

| TOPIC | DISCUSSION / ASSESSMENT / FINDINGS | ACTION |
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| Attendance | Commissioner/Staff Present: Port Commissioners (PCs) James Herman, William Schmitt, Wayne Vinyard, Executive Director (ED) Marc Thornsburly; and Administrative Assistant/Port Auditor (AA/PA) Margie Ziegler. PC/Staff Absent: None. Guests Present: Tamara Kaufman, Chamber of Commerce; Kelly Kreps; Kerri Kent, Kerrits; and David Flaiz, Kerrits. | Meeting called to order by PC Vinyard at 4:32pm. |
| Administrative Matters Approval of Minutes Approval of Vouchers | Minutes – August 19, 2014 Payroll Vouchers – September 5, 2014 D11054-D11068, #25826-25827, \$10,684.10. Vouchers – September 9, 2014 #25828-25852, \$18,178.70. Payroll Vouchers – September 22, 2014 #25853-25854, D11069-D11075, \$9,756.64. Vouchers – September 30, 2014 #25855-25869, \$28,397.63. | PC Schmitt M to approve the minutes, with corrections, PC Herman S, MP 3-0. PC Herman M to approve the vouchers, PC Schmitt S, MP 3-0. |
| Old Business 154 Bingen Point Suite B Lease | Keri Kent, Kerrits, said she is in need of additional warehouse space and is interested in leasing Suite B in the 154 Bingen Point Building (aka Building 1A). Kent explained that Port staff offered Suite B at the same blended rate charged for Suites C and D under the existing Kerrits lease and asked that a different rate be charged for Suite B because it does not offer as much finished space. Kent also expressed her contention that the rate offered is higher than the market rate for warehouse space. | |

Old Business continued . . .
154 Bingen Point Suite B Lease cont..

PC Vinyard expressed concern that the Port could be criticized by private landlords for low lease rates and that \$0.65 per sq. ft. is the Port's target lease rate. Kent talked about her current space and stated that some offices are not usable because they lack air conditioning. Kent invited the PC to tour Suites B, C, and D and the PC adjourned the meeting at 4:44pm for 10 minutes to tour the suites.

The PC reconvened at 4:55pm. PC Schmitt noted there is quite a difference in the suites and suggested a lease rate somewhere in between. PC Herman asked if 2016 is when the current lease will expire. PC Vinyard stated that the Port needs to insure its lease rates do not unfairly compete with private landlords. Thornsbery described how the current lease rates were established by the Commission and noted that all buildings are currently leased using a blended rate that does not consider the type and quantity of finished and unfinished space in each particular suite.

Kent noted that Kerrits is also required to pay a 12.84% leasehold tax and fire insurance premium above and beyond its monthly rent. PC Herman said that if the leasehold tax is deducted from the \$0.6383 rate, it comes to \$0.5656 per sq. ft.

Kent complained that separate power meters are not installed for individual suites and, as a result, the power bill for the building is shared between lessees based on square footage. Kent stated that other lessees could end up subsidizing a lessee with large power needs. Thornsbery explained separate power meters have been considered, but given a low priority relative to other demands. Thornsbery pointed out that a single base charge is currently divided between the suites, but once individual meters are installed, each suite will have a separate base charge that the lessee will have to pay in whole.

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| <p>Old Business continued . . . 154 Bingen Point Suite B Lease cont..</p> | <p>The PC discussed lease rates and the potential impact of using a non-blended rate when it comes time to renew the lease. PC Herman talked about comparing public sector and private sector rates. PC Schmitt noted that a non-blended rate is to Kerrits advantage now, but would be to its disadvantage in the future and expressed concern this could lead to an expectation that a combination of blended and non-blended rates solely benefiting the lessee would be used in any future lease renewal.</p> <p>Kent complained that things have changed at the Port since she moved in and that she was told the area east of her space (Lot 34) would be maintained as an open green space available for her use. Thornsbury stated that no such promise had been made and that Kerrits was simply permitted temporary use when the lot was not otherwise in use. Kent remarked that Insitu had moved in a portable unit that blocked her view and had brought in more people. PC Schmitt stated that Lot 34 had always been set aside for development. PC Vinyard noted that people sometimes mistakenly believe the entire point is a park and expressed that Lots 34 and 35 have always been planned for development.</p> <p>PC Vinyard asked if a rate of \$0.5656 would be acceptable. PC Schmitt expressed concern that Kerrits would later use a reduced rate as the basis for establishing a new rate if the lease is later renewed. PC Vinyard expressed concern that Kent was comparing the rate she wanted to pay to the rate the Port charged for transitory use of the space. Thornsbury cautioned the Commission that, just as Kerrits used another lease rate in support of its request for a reduced lease rate, others will point to the Kerrits lease rate in support of their requests for lower rates.</p> <p>Kent stated her desire for a total rent of \$7,500 per month and said that \$0.5656 per sq. ft. would not be acceptable given the additional expenses for racking and different light fixtures. Kent described some of the problems she sees with the Port's space as well as other local industrial</p> | |
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| <p>Old Business continued . . . 154 Bingen Point Suite B Lease cont..</p> | <p>properties available, but noted that she has not investigated all of the space available for lease in the area. Kent said she does not want to move due, in part, to the problems other space would present for her operation.</p> <p>PC Herman stated the difference is \$562 and suggested splitting it, resulting in a rent amount of \$1,660.00 per month at a rate of \$0.5467 per sq. ft. Kent agreed, stating that this would make her total rent \$7,897 per month.</p> <p>Thornsby stated the PC will need to revisit the basis upon which it desires to calculate lease rates and provide new direction to staff given that the rate proposed is substantially different from the Commission's previously stated policies and instructions to staff. He also noted that Port staff cannot function effectively when the Commission does not deliver consistent direction to staff and uniformly apply adopted policy.</p> | |
| <p>New Business DIP Lot 80 Well Water – Award Bid</p> | <p>ED Thornsby explained that bids had been received for drilling a well on Lot 80 to supply water for the Dirt Hugger operation and noted that it will be funded through a grant from Klickitat County. Thornsby said that only one bid had been received in spite of having several well drillers on the Port's Small Works Roster. Thornsby stated that because development of the property is already under way and the bid received is well below the unit prices for well drilling that were received under the previous, and subsequently terminated, Lot 80 Grading Project bids, staff recommends that the bid be accepted and the project awarded to the bidder, M-K Drilling.</p> | <p>PC Schmitt M to award the bid to M-K Drilling for \$19,675.00, PC Herman S, MP 3-0.</p> |
| <p>Dirt Hugger – Water Rebate</p> | <p>ED Thornsby stated that Dirt Hugger is using water from the standpipe at the Big Fish Quarry to maintain a proper moisture level in the soil while grading and compacting Lot 80 and has requested a credit for the water being used to level the property. Thornsby noted that because Dirt Hugger is doing all of the leveling work at its own cost and the Port</p> | <p>PC Herman M to approve a 100% credit for water used by Dirt Hugger though James Dean, PC Schmitt S, MP 3-0.</p> |

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| <p>New Business Dirt Hugger – Water Rebate cont...</p> | <p>will retain ownership of the property and ultimately receive the benefit of the leveling work, issuing a credit would not be considered an illegal “gifting”. Thornsby stated the Commission could use its existing water loss credit amount of 75% or use a greater amount because of the nature of the use. PC Schmitt noted that keeping the property watered will avoid dust complaints. PC Herman asked how much the credit might be. Thornsby explained that it is unknown at this time, but could easily be \$3,000. PC Vinyard said he believes a credit is appropriate because the water is being used to improve property the Port owns.</p> | |
| <p>Dirt Hugger – Use Variance</p> | <p>ED Thornsby explained that the current Covenants, Conditions, and Restrictions (CC&Rs) for the Dallesport Industrial Park (DIP) do not allow a composting operation and, as a result, the Commission will need to formally approve a variance to the permitted use requirements of the CC&Rs to allow Dirt Hugger to begin operating.</p> | <p>PC Schmitt M, to approve a variance for Dirt Hugger allowing it to operate a composting facility at DIP, PC Herman S, MP 3-0.</p> |
| <p>DIP Property Exchange</p> | <p>ED Thornsby presented a draft document showing a proposed exchange of property with the US Army Corps of Engineers (USACE) at the Port’s Dallesport Industrial Park. Thornsby stated that this a preliminary proposal that could be altered during further discussions with the USACE and noted that before any exchange can be completed the outstanding issues with the RAMCo disposal site and EPA will likely have to be resolved. PC Schmitt asked if the depth of the channel on Lot 46, created by the old rail line, was known. Thornsby said that it was not known at this time, but would be determined when additional progress is made.</p> | <p>By consensus, the PC directed ED Thornsby to present the draft exchange to the USACE.</p> |
| <p>DIP Lot 80 Lease</p> | <p>ED Thornsby provided a copy of the Dallesport Industrial Park (DIP) Lot 80 lease and noted that its terms were consistent with those previously approved by the Commission. Thornsby explained that the lease term has been changed from 20 years with two 5-year extension options to a straight 30 years at the request of the financial institution and requested formal approval of the lease.</p> | <p>PC Schmitt M, to approve the 30 year lease with Dirt Hugger for the southern portion of DIP Lot 80, PC Herman S, MP 3-0.</p> |

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| <p>New Business continued... DIP Lot 90 Lease</p> | <p>ED Thornsby stated that a draft lease was sent to Klickitat County for the proposed gun range on Dallesport Industrial Park Lot 90, but he has received no response at this time. Discussion followed regarding access to the property from SR 14 and US Hwy. 197.</p> | |
| <p>Executive Director's Report DIP Lot 80 Development – Dirt Hugger</p> | <p>ED Thornsby reviewed current progress of the Dirt Hugger development on Dallesport Industrial Park (DIP) Lot 80 Development and described how various elements of the project have changed over time. Thornsby noted that the Port will pay for the engineering needed for the property leveling, power installation, and well drilling, estimated at \$20,000 to \$25,000, but will not be paying for any of the property leveling work initially planned. He explained that because Dirt Hugger must now move to the DIP location approximately eight months earlier than planned, there was insufficient time to seek new bids and Dirt Hugger will take over the financial responsibility for this aspect. Thornsby reminded the Commission that grant funds from Klickitat County will pay for a water well and power to the property and explained that the grant funds from the US Dept. of Agriculture (USDA) will now support construction of the concrete pad used for leachate collection instead of the soil stabilization as initially planned. Thornsby stated that Dirt Hugger will pay any costs for these items in excess of the grant funds.</p> | |
| <p>DIP Lot 40 Underwood Fruit</p> | <p>PC Schmitt asked when the expansion project will be finished. ED Thornsby said it is his understanding that there is currently an outstanding issue regarding permitting.</p> | |
| <p>DIP Lot 8 Lease</p> | <p>ED Thornsby said the Lot 8 lease is done and expires May 2015. Thornsby said no work has been done on Lot 8.</p> | |
| <p>Executive Director's Report cont... Budget Workshop</p> | <p>A date for the Port's annual budget workshop was discussed. ED Thornsby said the Port's chart of accounts has been reorganized to more closely follow the State Auditor's Office BARS standard and to account for certain expenditures such as those for parks and Bingen Lake</p> | <p>By consensus, the PC canceled the October 7 regular meeting and will hold a Budget Workshop on October 21 starting at 1:00pm prior to the</p> |

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| Executive Director's Report cont... Budget Workshop | that have not been previously tracked and noted that this will result in a budget that looks different from past years. | regular meeting starting at 4:30pm. |
| Commissioners Reports | PC Schmitt said he did not attend the MCEDD meeting and asked about the process used for projects under the small works roster. | |
| Public Comment | None. | |
| Adjournment | PC Vinyard adjourned the PC Meeting at 7:09pm. | |

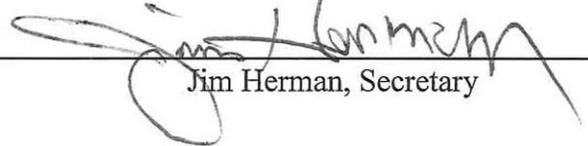
Approved on October 21, 2014
(Date)



Marc Thornsbury, Executive Director



Margie Ziegler, Administrative Assistant



Jim Herman, Secretary