

Port of Pasco Commission
Minutes of Regular Meeting of Port Commission
Held at 1110 Osprey Pointe Blvd., Suite 201., Pasco, WA 99301
February 08, 2018 | 10:30 a.m.

CALL TO ORDER

Commissioner Ryckman called the meeting to order at 10:30 a.m.

Present: Commissioner Jean Ryckman, Commissioner Jim Klindworth, Port Counsel Dan Hultgrenn, Executive Director Randy Hayden, Director of Airports Buck Taft, Director of Properties Mayra Reyna, Director of Marketing and Economic Development Gary Ballew, Director of Finance Donna Watts, Deputy Director of Airports Don Faley, Airport Business Manager Tara White and Administrative Assistant Audrey Burney

Excused: Commissioner Vicki Gordon

Guests: Franklin County Commissioner Brad Peck, Bill Barlow – Planning Manager at Benton Franklin Transit

APPROVAL OF AGENDA

Commissioner Klindworth moved and Commissioner Ryckman seconded to approve the agenda with added agenda item 8.G. Apollo Sheet Metal, Inc and 9.I. Battelle Hangar Lease. Motion carried unanimously.

CONSENT AGENDA

- a) Regular Meeting Minutes of January 25, 2018.
- b) Vouchers and Warrants #89370 - 89448 in the amount of \$643,788.23
- c) Airport Employee Parking Project – Accepted as complete
- d) Big Pasco Industrial Center Building T-131 Fire Alarm System – Accepted as complete

Commissioner Klindworth moved and Commissioner Ryckman seconded to approve the consent agenda as presented. Motion carried unanimously.

ITEMS FOR ACTION/CONSIDERATION

Existing Musser Hangar Lease Extension – Mr. Taft informed Commissioners that Mr. Musser’s current hangar lease with the Port needs to be extended to 30 years, ending on December 31, 2048, and then assigned to Mr. Bush, in order to facilitate the section 1030 tax exchange for both Mr. Musser and Mr. Bush.

Commissioner Klindworth moved and Commissioner Ryckman seconded to extend the term of Mr. Musser’s hangar lease to thirty years, ending on December 31, 2048. Motion carried unanimously.

New Musser Hangar Plan Approval – Mr. Ballew summarized that Mr. Musser is in the process of designing his new hangar on lot 1 of the airport business center. Per Covenants, an architectural review committee reviewed his proposed hangar plan. Staff recommended that Commissioners approve Musser’s plans with the following conditions:

- The minimum setback from the curb must match the existing hangar buildings at the awning.
- Provide a detailed landscaping plan and meet minimum landscape requirements.
- Lighting on the sides of the hangar must be shaded and similar to the lighting used on the existing hangars.

Commissioner Klindworth moved and Commissioner Ryckman moved to accept the plans for the Musser hangar project, authorized staff to notify Mr. Musser of the conditional approval, and authorized staff to approve minor changes to the project. Motion passed unanimously.

Hancock Sandblast & Paint – Mrs. Reyna informed Commissioners that Hancock Sandblasting and Paint requested a 3-year lease for Building T-131, the doublewide office and a small laydown yard. Staff recommends acceptance for a 3-year lease starting at \$5,000 for the initial 6-months and increasing to \$7,500 for the remainder of the lease term.

Commissioner Ryckman moved and Commissioner Klindworth seconded to authorize the Executive Director to execute a lease with Hancock Sandblast and Paint at the proposed rates. Motion passed unanimously.

Panda Holdings - Mrs. Reyna informed Commissioners that staff has been negotiating a lease with Panda Holdings for a 5-year lease with 5 5-year options of the paint and Sandblast booth and 1.02 acres running alongside Dock Street in Big Pasco Industrial Park including the existing plant facility structure. The lease will allow Panda to use a portion of the existing structure as a frame for a new brewpub. Construction of the brewpub must begin in 24 months or the lease terminates. The proposed lease is still under development and is being reviewed by the Port Attorney and the Executive Director.

Commissioner Klindworth moved and Commissioner Ryckman seconded to approve the lease and allow the Executive Director to make adjustments as approved by the Port attorney. Motion carried unanimously.

Dedicate Airport Business Center Roads to the City of Pasco – Mr. Faley informed Commissioners that the plan for the Airport Business Center Roads has been to dedicate these roadways to the City of Pasco. Morasch Lane, Rickenbacker Drive, and Varney Lane currently have not been dedicated to the City of Pasco. Staff is working with the City of Pasco on the legal documentation to have the above roads dedicated to the City. Staff is requesting Commission to authorize Executive Director, Randy Hayden, to execute the necessary documents to dedicate the Airport Business Center Roads to the City of Pasco, once both parties are in agreement.

Commissioner Klindworth moved and Commissioner Ryckman seconded to authorize Executive Director to execute the dedication of Morasch Lane, Rickenbacker Drive and Varney Lane to the City of Pasco once both parties are in agreement with the legal documentation to do so. Motion carried unanimously.

CAS Properties – Lease Amendment – Mr. Taft reported Commissioners that Port staff has been working with CAS Properties toward an expansion of the FEDEX facility at the airport. As a result of this project, the tenth amendment to the lease adjusts the leased space, rental rate, lease term and adds the market adjustment clause in our current standard leases to become effective after at the beginning of the first option to extend is executed. This amendment will become effective March 1, 2018.

Commissioner Ryckman moved and Commissioner Klindworth seconded to authorize the Executive Director to execute the tenth amendment to the CAS properties lease. Motion carried unanimously.

Apollo Sheet Metal, Inc. – Mrs. Reyna reported that Apollo has been leasing Building 102 at the Tri-Cities Airport Industrial Center since April 2017. They made a large capital investment in remodeling it to fit their needs and would now like to sign a 3-year term lease for this building. Staff is seeking Port Commission approval of a 3-year term lease with Apollo Sheet Metal with the following recommendations:

- A minimum of 2 month's rent as a security deposit.

- Approval of requested indemnification from contamination as stated in their current lease.

Commissioner Klindworth moved and Commissioner Ryckman seconded to authorize the Executive Director to execute a 3-year term lease with Apollo Sheet Metal for Building 102 located at 3404 Swallow Ave in the Tri-Cities Airport Industrial Park. This lease requires a minimum of two months' rent as a security deposit and holds lessee harmless from contamination that may have existed on the premises prior to the term of the lease. Motion passed unanimously.

ITEMS FOR DISCUSSION

December 2017 Financial Statements – Mrs. Watts discussed the financial statements. Mrs. Watts also mentioned that she will begin auditing revenue-share leases starting July 2018.

HRA - VEBA – Ms. Keller followed up on the discussion from November 2017 regarding the Port of Pasco Retiree Insurance Program, and recommended that the Port utilize an HRA-VEBA account to deposit the Port's portion of the approved medical insurance premiums for retirees beginning in 2019. An HRA-VEBA (health reimbursement arrangement-voluntary employees' beneficiary association) account is a spending account that is accessed by the account holder to pay for medical care expenses and insurance premiums.

Musser Auto Auction Lease Amendment – Mr. Ballew informed Commission that Staff has been working with Scott Musser, Wheatland Bank and the bank's appraiser to move forward on the completion of the Musser Bros Auto Auction project that is currently under construction east of Morasch Blvd. in the Tri-Cities Airport Business Center. Last Commission meeting, staff discussed with Commission, that a 30-year lease term was going to negatively affect the appraisal of the project and present problems for financing the building.

Mr. Musser and Wheatland bank are requesting the Port consider extending the lease to fifty years to assist with the development of the project. Mr. Musser understands that extending the lease will not completely solve the financing issue, but it will help him close the gap.

Commissioners reviewed the options and believe that dividing the leased area into two pieces of land will best meet the need of both the Port and Mr. Musser. Under this alternative, the parking and yard areas (approximately 3.3 acres) would remain at a 30-year lease term, while the remaining land (approximately 1.3 acres), which includes the building, would have a 20-year lease extension to the benefit of the lessee. The extension would require that the lease be at market rate and some significant investment in the project. This option would require the development of a new lease and is the preferred option of the lessee. This option would also meet the investment/lease term guidelines developed by the Commission last year.

Economic Development Report

Mr. Ballew reported:

1. Airport Facebook page has been kept up by Airport Director Buck Taft, Katie with Perceived Communication and himself. The posts have been doing extremely well without being boosted.
2. He attended the Tri-Cities Day in Olympia as part of the Tri-Cities Legislative Council (TCLC). Staff represents the Pasco Chamber of Commerce. The meeting started at WPUDA, where staff received presentations from various officials. Staff was impressed by Hilary Franz the Public Lands Commissioner. She talked about changing the culture in the Department of Natural Resources from risk averse to problem solvers. She discussed her rural communities

development proposals. Mr. Ballew was able to speak with Ms. Franz, she mentioned that she would like to come to the Tri-Cities and meet with staff.

3. He attended IEDC meeting where he had the opportunity to tour the Switch datacenter complex. This is arguably one of the highest quality data centers in the country. They discussed the importance of a sales tax reduction passed by Nevada legislature that made them competitive with Oregon, which has no sales tax.

Airport Director's report

Mr. Taft reported:

1. Enplanements were flat for the month of January 2018 and seats were down 4 percent.
2. March 1st Alaska will be bringing the Q400s back as well as an E-175. March 11th the Portland flight will come back to the market.
3. He, Carl Adrian and Jack Penning visited with United Airlines. They are looking at us for LAX and we are on their list. Don't know where on the list but we are on it. They are also adding a 3rd Denver flight in June.
4. Baggage project will be mobilizing next week
5. Tailwind will be featuring Buck's Bites which will be Airport Director Buck Taft's five favorite dishes from Tailwinds menu.
6. Mr. Taft will also be attending the City Comp Plan meeting.

RECESS

At 12:05 p.m., Commissioner Ryckman recessed the meeting for a fifteen-minute lunch break. At 12:20 p.m. the meeting was reconvened.

Executive Director's Report

Mr. Hayden reported:

1. Mayra Reyna, Gary Ballew, and Randy Hayden attended the Connell Chamber Dinner that was held on Thursday, February 1, 2018.
2. He was over in Olympia advocating for CERB funding in the supplemental capital budget.
3. Mr. Darryl Olson with the Columbia Snake Rivers Irrigators Association has requested changes to HB 3144 that would make the 2014 Biop permanent and preclude any additional court action. The CSRIA also formally requested that the ESA action agencies declare the 2014 Biop as sufficient to protect endangered and threatened salmon species in the Columbia/Snake river system.
4. Wanted to thank staff and Dan on all of the hard work on leases and negotiations.

Director of Properties Report

Mrs. Reyna Reported:

1. Has approximately 7 leases open for negotiations
2. BNSF halted rail service to Big Pasco because the Port did not provide a timely repair to track deficiencies. Mid-Columbia Warehouse had a huge inventory in rail to go out. We requested a meeting with Don Karls, the BNSF Port Representative to figure out ways to make future inspections and repairs of the rail more efficient and customer friendly. We will be receiving a federal grant in 2019 for a long term fix on many of the rail problems.
3. We have had some interest in the old Parson office building. A broker did call and ask us if it is for sale.
4. She got a call from a community member and gave him information for a parcel at Foster Wells Business Park.

5. We have had many calls and emails from all over regarding warehouses and land for Bit Coin operations.

Commissioners Report

Commissioner Klindworth reported:

1. A state House Bill has been approved naming Highway 395 for former Speaker of the House Thomas Foley.

Battelle Hangar Lease – Ms. White reported to Commission that Staff have been negotiating lease language for the new Battelle Hangar. They discussed the following non-standard items with Commission to assist with preparation of the final lease:

1. Security Bond – Government Agencies will not provide a security bond.
2. Battelle needs to have the 365-day cancellation clause in their lease
3. Battelle is investing \$400,000 in tenant improvements. Commissioners liked that they are investing, since there is not a security deposit. If bids come out high and both parties walk away, Battelle will pay up to \$100,000 of architect costs for design.
4. Port provided maintenance for the hangar. Port provides similar maintenance for NOAA and TSA and has provided maintenance in the past for BPA.
5. Battelle wants the Indemnification Clause language taken out of the lease. The Port suggested replacing the language with “Responsibility”, instead of Indemnification clause.
6. They are self-insured, which is typical of a State, City, and/or Government Agency.


ITEMS NOT ON AGENDA

Mr. Hultgrenn responded to a prior Commission question on the allowed use of Port EDC Funds: Statute – the EDC funds can be transferred to the organizing agency and used for economic development purposes. Examples would be the Port of Pasco Website and Marketing Literature for Osprey Pointe Brochures.


ADJOURNMENT

The meeting adjourned at 1:12 p.m.


Port of Pasco Commission:



Jean Ryckman, President



Jim Klindworth, Vice-President



Vicki Gordon, Secretary

