMAS MOAK, Secretary

SECOND AMENDMENT OF COMMERCIAL PROPERTY LEASE AGREEMENT

This SECOND AMENDMENT OF COMMERCIAL PROPERTY LEASE AGREEMENT (this “Second Amendment”) is entered into this _____ day of September, 2022 (the “Effective Date”) by and between the PORT OF KENNEWICK, a Washington municipal corporation (as “Landlord”) and BARTHOLOMEW WINERY, INC., a Washington corporation (as “Tenant”), who are hereinafter referred to individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, the Parties previously entered into a Commercial Property Lease Agreement, dated November 1, 2017, and subsequently entered into an Amendment to Commercial Lease Agreement dated January 6, 2020, related to real property commonly known as 421 E. Columbia Drive Buidling B in Kennewick, Benton County, Washington (collectively, the “Agreement”); and

WHEREAS, Tenant desires to exercise the Lease Option under Article 3 of the Agreement to extend the Term for another five (5) years (the “First Option Period”), and further requests the ability to enter into another five (5) year term at the end of this First Option Period; and

WHEREAS, the Parties desire to amend the Agreement by memorializing a rent increase for the First Option Period, and to authorizing an additional five (5) year option (the “Second Option Period”) to be potentially available to Tenant, based upon the terms and conditions of the Agreement and this Second Amendment, at the conclusion the First Option Period; and

NOW, THEREFORE, based on the foregoing Recitals, the Parties agree as follows:

AGREEMENT

1. Recitals. The Recitals set forth above are hereby incorporated into this Second Amendment by this reference.
2. Commercial Property Lease Agreement. The Agreement described in the Recitals above is incorporated by reference into this Second Amendment as though written in full and shall, except as otherwise specifically modified herein, remains in full force and effect.
3. Amendments. The Agreement is amended as follows.
 - 3.1 Basic Lease Provisions. The following sections of the Basic Lease Provisions are hereby deleted and replaced in their entirety as follows:

G. Lease Commencement Date: The First Lease Option period begins on November 1, 2022.

I. Lease Options: Tenant shall have one (1) additional five (5) year option to extend the lease beyond this First Option Period authorized by this Second Amendment.

K. Base Monthly Rent Calculation for Building B:

Year 1: \$0.65 psfYear 2: \$0.66 psfYear 3: \$0.67 psfYear 4: \$0.68 psfYear 5: \$0.69 psf**OPTION EXERCISED**Year 6: \$0.71 psfYear 7: \$0.73 psfYear 8: \$0.75 psfYear 9: \$0.77 psfYear 10: \$0.79 psf

Base Monthly Rent Calculation for Bullpen Space:

January 2020 through End of Term: \$.05 psf/month

1,000 sq. ft.

\$50.00 per month

before LET

OPTION EXERCISED (not including LET)Year 6: \$51.50 per monthYear 7: \$53.05 per monthYear 8: \$54.64 per monthYear 9: \$56.28 per monthYear 10: \$57.97 per month

N. Total Monthly Rent (including LET) Building B:

Year 1:

November 2017 \$335.18

December 2017 \$335.18

January 2018 \$335.18

February 2018 \$335.18

March – Nov 2018 \$2,945.58

Year 2: \$2,990.92Year 3: \$3,3036.21Year 4: \$3,081.52Year 5: \$3,126.84**OPTION EXERCISED**Year 6: \$3,217.47Year 7: \$3,308.11Year 8: \$3,398.74Year 9: \$3,489.37

Year 10: \$3,580.01

Total Monthly Rent (includes LET) Bullpen Space:

OPTION EXERCISED

Year 6: \$58.11

Year 7: \$59.86

Year 8: \$61.66

Year 9: \$63.51

Year 10: \$65.41

Total Monthly Rent (includes LET) for both buildings

The Parties acknowledge that the years below do not accurately reflect the time Tenant has spent in Building A, but for purposes of ease of reference, the years reflect Lease Option years.

OPTION EXERCISED

Year 6: \$3,275.59 per month

Year 7: \$3,367.97 per month

Year 8: \$3,460.40 per month

Year 9: \$3,552.88 per month

Year 10: \$3,645.42 per month

- P. Rent Due Date: Rent shall commence on March 1, 2018 and be due thereafter on the first day of each month. From November 1, 2017 through February 28, 2018, Tenant shall be responsible for payment of Utilities as set forth in Article 7, and Leasehold Tax, if any, as set forth in Paragraph M, above. This section shall also apply to any Lease Options exercised.

3.2 Term. Article 3 is hereby amended as follows:

The Term hereof shall commence on the Lease Commencement Date defined in the Basic Lease Provision and shall terminate on the Expiration Date defined in the Basic Lease Provisions, unless earlier terminated.

Tenant shall have one (1) additional five (5) year extension option at the end of the First Option Period. ~~Tenant shall have the option to renew this Lease for one (1) five (5) year extension term,~~ but only if Tenant gives landlord written notice thereof not less than ninety (90) days prior to the Expiration Date of the First Option Period. If tenant timely exercises this option, then the Lease shall continue in effect on the same terms and conditions, provided, however that a new rental rate will be negotiated for the renewal period based on the then current market rental rates for

comparable facilities and there shall be no further renewal options. Tenant's right to the renewal term shall be contingent upon Tenant not being in default hereunder at the time of notice of intent is given or at any time thereafter prior to the beginning of the renewal term.

4. Further Acts and Documents. The Parties shall execute any and all further documents, instruments, and other conveyances and agreements, and shall do all acts, which may be necessary or appropriate to fully implement the provisions of this Second Amendment.
5. Construction.
 - (a) In the event of any conflict, inconsistency or ambiguity between the terms of the Agreement and this Second Amendment; the terms of this Second Amendment shall govern and control.
 - (b) Any terms that are capitalized in this Second Amendment but not defined in this Second Amendment and that are capitalized and defined in the Agreement shall have the same meaning for purposes of this Second Amendment as they have for purposes of the Agreement.
 - (c) The descriptive headings in this Second Amendment are for convenience only and will not control or affect the meaning or construction of any provision of this Second Amendment.
6. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and shall constitute one and the same instrument.

[Remainder of page left intentionally blank. Signature and notary pages follow.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date set forth above.

LANDLORD:

**PORT OF KENNEWICK, a Washington
Municipal corporation, by authority of its Commissioners**

By: _____
Tim Arntzen, Chief Executive Officer

Reviewed:

Approved as to Form:

Nick Kooiker, Chief Financial Officer

Taud Hume, Port Counsel

TENANT:

**Bartholomew Winery, Inc.,
a Washington corporation**

DocuSigned by:
By: Chona Fawbush
Chona Fawbush, Vice President

DocuSigned by:
By: Bart Fawbush
Bart Fawbush, Owner

STATE OF WASHINGTON)

: ss.

County of _____)

WAIVED DUE TO COVID OFFICE CLOSURE

I hereby certify that I know or have satisfactory evidence that, on this ____ day of September, 2022, **Tim Arntzen** signed this instrument, on oath stated that (she/he) is authorized to execute the instrument as the **Chief Executive Officer** of the **PORT OF KENNEWICK**, and acknowledged it to be (her/his) free and voluntary act of such party for uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

Notary Public in and for the State of

Washington, residing at _____

My commission expires: _____

STATE OF WASHINGTON)

: ss.

County of _____)

I hereby certify that I know or have satisfactory evidence that, on this ____ day of September, 2022, **Chona Fawbush** signed this instrument, on oath stated that (she/he) is authorized to execute the instrument as the _____ of **BARTHOLMEW WINERY, INC.**, and acknowledged it to be (her/his) free and voluntary act of such party for uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

Notary Public in and for the State of

Washington, residing at _____

My commission expires: _____

STATE OF WASHINGTON)

: ss.

County of _____)

WAIVED DUE TO COVID OFFICE CLOSURE

I hereby certify that I know or have satisfactory evidence that, on this ____ day of September, 2022, **Bart Fawbush** signed this instrument, on oath stated that (she/he) is authorized to execute the instrument as the _____ of **BARTHOLMEW WINERY, INC.**, and acknowledged it to be (her/his) free and voluntary act of such party for uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

Notary Public in and for the State of _____

Washington, residing at _____

My commission expires: _____



Community Ally of the Year Award



Awarded to: Skip Novakovich

“Presented this year to a non-Latino individual who has made a positive impact on the Latino community.”

In recognition of his work with the **Latino Mural Advisory Committee** helped install a **mural at Columbia Gardens** to celebrate the Hispanic community’s contributions to both agriculture and the fabric of the Tri-Cities region. He was also a supporter for the **sale of land that led to the development of the Yakima Valley Farm Workers new clinic in Kennewick** which is an indispensable health resource for members of the Latino community in the Tri-Cities. His work on the **Columbia Gardens has also helped provide space for Latino-owned business**—such as Palencia Winery, among others. This individual is currently collaborating with Hispanic Chamber staff on identifying new sources of **loan funds for small businesses** and he is a **loyal attendee at our luncheons and other events**.

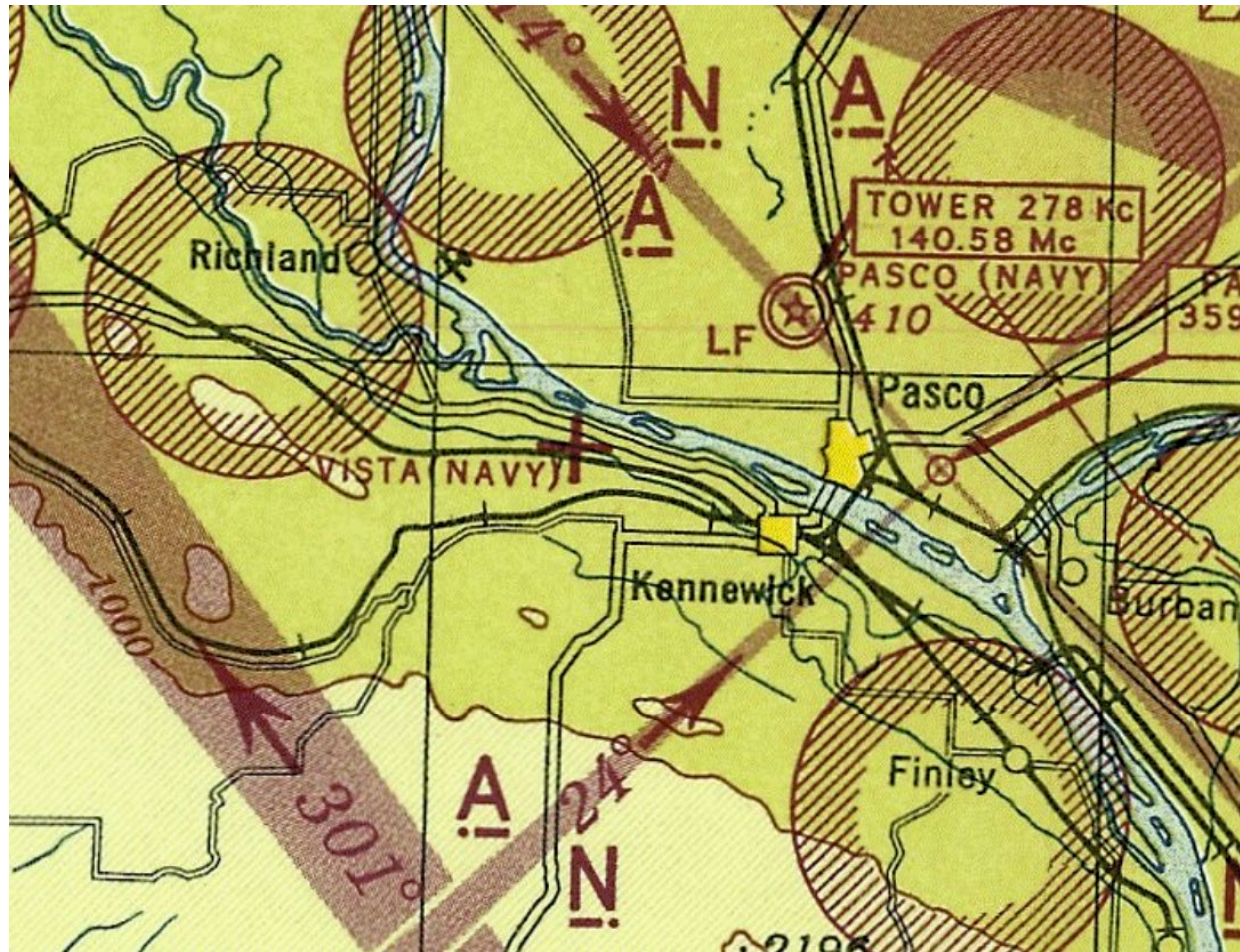
For his many contributions to the Hispanic and Tri-Cities community, we want to recognize Port of Kennewick Commissioner **Skip Novakovich** as our **Latino Community Ally of the Year Award**.



VISTA**FIELD**

A Historical Perspective

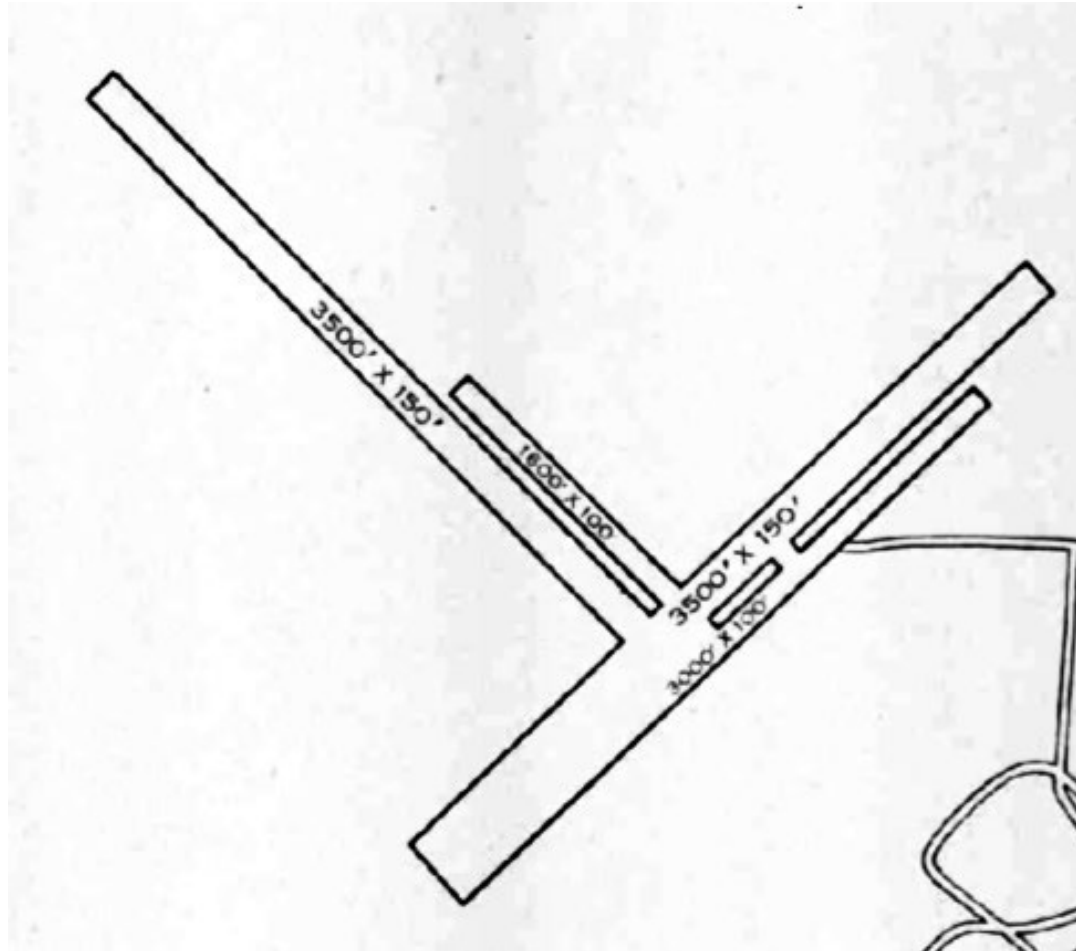
Vista Field, as depicted on the November 1944 Spokane Sectional Chart.



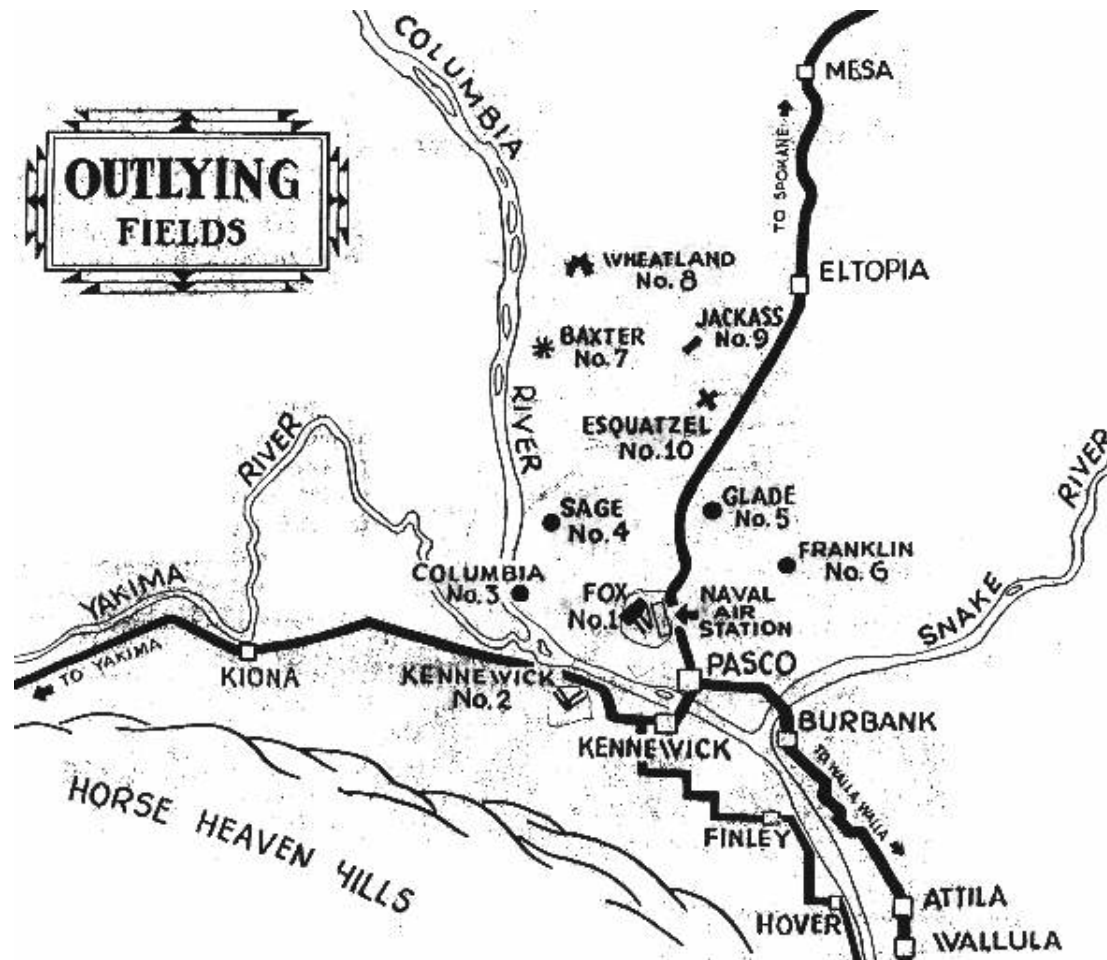
This United States Geological Survey aerial photo is believed to be the earliest photo of Vista Field and was taken on June 8th, 1948. EXHIBIT B



Pasco Naval Air Station Auxiliary (Vista Outlying Field) as depicted in the 1945 AAF Airfield Directory



World War II era map showing the Pasco Naval Air Station. Vista Field is referred to as “No. 2”



Naval aviators began their training with bi-planes.



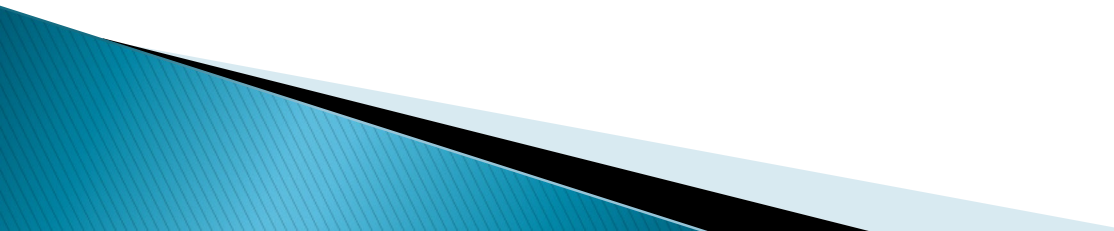
The Boeing Stearman trainer at the Pasco Naval Air Station.



Dress inspection held on the flight line at Pasco Naval Air Station.



Naval Cadet training stages

- ▶ Stage “A” was primary
 - ▶ Stage “B” was solo practice
 - ▶ Stage “C” was acrobatics
 - ▶ Stage “D” was a review of all preceding stages
 - ▶ Stage “E” was formation flying
 - ▶ Stage “F” was night flying
- 

Grumman F6F Hellcat



Gordon “Red” Pryce and his Grumman F6F Hellcat



The TBF (Grumman) and TBM (General Motors) Avenger.



Avengers with folded wings at Pasco Naval Air Station.



TBF Avenger





VISTA**FIELD**

A Historical Perspective

Seabrook Washington's Beach Town



Smaller Cottage Homes
with common areas



Common Area / Pathways



Access Dwelling Unit (ADU) above Garage



Amenities



Multi Family Buildings
with Alley Accessible Garages



County Sheriff's Mini-Station



Rearview of Mixed-Use Buildings



Use of Vinyl Framed Windows



Seabrook Town Hall Building



AGENDA REPORT

TO: Port Commission

FROM: Amber Hanchette; Director Real Estate & Operations

MEETING DATE: October 25, 2022

AGENDA ITEM: Resolution 2022-30; Lease Renewal with Option for Palencia Wine Co

I. REFERENCE(S):

Resolution #2022-30

Lease dated November 1, 2017

Amendment dated March 1, 2020

Amendment dated January 1, 2021

II. DISCUSSION:

Victor Palencia entered into five-year lease agreement with the Port of Kennewick November 1, 2017. Victor already had an established reputation as a premier Washington winemaker and saw the opportunity in Columbia Gardens to launch his own company and product lines.

Columbia Gardens is home to Palencia Wine Co. wine production and public tasting room for La Monarcha and Palencia Wine Co. Victor is a tremendous ambassador for Columbia Gardens holding many events throughout the year that attract visitors to the downtown Kennewick waterfront.

Per the lease agreement and through discussion with port staff, the tenant wishes to exercise an option to renew for another five-year lease term. Tenant has agreed to a 3% annual rent escalation and requested a second five-year lease option. All other lease terms apply.

In accordance with port policy CEO Delegation of Authority section 1.2 Leases Executed by the Commission. The following leases will be submitted to the Commission for approval. 1.2.1 Leases in which the term of the lease, including any renewal options, exceeds five years; or 1.2.2 Lease in which the total monthly rental amount exceeds \$5,000 per month (excluding LET, utilities, and other ancillary items.)

III. ACTION REQUESTED OF COMMISSION:

Motion: I move approval of Resolution 2022-30 approving a five-year lease renewal and second five-year lease renewal option for Palencia Wine Co.

PORT OF KENNEWICK

RESOLUTION No. 2022-30

***A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF THE PORT OF KENNEWICK TO
APPROVE A FIVE-YEAR LEASE RENEWAL FOR
PALENCIA WINE CO.***

WHEREAS, the Port of Kennewick entered into five-year lease with Palencia Wine Co. November 1, 2017 to lease building space in the Columbia Gardens Wine and Artisan Village at 421 E. Columbia Drive Buildings A110 and A140, Kennewick and an addendum dated March 1, 2020 to add bullpen space in the Oak Street Industrial Park and an addendum dated January 1, 2021 for utility and food truck arrangement; and

WHEREAS, the tenant desires to exercise their option to renew for another five years and has agreed to a 3% annual rent escalation; and

WHEREAS, the tenant has requested an additional five-year lease option at the expiration of this term.

NOW, THEREFORE, BE IT RESOLVED that the Port of Kennewick Board of Commissioners hereby approves a five-year lease renewal with an additional five-year option for Palencia Wine Co.

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 25th day of October 2022.

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

By: _____

SKIP NOVAKOVICH, President

By: _____

KENNETH HOHENBERG, Vice President

By: _____

THOMAS MOAK, Secretary

THIRD AMENDMENT OF COMMERCIAL PROPERTY LEASE AGREEMENT

This THIRD AMENDMENT OF COMMERCIAL PROPERTY LEASE AGREEMENT (this “Third Amendment”) is entered into this _____ day of October, 2022 (the “Effective Date”) by and between the PORT OF KENNEWICK, a Washington municipal corporation (as “Landlord”) and PALENCIA WINE COMPANY LLC., a Washington corporation (as “Tenant”), who are hereinafter referred to individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, the Parties previously entered into a Commercial Property Lease Agreement, dated November 1, 2017, and subsequently entered into an Amendment to Commercial Lease Agreement dated March 1, 2020, related to real property commonly known as 1328 E. 3rd Ave in Kennewick, Benton County, Washington (collectively, the “Agreement”); and

WHEREAS, the Parties entered into a second amendment dated January 1, 2021, related to real property commonly known as 421 E. Columbia Drive Suite A110 and one mobile vendor space including utilities in Kennewick, Benton County, Washington (collectively, the “Agreement”); and

WHEREAS, Tenant desires to exercise the Lease Option under Article 3 of the Agreement to extend the Term for another five (5) years (the “First Option Period”), and further requests the ability to enter into another five (5) year term at the end of this First Option Period; and

WHEREAS, the Parties desire to amend the Agreement by memorializing a rent increase for the First Option Period, and to authorizing an additional five (5) year option (the “Second Option Period”) to be potentially available to Tenant, based upon the terms and conditions of the Agreement and this Third Amendment, at the conclusion the First Option Period; and

NOW, THEREFORE, based on the foregoing Recitals, the Parties agree as follows:

AGREEMENT

1. Recitals. The Recitals set forth above are hereby incorporated into this Second Amendment by this reference.
2. Commercial Property Lease Agreement. The Agreement described in the Recitals above is incorporated by reference into this Second Amendment as though written in full and shall, except as otherwise specifically modified herein, remains in full force and effect.
3. Amendments. The Agreement is amended as follows.
 - 3.1 Basic Lease Provisions. The following sections of the Basic Lease Provisions are hereby deleted and replaced in their entirety as follows:
 - G. Lease Commencement Date: The First Lease Option period begins on November 1, 2022.

I. Lease Options: Tenant shall have one (1) additional five (5) year option to extend the lease beyond this First Option Period authorized by this Second Amendment.

K. Base Monthly Rent Calculation for Building A110 & A140:

Year 1: \$0.65 psf

Year 2: \$0.66 psf

Year 3: \$0.67 psf

Year 4: \$0.68 psf

Year 5: \$0.69 psf

OPTION EXERCISED

Year 6: \$0.71 psf

Year 7: \$0.73 psf

Year 8: \$0.75 psf

Year 9: \$0.77 psf

Year 10: \$0.79 psf

Base Monthly Rent Calculation for Bullpen Space:

January 2020 through End of Term: \$.05 psf/month

2,000 sq. ft.

\$100.00 per month

before LET

OPTION EXERCISED (not including LET)

Year 6: \$103.00 per month

Year 7: \$106.00 per month

Year 8: \$109.00 per month

Year 9: \$112.55 per month

Year 10: \$115.93 per month

N. Total Monthly Rent (including LET) Building A110 & A140:

Year 1:

November 2017 \$526.13

December 2017 \$526.13

January 2018 \$526.13

February 2018 \$526.13

March – Nov 2018 \$4,623.73

Year 2: \$4,694.87

Year 3: \$4,766.00

Year 4: \$4,837.13

Year 5: \$4,908.27

OPTION EXERCISED

Year 6: \$5,050.54
Year 7: \$5,192.81
Year 8: \$5,335.08
Year 9: \$5,477.34
Year 10: \$5,619.61

Total Monthly Rent (includes LET) Bullpen Space:

OPTION EXERCISED

Year 6: \$116.23
Year 7: \$119.61
Year 8: \$123.00
Year 9: \$127.00
Year 10: \$130.82

Total Monthly Rent (includes LET) for both buildings and bullpen.

The Parties acknowledge that the years below do not accurately reflect the time Tenant has spent in Building A, but for purposes of ease of reference, the years reflect Lease Option years.

OPTION EXERCISED

Year 6: \$5,166.76 per month
Year 7: \$5,312.42 per month
Year 8: \$5,458.07 per month
Year 9: \$5,604.35 per month
Year 10: \$5,750.43 per month

- P. Rent Due Date: Rent shall commence on March 1, 2018 and be due thereafter on the first day of each month. From November 1, 2017 through February 28, 2018, Tenant shall be responsible for payment of Utilities as set forth in Article 7, and Leasehold Tax, if any, as set forth in Paragraph M, above. This section shall also apply to any Lease Options exercised.

3.2 Term. Article 3 is hereby amended as follows:

The Term hereof shall commence on the Lease Commencement Date defined in the Basic Lease Provision and shall terminate on the Expiration Date defined in the Basic Lease Provisions, unless earlier terminated.

Tenant shall have one (1) additional five (5) year extension option at the end of the First Option Period. ~~Tenant shall have the option to renew this Lease for one (1) five (5) year extension term,~~ but only if Tenant gives landlord written notice thereof not less than ninety (90) days prior to the

Expiration Date of the First Option Period. If tenant timely exercises this option, then the Lease shall continue in effect on the same terms and conditions, provided, however that a new rental rate will be negotiated for the renewal period based on the then current market rental rates for comparable facilities and there shall be no further renewal options. Tenant's right to the renewal term shall be contingent upon Tenant not being in default hereunder at the time of notice of intent is given or at any time thereafter prior to the beginning of the renewal term.

4. Further Acts and Documents. The Parties shall execute any and all further documents, instruments, and other conveyances and agreements, and shall do all acts, which may be necessary or appropriate to fully implement the provisions of this Second Amendment.
5. Construction.
 - (a) In the event of any conflict, inconsistency or ambiguity between the terms of the Agreement and this Third Amendment; the terms of this Third Amendment shall govern and control.
 - (b) Any terms that are capitalized in this Third Amendment but not defined in this Third Amendment and that are capitalized and defined in the Agreement shall have the same meaning for purposes of this Third Amendment as they have for purposes of the Agreement.
 - (c) The descriptive headings in this Third Amendment are for convenience only and will not control or affect the meaning or construction of any provision of this Second Amendment.
6. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and shall constitute one and the same instrument.

[Remainder of page left intentionally blank. Signature and notary pages follow.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date set forth above.

LANDLORD:

**PORT OF KENNEWICK, a Washington
Municipal corporation, by authority of its Commissioners**

By: _____
Tim Arntzen, Chief Executive Officer

Reviewed:

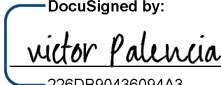
Approved as to Form:

Nick Kooiker, Chief Financial Officer

Taud Hume, Port Counsel

TENANT:

**Palencia Wine Company LLC,
a Washington corporation**

By:  _____
Victor Palencia, President

STATE OF WASHINGTON)

: ss.

County of _____)

WAIVED DUE TO COVID OFFICE CLOSURE

I hereby certify that I know or have satisfactory evidence that, on this ____ day of September, 2022, **Tim Arntzen** signed this instrument, on oath stated that (she/he) is authorized to execute the instrument as the **Chief Executive Officer** of the **PORT OF KENNEWICK**, and acknowledged it to be (her/his) free and voluntary act of such party for uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

Notary Public in and for the State of

Washington, residing at _____

My commission expires: _____

STATE OF WASHINGTON)

: ss.

County of _____)

I hereby certify that I know or have satisfactory evidence that, on this ____ day of September, 2022, **Victor Palencia** signed this instrument, on oath stated that (she/he) is authorized to execute the instrument as the _____ of **PALENCIA WINE COMPANY LLC**, and acknowledged it to be (her/his) free and voluntary act of such party for uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

Notary Public in and for the State of

Washington, residing at _____

My commission expires: _____

COMMERCIAL PROPERTY LEASE AGREEMENT

**BETWEEN
PORT OF KENNEWICK,
LANDLORD**

AND

**Palencia Wine Company, LLC,
TENANT**

COLUMBIA DRIVE

WINE VILLAGE

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DRAFT

**PORT OF KENNEWICK LEASE AGREEMENT
(Commercial Property)**

Landlord hereby leases to Tenant and Tenant hereby leases and accepts from Landlord the premises hereinafter described on the terms and conditions set forth in this Lease Agreement, hereinafter called "this **Lease**".

BASIC LEASE PROVISIONS

The following Basic Lease Provisions are hereby incorporated herewith as part of this Lease:

- A. Lease Date: December 1, 2018.
- B. Landlord: Port of Kennewick,
a Washington municipal corporation
- C. Tenant: Palencia Wine Company, LLC.
- D. Premises: The Premises shall mean the real property located at 421 E. Columbia Drive A140 & A110, Kennewick, as described on Exhibit "A" attached hereto and incorporated herein by reference, and any improvements located thereon.
- E. Permitted Use: Working Winery (production, tasting room, case goods storage, and related administration/offices). See Exhibit "A".
- F. Term: Commencing on the Lease Commencement Date and terminating on the Expiration Date. See Article 3 regarding option to renew.
- G. Lease Commencement Date: The date which is the earlier of (a) March 1, 2018 and (b) the date Tenant begins using the Premises for any reason.
- H. Expiration Date: November 30, 2022
- I. Lease Option: One (1) - Five (5) year option to extend lease.
- J. Total Square Feet Leased: Building A140 – 3,422 sq. ft.
Building A110 – 2,822 sq. ft. **Total: 6,244 sq. ft.**
- K. Base Monthly Rent Calculation: Year 1: \$0.65 psf
Year 2: \$0.66 psf
Year 3: \$0.67 psf
Year 4: \$0.68 psf
Year 5: \$0.69 psf

- L. Base Monthly Rent (not including LET): Year 1: \$4,058.60
Year 2: \$4,121.04
Year 3: \$4,183.48
Year 4: \$4,245.92
Year 5: \$4,308.36
- M. Leasehold Tax (LET): Current Washington State Leasehold Tax shall be added to Base Rent. Current effective rate is 12.84%.
- N. **Total Monthly Rent** (includes LET): **Year 1: \$4,579.72**
Year 2: \$4,650.18
Year 3: \$4,720.64
Year 4: \$4,791.10
Year 5: \$4,861.55
- O. Monthly Utilities: See Article 7 of Lease.
- P. Rent Due Date: Rent shall commence on March 1, 2018 and be due thereafter on the first day of each month. From December 1, 2017 through February 28, 2018, Tenant shall be responsible for payment of Utilities as set forth in Article 7, and Leasehold Tax, if any, as set forth in Paragraph M, above.
- Q. Financial Security: Check all that apply:
☒ \$ 4,579.72 deposit;
☐ Corporate surety bond;
☒ Personal Guaranty as set forth in Exhibit B;
☐ Other financial security: (Describe) _____
_____.
- R. Landlord's Address for Notices and Rent Payments:

Port of Kennewick
350 Clover Island Drive, Suite 200
Kennewick, WA 99336
- S. Tenant's Address for Notices:

Palencia Wine Company. LLC
P.O. Box 1237
Richland, WA 99352
Victor Palencia
(509) 830-8479
Email: winemaker@palenciawine.com

- T. Exhibits:
- Exhibit "A" Legal Description of Premises
 - Exhibit "B" Personal Guaranty Form
 - Exhibit "C" Signage Policy
 - Exhibit "D" Shared Parking Agreement

DRAFT

ARTICLE 1 PREMISES

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord the Premises, which Premises are more particularly described in the Basic Lease provisions above.

ARTICLE 2 USE OF PREMISES

Tenant shall occupy and use the Premises for such uses as described in the Basic Lease provisions above. Tenant may not use the Premises for any other business purpose except as may be authorized in writing by Landlord at Landlord's sole discretion. No smoking shall be allowed within any portion of the Premises and within twenty-five (25) feet of all entryways.

Tenant shall be open to the public no less than Thursday – Sunday, 12:00 p.m. – 5:00 p.m.

Landlord shall give Tenant and its authorized representatives, the nonexclusive and reasonable right to use the Common Areas in Tenant's ordinary course of business, provided however, that such use is consistent with the purposes of the Common Areas. The term "Common Areas" means areas and facilities outside the Premises that are provided for the general use and convenience of Tenant and of other Tenants and their respective authorized representatives, guests, and invitees. Common Areas include, without limitation, landscaped areas, public seating areas, patios, lobbies and hallways, sidewalks, loading areas, parking areas, service corridors and restrooms. Tenant shall not store any items or objects in Common Areas except as authorized in writing by Landlord.

Tenant shall not create, maintain nor permit on the Premises any nuisance and shall, at Tenant's expense, at all time keep the Premises in an orderly, clean, sanitary and safe condition.

ARTICLE 3 TERM

The Term hereof shall commence on the Lease Commencement Date defined in the Basic Lease Provisions and shall terminate on the Expiration Date defined in the Basic Lease Provisions, unless earlier terminated.

Tenant shall have the option to renew this Lease for one five (5) year extension term, but only if Tenant gives Landlord written notice thereof not less than ninety (90) days prior to the Expiration Date. If Tenant timely exercises this option, then the Lease shall continue in effect on the same terms and conditions, except that rent shall be adjusted in the manner provided in Article 4 below and there shall be no further renewal options. Tenant's right to the renewal term shall be contingent upon Tenant not being in default hereunder at the time of notice of intent is given or at any time thereafter prior to the beginning of the renewal term.

ARTICLE 4 RENT

Tenant shall pay to Landlord the Total Monthly Rent and all other assessment, charges, and fees as provided in the Basic Lease Provisions, this **Article 4**, and as otherwise set forth in this Lease, at the Landlord's address set forth in the Basic Lease Provisions.

(a) Late Fee.

If any sums payable by Tenant to Landlord under this Lease are not received by the fifteenth (15th) day of the month in which they are due, Tenant shall pay Landlord an additional amount for the cost of collecting and handling such late payment as a late fee in an amount equal to the greater of (i) Fifty Dollars (\$50.00), or (ii) five percent (5%) of the overdue amount.

(b) Interest.

In addition to any applicable late fees, 12% APR interest (1% per month), shall be applied to the total unpaid balances calculated from the original due date to the date of payment.

(c) Non-Sufficient Funds (NSF).

If a Tenant check is returned by the bank for any reason, Tenant shall pay a NSF fee of Fifty Dollars (\$50) for administrative costs related to collecting and handling such returned check. The Tenant shall also pay any associated bank fees charged to the Port related to the returned check. Landlord may require, at Landlord's sole discretion that Tenant's future payments be made by cash, cashier's check or money order.

Landlord and Tenant hereby agree that these charges represent a fair and reasonable estimate of what the Landlord might incur by reason of Tenant's late or NSF payment. These fees are due and payable with the current rent payment. Landlord's acceptance of any late charge, interest or NSF fee shall not be deemed an extension of the date rent is due or prevent Landlord from exercising any other rights or remedies under this Lease.

The Landlord reserves the right to revise its policy regarding late payment, interest and NSF check charges without notice to Tenant.

ARTICLE 5 FINANCIAL SECURITY

In compliance with the requirements of the state law, Tenant agrees that it will secure the performance of the rental portion of this Lease by providing a Personal Guaranty in the form as set forth in Exhibit "B" and one or more of the following: 1) a deposit in the amount set forth in the Basic Lease Provisions, or 2) procuring and maintaining, during the term of this Lease, a corporate surety bond ("Bond"), or 3) by providing other financial security satisfactory to Landlord.

The Bond shall be in a form and issued by a surety company acceptable to Landlord and shall comply with the requirements of Washington law. Tenant shall obtain such Bond and forward evidence thereof to Landlord within fourteen (14) days of execution of this Lease, but in no event later than the Lease Commencement Date. Failure to comply with this requirement shall be grounds for immediate termination of this Lease without notice by Landlord. Such Bond shall be kept in effect during the term of this Lease; failure to comply with this requirement shall render Tenant in default. The Bond shall be increased to reflect any increases in Rent.

Upon any default by Tenant of its obligations under this Lease, Landlord may retain any Financial Security provided by Tenant and/or collect on the Bond to offset the Tenant's liability to Landlord. Collection on the Bond shall not relieve Tenant of liability, shall not limit any of Landlord's other remedies, and shall not reinstate or cure the default or prevent termination of the Lease because of the default.

ARTICLE 6 TAXES & ASSESSMENTS

6.1 Property Taxes.

Landlord will pay property tax on Premise's real property and any building or structure that is permanently attached to the real property.

6.2 Personal Property Taxes

Tenant shall pay when due all license fees, public charges, taxes and assessments on the Tenant-owned trade fixtures, furniture, other fixtures, equipment, inventory and all other personal property of or being used by Tenant in the Premises, whether or not owned by Tenant.

6.3 Additional Taxes/Assessments; Leasehold Excise Tax (LET)

Tenant shall also pay: (a) all special taxes and assessments (including irrigation assessments) or license fees now or hereafter levied, assessed or imposed by law or ordinance, by reason of Tenant's use of the Premises; (b) all business and occupation tax and any tax, assessment, levy or charge assessed on the Rent paid under this Lease; (c) the statutory leasehold excise tax imposed in connection with the Rent due hereunder or otherwise due as a consequence of this Lease; and (d) any excise, transaction, sales, privilege, or other tax (other than net income and/or estate taxes) now or in the future imposed by the city, county, state or any other government or governmental agency upon Landlord and attributable to or measured by the Rent or other charges or prorations payable by Tenant pursuant to this Lease.

ARTICLE 7 UTILITIES

Tenant shall be solely responsible to Landlord for the payment of all assessments, charges and/or fees pertaining to the Premises, including but not limited to, water assessments, charges for public utilities, license and permit fees which may, during the Lease Term, be assessed, levied, charged, confirmed or imposed i) on the Premises or any part thereof, ii) on improvements now or hereafter comprising a part thereof, and iii) on the use or occupancy of the Premises. Tenant shall pay all such assessments, charges and/or fees to Landlord when due.

Tenant shall be solely responsible for payment of all separately metered electrical, gas, wine effluent, and water/sewer assessments charged to the Premises. Tenant shall pay all such charges directly to utility provider when due. Tenant shall be solely responsible for all such separately metered assessments which may, during the Lease Term, be assessed, levied, charged, confirmed or imposed i) on the Premises or any part thereof, ii) on improvements now or hereafter comprising a part thereof, and iii) on the use or occupancy of the Premises. Tenant shall pay all such assessments, charges and/or fees when due.

A140:

Electricity Meters Assigned to Tenant: TBD

Water Meters Assigned to Tenant: TBD

Natural Gas Meters Assigned to Tenant: TBD

A110:

Electricity Meters Assigned to Tenant: TBD

Water Meters Assigned to Tenant: TBD

Natural Gas Meters Assigned to Tenant: TBD

Interruptions: There shall be no abatement of rent and Landlord shall not be liable for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Landlord's reasonable control or in cooperation with governmental request or directions.

ARTICLE 8 INSURANCE AND BONDING

8.1 Insurance

Tenant, at its own expense, shall provide and keep in force all insurance deemed appropriate for the purposes that the Premises are to be used and with companies reasonably acceptable to Landlord, including but not limited to the following:

(a) Commercial General Liability Insurance

Commercial General Liability (CGL) insurance for the benefit of Landlord and Tenant jointly against liability for bodily injury and property damage for a combined single limit of not less than One Million Dollars (\$1,000,000) for any one occurrence for this location, including coverage for contractual liability and personal injury, with a \$2,000,000 aggregate limit; Landlord reserves the right to require higher liability limits and/or to change insurance requirements at any time during the term of the lease with thirty (30) days' notice to Tenant.

(b) Statutory Workers' Compensation

Statutory Workers' Compensation, including at least \$250,000 Employer's Contingent Liability (Stop Gap) coverage in Tenant's commercial general liability insurance;

(c) Automobile Liability Insurance

Automobile Liability Insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000, including all owned, non-owned and hired vehicles and covering claims for damages because of bodily injury or death of any person or property damage arising out of ownership, maintenance or use of any motor vehicle; and

(d) Property Insurance

Property insurance covering all leasehold improvements to the Premises, furniture, fixtures, equipment, inventory and other personal property located on the Premises (and, at Landlord's election, on all buildings and other improvements now or hereafter existing at the Premises) in an amount of not less than one hundred percent (100%) insurable replacement value minimum co-insurance of 80%, "Special Form—Causes of Loss", with Flood Insurance if Landlord reasonably deems such insurance to be necessary or desirable, and replacement cost coverage to protect against loss of owned or rented equipment and tools brought onto or used at the Property by Tenant.

8.2 Requirements

The foregoing insurance requirements shall be placed with an insurance company or companies admitted to do business in the State of Washington and shall have an A.M. Best's rating of A- or better. Tenant shall furnish Landlord with a copy of the certificate of such policies before the Commencement Date of this Lease and, upon request by Landlord, shall provide proof satisfactory to Landlord that all such policies are in full force and effect. Tenant's liability insurance policies shall list Landlord as an additional insured and Tenant's property insurance policies shall reflect Landlord as a loss-payee as its interests may appear, and all of Tenant's insurance policies shall be primary and non-contributing with any insurance carried by Landlord. Such policies shall not be cancelable or materially altered without forty-five (45) days' prior written notice to Landlord. In addition, the policies shall provide for ten (10) days' written notice to Landlord in the event of cancellation for non-payment of premium. Tenant's failure to deliver the policies or certificates to Landlord as required above shall constitute an event of default pursuant to Article 24 hereof.

8.3 Mutual Waiver of Subrogation

Each party hereby waives, and each party shall cause their respective property insurance policy or policies to include a waiver of such carrier's entire right of recovery (i.e., subrogation) against the other party, and the officers, directors, agents, representatives, employees, successors and assigns of the other party, for all claims which are covered or would be covered by the property insurance required to be carried hereunder or which is actually carried by the waiving party.

8.4 Destruction or Condemnation.

8.4.1 Damage and Repair. If the Premises are partially damaged but not rendered untenantable, by fire or other insured casualty, then Landlord shall diligently restore the Premises and this Lease shall not terminate. The Premises shall not be deemed untenantable if less than twenty-five percent (25%) of the Premises are damaged. Landlord shall have no obligation to restore the Premises if insurance proceeds are not available to pay the entire cost of such restoration. If insurance proceeds are available to Landlord but are not sufficient to pay the entire cost of restoring the Premises, then Landlord may elect to terminate this Lease and keep the insurance proceeds, by notifying Tenant within sixty (60) days of the date of such casualty.

If the Premises are entirely destroyed, or partially damaged and rendered untenantable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises to their previous condition. If, within 60 days after receipt by Landlord from Tenant of written notice that Tenant deems the Premises untenantable, Landlord fails to notify Tenant of its election to restore the Premises, or if Landlord is unable to restore the Premises within six (6) months of the date of the casualty event, then Tenant may elect to terminate the Lease.

If Landlord restores the Premises under this Article 8.4.1, Landlord shall proceed with reasonable diligence to complete the work, and the base monthly rent shall be abated in the same proportion as the untenantable portion of the Premises bears to the whole Premises, provided that there shall be a rent abatement only if the damage or destruction of the Premises did not result from, or was not contributed to directly or indirectly by the act, fault or neglect of Tenant, or Tenant's officers, contractors, licensees, subtenants, agents, servants, employees, guests, invitees or visitors. Provided, Landlord complies with its obligations under this Article, no damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises. Landlord will not carry insurance of any kind for the protection of Tenant or any improvements paid for by Tenant or on Tenant's furniture or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease, and Landlord shall not be obligated to repair any damage thereto or replace the same unless the damage is caused by Landlord's negligence or willful misconduct.

8.4.2 If the Premises are made untenantable by eminent domain, or conveyed under a threat of condemnation, this Lease shall automatically terminate as of the earlier of the date title vests in the condemning authority or the condemning authority first has possession of the Premises and all Rents and other payments shall be paid to that date. In case of taking of a part of the Premises that does not render the Premises untenantable, then this Lease shall continue in full force and effect and the base monthly rental shall be equitably reduced based on the proportion by which the floor area of any structures is reduced, such reduction in Rent to be effective as of the earlier of the date the condemning authority first has possession of such portion or title vests in the condemning authority. Landlord shall be entitled to the entire award from the condemning authority attributable to the value of the Premises and Tenant shall make no claim for the value of its leasehold. Tenant shall be permitted to make a separate claim against the condemning authority for moving expenses or damages resulting from interruption in its business, provided that in no event shall Tenant's claim reduce Landlord's award.

8.5 Bonding

Within one year from the Lease Commencement Date, Tenant shall obtain the required federal and/or state Alcohol and Tobacco Tax and Trade Bureau bonding. A copy of said bond shall be provided to Landlord. If Tenant cannot obtain a bond within said time period, regardless of the reason, this Lease shall terminate on December 31, 2018.

ARTICLE 9 ACCEPTANCE AND CARE OF PREMISES

Tenant has inspected the Premises and accepts the Premises "AS IS" in its present condition and acknowledges that Landlord is not responsible to provide, and has made no representations or warranties that it will provide, any improvements to the Premises whatsoever, except as set forth in Article 10, Alterations and Improvements, below. Tenant shall, at its sole cost, keep the Premises in as good working order, cleanliness, repair, and condition, as that which existed at the Lease Commencement Date. In the event that Tenant fails to comply with the obligations set forth in this Article 9, Landlord may, but shall not be obligated to, perform any such obligation on behalf of, and for the account of

Tenant, and Tenant shall reimburse Landlord for all costs and expenses paid or incurred on behalf of Tenant in connection with performing the obligations set forth herein. Tenant expressly waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect.

ARTICLE 10 ALTERATIONS AND IMPROVEMENTS

Tenant shall not make any alterations, additions, renovations or improvements to the Premises without first obtaining the written consent of Landlord. All alterations, additions, renovations and improvements made shall be at the sole cost and expense of Tenant and shall become a part of the real property and belong to Landlord and shall remain in and be surrendered with the Premises as a part thereof at the termination of this Lease. Tenant further agrees to indemnify, defend, and hold Landlord harmless from, and against, any and all damages, injuries, losses, liens, costs or expenses (including attorneys' fees) incurred, claimed or arising out of said work.

ARTICLE 11 ACCIDENTS AND INDEMNIFICATION

Tenant shall indemnify Landlord and hold it harmless from and against, and shall defend with counsel acceptable to Landlord, any and all suits, actions, damages, claims, liability, and expense in connection with loss of life, bodily or personal injury, or property damage arising from or out of any occurrence in, upon, at or from the Premises, or the occupancy or use by Tenant of the Premises or any part thereof, or occasioned wholly or in part by any act or omission of Tenant, its agents, contractors, employees, servants, invitees, licensees, or concessionaires; provided that Tenant shall not be liable to Landlord to the extent such damages, liability, claims or expenses are caused by or result from the negligence or intentional misconduct of Landlord.

Tenant hereby expressly waives claims against Landlord, and Landlord shall not be responsible or liable at any time, for any loss or damage to Tenant's personal property or to Tenant's business, including any loss or damage to either the person or property of Tenant that may be occasioned by or through the acts or omissions of persons occupying adjacent, connecting, or adjoining property, unless and only to the extent due to Landlord's gross negligence or intentional misconduct, and in no event shall Landlord be liable for Tenant's consequential damages. Tenant shall use and enjoy the Premises and improvements at its own risk, and hereby releases Landlord, to the full extent permitted by law and except as expressly provided above, from all claims of every kind resulting in loss of life, personal or bodily injury, or property damage.

Solely for the purpose of effectuating the indemnification obligations under this Lease, and not for the benefit of any third parties (including but not limited to employees of Tenant), Tenant specifically and expressly waives any immunity that may be granted it under the Washington State Industrial Insurance Act, Title 51 RCW. Furthermore, the indemnification obligations under this Lease shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable to or for any third party under Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts. Tenant shall cause Contractors and their subcontractors and material suppliers to execute similar waivers of industrial insurance immunity. The parties, by their execution hereof, acknowledge that the foregoing provisions of this **Article 11** have been specifically and mutually negotiated between the parties.

ARTICLE 12 COMPLIANCE WITH LAWS

Tenant shall comply fully at its sole expense with all federal and state laws and local or city ordinances (including all applicable zoning ordinances) now or hereafter in force with respect to the Premises and Tenant's activities therein. Tenant warrants and represents to Landlord that Tenant shall use the Premises only for lawful purposes.

ARTICLE 13 MAINTENANCE

Tenant shall keep the premises in a neat, clean, and sanitary condition at all times. Tenant shall keep all improvements to the Premises in good condition.

13.1 Janitorial: Tenant will provide janitorial service inside the Premises, restrooms and window washing on inside of windows. Landlord will provide janitorial service for common area restrooms, entry, hallways and exterior window washing. Tenant shall maintain any food preparation and/or service area in compliance with all local, state, and federal regulations. Tenant shall keep the Premises and any shared areas in neat, orderly, and sanitary condition to include the control/prevention of rodents, insects and pests.

13.2 Landscaping and Common Areas: Landlord, at its cost, will provide landscaping care and common area repairs and maintenance. Tenant shall maintain any landscaping pots and planters place on or in the Premises by Tenant.

13.3 Other Maintenance and Repairs: Landlord will maintain exterior of building (except for overhead and/or sliding doors, if any), roof, foundation, and electrical (except for lightbulbs and light fixture ballasts), heating and plumbing, in a good state of repair. Tenant shall pay the reasonable cost of repairs of all damage caused by Tenant, its agents, servants, employees, or invitees within ten (10) days of receipt of an invoice stating the repairs performed and the cost thereof. Tenant shall be responsible for all minor plumbing repairs and maintenance including but not limited to plumbing line blockages and minor leaks. Tenant shall be responsible to replace all light bulbs and light fixture ballasts located in Tenant's leased space. Tenant shall be responsible for the maintenance and repair of all overhead and/or sliding doors located in Tenant's Premises. Landlord shall be responsible for maintenance of lighting in Tenant's shared Premises. Landlord shall be responsible for testing and maintaining Landlord-owned interior fire systems, smoke detectors, fire extinguishers and alarm systems.

13.4 HVAC: HVAC and all mechanical systems shall be in satisfactory operating condition and will be maintained by Landlord during the term of the Lease.

13.5 EQUIPMENT: Landlord shall allow Tenant the use of one (1) portable hot water pressure washing system to be used during term of Lease. Tenant shall be responsible for any and all repairs and maintenance to equipment. Tenant shall leave such equipment in good working condition at the end of the Lease term. Make: HotCart3 Aaquatools Portable Hot Water Generator with tankless water heaters, Aaquablaster LT container cleaning head 4 nozzle, Aaquablaster 360 container cleaning head.

ARTICLE 14 LANDLORD'S ACCESS

Landlord shall have the right to inspect the Premises at all reasonable times and enter the same for purposes of cleaning, repairing, inspecting, altering, exhibiting, or improving the Premises, but nothing contained in this Lease shall be construed so as to impose any obligation on Landlord to make any repairs, alterations or improvements not otherwise expressly set forth elsewhere herein.

The Landlord reserves the right to grant easements and other land uses on the Premises to others when the easement or other land uses will not unduly interfere with the use of the Premises by Tenant.

ARTICLE 15 SIGNS AND ADVERTISING

Tenant shall not inscribe, post, place, or in any manner display any sign, notice, picture, poster or any advertising matter whatsoever anywhere in or about the Premises, without first obtaining Landlord's written consent thereto. Professional sign drawings to be approved prior to installation. See Exhibit "C", Standard Sign Criteria.

ARTICLE 16 WASTE AND UNLAWFUL USE

Tenant shall not commit or suffer any waste upon the Premises, or make or suffer any nuisance, undue or unseemly noise, or otherwise, and will not do or permit to be done in or about the Premises anything which is illegal, unlawful, or dangerous, or which will increase Landlord's insurance rates upon the Premises.

ARTICLE 17 SUCCESSORS

All the covenants, agreements, terms and conditions contained in this Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors, marital communities and assigns. Any assignment or subletting of the Premises or any interest in this Lease shall not relieve Tenant of primary responsibility for the performance of the terms and payment of the sums to be paid by Tenant hereunder.

ARTICLE 18 HAZARDOUS MATERIALS

Tenant shall not dispose of or otherwise allow the release of any hazardous waste or materials in, on, or under the Premises, or any adjacent property. Tenant represents and warrants to Landlord that Tenant's intended use of the Premises does not involve the use, production, or disposal of any hazardous waste or materials. As used herein, "**hazardous waste or materials**" includes any substance, waste or material defined or designated as hazardous, toxic or dangerous (or any similar term) by any federal, state, or local statute, regulation, rule or ordinance now or hereafter in effect. In the event Tenant brings or uses hazardous waste or materials on the Premises in violation of this **Article 18**, Tenant shall, at its sole cost, properly dispose of all such hazardous waste or materials. Tenant shall be responsible for complying with all federal, state and local laws and regulations in regard to the handling of and disposing of hazardous waste or materials, and agrees to indemnify, defend, and hold Landlord harmless from and against all losses, costs, and expenses (including but not limited to site cleanup, investigation, and

remediation costs and attorney's fees and costs related thereto) arising from a breach by Tenant of its obligations under this **Article 18**.

ARTICLE 19 ASSIGNMENT AND SUBLETTING

Tenant shall not transfer, dispose, assign, mortgage, or hypothecate this Lease, in whole or in part, or permit the use of the Premises by any person or persons other than Tenant, or sublet the Premises, or any part thereof (any of which, a "**Transfer**") without the prior written consent of Landlord in each instance, which may be given, withheld, or conditioned in Landlord's sole discretion. In no event shall Tenant be released or relieved of any liability hereunder due to any Transfer whether or not consented to by Landlord.

Tenant may sublease a portion of the Premises at 421 E. Columbia Drive A110 to Bartholomew Winery. Prior to execution of a sublease, Tenant shall provide Landlord a copy of the sublease for review and approval. Landlord shall have sole discretion over approval of such sublease.

Landlord shall have the right to transfer, dispose, assign, mortgage, or hypothecate this Lease, in whole or in part without the prior written consent of the Tenant. See also Landlord rights to terminate this Lease as set forth in **Article 23** below.

ARTICLE 20 SURRENDER OF POSSESSION

20.1 Surrender

At the expiration of the tenancy created hereunder, whether by lapse of time or otherwise, Tenant shall surrender the Premises in substantially the as good condition or better as they were at the Lease Commencement Date, and shall remove all of its personal property, furniture, non-permanent fixtures installed by or for Tenant, Tenant's equipment, and all cabling and wiring installed by or for Tenant. Tenant's obligations shall include the transfer or cancellation of all Washington State Liquor Control Board licenses associated with the Premises, repair of any damage occasioned by the installation, maintenance or removal of Tenant's personal property, furniture, non-permanent fixtures installed by or for Tenant, and Tenant's equipment.

20.2 Removal of Property

In the event of any entry in, or taking possession of, the Premises or upon the termination of this Lease, Landlord shall have the right, but not the obligation, to remove from the Premises all personal property remaining on the Premises, and may store the same in any place selected by Landlord, including but not limited to a public warehouse, at the expense and risk of the Tenant thereof, with the right to sell such stored property, as per applicable statutory requirements. The proceeds of such sale shall be applied first to the cost of such sale, second to the payment of the charges for storage, if any, and third to the payment of any other sums of money which may then be due from Tenant to Landlord under any of the terms hereof, with the balance, if any, to be paid to Tenant.

20.3 Holding Over

If Tenant fails to surrender the Premises at the expiration or earlier termination of this Lease, occupancy of the Premises after the termination or expiration shall be that of a tenancy at sufferance. Tenant's occupancy of the Premises during the holdover shall be subject to all the terms and provisions of this Lease and Tenant shall pay an amount due on the first of each month of the holdover period, without reduction for partial months during the holdover, equal to 150% of the greater of: (1) the monthly Total Monthly Rent (including Leasehold Tax), and any other charge due, for the monthly period immediately preceding the holdover; or (2) the fair market value for gross monthly rental for the Premises as reasonably determined by Landlord. No holdover by Tenant or payment by Tenant after the expiration or early termination of this Lease shall be construed to extend the Term or prevent Landlord from immediate recovery of possession of the Premises by summary proceedings or otherwise. In addition to the payment of the amounts provided above, if Landlord is unable to deliver possession of the Premises to a new tenant, or to perform improvements for a new tenant, as a result of Tenant's holdover, Tenant shall be liable to Landlord for all damages, including, without limitation, consequential damages, that Landlord suffers from Tenant's holdover. Nothing herein shall be construed as Landlord's consent to such holding over. During the holdover Tenant shall remain responsible for payment of all utilities, taxes, and other assessments, charges and/or fees due under this Lease.

ARTICLE 21 NOTICES

All notices, requests and demands to be made hereunder shall be in writing at the address set forth in the Basic Lease Provisions, as applicable, by any of the following means: (a) personal service (including service by recognized overnight delivery/courier service, such as UPS or FEDEX); or (b) registered or certified first class mail, return receipt requested. Such addresses may be changed by written notice to the other party given in the same manner provided above. Any notice, request, or demand sent pursuant to clause (a) of this Article 21 shall be deemed received upon such personal delivery or service (or the date of refusal, if personal service or delivery is refused), and if sent pursuant to clause (b), shall be deemed received three (3) days following deposit in the mails.

ARTICLE 22 LIENS AND ENCUMBRANCES

Tenant shall keep the Premises free and clear of any liens and encumbrances arising out of the use and occupancy of the Premises by Tenant. Should Tenant fail to discharge any lien of the nature described in this Article 22 Landlord may, at Landlord's election, pay such claim or post a bond or otherwise provide security to eliminate the lien as a claim against title and the cost thereof shall be immediately due from Tenant as rent under this Lease.

ARTICLE 23 LANDLORD'S TERMINATION RIGHT

Notwithstanding anything to the contrary elsewhere in the Lease, in the event that Landlord elects to use the Land and/or Premises for industrial development or other public or port-related purposes, Landlord shall have the right to terminate this Lease by providing sixty (60) days' written notice. If Landlord elects to terminate the Lease early as provided herein, the early termination date chosen by Landlord shall operate as if that date is the Expiration Date set forth in the Basic Lease Provisions. The parties recognize that the foregoing early termination right is important to Landlord and that any delay caused by the failure of Tenant to vacate the Premises pursuant to this Article 23 when required can cause irreparable harm to the Landlord and future tenants. Therefore, Landlord and Tenant agree that time is of the essence of this Article 23 and that if any dispute arises between Landlord and Tenant with respect to the provisions of this Article 23, any other provisions of this Lease notwithstanding, Tenant will vacate

the Premises on or before the early termination date selected by Landlord, and Tenant shall be deemed to have waived any rights in law or equity to possession of the Premises.

In the event of the insolvency or bankruptcy of the Tenant, Landlord may, at Landlord's option, immediately take full possession of the premises to the exclusion of all persons. Exercising such option shall not alleviate Tenant's obligations under this Lease and Landlord shall have the right to seek all remedies set forth in this Lease.

ARTICLE 24

DEFAULT AND REMEDIES

24.1 Default

The occurrence of any one or more of the following events shall constitute a material breach and default of this Lease (each, an **"Event of Default"**):

- (a) Any failure by Tenant to pay Rent and Leasehold Tax when due, or any other assessment, charge and/or fee when due;
- (b) Any failure by Tenant to obtain and keep in full force and affect the insurance coverage(s) required hereunder to be carried by Tenant;
- (c) Any failure to immediately remedy an emergency condition that poses a significant risk of injury or damage;
- (d) Any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease; or
- (e) Tenant bankruptcy

24.2 Remedies.

(a) Re-entry and Termination

Upon and during the continuance of an Event of Default, Landlord, in addition to any other remedies available to Landlord at law or in equity, at Landlord's option, may without further notice or demand of any kind to Tenant or any other person:

1. Declare the Lease Term ended and reenter the Premises and take possession thereof and remove all persons therefrom, and Tenant shall have no further claim to the Premises; or
2. Without declaring this Lease ended, reenter the Premises and occupy the whole or any part thereof for and on account of Tenant and collect any unpaid Rent, Leasehold Tax, and other charges, which have become payable, or which may thereafter become payable; or
3. Even though Landlord may have reentered the Premises, thereafter elect to terminate this Lease and all of the rights of Tenant in or to the Premises.

(b) Express Termination Required

If Landlord re-enters the Premises under the provisions of this Article, Landlord shall not be deemed to have terminated this Lease, or the liability of Tenant to pay any Rent, Leasehold Tax, or other assessments, charges and/or fees thereafter accruing, or to have terminated

Tenant's liability for damages under any of the provisions of this Lease, by any such re-entry or by any action, in unlawful detainer or otherwise, to obtain possession of the Premises, unless Landlord shall have notified Tenant in writing that Landlord had elected to terminate this Lease. Tenant further covenants that the service by Landlord of any notice pursuant to the unlawful detainer statutes of Washington State and surrender of possession pursuant to such notice shall not (unless Landlord elects to the contrary at the time of or at any time subsequent to the serving of such notices and such election is evidenced by a written notice to Tenant) be deemed to be a termination of this Lease.

(c) Retain any Financial Security provided by Tenant and/or collect on the Bond to offset the Tenant's liability to Landlord.

(d) Damages

If Landlord elects to terminate this Lease pursuant to the provisions of this Article, Landlord may recover from Tenant as damages, the following:

1. The worth at the time of award of any unpaid Rent, Leasehold Tax, and other assessments, charges and/or fees which had been earned at the time of such termination; plus
2. The worth at the time of award of the amount by which the unpaid Rent, Leasehold Tax, and other charges which would have been earned after termination until the time of award exceeds the amount of such loss Tenant proves could have been reasonably avoided; plus
3. The worth at the time of award of the amount by which the unpaid Rent, Leasehold Tax, and other assessments, charges and/or fees due for the balance of the Lease Term after the time of award exceeds the amount of such loss that Tenant proves could be reasonably avoided; plus
4. Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to any costs or expenses incurred by Landlord in (i) retaking possession of the Premises, including reasonable attorneys' fees, (ii) maintaining or preserving the Premises after the occurrence of an Event of Default, (iii) preparing the Premises for reletting to a new tenant, including repairs or alterations to the Premises for such reletting, (iv) leasing commissions, and (v) any other costs necessary or appropriate to relet the Premises; plus
5. At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by the laws of Washington State.

(e) Definitions

As used in **Paragraphs 24.2(d)1** and **24.2(d)2** above, the "worth at the time of award" is computed by allowing interest at the rate of twelve percent (12%) per annum compounded monthly. As used in **Paragraph 24.2(d)3** above, the "**worth at the time of award**" is

computed by discounting such amount at the discount rate of the Federal Reserve Bank situated nearest to the location of the Property at the time of award plus one (1) percentage point.

(f) No Waiver

The waiver by Landlord of any breach of any term, covenant or condition herein contained in this Lease shall not be deemed to be a waiver of such term, covenant or condition of any subsequent breach of the same or any other term, covenant or condition of this Lease. The subsequent acceptance of Rent, Leasehold Tax, and other charges due hereunder shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular amount so accepted regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such amount. No covenant, term, or condition of this Lease shall be deemed to have been waived by Landlord unless such waiver shall be in writing and signed by Landlord.

24.3 Interest

Any sum accruing to Landlord under the terms and provisions of this Lease which shall not be paid when due shall bear interest at the interest rate provided herein from the date the same becomes due and payable by the terms and provisions of this Lease until paid, unless otherwise specifically provided in this Lease. The interest rate which shall apply shall be the lesser of (i) twelve percent (12%) per annum (1% per month), or (ii) the highest rate allowed by applicable law.

ARTICLE 25
ATTORNEYS' FEES AND COSTS

If the Tenant requests an amendment to this Lease Agreement or other revision to the Landlord's standardized terms or forms, Tenant agrees that it shall pay the Landlord for all costs and legal fees incurred by the Landlord as the result of request.

If either party hereto shall file any action or bring any proceeding against the other party arising out of this Lease or for the declaration of any rights hereunder, the prevailing party therein shall be entitled to recover from the other party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party as determined by the court. If either party ("**secondary party**") without its fault is made a party to litigation instituted by or against the other party (the "**primary party**"), the primary party shall pay to the secondary party all costs and expenses, including reasonable attorneys' fees, incurred by the secondary party in connection therewith.

ARTICLE 26
MISCELLANEOUS

26.1 Miscellaneous Provisions

The following miscellaneous provisions shall apply to this Lease:

(a) Time is of the essence hereof.

(b) If any portion of this Lease shall be deemed void, illegal or unenforceable, the balance of this Lease shall not be affected thereby.

(c) This Lease shall be interpreted according to the laws of the State of Washington. The parties agree that the Superior Court of the State of Washington for Benton County shall have sole jurisdiction over any question, claim, loss or injury arising hereunder.

(d) Tenant acknowledges that, except as expressly set forth in this Lease, that neither Landlord nor any other person has made any representation or warranty with respect to the Premises.

(e) This Lease shall be binding upon the heirs, executors, administrators, successors, and assigns of both parties hereto, except as otherwise provided for herein;

(f) Landlord does not by this Lease, in any way or for any purpose, become a partner or joint venturer of Tenant in the conduct of its business or otherwise.

(g) The paragraph and section headings hereof are for convenience only and shall not be used to expand or interpret the meaning of any part of this Lease.

(h) Landlord shall be excused for the period of any delay in the performance of any obligations hereunder when prevented from so doing by cause or causes beyond Landlord's control, including labor disputes, civil commotion, war, governmental regulations or controls, fire or other casualty, inability to obtain any material or service, or acts of God.

(i) This Lease and the Exhibits, Riders, and/or Addenda, if any, attached hereto, constitute the entire agreement between the parties. This Lease covers in full each and every agreement of every kind or nature whatsoever between the parties hereto concerning this Lease and all preliminary negotiations, inducements, representations, and agreements of whatsoever kind or nature are merged herein, and there are not oral agreements or implied covenants. Both parties represent they have had the opportunity to seek legal counsel prior to signing this Lease. All Exhibits, Riders, or Addenda mentioned in this Lease are incorporated herein by reference. No subsequent amendment to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by both parties. The captions and section numbers appearing herein are inserted only as a matter of convenience and are not intended to define, limit, construe, or describe the scope or intent of any section.

Tenant and Landlord hereby represent and warrant that they have not employed any broker with regard to this Lease and that they have no knowledge of any broker being instrumental in bringing about this Lease transaction. Each party shall indemnify the other against any expense as a result of any claim for brokerage or other commissions made by any broker, finder, or agent, whether or not meritorious, employed by them or claiming by, through or under them. Tenant acknowledges that Landlord shall not be liable for any representations of Landlord's leasing agent or other agents of Landlord regarding this Lease transaction except for the representations and covenants of Landlord expressly set forth in this Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.

LANDLORD:

PORT OF KENNEWICK,
a Washington municipal corporation

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

TENANT:

PALENCIA WINE COMPANY, LLC

By: _____
Name: Victor Palencia
Its: Owner

Approved as to Form:

Nick Kooiker, CFO
Port of Kennewick

DRAFT

STATE OF WASHINGTON

ss.

COUNTY OF _____

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the _____ of _____, to be the free and voluntary act of such [corporation/limited liability company] for the uses and purposes mentioned in the instrument.

Dated this _____ day of _____, 201__.

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington, residing at _____

My appointment expires _____

STATE OF WASHINGTON

ss.

COUNTY OF BENTON

I certify that I know or have satisfactory evidence that Tim Arntzen is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the Chief Executive Officer of Port of Kennewick, a municipal corporation, to be the free and voluntary act of such entity for the uses and purposes mentioned in the instrument.

Dated this _____ day of _____, 201__.

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington, residing at _____

My appointment expires _____

EXHIBIT "A"

LEGAL DESCRIPTION

PTN: 131903030016002

SECTION 31, TOWNSHIP 9 NORTH, RANGE 30 EAST, QUARTER SW: THE WEST 90 FEET OF LOT 16 AND THE SOUTH 20 FEET OF THAT PORTION OF TRACT 7, LYING EAST OF THE NORTHERLY EXTENSION OF THE EAST LINE OF THE WEST 90 FEET OF SAID LOT 16, REPLAT OF COLUMBIA GARDENS, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 2 OF PLATS, PAGE 92 RECORDS OF BENTON COUNTY, WASHINGTON

COMMONLY KNOWN AS:

421 E. Columbia Drive A140 & A110, Kennewick, WA

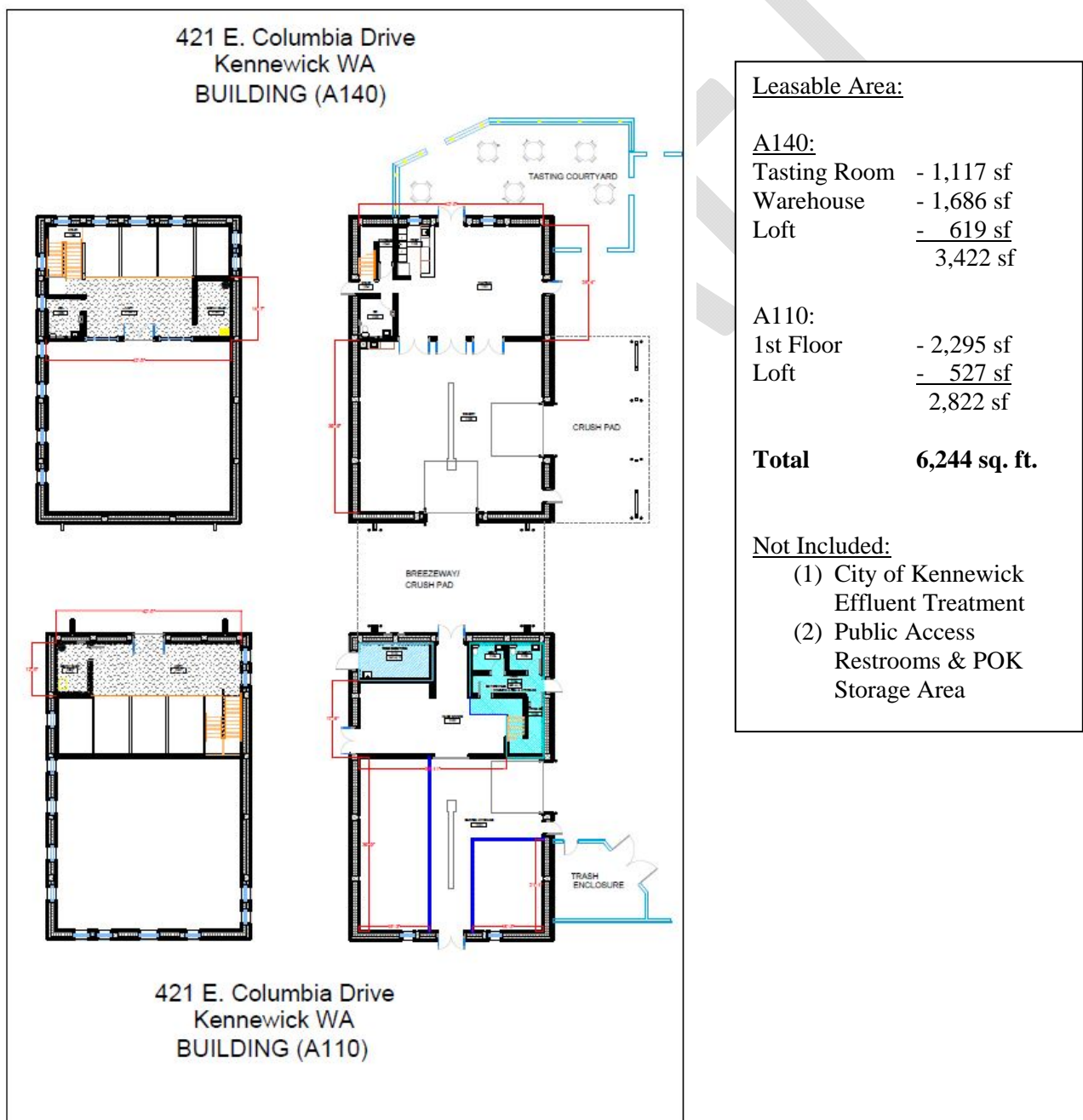


EXHIBIT B

PERSONAL GUARANTY TO THE PORT OF KENNEWICK

TO GUARANTEE PERFORMANCE OF LEASE

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, as personal guarantor, is firmly bound unto the Port of Kennewick, a municipal corporation, in the sum of all monthly rent, plus leasehold tax, and any other assessments, charges and/or fees due as per Lease Agreement dated _____.

The conditions of this obligation are as follows:

WHEREAS, _____ entered into a lease with the PORT OF KENNEWICK for land as described in Exhibit "A", located in Benton County, Washington, which Lease provides for the payment of monthly rent, leasehold tax, and other assessments, charges and/or fees; and

WHEREAS, the laws of the State of Washington require a bond to the Port District in accordance with the terms of RCW 53.08.085, for a minimum of one year's rent; and

WHEREAS, this guaranty incorporates the Lease hereinabove referred to;

NOW THEREFORE, the undersigned agrees that in place of such bond called for under RCW 53.08.085, he/she/they agree to be personally liable and guarantee the payment of all sums due from him/her/them to the Port of Kennewick.

DATED this _____ day of _____, 201____.

GUARANTORS:

Name: _____

Name: _____

EXHIBIT C

STANDARD SIGN CRITERIA

These sign specifications have been established for the purpose of assuring outstanding building and for the mutual benefit of all Tenants. Conformance will be strictly enforced and into conformance at the full expense of Tenant.

The Port of Kennewick Director of Planning and Development is to administer and interpret the sign specifications, but is not empowered to authorize any departure from such specifications.

All permits for signs and their installation shall be obtained by the Tenant or his representative. Tenant shall be responsible for all costs and expenses of signage, including but not limited to the construction and design thereof and of Landlord's approval, and the fulfillment of all requirements and specifications.

All signage shall be designed to harmonize with the color scheme and existing signage of the overall building project. Professional sign drawings to be approved by the Port prior to installation.

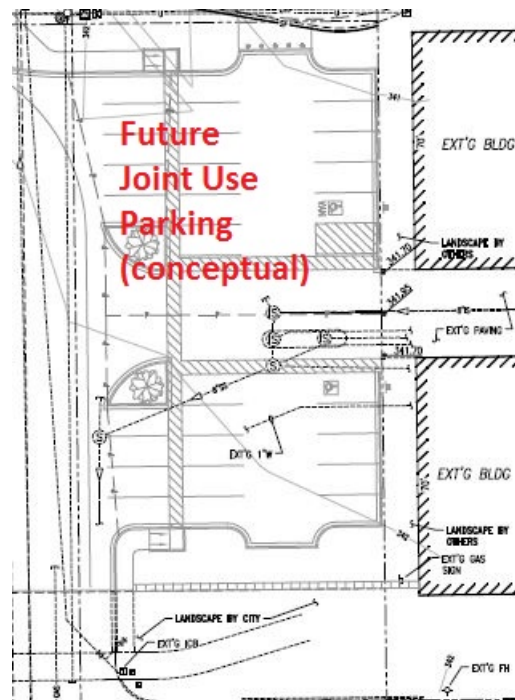
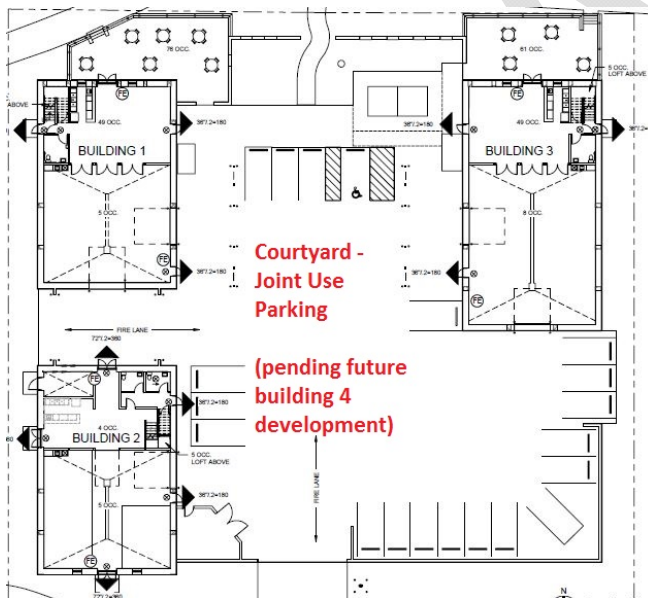
No sign cabinets (transformers) or exposed conduit permitted on exterior face of sign or building. No 'can' or 'box' signs will be permitted.

All signs installed on Building shall be subject to the approval of the Port of Kennewick, City of Kennewick, and other agencies with jurisdiction over such matters.

EXHIBIT D

SHARED PARKING

Joint use parking areas will be available for use on a first come, first served basis, by Tenant, Tenant's customers, Tenant's employees and vendors. Tenant acknowledges that all such shared parking will be available to members of the public, other tenants/property owners, other tenant/property owners' customers, tenant/property owners' employees and vendors, and for all other joint uses as Landlord shall determine in Landlord's sole discretion. The total number of parking spaces will be compliant with the City of Kennewick's Municipal Code requirements and the Landlord's Site Plan. A copy of the Landlord's Site Plan showing joint use parking areas is attached hereto and incorporated herein by reference as Exhibit D-1. Tenant further acknowledges that Landlord intends to construct on or about March 1, 2018 a joint use parking area adjacent to the Premises. Landlord reserves the right to change timeline to construct or change scope of project without notice.



AMENDMENT TO COMMERCIAL LEASE AGREEMENT

THIS AMENDMENT TO COMMERCIAL LEASE AGREEMENT is entered into this 1st day of March; by and between the **PORT OF KENNEWICK**, a municipal corporation ("LESSOR"), and **PALENCIA WINE COMPANY LLC**, a Washington corporation ("LESSEE");

W I T N E S S E T H

WHEREAS, on November 1, 2017 the Lessor and Lessee entered into a Commercial Lease for the lease of premises located at Lessor's Columbia Gardens Wine Village, 421 E. Columbia Drive Suite A110 & A140 in Kennewick, Benton County, Washington (the "Commercial Lease"). The Commercial Lease and Exhibits (including full legal description) are attached hereto and incorporated herein.

AND, WHEREAS, the Parties desire to amend certain provisions of the Commercial Lease.

NOW THEREFORE it is hereby agreed by and between the Parties that, effective March 1, 2020, certain basic provisions of the Commercial Lease are amended, as follows:

Add Bullpen #B3 at 1328 E. 3rd Ave, Kennewick (Oak Street Industrial Park) – Exhibit A

TERMS:

\$.05 psf/mo

2,000 sq. ft.

\$100.00 per month before LET

\$112.54 per month after LET

IN ALL OTHER ASPECTS, except as modified herein, the parties confirm the terms, conditions, provisions, covenants and promises contained in the heretofore referenced and incorporated original lease agreement and agree they remain in full force and effect and agree to be bound by the same.

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year first above written.

By Authority of the
Board of Commissioners

PORT OF KENNEWICK



Tim Arntzen, Chief Executive Officer

PALENCIA WINE COMPANY LLC



Victor Palencia, Owner


Nick Kovarik, CFO.

EXHIBIT "A"

LEGAL DESCRIPTION

PTN: 106804000001004

Section 6 Township 8 Range 30 Quarter SE; THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 6, TOWNSHIP 8 NORTH, RANGE 30 EAST, W.M., BENTON COUNTY, WASHINGTON, LYING NORTH

COMMONLY KNOWN AS

**Also known as, Oak Street Industrial Development Park,
1328 E. 3rd Ave, Kennewick,
Bullpen #B3, Kennewick, WA 99336**



AMENDMENT TO COMMERCIAL LEASE AGREEMENT

THIS AMENDMENT TO COMMERCIAL LEASE AGREEMENT is entered into this 1st day of January, 2021; by and between the **PORT OF KENNEWICK**, a municipal corporation ("LESSOR"), and **PALENCIA WINE CO LLC**, a Washington corporation ("LESSEE");

WITNESSETH

WHEREAS, on November 1, 2017 the Lessor and Lessee entered into a Commercial Lease for the lease of premises located at 421 E. Columbia Drive, Suite A110 & A140, Kennewick, Benton County, Washington (the "Commercial Lease"). The Commercial Lease and Exhibits (including full legal description) are attached hereto and incorporated herein by reference as "Exhibit 1".

AND, WHEREAS, the Parties desire to amend certain provisions of the Commercial Lease.

NOW THEREFORE it is hereby agreed by and between the Parties that, effective January 1, 2021, certain basic provisions of the Commercial Lease are amended, as follows:

D. Premises: The Premises shall mean the real property located at 421 E. Columbia Drive Suite 110, Suite 140, one (1) mobile vendor space including utilities, Kennewick, WA 99336, as described on Exhibit "A" attached hereto and incorporated herein by reference, and any improvements located thereon.

Article 2 - Use of Premises – Tenant agrees to allow public use of two (2) common area restrooms located at 421 E. Columbia Drive Suite A110 and pay associated water, sewer, and electric utilities for the common area space.

IN ALL OTHER ASPECTS, except as modified herein, the parties confirm the terms, conditions, provisions, covenants and promises contained in the heretofore referenced and incorporated original lease agreement and agree they remain in full force and effect and agree to be bound by the same.

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year first above written.

By Authority of the
Board of Commissioners

PORT OF KENNEWICK

Tim Arntzen, Executive Director

PALENCIA WINE CO LLC

Victor Palencia, Owner

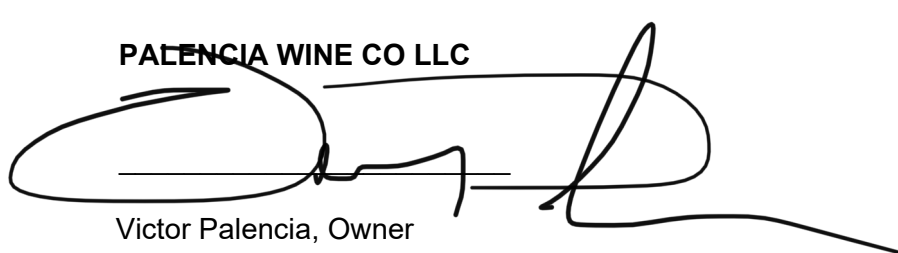


EXHIBIT "A"

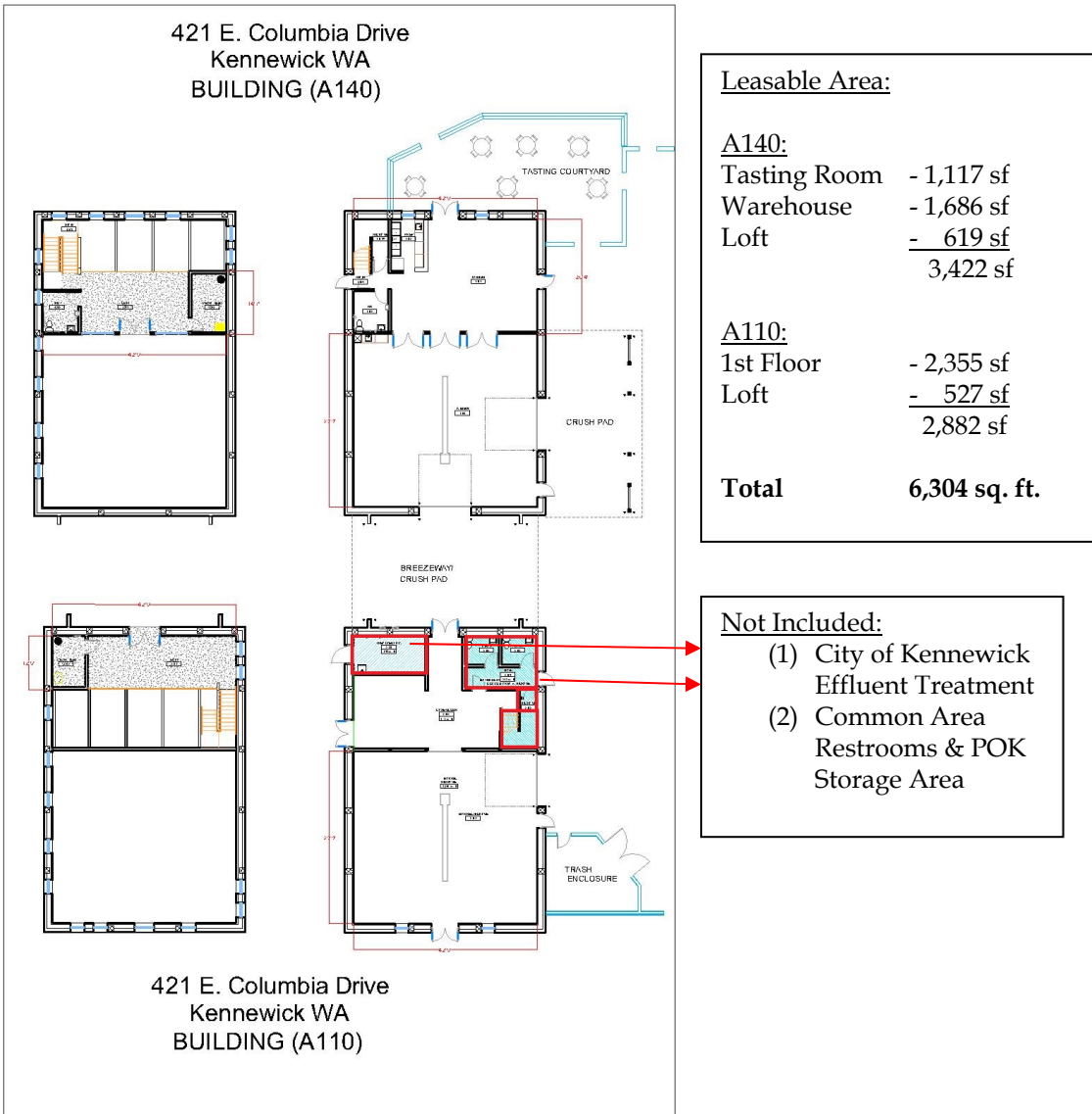
LEGAL DESCRIPTION

PTN: 131903030016002

SECTION 31, TOWNSHIP 9 NORTH, RANGE 30 EAST, QUARTER SW: THE WEST 90 FEET OF LOT 16 AND THE SOUTH 20 FEET OF THAT PORTION OF TRACT 7, LYING EAST OF THE NORTHERLY EXTENSION OF THE EAST LINE OF THE WEST 90 FEET OF SAID LOT 16, REPLAT OF COLUMBIA GARDENS, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 2 OF PLATS, PAGE 92 RECORDS OF BENTON COUNTY, WASHINGTON

COMMONLY KNOWN AS:

421 E. Columbia Drive A140 & A110, Kennewick, WA





Port of Kennewick

2023/24 Budget

October 25, 2022

Managing Resources & Accountability

by Nick Kooiker, CFO/Auditor

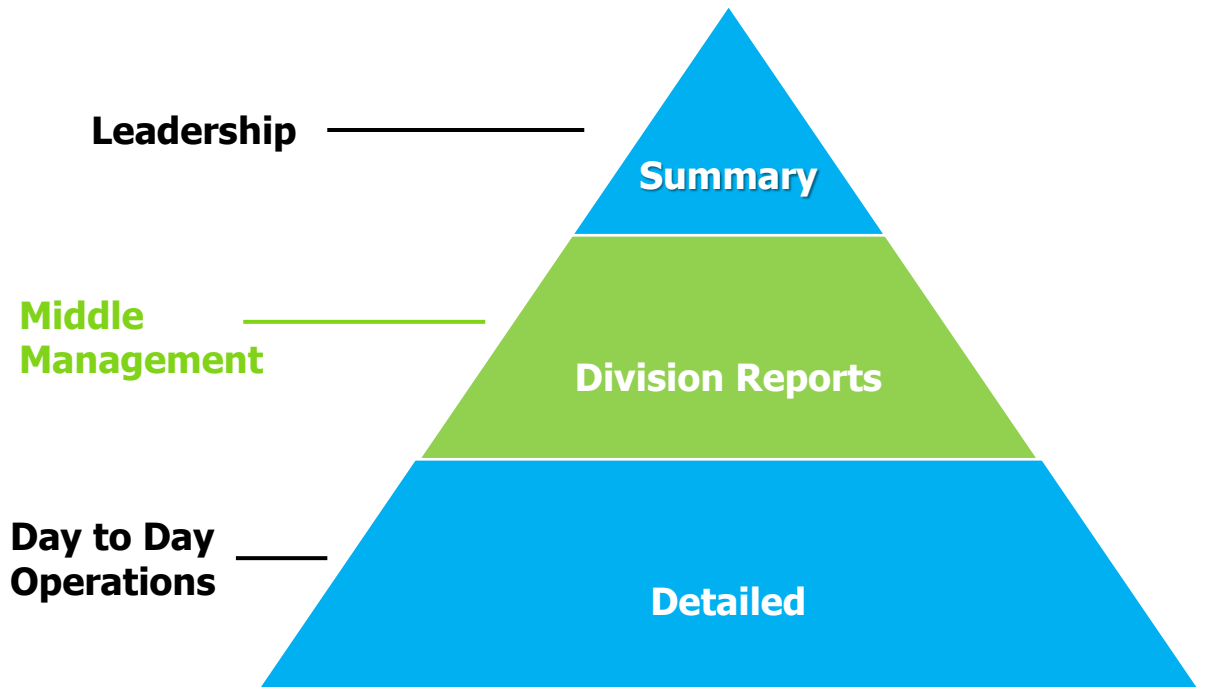


GFOA

(Government Finance Officers Association)

Reporting Pyramid

Reporting Pyramid





Economic Data



National

Level



State

Level



Local

Level

Unemployment: National ~ State ~ Local

3.7%

National
Unemployment Rate

10.2% in 2020

3.9%

State
Unemployment Rate

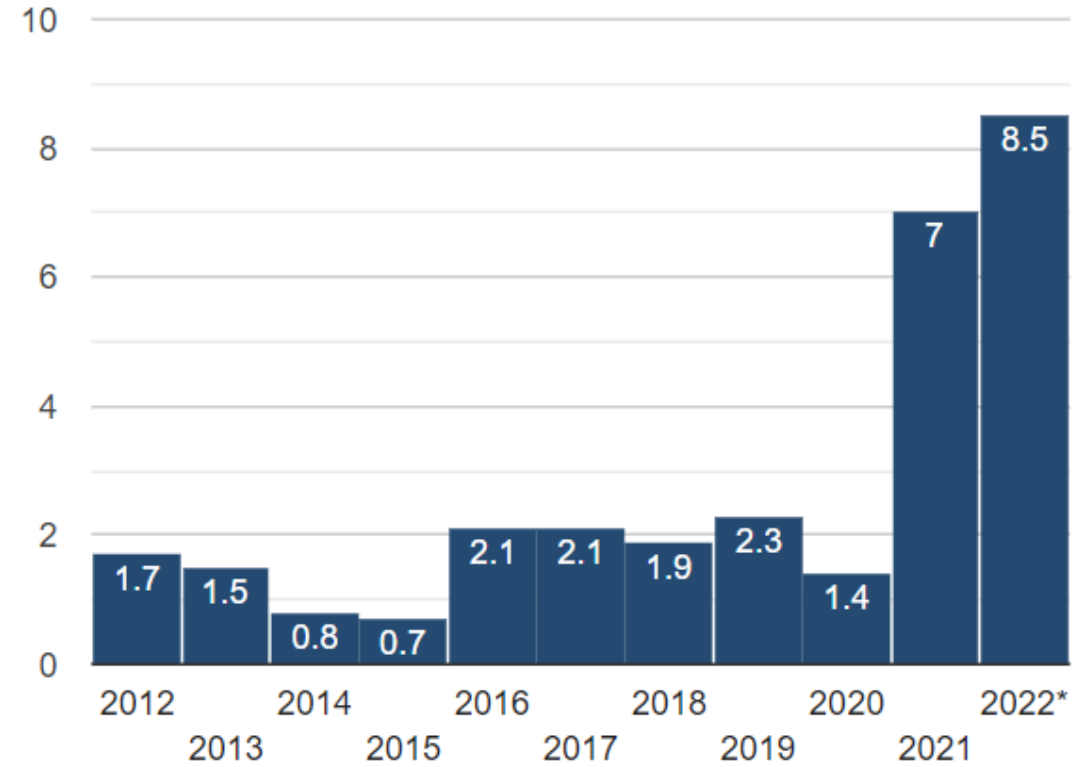
3.8%

**Benton County
Unemployment Rate**

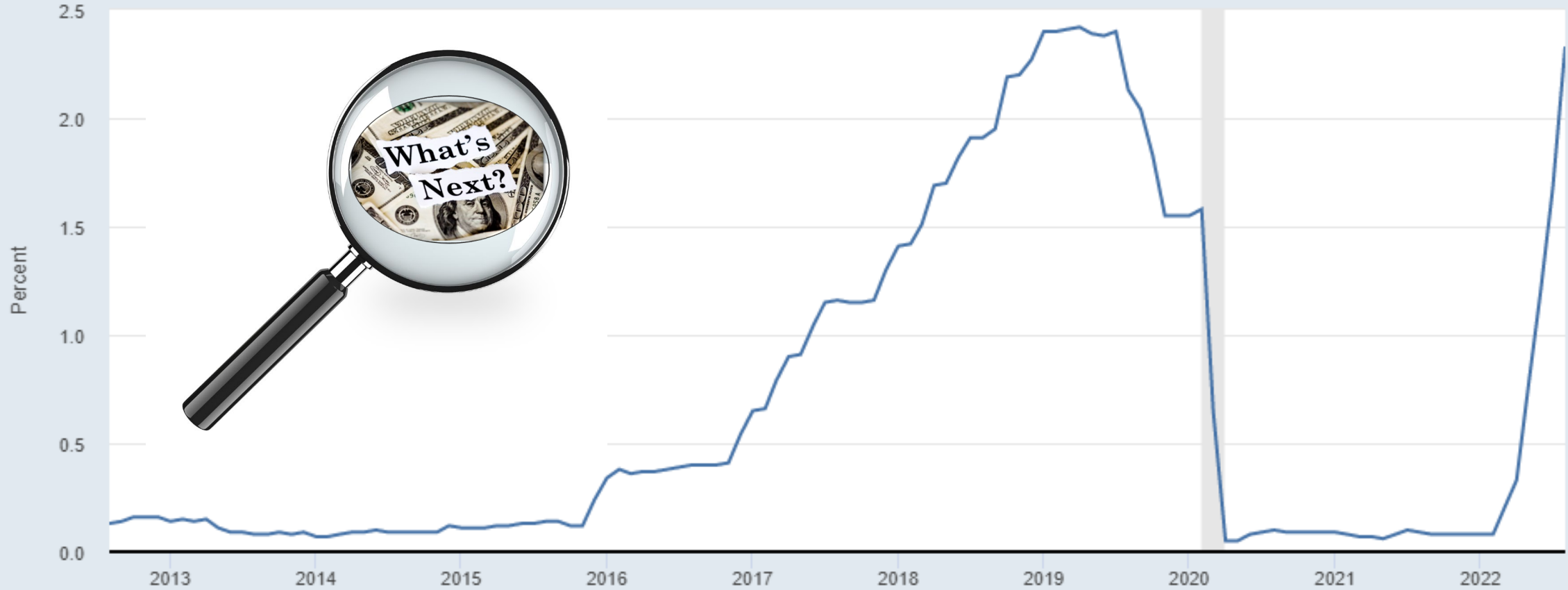
As of July 2022
(WA State Employment
Security Dept.)



Chart: United States Annual Inflation Rates (2012 to 2022)



General Uncertainty



Shaded areas indicate U.S. recessions. Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org

- **Approximately \$12M in cash**
- **The Port owes just over \$4.1M on the Vista Field loan, and the interest rate increases in December 2023**
- **Operating revenues are approximately 16% higher than benchmark**
- **Operating expenses are approximately 9% under benchmark**
- **The Port's net position is just over \$67M**
- **The 2022 levy rate is \$.26/thousand, compared to \$.44 in 2001.**



Port's Current Financial Position

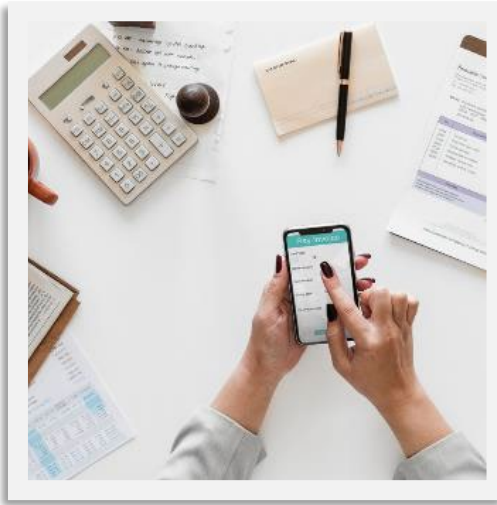
- **Reducing costs and enhancing revenues when feasible while maintaining acceptable service levels.**
- **Promoting fiscal responsibility among departments.**
- **Acknowledging the Port's limited staff and financial resources.**
- **Provide the public with high quality projects and services within a healthy work environment by encouraging efficiency...**
- **\$2.5M reserve fund**



Budget Philosophy

Resolution 2018-27

Budget Assumptions



Fund Balance

Forecasting fund balance on 12/31/22 to be approximately \$10.2M



Inflation

This budget is conservative, allowing for increased expenses



RCCF

Capital Budget relies heavily on RCCF funding

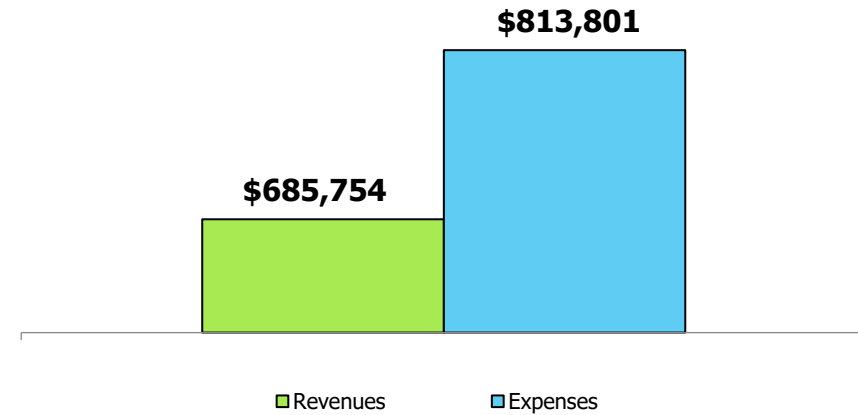


Maintaining Port Investments

Budget reflects funding to maintain current service levels



Responsible for operations and management of marina, haul outs and boat storage.



- The marina is nearly 100% occupied, so recommending a minimum 2% per year increase in rates.
- Expenses include estimated staffing costs, increase in marina liability insurance, extra security patrol, and milfoil cost.
- Most expenses are indexed to a 5% inflation factor, an actual contract amount, or estimated by department manager.

Marine Division

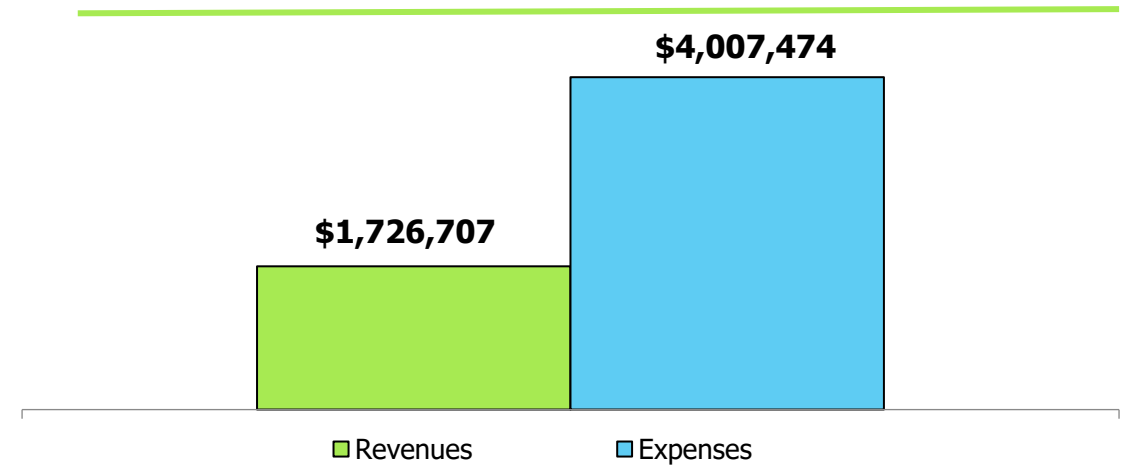
Revenue & Expenses



Property Management Division

Revenue & Expenses

Responsible for management, operations, and maintenance of various Port assets (mainly Port buildings).



- Revenues are based upon leases in place through 2024, and leases that are “highly likely” to renew.
- VFDF-A is mostly vacant due a material lease ending. This was a \$143k/year lease (approximately 14% of lease revenues). This revenue is not in the budget.
- Expenses include estimated staffing costs, increase in utility expenses, extra Vista Field grounds maintenance assistance, a town planner, asphalt and storm drainage maintenance, extra food truck plaza assistance, plus extra security patrol.
- Most expenses are indexed to a 5% inflation factor, an actual contract amount, or estimated by department manager.



Other divisions are supported by the corporate division. Which includes, among many other things: Board of Commissioners, Legal, Accounting & Finance, IT, and Contract Administration.

Corporate Cost
\$4,249,640



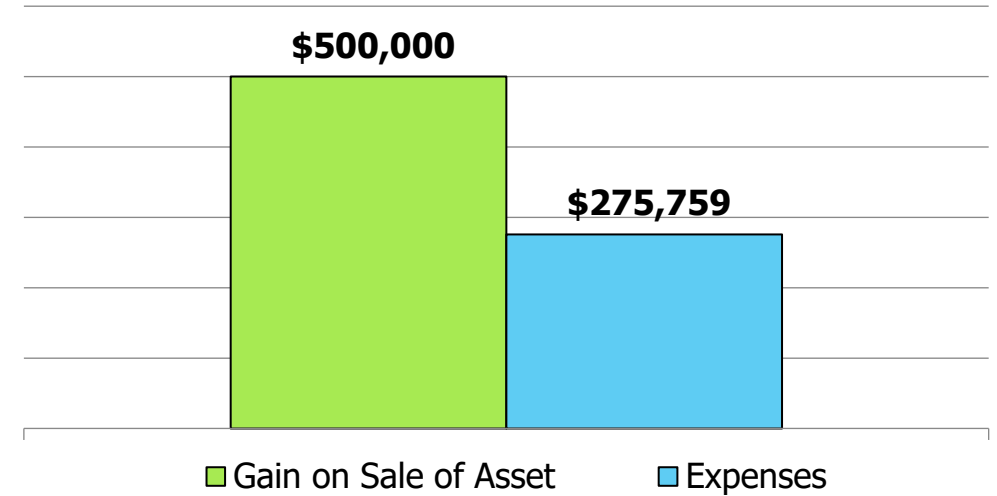
- **Budget takes into account additional staffing resources needed, as well as the property management budget.**
- **Expenses include increase in liability insurance, advertising, and automobile expenses for newly acquired Port maintenance trucks. The budget also allows for a new staff member, if needed.**
- **Most expenses are indexed to a 5% inflation factor, an actual contract amount, or estimated by department manager.**

Corporate Division

Revenue & Expenses



This division manages the process of buying or selling property in support of the Port's overall business plans.



Real Estate Division

Revenue & Expenses

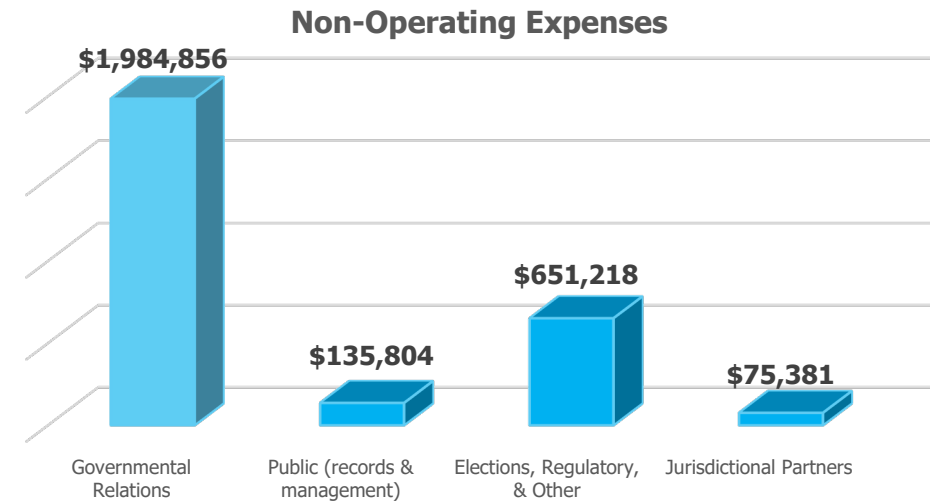
- Port staff typically budgets approximately \$500k in land sales during the budget cycle, which is very conservative.
- Expenses are primarily estimated staff time related to this division and other cost that is not allowed to be capitalized. Expect increased cost for marketing and selling vista field properties.



Non Operating Division

Revenue & Expenses

This division includes various items that don't affect Port operations. This can include items such as: Election costs, third party audit expenses, marketing expenses, and membership dues.



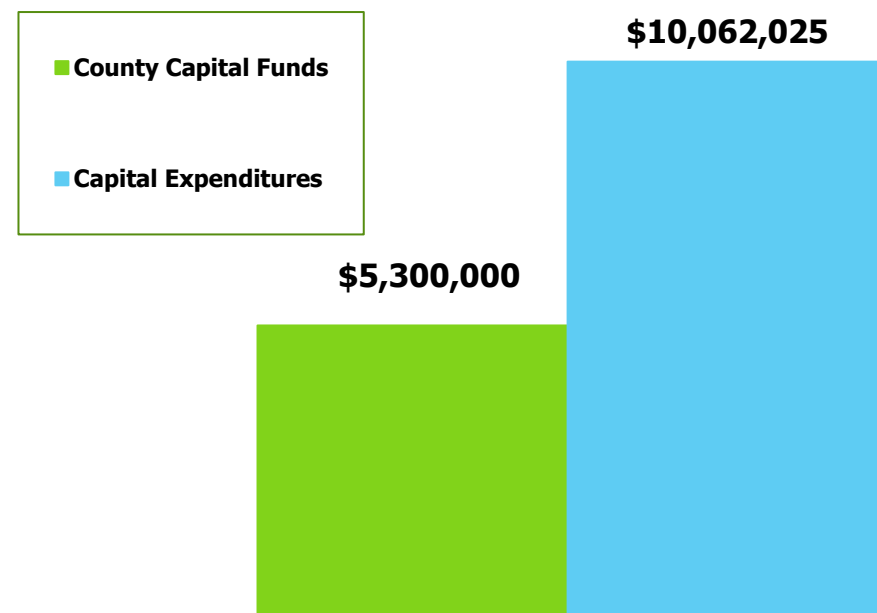
- Expenses tied to a contract, or membership dues such as TRIDEC, WPPA, Visit Tri Cities, etc.
- Expenses include estimated staff time related to this division. Increased budget for 2023 election and SAO two year audit.
- Property tax revenues are budgeted at \$9.5 million.



Economic Development Division

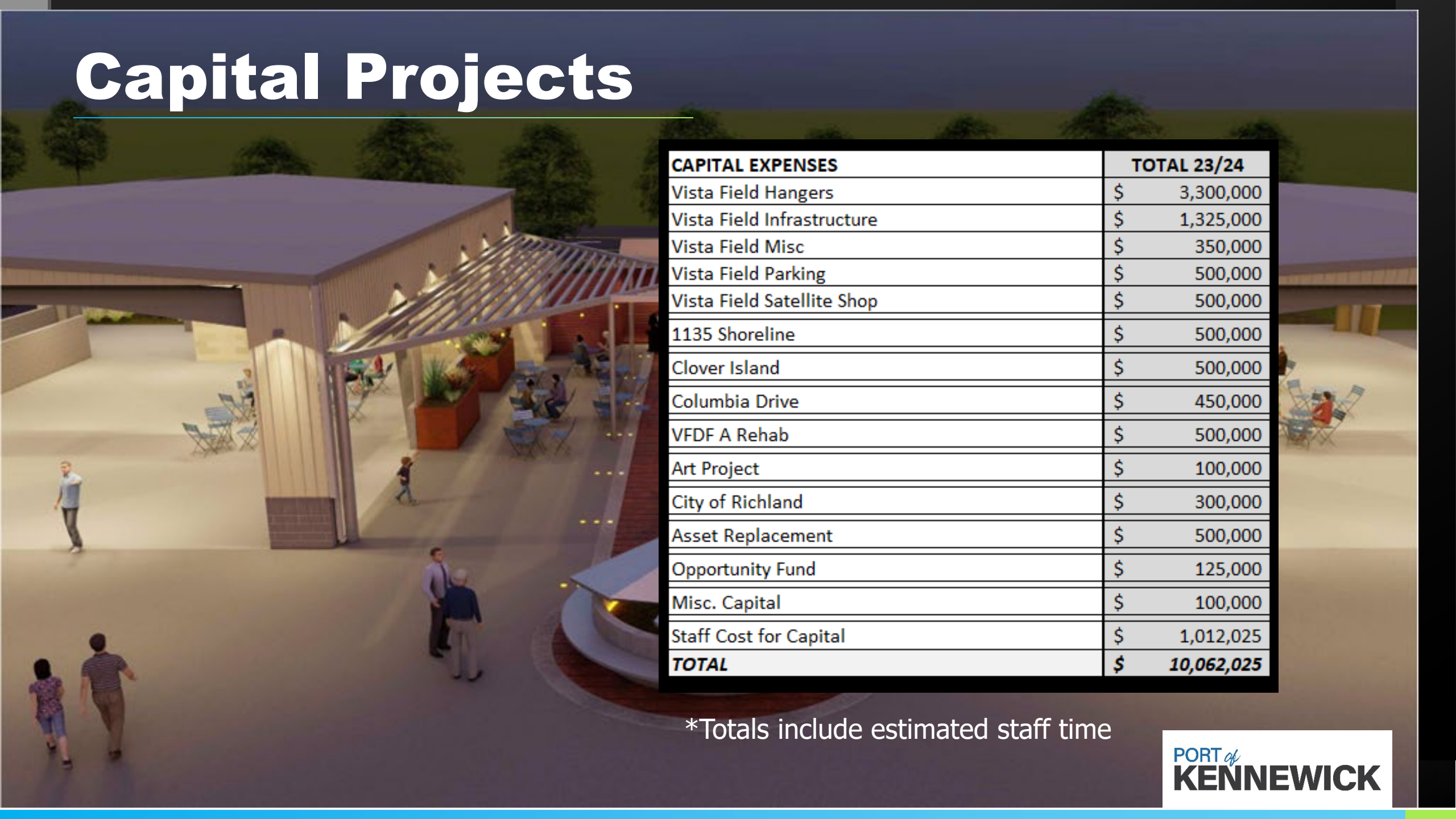
Revenue & Expenses

This division supports all of the Port's capital assets to be planned or constructed.



- Revenues include RCCF for Vista Field Hangars and Infrastructure. The expenses are balanced out in capital budget for each of those line items.
- Details of capital expenditures are on the next slide (except staff cost allocated to this division).

Capital Projects



CAPITAL EXPENSES	TOTAL 23/24
Vista Field Hangers	\$ 3,300,000
Vista Field Infrastructure	\$ 1,325,000
Vista Field Misc	\$ 350,000
Vista Field Parking	\$ 500,000
Vista Field Satellite Shop	\$ 500,000
1135 Shoreline	\$ 500,000
Clover Island	\$ 500,000
Columbia Drive	\$ 450,000
VDFD A Rehab	\$ 500,000
Art Project	\$ 100,000
City of Richland	\$ 300,000
Asset Replacement	\$ 500,000
Opportunity Fund	\$ 125,000
Misc. Capital	\$ 100,000
Staff Cost for Capital	\$ 1,012,025
TOTAL	\$ 10,062,025

*Totals include estimated staff time

2023/24 Preliminary Budget

Total Revenues	\$ 17,703,661
Total Expenses (less capital and promotional hosting)	\$ 12,903,089
<i>Profit (Loss)</i>	<i>\$ 4,800,571</i>
Capital Expenses	\$ 10,062,025
Promotional Hosting Expenses	\$ 24,125
Beginning Cash on Hand	\$ 9,755,248
Reserve Fund	\$ 2,500,000
Unrestricted Fund Balance	\$ 1,969,670
<i>Ending Cash on Hand</i>	<i>\$ 4,469,670</i>



Thank You

Nick Kooiker, CFO/Auditor
509-586-1186
nick@portofkennewick.org





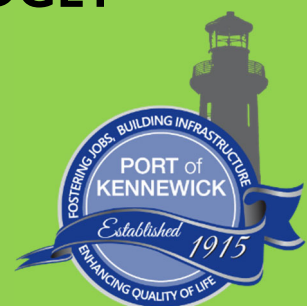
Port of Kennewick

2023/24 PRELIMINARY BUDGET

Fostering Jobs

Building Infrastructure

Enhancing Quality of Life



Mission & Goals

The Port of Kennewick's mission is to provide and support sound economic growth opportunities that create jobs and/or improve the quality of life of the port district citizens.

Economic Development and Job Creation Goals:

- Provide the public with high quality projects and services within a healthy work environment.
- Evaluate economic development opportunities based on results to be derived district-wide versus project-specific or jurisdiction-specific.
- Encourage transparency, open competition and equal project consideration, fostering a reputation for fairness with the local business community.
- Seek to fund projects with available resources.
- Support intergovernmental cooperation by partnering with entities which demonstrate support.

These above goals will be accomplished through the following projects:

- Vista Field Redevelopment
- Kennewick's Historic Waterfront District
 - Columbia Drive Redevelopment
 - Clover Island Miscellaneous Projects
 - Clover Island 1135 Shoreline Restoration

Financial, Operational, and Budget Philosophy:

- The Port is maintaining its goal of a balanced budget.
- The Port is fiscally sound and is ensuring its available resources do not exceed expenditures.
- The Port's budget allows funding for additional staff in order to facilitate budgeted capital projects while promoting fiscal responsibility.
- The Port will continue to report Return on Investment as appropriate and share audited financial reports with the public.

2023/24 PRELIMINARY BUDGET*

Total Revenues	\$ 17,703,661
Total Expenses (less capital and promotional hosting)	\$ 12,903,089
Profit (Loss)	\$ 4,800,571
Capital Expenses	\$ 10,062,025
Promotional Hosting Expenses	\$ 24,125
Beginning Cash on Hand	\$ 9,755,248
Reserve Fund	\$ 2,500,000
Unrestricted Fund Balance	\$ 1,969,670
Ending Cash on Hand	\$ 4,469,670

*The 2023 & 2024 Preliminary Budget PowerPoint Presentation is integral to the Port of Kennewick's preliminary budget document.

*For questions regarding this report, contact the Port's Chief Financial Officer, Nick Kooiker at 509-586-1186