



PORT OF BELLINGHAM

Washington State

Port of Bellingham

REQUEST FOR QUALIFICATIONS

BELLINGHAM WATERFRONT DISTRICT ENERGY UTILITY PARTNER

Schedule	Date
Release RFQ	April 6
Submissions Due	May 2
RFQ Interviews	May 14-15
Announcement	June 5

RFQ submittals must be delivered to the Port Administrative Office, at the address listed below, no later than 5 PM, May 2nd, 2018. Submit five (5) copies of the RFQ submittal, not to exceed a total of 25 double-side pages, which includes attachments, to: Adam Fulton, PE; Director of Facilities; Port of Bellingham, 1801 Roeder Avenue, P.O. Box 1677, Bellingham, Washington 98225. One electronic copy should be emailed to adamf@portofbellingham.com

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- C** Current Subarea Master Plan and Proposed Subarea Plan Amendments
- D** Development Regulations
- E** Master Developer Agreement
- F** Thermal Storage Adaptive Reuse

I. Introduction

The Port of Bellingham (Port) seeks to develop a district energy system (DES), with capacity to provide buildings with efficient and affordable clean (low carbon) energy for space heating, domestic hot water and in some cases cooling. The goal is to produce a cost-effective way to achieve deep greenhouse gas (“GHG”) reductions in high density, mixed use neighborhoods. District energy systems also offer a platform for addressing other community issues and priorities including energy security, waste management, and local economic development.

Through this Request for Qualifications (“RFQ”), the Port of Bellingham (Port) is seeking responses from providers of district energy services (“Respondent”) describing their qualifications for implementing district energy services throughout Bellingham’s Waterfront (Appendix A). The Port is only seeking responses from teams that can demonstrate they have the desire, capacity and experience to build, own, finance and operate district energy infrastructure.

The focus of this Solicitation is to identify Respondents capable of:

1. Collaborating with all stakeholders to identify and study the options for various district energy and energy sources and establishing a DES Capital Facility Plan for the Waterfront;
2. Negotiating long-term service agreements with district energy customers, and supply or infrastructure use agreements with existing infrastructure owners;
3. Developing, owning and/or operating new or upgraded district energy infrastructure and supplies on the Waterfront, as required; and
4. Collaborating with the Port to ensure commercial viability of district energy and maximize community benefits from any district energy infrastructure on the Waterfront.

Those interested in submitting a response to this Solicitation should address the requirements outlined in Section V of this Solicitation. Based on a review of the responses, one Respondent may be selected to enter into a Memorandum of Understanding (“MOU”) with the Port to conduct due diligence on the opportunity, negotiate definitive agreements, including service agreements between the selected Respondent and initial customers and any other agreements necessary for the successful development of the DES.

II. Background

Over the last decade, Bellingham has transformed the once massive Georgia-Pacific pulp facility into a new mixed-use development, reconnecting downtown Bellingham with Bellingham Bay and stimulating economic vitality while creating a more sustainable community.

The Port and City of Bellingham (City) have established a partnership to ensure long-term cooperation in the phased installation of public infrastructure and environmental clean-up. The Waterfront District Sub-Area Plan is a vision and policy document that provides a framework for future development of the 237 acre site. The Waterfront District Development Regulations, Design Standards, Shoreline Master Program, State Environmental Policy Act (SEPA) – Planned Action Ordinance, Development Agreement and Interlocal Agreement for Facilities provide the details regarding development opportunities and conditions, and further define the commitments of the city and the port to provide infrastructure and prepare the area for development. In 2015, the Port signed a Master Development Agreement with

Harcourt Bellingham, LLC providing Harcourt the exclusive right to develop 18.8 acres within the Downtown Waterfront zone which is anticipated to result in over 2.8M square feet of mixed-use development.

The City of Bellingham has explored potential district infrastructure concepts to serve new development planned for the Bellingham Waterfront with The Waterfront Utility Master Plan (WUMP Attachment B) that was completed in September 2014. The objective of this initial work was to identify – at a high level – the potential value proposition of district infrastructure systems to serve future waterfront development in a cost effective manner while enhancing environmental performance and achieving city policies. This document also identified potential heating sources and estimated infrastructure costs.

In 2017, The Port of Bellingham hired Puttman and Associates to design initial infrastructure needed for the first major phase of development. This infrastructure includes a district energy “spine” along Laurel Street consisting of heating and cooling pipes and future expansion connections at key locations. This portion of the DES is currently under construction and is anticipated to be complete in Summer 2018.

III. Development Program and Timeline

An 18.8 acre area (Appendix A) has been allocated for development in the Master Developer Agreement and is identified as the “Downtown Waterfront”. The Downtown Waterfront is the area covered by this RFQ and includes all parcels that should be connected to future district systems. Though not assumed in this RFQ, the adjacent zones will likely be part of the district system in the future and proponents should be well positioned to pursue expansion opportunities into these areas.

The development of the Downtown Waterfront area is imminent. The master developer is currently in the construction stage on the first project, the adaptive reuse of the iconic Granary Building, and has started the permit approval process for a second project which includes 136,000 square feet of residential and 26,000 of commercial (retail, restaurant, etc.) along with 15,000 square feet of dedicated open space. The Port would like to see Harcourt’s second project and all future projects integrated into district-scale systems to help achieve the goals for the neighborhood.

The development parcels in the Downtown Waterfront will be strategically timed in order to align with key infrastructure improvements by the City of Bellingham including the Granary Avenue and Laurel Street and Whatcom Waterway Park projects that are currently underway. Future development will also be coordinated with the expansion of site infrastructure, including district energy. The Port anticipates that the proponents for the services sought in this RFQ will work closely with the City’s civil engineer to coordinate the installation of infrastructure and minimize the incremental costs to install these services.

Because development of the first few Downtown Waterfront parcels are imminent and the ongoing installation of both public and private utilities associated with street construction is underway, the Port is installing DES piping to ensure that DE service is available to all new adjacent projects. The most urgent being Harcourt’s second project (136,000 square feet of residential and 26,000 of commercial) within the district. Developer engagement and design will be a priority for Respondent.

Development Assumptions

The WUMP identifies the key waterfront development assumptions used to conduct the district infrastructure assessment. These assumptions were determined prior to the MDA with the developer and the development pace established within. The overall development densities, land use types have not significantly changed however.

Development Capacity

Two development capacity options were identified, aggressive and conservative, representing approximately 2.83M and 2.05M SF of future development respectively.

Phasing

Five (5) phases of development were identified. Development per phase was set based on City input and is summarized in Figures 9 and 10 of the WUMP for both aggressive and conservative growth.

Land Use Mix

Overall and for each lot, a mix of land uses were assumed to meet the City's desired 58%/42% residential/commercial split. As energy and water demands can vary greatly between sub land use types (i.e., commercial office vs. commercial laboratory), more detailed land use assumptions were made. See Figures 9 and 10 for land use assumptions.

Growth Rate

Two growth rate options were identified, aggressive and conservative, representing annual growth rates of 87,500 SF/year and 52,500 SF/year. The aggressive growth rate represents a 25% increase over 50% of the historic median development rate in Bellingham (70,000 SF/year). The conservative growth rate represents 25% less than this 50% historic development rate.

Years to Full Build Out

Considering development capacity, growth rate and phasing, the following build out options are possible:

- Aggressive Development Capacity/Aggressive Growth Rate = 34 years to full build out.
- Aggressive Development Capacity/Conservative Growth Rate = 52 years to full build out.
- Conservative Development Capacity/Aggressive Growth Rate = 25 years to full build out.
- Conservative Development Capacity/Conservative Growth Rate = 38 years to full build out.

Unique Waterfront District Assets

A unique characteristic of district infrastructure is the ability to leverage existing infrastructure assets in a manner not feasible at the building scale to provide more cost effective and environmentally beneficial infrastructure service. Some of the most promising assets for high and low grade waste heat, thermal storage, and rail transport of solid or liquid fuels that could benefit district energy were explored in the WUMP. The opportunities listed require additional vetting and negotiations with PSE and or the City.

1. Waste Heat from Puget Sound Energy's (PSE) Encogen Facility: The Encogen Facility runs only to help meet daily or seasonal peaks in customer's power usage. When it operates, there is a massive amount of heat and waste heat that could be harvested, far more than the anticipated peak heat load of the Waterfront District at full build-out. To utilize this heat potential for district energy, some form of thermal energy storage (TES) would be required. It is estimated that the DES could receive 90 degree water at the rate of 2 mgd for as much as three months through the winter.
2. GP Tile Tanks: The location, hydraulics, and thermal energy storage capacity of the existing tile tanks from the former GP facility appear well-suited for reuse as a thermal energy storage facility. See Thermal Storage Adaptive Reuse Report (Attachment F).
3. Sewer Heat Recovery: The Waterfront Inceptor sewer main is located along the Downtown Waterfront (Attachment A) The Waterfront Interceptor runs along Bellingham Bay to the Donovan Street Interceptor and collects the sewage from the Birchwood, Squalicum, and Champion/Silver Beach Trunks. The Waterfront inceptor is a large diameter (30"-60") pipe with potential opportunity for sewer heat recovery.

District Energy Options

Eight heating and cooling options were evaluated to provide energy service to the Bellingham Waterfront District in the WUMP. The BAU option assumes conventional building-scale heating and cooling systems. District energy options range from conventional district energy (heating and cooling) to various district energy configurations utilizing existing site assets (ie, Encogen waste heat), new fuel sources such as biomass, and combined heat and power (CHP). District energy options also included heating and cooling and heating only as projected cooling loads did not appear large enough to support district-scale cooling.

Partnership

Development of a DES that does not require any financing or further capital investments from the Port or the City is strongly preferred. Nonetheless, the Port recognizes that unique forms of collaboration with the Respondent during development and operation may be required to ensure the success of the DES while also reducing thermal energy costs for customers, strengthening the local economy, reducing GHG emissions and enhancing local energy security.

In addition to a traditional Franchise Agreement governing use of public rights of way with the City, the Port is also open to exploring other forms of policy support, agreement or strategic partnership, if necessary, that would support and promote community objectives for district energy on the Waterfront. At this time, the Port is not contemplating any ownership or financing of district energy on the Waterfront (except possibly applying for and allocating grants from senior levels of government as appropriate), but is exploring other strategies to promote Port and City objectives.

IV. Solicitation Objectives

Through this Solicitation, the Port wants to explore opportunities to deliver a flexible, reliable, cost effective and environmentally responsible district energy system for the Downtown Waterfront, leveraging existing infrastructure and expected new development.

The Port would like to explore a DES that considers and balances the following objectives:

- Provides reliable thermal energy solutions under normal and emergency conditions
- Provides cost-effective thermal energy services (relative to business as usual) with transparent and predictable/stable pricing;
- Leverages existing infrastructure and minimizes stranded historical or future district energy investments;
- Contributes to the City's long-term GHG reduction goals at lowest possible cost and without unintended consequences;
- Achieves modern, flexible and adaptable energy infrastructure, including current and future district energy systems;
- Promotes local economic development (cost-effective and stable thermal energy prices, use of local technologies, use of local energy resources); and
- Maximizes other community benefits while minimizing other community impacts, including benefits of impacts for other neighborhoods and district energy customers or opportunities in Bellingham.

V. Submission Instructions

This section details the Port's instructions for your submission. The Port reserves the right in its sole discretion to reject the submission of any respondent that fails to comply with the instructions.

Solicitation Schedule

Deadline for Submissions: Respondents are required to submit five (5) hard copies and one electronic copy of their response to Adam Fulton at the address listed on Page 1 of this solicitation. Submissions must be received on or before 5:00 pm on May 2.

The Port reserves the right in its sole discretion to reject the submission of any respondent that fails to comply with submission instructions. Respondents are advised they have no claim for compensation in the preparation of their submissions and that by submitting a response to this RFQ, each Respondent shall be deemed to have agreed that it has no claim.

Confidentiality and Ownership of Submissions: The Port may consult Waterfront stakeholders from outside the Port in the review and selection process for this RFQ, and may share portions of the solicitation responses for this purpose. Submissions should note any sections considered sensitive or proprietary. Any such noted sections will not be shared in the selection process for this solicitation.

With this stated intent however, the Port will continue to be responsive to all requests for disclosure of public records as required by State Law (the State of Washington's Public Records Act is referenced in Section VI General Conditions).

Submission Content

Submission of Questions

Please see Section VI, General Conditions, of this Solicitation regarding the process to submit questions.

Submittal Format

In order to be considered responsive, all responses must contain the following information in the format described below, 25 page limit (one page equals one sheet of paper, front and back).

Electronic responses should be in either Adobe Acrobat (.pdf) or Microsoft Word (.doc) format and submitted to Adam Fulton at the address stated in the Executive Summary of this Solicitation.

1. Cover Letter

Provide a signed cover letter from an authorized officer or director of Respondent submitting the response, including an acknowledgement and acceptance of the General Conditions contained in Section VI. [Page limit = 1]

2. Respondent Capability

(a) Entity Information

- a. Full legal name
- b. Type (e.g., corporation, LLC, partnership, etc.)
- c. Principals, members and/or owners
- d. Primary contact regarding submittal to this Solicitation

(b) A brief overview of Respondent and, to the extent applicable, any companies or consultants that will perform a material portion of any of the phases of work of the Project. Indicate a brief description of Respondent's anticipated role for such companies or consultants regarding the Project. [Page limit = 2 pages]

(c) Proposed Respondent Team. Identify and provide a brief resume of the qualifications for all key members of the Respondent's team (if known), whether employed by Respondent or another company that is part of Respondent's consortium, including consultants and team members who are not employees of Respondent. [Page limit = ½ per team member]

(d) Experience

- a. Provide the following information for all DES projects in which Respondent has been involved [Page limit = ½ per project]:
 - i. Summary of project, including services provided, heating and cooling plant capacities, annual heating and cooling supplied, and number of facilities and customers served
 - ii. Role of Respondent in the project

- iii. Role of any public partners
 - iv. Current status of project
- b. Describe in greater detail those projects from the previous list that are similar in type, size, scale or complexity to the Waterfront that is the subject of this Solicitation (each, a “Relevant Precedent”) and notable accomplishments by Respondent in the development and operation of each project (provide references and contact information for each). To the extent applicable for a Relevant Precedent, Respondent should identify how it:
 - i. Developed and later expanded the system in a redevelopment environment and whether any innovative technologies or approaches were used to do so;
 - ii. Used a temporary solution that was ultimately replaced, reconfigured or repurposed to support an optimal long-term solution;
 - iii. Coordinated with incumbent utility providers; and
 - iv. Worked with a customer’s facilities staff to address issues related to optimizing the system-wide performance of the system.
- (e) Financial Capability. Demonstrate the financial capacity of Respondent to secure financing needed for a DES to serve the Waterfront as well as for any expansions of the DES to serve adjacent areas.
- (f) Development, Ownership and Operation
 - a. Describe Respondent’s typical rate design to recover capital and operating costs and generate a return on investment from the services provided. For Relevant Precedents, indicate whether the initial business model assumed future expansion of the system in order to be able to achieve sufficient return on investment while avoiding rate increases.
- (g) Environmental Improvements.
 - a. Provide examples of Respondent’s assessment of GHG emission reduction. Provide examples of projects where Respondent has pursued system design, operating strategies, and expansion strategies specifically to reduce GHG emissions. Discuss Respondent’s experience with assessing and implementing non-fuel alternative energy sources.
- (h) Reliable and Competitive Service
 - a. Describe projects where Respondent has collaborated with customers of its thermal energy services to improve the energy performance of customer facilities. Discuss how Respondent has structured the rates for its services or how it has changed the operations of a system in anticipation of, or as a response to, decreasing peak demand and decreased thermal energy use.
- (i) End User Agreements
 - a. Provide examples of projects where Respondent’s initial system was scaled to serve the needs of customers that agreed to purchase thermal energy services from Respondent

and how those initial customers were impacted (e.g., changes to system reliability, changes in rates following the expiration of initial contracts, etc.) by expansions of the system to serve additional customers.

(j) Technologies

- a. Briefly describe any innovative system concept(s) or technologies that Respondent believes would be the most likely to accomplish the DES Objectives and that Respondent would examine.

Evaluation of Submissions

The evaluation criteria for the review of submissions are as follows:

- The Respondent's ability to meet the Solicitation Objectives as set out in Section IV of this RFQ;
- The Respondent's proposed approach to due diligence, including approach to working with the Port and key stakeholders, as well as timeline expectations for completing the due diligence;
- The Respondent's business and technical reputation and capabilities of its personnel;
- The Respondent's general strategy and approach to providing a competitively-priced, reliable and environmentally responsible utility service to end-users, including approach to pricing, service agreements, transparency and governance;
- The range and suitability of possible partnership arrangements, policies and other strategies that would be considered by the Respondent for the delivery of district energy services in the Downtown Waterfront;
- Evidence of the familiarity and experience with the local and state planning, legal and regulatory context, district energy design and implementation, utility management and operation, financing, and partnerships;
- Evidence of the Respondent's innovation, flexibility, customer responsiveness, and community sensitivity in the delivery of district energy services; and
- The Respondent's financial and organizational capacity to undertake the project, including ability to ensure continued growth and renewal of district energy infrastructure, as appropriate.

Although not the primary focus of this RFQ, the Port will also give some consideration to the Respondent's interests and capabilities to deliver other district infrastructure as described in the WUMP. However, this criterion will only be considered in the context of the Respondent's ability to deliver on the primary focus of district energy.

The Port wants to ensure the best possible outcome for this project and invites Respondents to include in their submissions commentaries on opportunities and/or challenges related to the Project.

Respondents should also identify any specific constraints the Port should be aware of concerning its own submission or the project in general.

VI. General Conditions

1. Not a Solicitation of Competitive Bids. This Solicitation is not a solicitation of competitive bids. The Port specifically reserves the right in its sole discretion to determine which response best serves the public good.
2. Port Discretion. The Port reserves the right to:
 - a. Revise the solicitation, evaluation, or selection process including extending the deadline or cancelling without selecting a Respondent.
 - b. Waive informalities and irregularities in the submissions received in response to this Solicitation.
 - c. Disqualify without recourse or appeal any or all submissions.
 - d. Reject any or all submissions with or without cause.
 - e. Determine the timing, arrangement and method of any presentation throughout the process.
 - f. Verify and investigate the qualifications and financial capacity of the Responder, and any of the information provided in the response.
3. Accuracy of Information. Every effort has been made to provide current and correct information; however, unless citing a specific Port resolution or plan, the Port makes no representation or warranty with respect thereto.
4. Public Records. The State of Washington's Public Records Act (Release/Disclosure of Public Records) Under Washington State Law (reference RCW Chapter 42.56, the Public Records Act) all materials received or created by the Port of are considered public records. These records include but are not limited to proposal submissions, agreement documents, contract work product, or other material.

The State of Washington's Public Records Act requires that public records must be promptly disclosed by the Port upon request unless a judge rules that RCW or another Washington State statute specifically exempts records from disclosure. Exemptions are narrow and explicit and are listed in Washington State Law (Reference RCW 42.56 and RCW 19.108). For more information, visit the Washington State Legislature's website at <http://www1.leg.wa.gov/LawsAndAgencyRules>).

If you believe any records you are submitting to the Port as part of your submission or contract work product, are exempt from disclosure you can request that the Port not release the records until the Port notifies you about the pending disclosure. To make that request, you must complete the appropriate portion of the attached Non-Disclosure Request form and very clearly and specifically identify each record and the exemption(s) that may apply. Only the specific records or portions of records properly listed on the form will be protected and withheld for notice. All other records will be considered fully disclosable upon request.

If the Port receives a public disclosure request for any records you have properly and specifically listed on the Questionnaire, the Port will notify you in writing of the request and postpone disclosure, providing sufficient time for you to pursue an injunction and ruling from a judge. While it is not a legal obligation, the City, as a courtesy, allows up to ten business days to file a court injunction to prevent the Port from releasing the records (reference RCW 42.56.540). If you fail to obtain a Court order within the ten days, the Port may release the documents.

5. Restrictions on communication. Every effort has been made to include herein all the information necessary to prepare and submit a responsive submission to this Solicitation. However, in the event additional information is desired, please adhere to the following:

If you have a question about any of the information or requirements contained in this Solicitation, direct your question in writing to: AdamF@portofbellingham.com by March 21st. Only questions submitted prior to the deadline for questions will receive a response.

No Contact. During the course of this Solicitation process, Respondents are encouraged to refrain from undertaking any activities or actions to promote or advertise their submissions except in the course of City-authorized presentations or to make any direct or indirect (through others) contact with members of the City, IDT members (if named) or Port staff members not identified in this Solicitation as a contact for specific information, except upon prior approval of the above stated Project Manager.

6. Costs of Respondents. The Port accepts no responsibility or obligation to pay any costs incurred by any potential or eventual Respondents in the preparation of a submission, or in complying with any subsequent request by the Port for information or participation throughout the evaluation process.
7. Conflicts of Interest. Respondents (including officer, director, trustee, partner or employee) must not have a business interest or a close family or domestic relationship with any Port official, officer or employee who was, is, or will be involved in selection, negotiation, drafting, signing, administration or evaluating Respondent performance. The Port shall make sole determination as to compliance.
8. Protests. Interested parties that wish to protest any aspect of this RFQ selection process are to provide written notice to the Port Project Manager for this solicitation. The Port has rules to govern the rights and obligations of interested parties that desire to submit a complaint or protest to this RFQ process. Please see the Port website at <http://www.seattle.gov/contracting>. Interested parties have the obligation to be aware of and understand these rules, and to seek clarification as necessary from the City. Note that there are time limits on protests, and submitters have final responsibility to learn of results in sufficient time for such protests to be filed in a timely manner.

Attachments / Background Materials

- A** Development Maps
- B** Waterfront Utility Master Plan Phase 1
- C** Current Subarea Master Plan and Proposed Subarea Plan Amendments
- D** Development Regulations
- E** Master Developer Agreement
- F** Thermal Storage Adaptive Reuse

Figure .410 - A: Waterfront District Urban Village Boundary & Land Use Areas

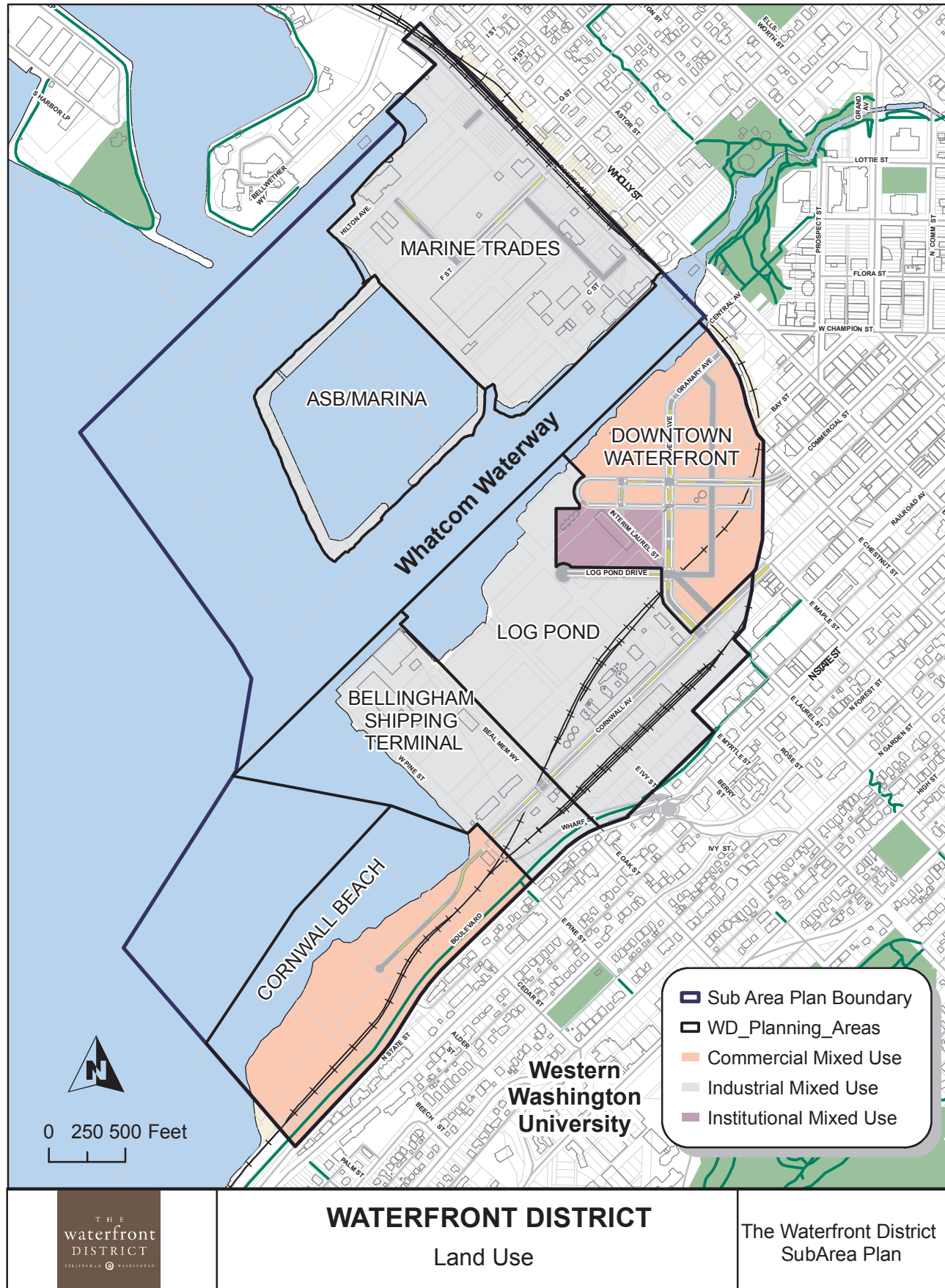


Exhibit B.1: Waterfront District Phasing Maps

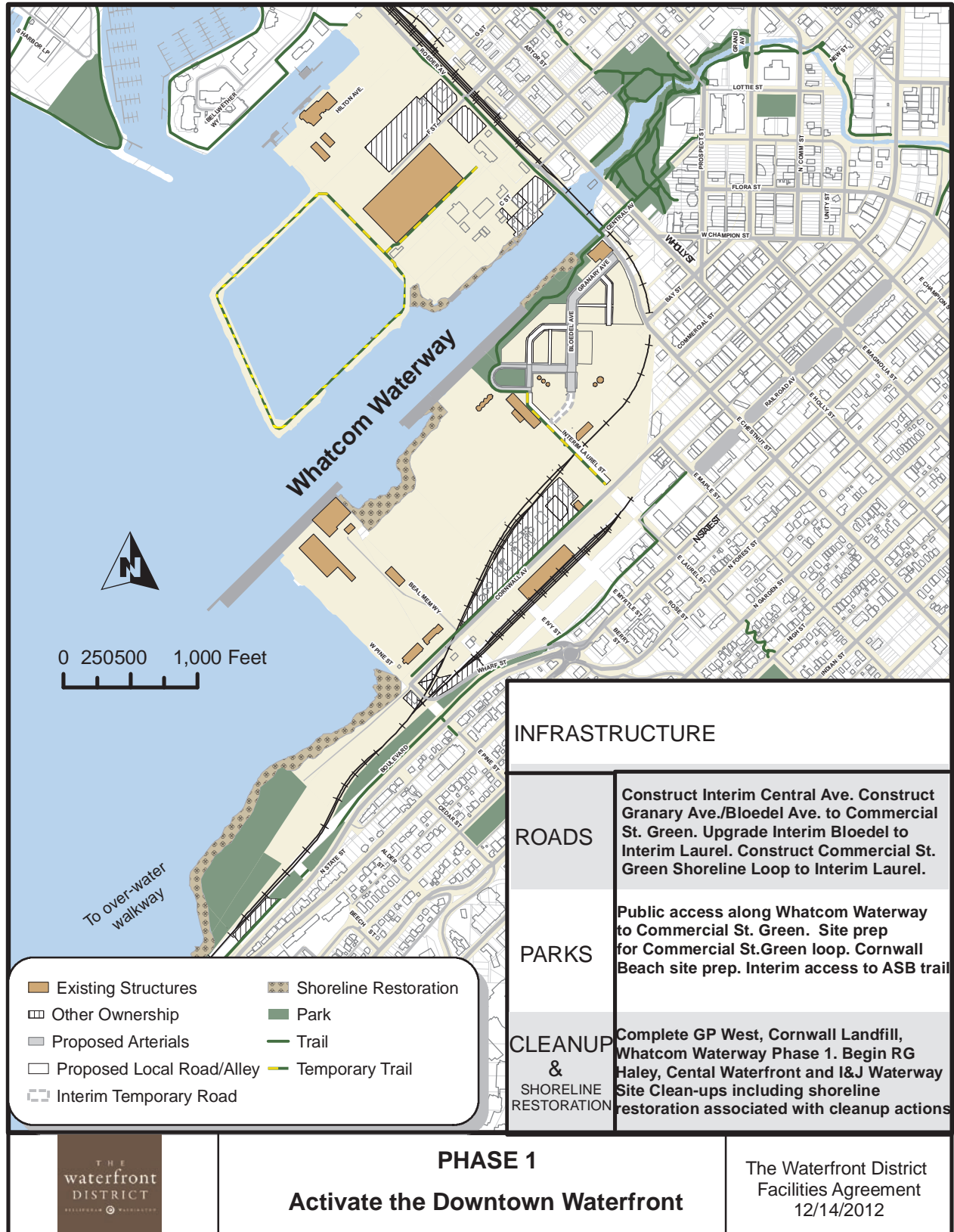


Exhibit B.2: Waterfront District Phasing Maps



Exhibit B.3: Waterfront District Phasing Maps



Exhibit B.4: Waterfront District Phasing Maps

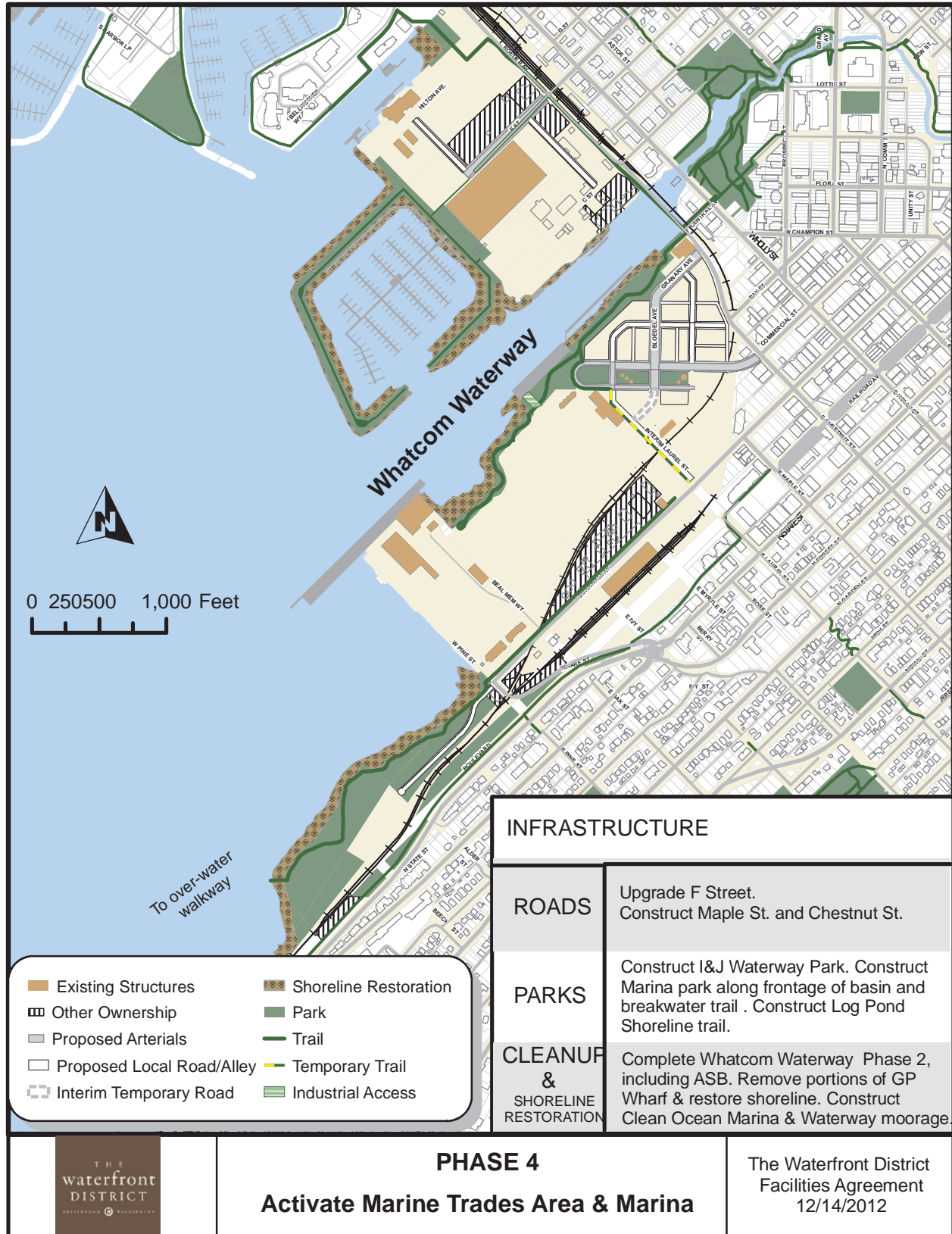
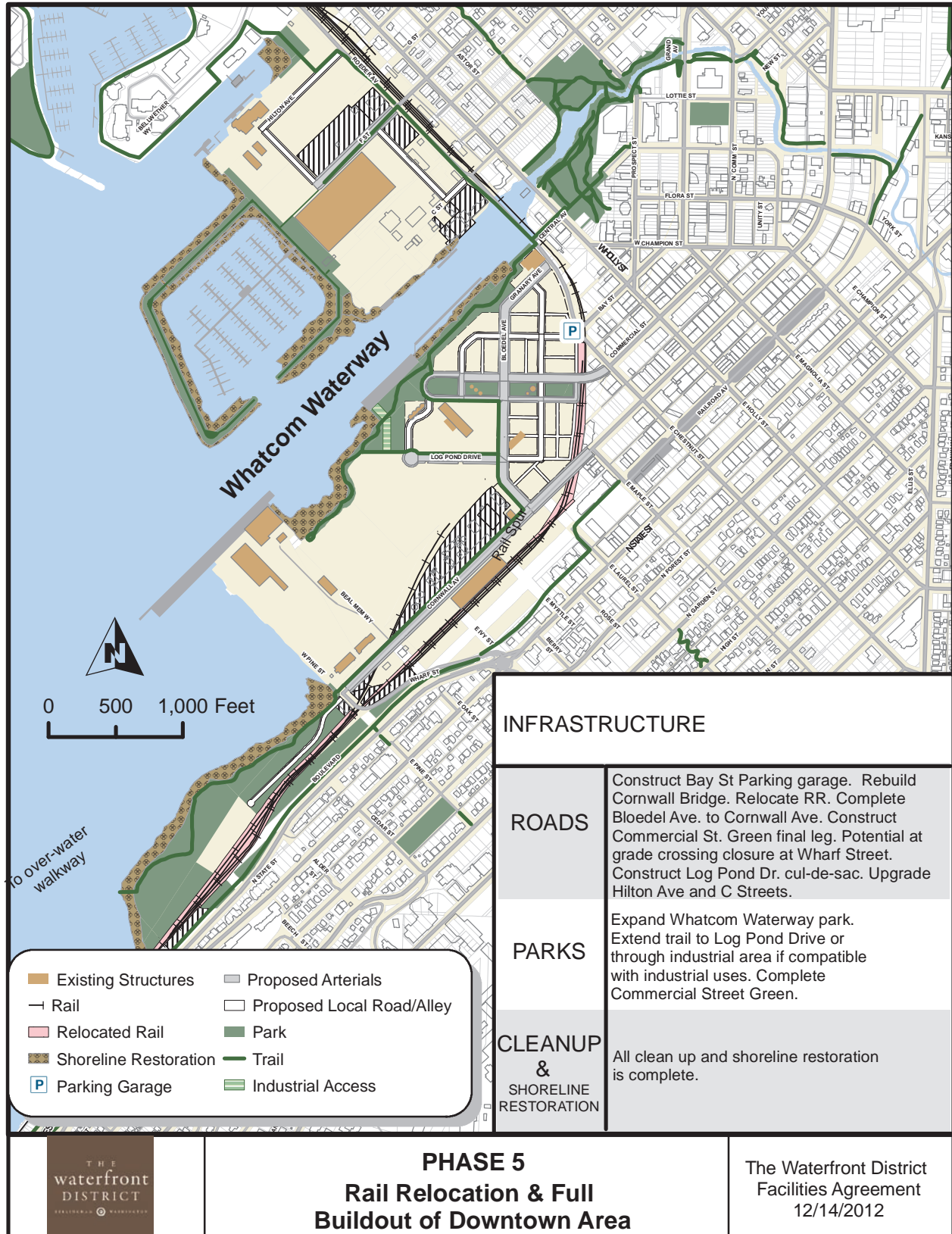


Exhibit B.5: Waterfront District Phasing Maps



PUTTMAN
INFRASTRUCTURE

CITY OF BELLINGHAM
WATERFRONT DISTRICT
UTILITY MASTER PLAN
PHASE 1

DISTRICT INFRASTRUCTURE ASSESSMENT

SEPTEMBER 2014



DISTRICT ENERGY

DISTRICT WATER

MICRO HYDRO

DISTRICT STORMWATER

Attachment "B"



WUMP

WATERFRONT UTILITY MASTER PLAN — PHASE 1
DISTRICT INFRASTRUCTURE ASSESSMENT

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EXECUTIVE SUMMARY

District infrastructure is a smart investment for the Bellingham Waterfront. Innovative district-scale systems that leverage existing waterfront assets – such as district energy, district water, micro hydro and district stormwater – demonstrate tremendous potential to reduce resource consumption and carbon emissions while generating significant economic benefit to waterfront development partners.

Why District Infrastructure?

Much infrastructure development of the past century focused on large, centralized, single purpose systems. These systems were highly effective for promoting economic development, public health and environmental quality in rapidly growing urban areas. And these systems will continue to play an important role in cities. However, aging infrastructure, the densification and expansion of cities, new fiscal constraints, new technologies, and changing societal values are calling for an expanded toolkit to optimize infrastructure and meet sustainability objectives. Not as

a replacement of centralized systems, but as an alternative or complementary strategy to address new challenges and seize new opportunities.

Sustainability demands creative and flexible solutions that are sensitive to local context and that produce real improvements in service quality and resource efficiency. In recent years, the focus has been on building-scale alternatives to centralized infrastructure – high efficiency to net-zero green building – but buildings may not always be the most appropriate or cost-effective scale to promote sustainability. District infrastructure systems—neighborhood-scale utilities that provide services

such as heating, cooling, electricity, and reclaimed water—are emerging as a key strategy for cities that are pursuing aggressive sustainability goals.

Attachment "B"

		Option		Description	
Energy	BAU	Code	Conventional Building Systems	Building heating (gas boilers) and building cooling (electric chillers)	
	District Energy	Option 1	Conventional District Energy	District heating (gas boilers) and district cooling (electric chillers)	
		Option 1a	Conventional District Heating Only	District heating only (gas boilers)	
		Option 2	District Energy with Encogen Waste Heat Recovery	District heating (gas boilers), thermal energy storage (Encogen waste heat recovery), and district cooling (electric chillers).	
		Option 2a	District Heating Only with Encogen Waste Heat Recovery	District heating (gas boilers), thermal energy storage (Encogen waste heat recovery).	Recommended
		Option 3	District Energy with Biomass	District heating (biomass with thermal storage) and district chilling (electric chillers)	
		Option 3a	District Heating Only with Biomass	District heating (biomass with thermal storage)	
		Option 4	District Energy with Combined Heat and Power (CHP)	District heating (gas boilers with CHP and thermal storage) and district chilling (electric chillers)	
		Option 4a	District Heating Only with Combined Heat and Power (CHP)	District heating (gas boilers with CHP and thermal storage)	
Water	BAU	Code	Conventional Water Supply	All building and park water from potable City supply	
	District Non-Potable Water	Option 1a	Raw Water (all non-potable demand)	District non-potable water system utilizing GP water conduits (including water treatment).	Recommended
		Option 1b	Raw Water (irrigation only)	District non-potable water system utilizing GP water conduits (no water treatment).	
		Option 2	Rainwater Harvesting	District non-potable water system utilizing rainwater harvesting	
		Option 3	Greywater Reuse System	District non-potable water system utilizing greywater treatment and reuse	
		Option 4	Wastewater Reuse System	District non-potable water system utilizing blackwater treatment and reuse	
Hydropower	BAU	None	No Hydropower Generation	All electricity provided by existing PSE grid	
	Micro Hydro	Option 1	Small Hydro from District Water	Hydroelectric power generation from turbine on district water supply.	
		Option 2	Small Hydro from District Energy	Hydroelectric power generation from district energy pumps.	
		Option 3	Small Hydro from Encogen Supply	Hydroelectric power generation from turbine on Encogen water supply.	
		Option 4	Large Hydro at Site #1	Hydroelectric power generation at Site #1 (Bay St.) from turbine on GP water conduit. Includes additional Nooksack River diversion.	
		Option 5	Large Hydro at Site #2	Hydroelectric power generation at Site #2 (Granary Bldg) from turbine on GP water conduit. Includes additional Nooksack River diversion.	
		Option 6	Large Hydro at Site #3	Hydroelectric power generation at Site #3 (CUP Site) from turbine on GP water conduit. Includes additional Nooksack River diversion.	Recommended ⁱ
		Option 7	Micro Hydro Demonstration Pilot	Hydroelectric power generation from turbine on GP water conduit. Sized to optimize available water and provide educational opportunity.	
Storm	BAU	Option 1	Centralized	Separated stormwater management with centralized grey infrastructure.	
		Option 2	Decentralized	Separated stormwater management with decentralized grey infrastructure.	
	District Stormwater	Option 3	Centralized	Shared stormwater management with centralized green infrastructure.	
		Option 4	Decentralized	Shared stormwater management with decentralized green infrastructure	Recommended

Figure 1 — District Infrastructure System Options

i. Option 6 recommended pending confirmation of diversion operation.

Attachment "B"

Does District Infrastructure Add Value to the Bellingham Waterfront?

The objective of Phase I of the Bellingham Waterfront Utility Master Plan (WUMP) is to select the most appropriate district infrastructure systems to incorporate into Phase 2 efforts. Satisfying this objective utilized Puttman Infrastructure's four-step district infrastructure assessment approach: 1) Identify potential district-scale infrastructure systems that generate benefits not achievable through conventional building-centric development; 2) Test their financial performance to ensure commercial viability; 3) Assess the most appropriate development model – public, private or public private partnership – in which to finance, build and operate each system; and 4) Make a clear recommendation as to which district infrastructure systems Bellingham should implement for the Waterfront District.

Targeting more sustainable approaches to energy and water use, power generation and stormwater management, over forty district infrastructure concepts were identified to serve the Waterfront District. These concepts were quickly screened to a list of twenty-four options that appeared to have the greatest potential to generate both environmental and economic benefit while leveraging existing waterfront assets. In addition, business-as-usual (BAU) options reflecting traditional building-scale development practices were identified to compare against each district infrastructure

option. Figure 1 summarizes each option assessed.

Figure 1 also highlights the district infrastructure systems recommended for incorporation into the final Waterfront District utility master plan (WUMP Phase 2).

Does district infrastructure add value to the Bellingham Waterfront? The answer is yes. Figure 2 – Summary of District Infrastructure Benefits demonstrates this. District energy has the potential to provide 25% more efficient energy service at 16% less cost while reducing GHG emissions by over 54%. Utilizing a district water system would reduce potable water use from the district by over 150M gallons per year or 60%

annually. A micro hydro system could generate almost 2,500 MWh of clean, renewable energy within the district annually.

As important as these potential benefits, detailed investment analysis results revealed positive business cases for each option and that, combined with recommended development models, district infrastructure can be made a reality for Bellingham's Waterfront District.

Bellingham Waterfront District Infrastructure Center

Although the feasibility evaluation concluded each district infrastructure system to be financially viable

independent of each other; all three systems – district energy, district water and micro hydro – have potential to be located in one single location within the Bellingham Waterfront, specifically Block 11 adjacent to the existing GP tile tanks. Co-locating district infrastructure equipment in one centralized location would not only reduce capital and operating costs but it would create a unique community education opportunity. In one location, visitors would be able to see and learn about the sustainable infrastructure systems that support the environmental, economic and social vision of Bellingham's Waterfront District.

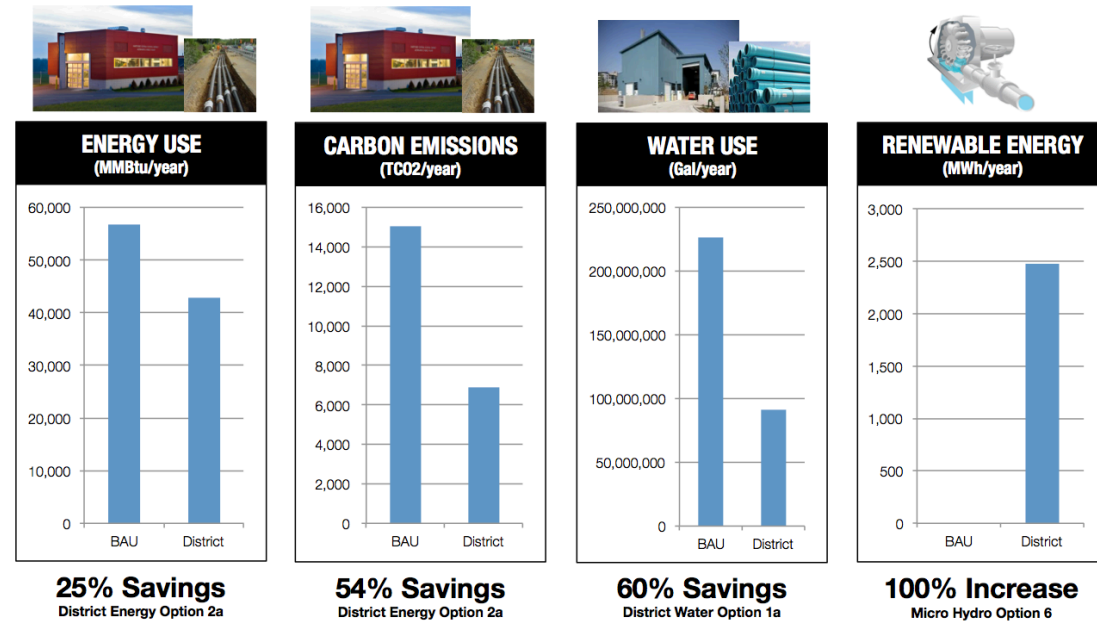


Figure 2 — Summary of District Infrastructure Benefits

DISTRICT ENERGY

Utilizing waste heat capture from Puget Sound Energy's existing Encogen facility (Option 2a), a district heating system serving the Waterfront District would significantly reduce annual energy use by 25% and carbon emissions by 54% at a cost competitive rate to building owners. A public private partnership is the most commercially viable development model given estimated capital requirements and projected investment returns. District energy is recommended to serve the Bellingham Waterfront District.

District energy systems utilize a central utility plant (CUP) to generate heating and/or cooling service distributed to multiple buildings replacing the need for individual building-scale heating and cooling systems. District energy is viewed as a cost effective approach to reducing energy use and carbon emissions.

District Energy Highlights

Assessment of district energy for the Waterfront District found positive environmental, economic and social benefits including:

- **Energy and Carbon Savings**
District energy generates significant energy and carbon savings, up to 24% and 54% respectively
- **Cost Effectiveness**
District energy is 16% more cost effective from a life-cycle perspective than building-scale systems
- **Reduced Private Development Cost**
District energy reduces private development costs by eliminating capital investments in building-scale heating equipment.
- **Positive Investment Return**
Positive investment return was identified for two of the district energy op-

tions evaluated (Options 2a and 4a).

- **Brand and Market Differentiation**
District energy has the potential to generate marketing "buzz" and market differentiation that could prove valuable for waterfront development

Assessment of district energy also revealed that financial viability of district energy is very sensitive to development build out and growth rate (i.e., the faster the waterfront develops the better the investment return for district energy). Also, cooling demand projections do not justify cooling at a district scale unless a significant cooling load could be incorporated into the Waterfront District.

Recommended District Energy System

From the perspective of investment return, energy savings and carbon reduction, the following district energy system is recommended:

- **District Heating with Encogen Waste Heat Recovery (Option 2a)**
District heating combined with waste heat capture from PSE's Encogen facility via thermal storage at the existing GP tile tanks was found to be the most viable district energy option evaluated.

Recommended District Energy Development Model

Three development models were evaluated for implementing district energy: public, private and public private partnership. Given the projected investment return ranges for Option 2a (IRR = 4-8%), a public private partnership development model should be utilized to implement district energy. Key partners, and their role and responsibilities, include:

- **Puget Sound Energy (waste heat provider)**
PSE will need to be engaged with to structure an agreement to provide waste heat to the district energy system.
- **District Energy Provider**
PSE has recently expressed interest in developing district energy and should be given the opportunity to evaluate whether or not to develop a system for the Waterfront District. Should PSE decline, the City should consider issuing a request for expressions of interest (RFEOI) to identify additional district energy providers.
- **Master Developer (district energy customer)**
The master developer must be supportive of district energy as the

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buildings they develop will be the customers of the district energy system.

- **City and Port (district energy catalyst)**
The Port and City have a key role to play in developing district energy through both financial (i.e., capital contributions) and non-financial (i.e., design standards) commitments to ensure commercial viability.

District Energy Next Steps

Over the next 2-3 months, the following actions should be completed:

- **Develop Public Private Partnership Framework and Roadmap** – Refine public private partnership development model and implementation roadmap.
- **Confirm Partner Interest** – Meet with City, Port, master developer and PSE

to confirm support of a public private partnership to implement district energy. Establish letter of interest (LOI) from each partner.

- **Incorporate District Energy into WUMP Phase 2** – Incorporate district energy into Phase 2 of the Waterfront Utility Master plan.

DISTRICT WATER

All non-potable water use of the Waterfront District could be supplied from Lake Whatcom via existing industrial water conduits that were previously used to serve the GP facility. Developed under a public development model given the City's current administrative capacity and technical expertise, a district water system of this nature would reduce potable water use by as much as 60% annually — all at a rate 20% less than utilizing high-quality potable water from the City. District water (Option 1a) is recommended to serve the Bellingham Waterfront District.

District water systems utilize a district-scale infrastructure to provide non-potable water to multiple buildings thereby reducing the amount of potable water use consumed by the district. District water provides a cost effective approach for building owners to reduce potable water demand while allowing the City to optimize existing water resources to meet future development demands throughout the community.

District Water Highlights

Assessment of district water for the Waterfront District found positive environmental, economic and social benefits including:

- **Potable Water Savings**

District water has the potential to reduce potable water use within the district by 60%.

- **Cost Effectiveness**
District water provides a cost effective non-potable resource both from a capital and operations perspective.
- **Reduced Private Operating Cost**
District water reduces private development operating cost through reduced connection fees and water rates.
- **Positive Investment Return**
Revenue generation opportunity justifies investment.
- **Brand and Market Differentiation**
District water has the potential to generate marketing "buzz" and market differentiation that could prove

valuable for waterfront development.

Recommended District Water System

From the perspective of potable water savings and investment return savings, the following district water system is recommended:

- **District Raw Water (Option 1a)**
Year round water is available to the waterfront district based on the City's current Lake Whatcom water right. This system would utilize this water as a non-potable water source to supply 100% of the non-potable water demand in the district (e.g. toilet flushing, irrigation and building HVAC), resulting in a 60% reduction

Attachment "B"

in potable water use from the Waterfront District annually. Projected annual revenue would pay for the \$1,250,000 capital investment in just 9 years.

Recommended District Water Development Model

A public development model is most suitable for developing district water as the City already owns the raw water

supply and GP industrial water conduit, the City currently is responsible for providing water service to the Waterfront District, and the City can most cost effectively integrate district water into current water capital planning and operations management.

District Water Next Steps

Over the next 2-3 months, the follow-

ing actions should be completed:

- [Develop Public Development Model Framework and Roadmap](#)
Refine public development model and implementation roadmap to guide next steps.
- [Incorporate District Water into WUMP Phase 2](#)
Incorporate district water into Phase 2 of the Waterfront Utility Master plan.

MICRO HYDRO

Leveraging the existing GP industrial water conduits from Lake Whatcom could generate clean renewable energy from micro hydropower. A small hydropower turbine could be located within the waterfront to generate power to be fed back to the Puget Sound Energy system, potentially offsetting energy use from the district by 25%. Capital and operating cost estimates and projected investment returns suggest a public private partnership model would be the most commercially viable development model. Micro Hydro (Option 6) is recommended pending confirmation of additional water diversion. Should additional diversion not be feasible, Option 7 is recommended as a micro hydro demonstration pilot.

A micro hydro system would utilize the existing GP industrial water pipeline to generate electricity reducing waterfront energy demands while producing positive investment opportunity.

Micro Hydro Highlights

Assessment of micro hydro for the Bellingham Waterfront revealed the following:

- [Micro Hydro Has Limited Viability Given Current Water Allocation](#)
Although the City possessed the necessary Lake Whatcom water rights to make water available for micro

hydro, use of available water has been limited to date.

- [Micro Hydro Viability Increases Significantly with Additional Water](#)
Revenue potential generated from the sale of micro hydro generated electricity is significant if water availability is utilized. However, limited use of available water greatly reduces revenue potential.
- [Brand and Market Differentiation](#)
Micro hydro has the potential to generate marketing "buzz" and market differentiation that could prove valuable for waterfront development.

Recommended Micro Hydro System

Option 6 (large hydro) is the recommended system option for micro hydro. Option 6 would use the existing GP industrial water pipeline to generate power from available Lake Whatcom water, balancing water resource demands between municipal and environmental uses. The annual revenue generating potential of this system would pay for the \$7.5M capital investment in just over 60 years. Should additional water diversion be agreed to, the system payback period could be reduced significantly.

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Recommended Micro Hydro Development Model

Given the City owns both the available water and GP industrial water pipeline, a public private partnership model is most promising. The City could team with a private partner to develop the micro system while generating revenue for using its water resources.

Micro Hydro Next Steps

Over the next 2-3 months, the follow-

ing actions should be completed:

- [Outline Approach to Assess the Viability of Additional Lake Whatcom Use for Micro Hydro](#)
City to determine best course forward to assess the viability for additional Lake Whatcom water use. (i.e. additional diversion)
- [Develop Public Private Partnership Framework and Roadmap](#)
Refine public private partnership development model and implementation roadmap
- [Confirm Partner Interest](#)

Meet with City, Port, WWU and PSE to confirm support of a public private partnership to implement micro hydro. Establish letter of interest (LOI) from each partner.

- [Micro Hydro Provider](#)
City should consider issuing a request for expressions of interest (RFEOI) to identify potential micro hydro development partners.
- [Incorporate District Energy into WUMP Phase 2](#)
Incorporate micro hydro into Phase 2 of the Waterfront Utility Master plan.

DISTRICT STORMWATER

District stormwater optimizes the use of green infrastructure to manage stormwater in a more ecologically connected and cost effective manner versus the use of grey infrastructure. Four district stormwater options were evaluated, all with similar capital costs. Although further assessment is recommended to confirm the best district stormwater system, the shared decentralized green infrastructure approach (Option 4) is recommended for the Waterfront District.

The Waterfront District presents, at scale, a unique opportunity to implement a district stormwater system that meets regulatory requirements while maximize ecological value in a cost effective manner. Achieving this outcome is possible through the use of multi-benefit green infrastructure best management practices (BMPs) versus single-benefit grey infrastructure BMPs. After reviewing previous stormwater evaluations for the Waterfront District, four district stormwater options were evaluated to determine the best district-scale solution for the Waterfront District.

Recommended District Stormwater System

A comparison between BAU and District stormwater management options revealed similar capital costs associated with each option. Although the decentralized, green infrastructure option appears to be the likely option, further option refinement and evaluation will be completed in Phase 2 of the WUMP.

Recommended District Stormwater Development Model

District stormwater is best suited for delivery under a public development model by the City.

District Stormwater Next Steps

Over the next 2-3 months, the following actions should be completed:

- [Confirm Recommended District Stormwater Option](#)
Further refine district stormwater option evaluation in Phase 2 and confirm Option 4 recommendation.
- [Incorporate District Stormwater into WUMP Phase 2](#)
Incorporate district stormwater into Phase 2 of the Waterfront Utility Master plan.

1

INTRODUCTION

Section 1 provides background and context for the Bellingham Waterfront including the desire to assess the potential of district infrastructure to serve the waterfront while achieving sustainability goals. Initial district infrastructure concepts are summarized as well as the relationship of the district infrastructure assessment to waterfront utility master planning efforts for the Bellingham Waterfront District.

Background & Context

Over the last decade, Bellingham has worked tirelessly to transform the once massive Georgia-Pacific pulp and paper facility (GP facility) into a new mixed-use development, reconnecting downtown Bellingham with Bellingham Bay and stimulating economic vitality while creating a more sustainable community.

Bellingham continues to set the stage for waterfront development through strategic efforts like the draft Sub-Area Plan, Development Regulations, Design Standards, Planned Action Ordinance in addition to comprehensive EIS work. Moreover, the Port is in the process of

selecting a qualified master developer to help develop a portion of the Waterfront District – the Initial Development Opportunity (IDO) area within the Downtown Waterfront zone that is planned to result in over 2.8M square feet of mixed-use development.

Bellingham is committed to sustainability. Adopted in 2009, Bellingham's Legacies and Strategic Commitments (see Figure 3) identify goals in which the Bellingham Waterfront should help to achieve. Ensuring sustainability is fully integrated into its waterfront development, Bellingham has looked to the EcoDistrict framework to help define

green building, sustainable infrastructure and community engagement. An Eco-District is a new development model that emphasizes innovative district-scale infrastructure systems to create the neighborhoods of the future – resilient, resource efficient and cost effective.

In 2012, a Bellingham waterfront team comprised of the City, Port and Sustainable Connections, participated in the EcoDistricts Incubator – a three-day intensive workshop focused on building a conceptual EcoDistrict framework to help guide future waterfront development – as they prepared to launch waterfront development efforts. One

“We are working today so future generations will benefit from...”

Clean, Safe Drinking Water

- Protect & improve drinking water sources
- Limit development in Lake Whatcom watershed
- Use efficient, ecological treatment techniques
- Maintain reliable distribution system
- Promote water conservation

Healthy Environment

- Protect & improve the health of lakes, streams & bay
- Protect & restore ecological functions & habitat
- Reduce contributions to climate change
- Conserve natural & consumable resources

Vibrant Sustainable Economy

- Support a thriving local economy across all sectors
- Promote inter-dependence of environmental, economic & social interests
- Create conditions that encourage public & private investment
- Foster vibrant downtown & other commercial centers
- Preserve farmland & the agricultural economy

Sense of Place

- Support sense of place in neighborhoods
- Encourage development within existing infrastructure
- Preserve historic & cultural resources
- Protect natural green settings & access to open space
- Support people-to-people connections

Safe & Prepared Community

- Prevent and respond to emergencies
- Prevent and respond to crime
- Ensure safe infrastructure
- Increase community readiness and resilience

Mobility & Connectivity Options

- Provide safe, well-connected mobility options for all users
- Maintain & improve streets, trails & other infrastructure
- Limit sprawl
- Increase infrastructure for bicycles, pedestrians & non-single-occupancy vehicle modes of transportation
- Reduce dependence on single-occupancy vehicles

Access to Quality of Life Amenities

- Maintain & enhance publicly owned assets
- Foster arts, culture & lifelong learning
- Provide recreation & enrichment opportunities for all ages & abilities
- Ensure convenient access to & availability of parks & trails citywide

Quality, Responsive City Services

- Deliver efficient, effective & accountable municipal services
- Use transparent processes & involve stakeholders in decisions
- Provide access to accurate information
- Recruit, retain & support quality employees

Equity & Social Justice

- Provide access to problem-solving resources
- Support safe, affordable housing
- Increase living wage employment
- Support services for lower-income residents
- Cultivate respect & appreciation for diversity

Legacies and Strategic Commitments

**Adopted by Bellingham City Council
July 13, 2009**



Figure 3 — Bellingham’s Legacies and Strategic Commitments



Figure 4 — Project Site

outcome of the workshop was the potential opportunity to utilize district infrastructure systems that leverage existing waterfront assets to achieve community, waterfront development and EcoDistrict goals.

The City of Bellingham Department of Public Works was tasked with this effort and, in 2013, began to explore potential district infrastructure concepts to serve new development planned for the Bellingham Waterfront.¹ The objective of this initial work was to identify – at a high level – the potential value proposition of district infrastructure systems serve future waterfront development in a cost effective manner while enhancing environmental performance and achieving City policies. Moreover, this

initial work also sought to identify existing infrastructure assets that could potentially be repurposed to support future waterfront development – assets such as the Georgia Pacific industrial water pipeline from Lake Whatcom or waste heat from Puget Sound Energy's Encogen facility.

The following district infrastructure systems were identified and recommended for further evaluation:

1. District Energy

Capitalizing on initial interest from City, Port and WWU to explore district energy, district energy concepts (shared heating and cooling service provided by a central plant) were identified to serve waterfront development including potential expansion opportunities

throughout the waterfront and to areas such as WWU. District energy was identified as a more cost effective energy solution than conventional building scale systems – made even more so with the use of waste heat generated from PSE's Encogen facility.

2. District Water

The GP industrial water pipeline, which historically provided up to 40MGD of water from Lake Whatcom to the GP facility, exists today under City ownership (including water rights). This asset could be utilized by the waterfront development to create a district-scale water system providing non-potable water to sites throughout the district for use in flushing toilets, irrigation, and cooling tower make-up water. Overall, it was estimated that a district non-potable water system could reduce potable water demand by over 50% from the Waterfront District while benefiting future building owners through lower water costs when compared to using potable City water for all water availability.

3. Micro-Hydro

The GP industrial water pipeline also have head as a result of the differences in elevation from Lake Whatcom to the waterfront development site. This potential energy can be converted to kinetic energy to turn a small turbine to generate electricity. Previous evaluations of this potential found almost 1.6MW of electricity could be generated annually given current City water rights.

4. District Stormwater (i.e., Green Infrastructure)

The waterfront development provides Bellingham a unique opportunity to plan and implement sustainable stormwater best management practices (BMPs) at a scale unlike anything seen in the community to date. Building and site-related BMPs like stormwater planters, swales, greenroofs and pervious pavement, combined with greenstreet solutions for public streets would help greatly enhance stormwater quality prior to discharge to Bellingham Bay. In addition, green district-scale stormwater facilities could help minimize on-site stormwater BMP requirements while minimize capital and O&M costs for property developers and owners.

This initial work clearly identified district infrastructure systems as having the potential to not only enhance infrastructure performance and resource efficiency but also save money while helping build the sustainability “brand” for the Waterfront District.

As a result, further technical, financial and development model assessment was recommended to determine which district infrastructure systems Bellingham should consider implementing along with conventional infrastructure systems to serve planned waterfront development. This report summarizes the results of this detailed assessment.

¹ Bellingham Waterfront District Infrastructure Concepts (Puttman Infrastructure, 2013).

The Waterfront District

For focus area boundary of the WUMP is the Downtown Waterfront district as identified in the adopted Waterfront District Sub-Area Plan. The Waterfront District is one of five (5) major development districts anticipated along the Bellingham Waterfront and is considered to be the first area of initial development.

Bellingham Waterfront Utility Master Plan

In late 2013, the City of Bellingham Public Works incorporated this need to further evaluate district infrastructure into waterfront utility master planning efforts. The City's approach was to continue district infrastructure evaluation efforts, including system selection,

while developing a comprehensive waterfront district utility master plan based on the following phases of work:

Phase 1: District Specific Utility Assessment

Phase 1 will continue the evaluation of district infrastructure including:

- Stakeholder engagement to help define and guide evaluation efforts.
- Refinement of waterfront development assumptions including estimates for energy and water demands, wastewater generation, and stormwater runoff.
- Development of "business as usual" (BAU) scenarios and district infrastructure scenarios to meet estimated resource flows.
- Detailed financial analysis and comparison of BAU and district infrastructure scenarios to determine which approach creates the best outcomes for the City, Port, community and future property developers/owners.
- Business case of developing, owning and operating district infrastructure systems (including development models, business arrangements, capital requirements, investment returns, and policy and regulatory needs).
- Recommendation for which district infrastructure systems to integrate into the Waterfront District Utility Master Plant (Phase 2).

Central to Phase 1 is providing the City, Port and development stakeholders a better understanding of the costs to develop (including specific requirements of the City as well as potential develop-

ment partnerships) and potential "cost of service" (i.e., indicative rate) to future building owners to test and gain acceptance of district infrastructure systems.

Phase 2: Waterfront District Utility Master Plan

Phase 2 is focused on creating a utility master plan to define utility infrastructure requirements for conventional utilities – water, sanitary sewer, stormwater, street lighting, and franchise (phone, cable, gas, internet) – and the district systems recommended from Phase 1. Phase 2 will also identify specific implementation actions to ensure both conventional and district infrastructure systems are developed in a manner that supports all phases of potential Waterfront District development – from initial development through full build out.

The results of Phase 1 and Phase 2 will provide the City of Bellingham, Port and its developer stakeholders a clear and certain pathway to infrastructure system development and investment requirements to serve future development planned for the waterfront.

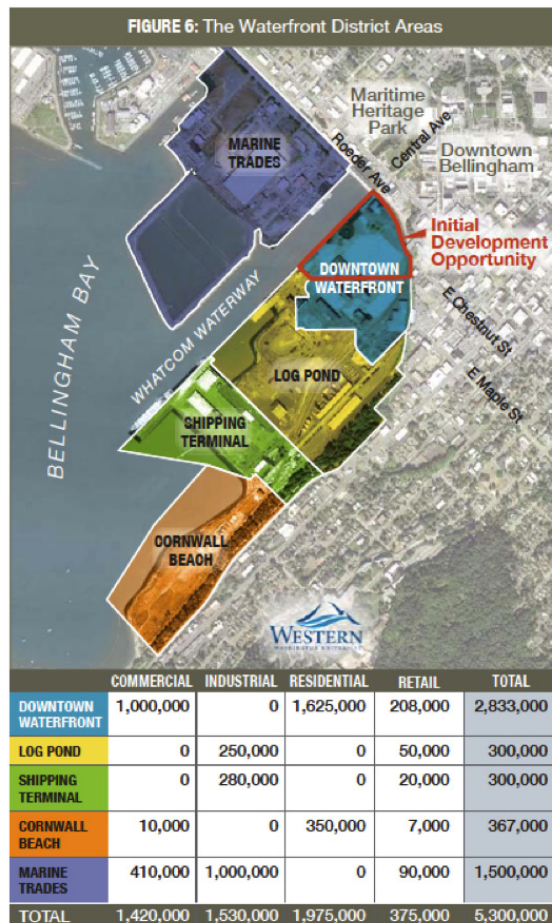


Figure 5 — The Waterfront Area Districts

2

DISTRICT INFRASTRUCTURE ASSESSMENT APPROACH

Section 2 provides an overview of the assessment approach utilized to identify, evaluate, and select potential district infrastructure systems for the Bellingham Waterfront District. An overview of potential system development models – private, public and public private partnership – in which to finance, own and operate district infrastructure is also provided.

Approach

Building directly from the Bellingham Waterfront District Infrastructure Concepts (Puttman Infrastructure, 2013), the objective of Phase 1 of the Waterfront Utility Master Plan is to determine whether or not to incorporate district infrastructure systems – district energy, district non-potable water, micro-hydro and district stormwater – into the Waterfront Utility Master Plan (Phase 2).

Based on input from the City of Bellingham, district infrastructure feasibility evaluation criteria were identified as follows:

1. Technical

Does the district infrastructure system provide for better performance than compared to building-scale solutions?

2. Regulatory and Policy

Do existing regulations and policies allow district infrastructure? If not, how should they be evolved? Do the benefits of district infrastructure systems reinforce existing City policies and community values?

3. Financial (i.e., Business Case)

Based on sound cost estimating (including capital and O&M) and revenue projections, does the district infrastructure system make financial sense? Is there

an adequate business case to justify the investment?

4. Development Model

Public (i.e., City), private (i.e., 3rd party) or public private partnership, which is the best development model to finance, own and operate the district infrastructure system? What is the specific role and responsibility of the City to support district infrastructure development efforts?

5. Risk Management

Have potential risks been identified and mitigation measures developed to ensure proper finance, design, construction and operations.

Attachment "B"

6. Value to Port Development

Do district infrastructure systems provide a strong value proposition to the Port and their master developer?

To best answer these questions, a comparison between technical and financial effectiveness of a building-scale approach to a district-scale approach to satisfy waterfront development infrastructure service requirements is needed. Business as Usual (BAU) assumes waterfront development served by building-scale systems and conventional infrastructure (i.e., City water, PSE electricity and natural gas, etc.). District infrastructure assumes waterfront development served by district infrastructure systems (i.e., district energy, district water, etc.).

A range of development assumptions for future waterfront development has been assumed representing aggressive and conservative total development and aggressive and conservative growth rates. For each development option, resource demand and availability estimates were made for energy (electricity and natural gas), water (potable and non-potable water), micro hydro and stormwater. BAU and district infrastructure options were developed and each option was assessed based on the same technical and financial performance metrics. As a result of this ap-

proach, an “apples to apples” comparison may be made between BAU and district infrastructure options.

Detailed Financial Analysis and Cost Estimates

Utilizing Puttman Infrastructure’s proprietary AIM Model, a detailed financial model was developed to evaluate investment performance for each district infrastructure option based on number of inputs such as capital cost, cost of capital, and operating costs (including sensitivities). The financial performance of each system was modeled out over a 30-year period to align with waterfront development growth projections. Depending on the depth of financial evaluation required, basic investment metrics such as simple payback to more traditional metrics like return on investment (ROI), net present value (NPV), and internal rate of return (IRR) were utilized to assess financial performance.

For each district infrastructure system, preliminary engineering rough order of magnitude (ROM) capital costs were estimated for each option. To ensure capital costs were consistent with local market realities, cost estimates were reviewed and refined by local contractors with experience constructing similar infrastructure systems.

System Development Models

Four potential development models exist to develop district infrastructure.

1. Public Development Model

Utility-related infrastructure like water and sanitary sewer are generally developed under a public development model. Public infrastructure systems are typically owned and governed by the local municipality. The city either establishes a full-fledged infrastructure department to manage the system (ie, water utility), or it creates a separate, wholly owned and operated subsidiary to shield the city’s general fund from direct and unlimited financial liability. Although the city or a subsidiary usually owns the infrastructure under this model, the technical design, construction — and possibly even the operation — is often contracted out to private firms.

2. Private Development Model

Electricity or natural gas utilities have traditionally been developed under a private development model. Puget Sound Energy, Bellingham’s electricity provider, is a private utility. A number of private companies develop, own and/or operate large district infrastructure systems. Most of these firms are relatively unknown; however, in Europe and Canada, several very large investor-owned utilities have entered this market,

Attachment "B"

either directly or by buying a stake in a specialist company and providing solid financial backing, but there are still relatively few U.S.-based utilities in this space. For district infrastructure the scale under consideration for the Bellingham Waterfront, these larger companies may not be interested due to system size and development uncertainty; however, smaller and more nimble infrastructure development firms would likely be interested.

3. Public Private Partnership Development Model

Throughout the US, public private partnerships (P3) have been utilized to deliver major infrastructure projects like roads, bridges and airports where the sponsoring public partner may not have the capacity – such as capital, expertise or risk tolerance – to deliver desired infrastructure and leverages a private partner to fill the gaps. Done well, P3s align, leverage and optimize public and private capacity to deliver the most cost-effective and reliable infrastructure service.

P3s may be established in order to share financing, development, ownership and operating risks and functions. The P3 model — which is actually a “family” comprised of dozens of possible configurations — also shares de-

cision-making power/control between the public and private sectors while still allowing the district infrastructure developer to access public sector capital contributions (ie, grants, incentives) and potential capital at lower interest rates. P3 approaches offer tremendous flexibility and the opportunity for innovation in creating a unique ownership/operating structure.

4. Cooperative Development Model

Cooperatives (co-ops) are also sometimes known as stakeholder-owned Special Purpose Vehicles, because ownership is shared among the co-op's customers. Key stakeholders are typically customers receiving the district infrastructure service, like commercial buildings and/or residents within a defined location and local public agencies. Co-ops either reinvest any profits into infrastructure or distribute them as dividends to the owners.

Determining the most appropriate development model to utilize for district infrastructure relies on a number of factors such as investment return, provider capacity and expertise, regulation, and community acceptance. Predominantly investment return starts the process however. Investment returns suitable for private development models range from, at a minimum, 10-12% and typi-

cally push higher. Whereas investment returns under a public development model typically align with public bond interest rates ranging from 3-5%. The space in between is the home of the P3, where public and private interests and capacities may be aligned to deliver infrastructure that could not be accomplished individually.

Stakeholder Engagement

Limited stakeholder engagement was conducted due to the exploratory nature of the Phase I. Key City and Port staff associated with waterfront planning, Port development and infrastructure planning, finance, and operations were engaged with throughout the process of developing this document. Once the Port selects a master developer to help continue waterfront development efforts, they should be incorporated into the district infrastructure stakeholder group. The master developer will be a vital stakeholder in determining district infrastructure viability. It is critical the master developer be engaged with early to ensure they confirm the benefits provided by district infrastructure and are interested in serving their buildings with district infrastructure systems.

3

WATERFRONT DEVELOPMENT ASSUMPTIONS

Section 3 identifies the key waterfront development assumptions used to conduct the district infrastructure assessment.

Defining future waterfront development has been based on adopted Sub-Area Plan documents and City input. Although based on the best available information to date, the development assumptions summarized below should be considered preliminary.

Once a master developer has been engaged with, these assumptions may change. The objective in providing a range of development assumptions is to “book end” potential development options.

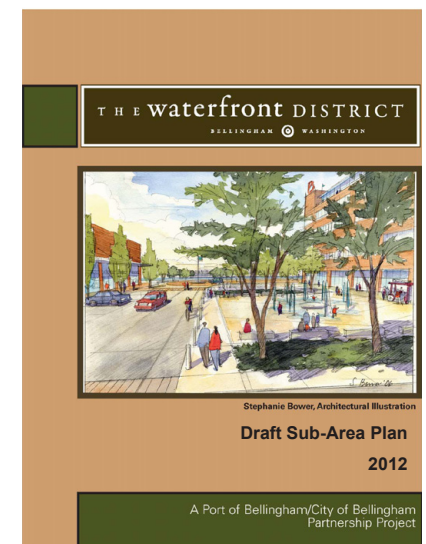


Figure 6 — Draft Sub-Area Plan (2012)

I. Block Map

A block map was generated based on Sub-Area Plan documents identifying potential development parcels, parks and streets. See Figure 7 — Block Map.

2. Development Capacity

Two development capacity options were identified, aggressive and conservative, representing approximately 2.83M and 2.05M SF of future development respectively.

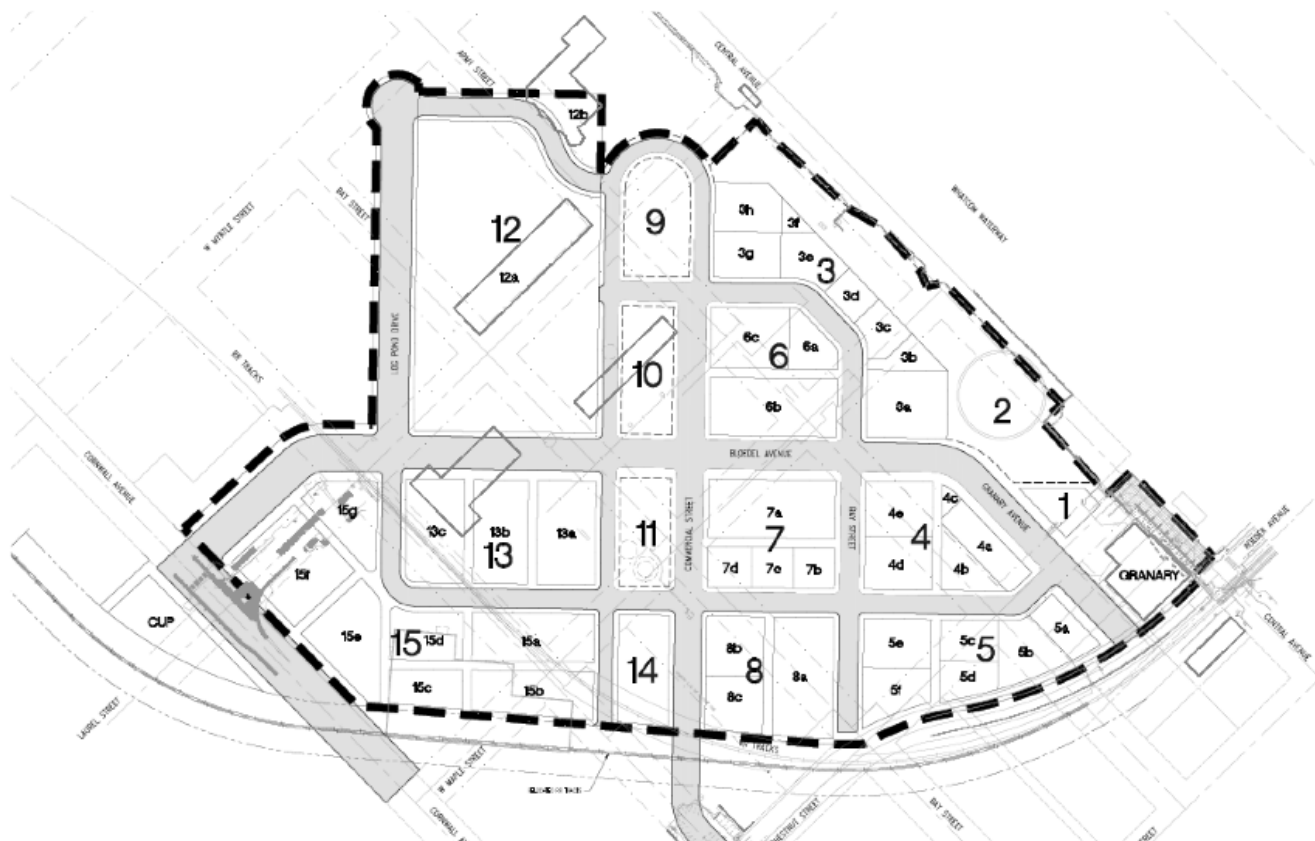
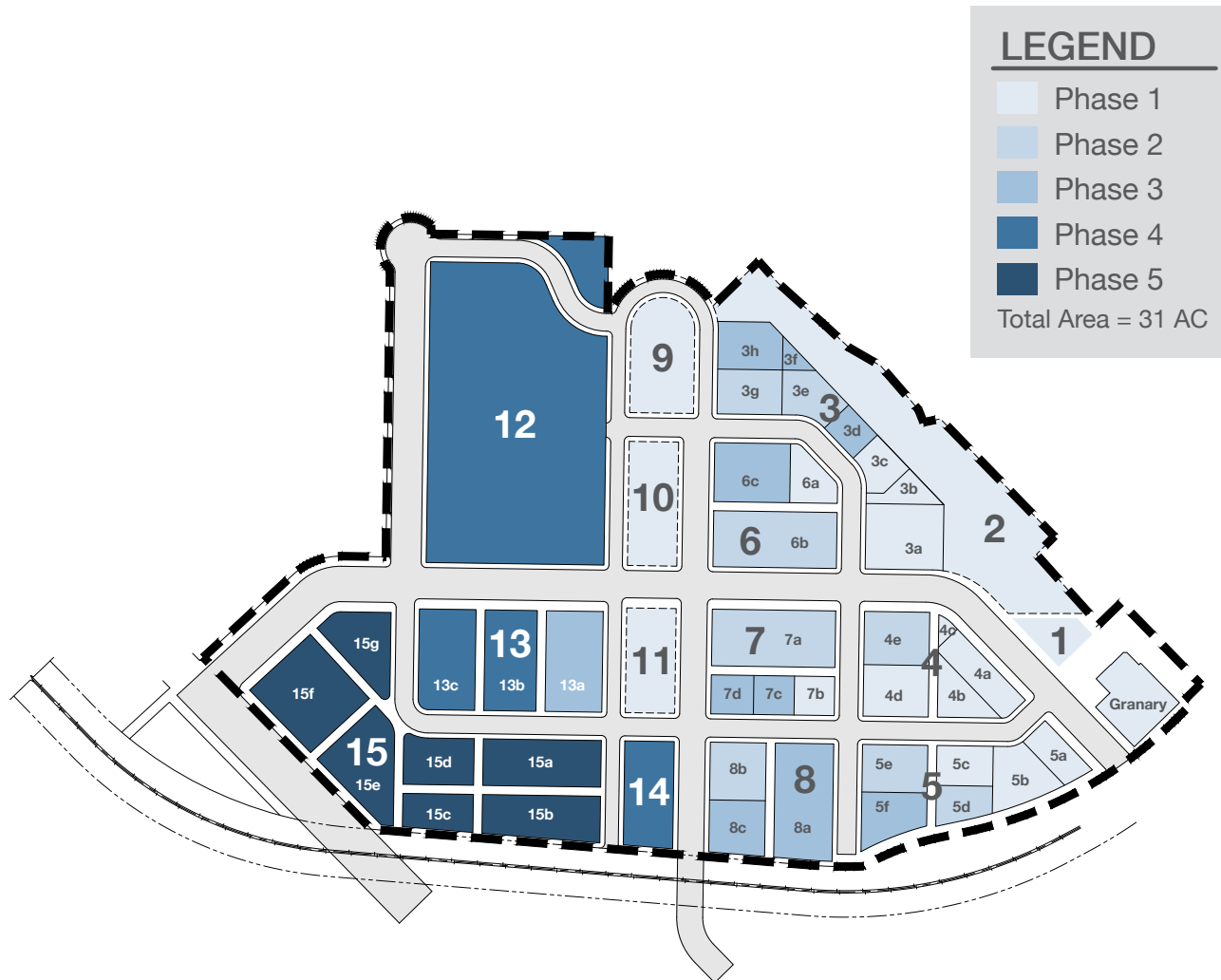


Figure 7 — Block Map



3. Phasing

Five (5) phases of development were identified. Development per phase was set based on City input and is summarized in Figures 9 and 10 for both aggressive and conservative growth.

4. Land Use Mix

Overall and for each lot, a mix of land uses were assumed to meet the City's desired 58%/42% residential/commercial split. As energy and water demands can vary greatly between sub land use types (i.e., commercial office vs. commercial laboratory), more detailed land use assumptions were made. See Figures 9 and 10 for land use assumptions.

Figure 8 — Phasing Map

5. Growth Rate

Two growth rate options were identified, aggressive and conservative, representing annual growth rates of 87,500 SF/year and 52,500 SF/year. The aggressive growth rate represents a 25% increase over 50% of the historic median development rate in Bellingham (70,000 SF/year). The conservative growth rate represents 25% less than this 50% historic development rate.

6. Years to Full Build Out

Considering development capacity, growth rate and phasing, the following build out options are possible:

- Aggressive Development Capacity/
Aggressive Growth Rate = 34 years to full build out.
- Aggressive Development Capacity/
Conservative Growth Rate = 52 years to full build out.
- Conservative Development Capacity/
Aggressive Growth Rate = 25 years to full build out.
- Conservative Development Capacity/
Conservative Growth Rate = 38 years to full build out.

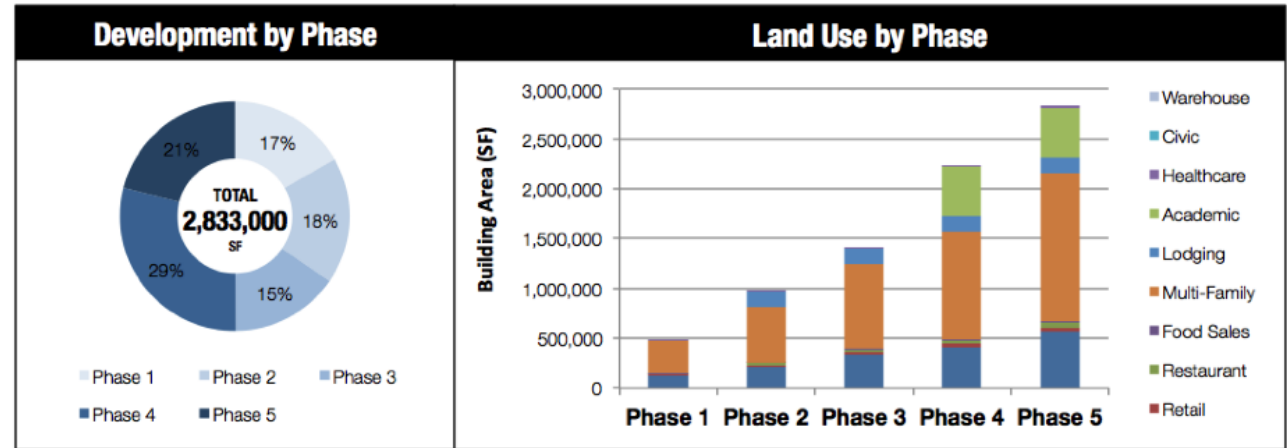


Figure 9 — High Growth Rate

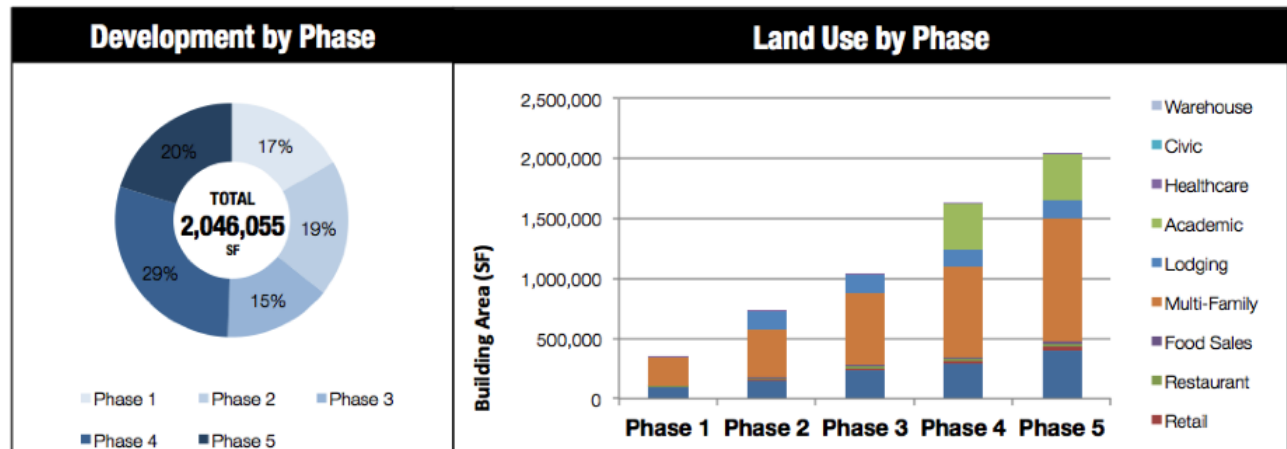


Figure 10 — Low Growth Rate

4

DISTRICT ENERGY

District energy has the potential to both reduce energy use and GHG emissions while generating financial benefit for the Bellingham Waterfront District. Section 4 provides an overview of district energy and summarizes the results of the district energy feasibility assessment conducted, including the recommended district energy system, its development model and key next steps to begin system development over the next 2-3 years.

What is District Energy?

District energy is not a new concept. It has been used as far back as the Romans. District energy helped the initial development of the electric power industry by enhancing the economics of new power plants by generating additional revenue from waste heat recovery. Today, more than 50% of all building stock in countries of Northern Europe is connected to district systems. In Stockholm, Sweden, for instance, the entire city of more than 800,000 people is served by two systems. As they incrementally expanded to serve more people, these systems added new

sources of energy. With such systems, technologies tend to evolve on a regular basis, approximately every 15 to 20 years.

Based on 2005 information from the International District Energy Association (IDEA), the U.S. and Canada had about 650 district systems in operation, though a number of systems have begun operations since then. Of this number, more than 75 percent serve either university or hospital campuses, while the remainder serve portions of downtown urban areas. These district energy systems provide energy to about 10 percent of non-residential spaces in the U.S.

District energy refers to the central provision of heating and/or cooling services within a defined service area. Electricity is sometimes also produced as part of a combined heat and power (CHP) systems (also referred to as cogeneration). There are three main components to a district energy system:

- **Central Energy Plant (CUP)**
One or more energy-producing plants provide all of the heating and/or cooling energy required by customers within the defined service area. A single, central plant offers significant economies of scale compared to individual systems within every building, and simplifies system design

Attachment "B"

and operation. However, several plants may be better in certain circumstances, notably where development is slow and/or dispersed, or where different energy sources are being integrated in different locations.

- **Distribution Piping System (DPS)**
Hot and/or cold water is distributed to individual customers via underground pipes (one supply and one return pipe each for heating and for cooling). While older district heating systems distributed energy in the form of steam, newer systems almost all use hot water distribution. Systems often grow out of central distribution line, with smaller loops that link buildings together.
- **Energy Transfer Station (ETS)**
Individual buildings are served via energy transfer stations (ETS) consisting of heat exchangers and meters, eliminating the need for on-site boilers in the case of district heating and chillers or cooling towers in the case of district cooling. Within buildings, thermal energy must be provided to individual spaces by hydronic HVAC systems, which could include fan coils, hydronic baseboards or in-floor radiant systems.

In order to deliver district energy services, some form of utility service provider (e.g., a local government or a privately-owned utility), assumes responsibility for capital investments (i.e., construction), secures (i.e., generates or captures) and delivers energy that meets the end users' needs, and ultimately charges building owners for use of the system. A utility is simply an entity that plans, invests in and operates

the infrastructure required to deliver services and recover costs, both capital and ongoing operating costs, whether through user rates or other funding mechanisms.

Assessing District Energy Viability

At the core of the district energy assessment is the life-cycle cost comparison of district energy options to the BAU option to determine which option is more cost effective – and generates additional value for the Waterfront District and community of Bellingham. Nine district energy options were

evaluated as part of this assessment. Provided below are descriptions of each option.

Further evaluation detail is provided in the Bellingham Waterfront District Infrastructure Assessment, Waterfront Utility Master Plan (Phase I) – Detailed Analysis (Puttman Infrastructure, September 2014).

Unique Waterfront District Assets

A unique characteristic of district infrastructure is the ability to leverage existing infrastructure assets in a manner not feasible at the building scale to provide

more cost effective and environmentally beneficial infrastructure service. Some of the most promising assets for high and low grade waste heat, thermal storage, and rail transport of solid or liquid fuels that could benefit district energy were explored.

I. Waste Heat from PSE's Encogen Facility

When it operates, there is a massive amount of heat and waste heat that could be harvested from PSE's Encogen facility, far more than the anticipated peak heat load of the Waterfront District at full build-out. To utilize this heat potential for district energy, some form of thermal energy storage (TES) would

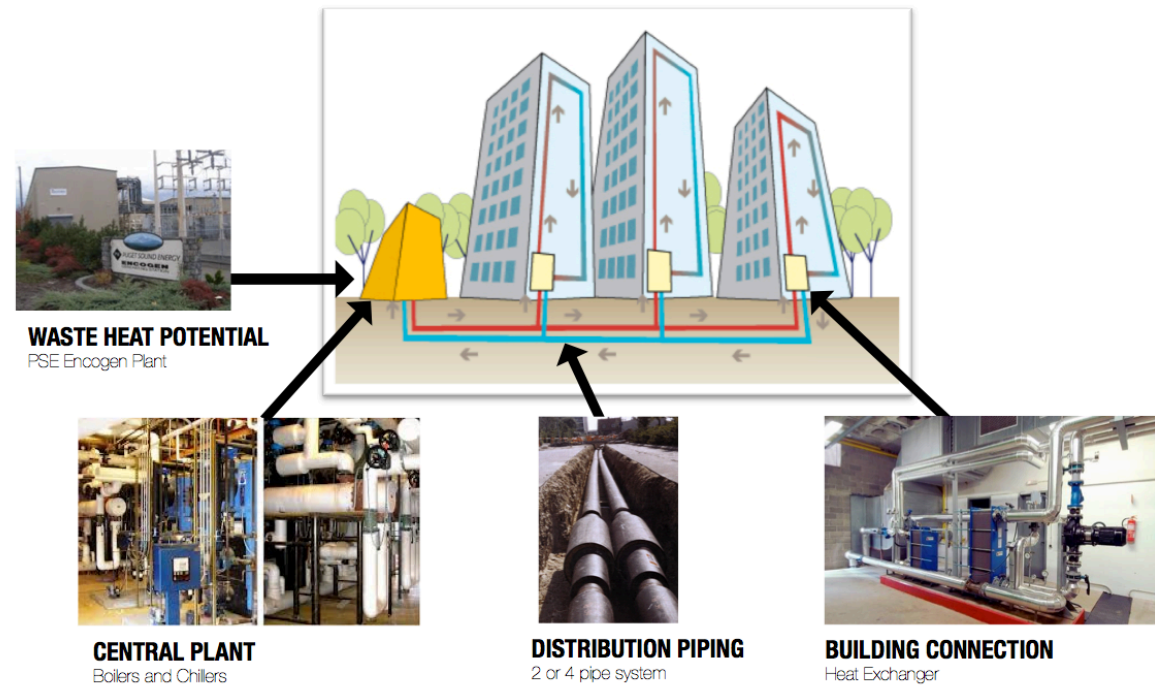


Figure 11 — District Energy Diagram

Attachment "B"

be required.

2. GP Tile Tanks

The location, hydraulics, and thermal energy storage capacity of the existing tile tanks from the former GP facility appear well-suited for reuse as a thermal energy storage facility.

District Energy Options

Eight heating and cooling options were evaluated to provide energy service to the Bellingham Waterfront District. The BAU option assumes convention building-scale heating and cooling systems. District energy options range from conventional district energy (heating and cooling) to various district energy configurations utilizing existing site assets (ie, Encogen waste heat), new fuel sources such as biomass, and combined heat and power (CHP). District energy options also included heating and cooling and heating only as projected cooling loads did not appear large enough to support district-scale cooling.

1. Business As Usual

The BAU assumes building scale heating and cooling. No district system. Total annual energy input is estimated at 56,747 MMBtus generating 15,054 tCO₂ of carbon emissions annually. BAU capital cost for building-scale heating and cooling is estimated at \$22.2M and the life cycle cost to develop and operate building-scale systems is estimated at \$145.7M over a 35-year period.

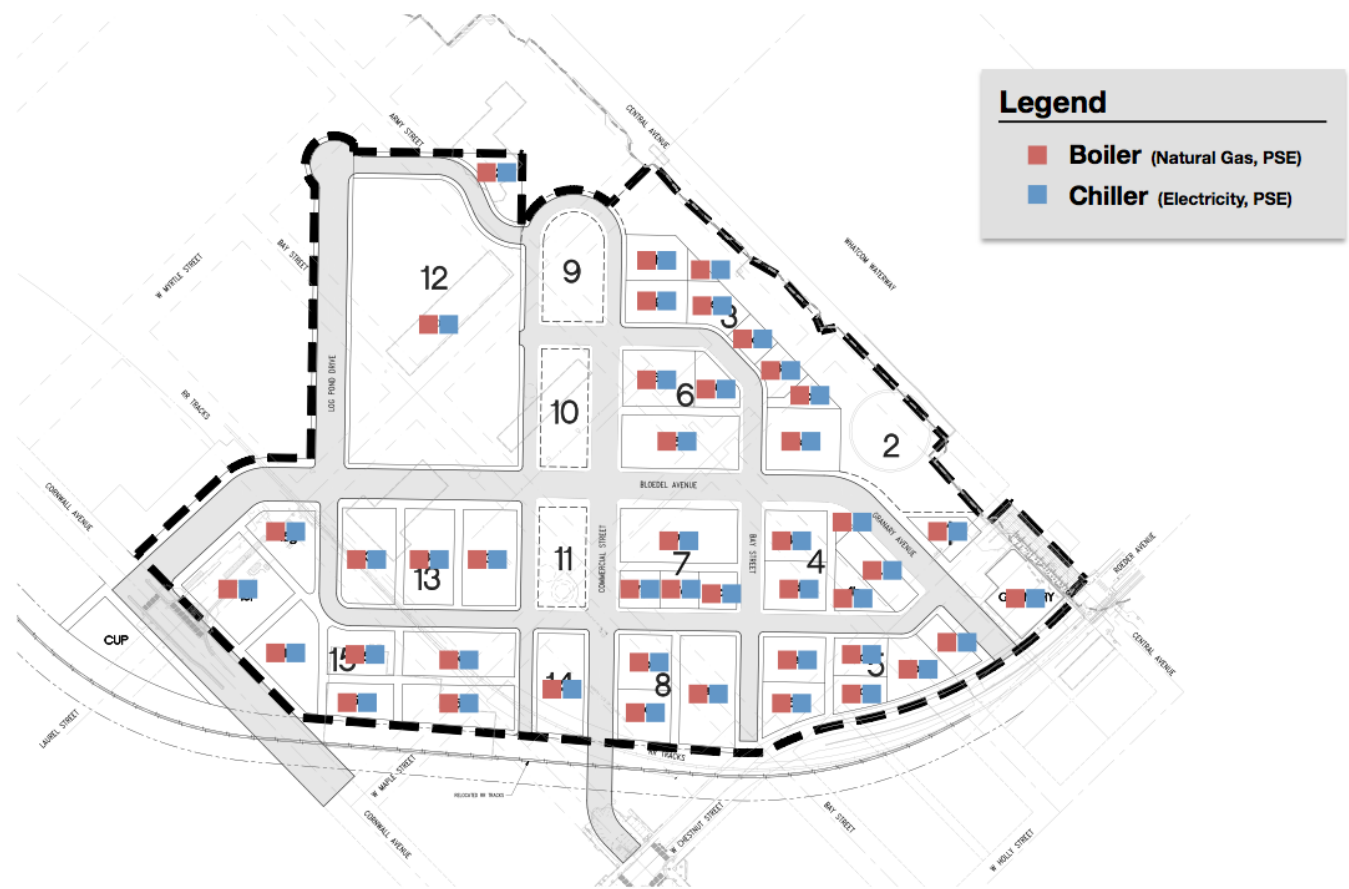


Figure 12 — Business As Usual (BAU) Energy Diagram

2. Option I: Conventional District Energy

Option I assumes district infrastructure to provide both heating and cooling to the Waterfront District. The system would be a conventional district energy system including district heating (condensing gas boilers), district cooling (electric centrifugal chillers), a four-pipe distribution system (two heating pipes for supply and return and two cooling pipes for supply and return), and energy transfer stations (ETS) at each building connected to the system to transfer energy to the building. District heating and cooling equipment to be located at the central utility plant (CUP) site. No building-scale heating or cooling equipment is required.

Option I would reduce Waterfront District annual energy input by 24% and carbon emissions by 41%. Capital cost for Option I, including district heating and district cooling, is estimated at \$33.7M (52% increase from BAU) but would reduce life cycle costs to \$137.4M (6% decrease from BAU).

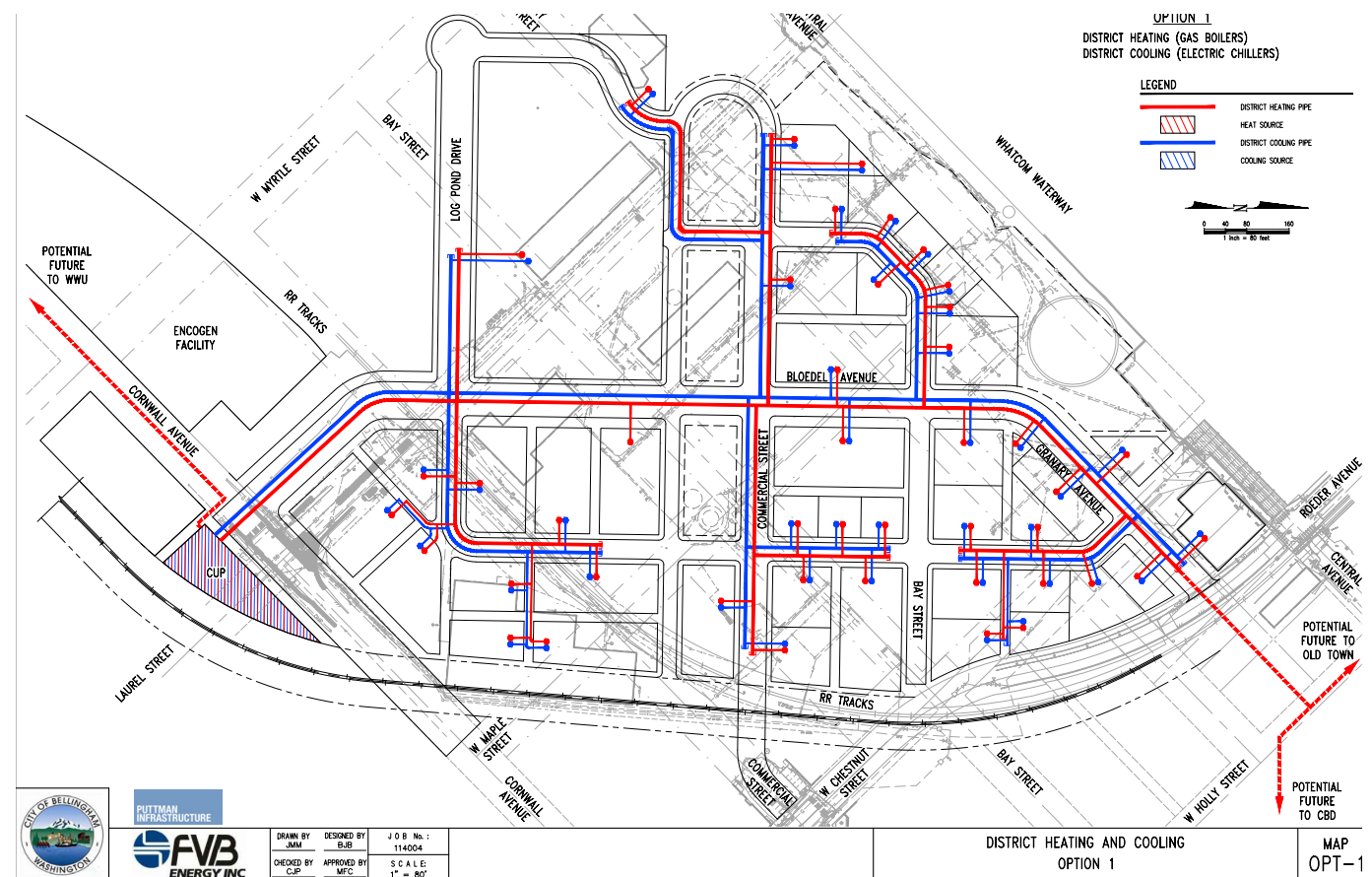


Figure 13 — Option I: Conventional District Energy

3. Option 1a: Conventional District Heating Only

Option 1a assumes district infrastructure to provide district heating system but no district cooling. This option would include district heating (condensing gas boilers), a two-pipe distribution system (two heating pipes for supply and return), and energy transfer stations (ETS) at each building connected to the system to transfer energy to the building. District heating equipment to be located at the central utility plant (CUP) site. Building-scale cooling equipment is required.

Option 1a would reduce Waterfront District annual energy input by 21% and carbon emissions by 36%. Capital cost for Option 1a, including district heating and building-scale cooling, is estimated at \$29.7M (34% increase from BAU) but would reduce life cycle costs to \$138.9M (5% decrease from BAU).

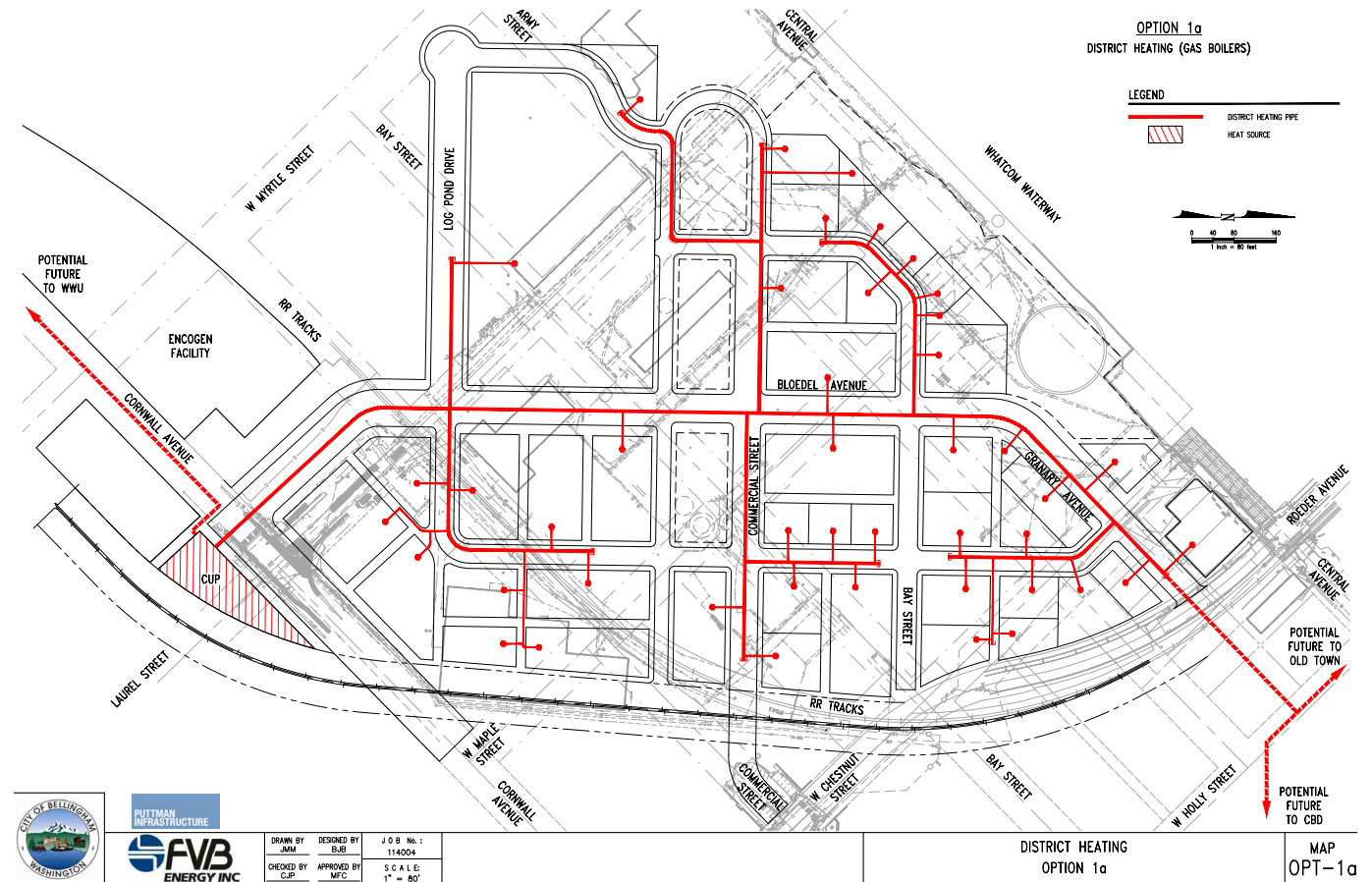


Figure 14 — Option 1a: Conventional District Heating Only

4. Option 2: District Energy with Waste Heat Recovery

Option 2 seeks to capture waste heat generated from PSE's Encogen facility to enhance the efficiency of district energy. To further optimize waste heat recovery, thermal storage would be utilized (potentially using the GP tile tanks). As a result, Option 2 would include district heating (condensing gas boilers), PSE power-plant flue gas waste heat recovery, hot water thermal energy storage (TES), district cooling (electric centrifugal chillers), a four-pipe distribution system, and energy transfer stations. District heating and cooling equipment to be located at the CUP site. No building-scale heating or cooling equipment is required.

Option 2 would reduce Waterfront District annual energy input by 28% and carbon emissions by 59%. Capital cost for Option 2, including district heating and district cooling, is estimated at \$33.1M (49% increase from BAU) but would reduce life cycle costs to \$120.8M (17% decrease from BAU).

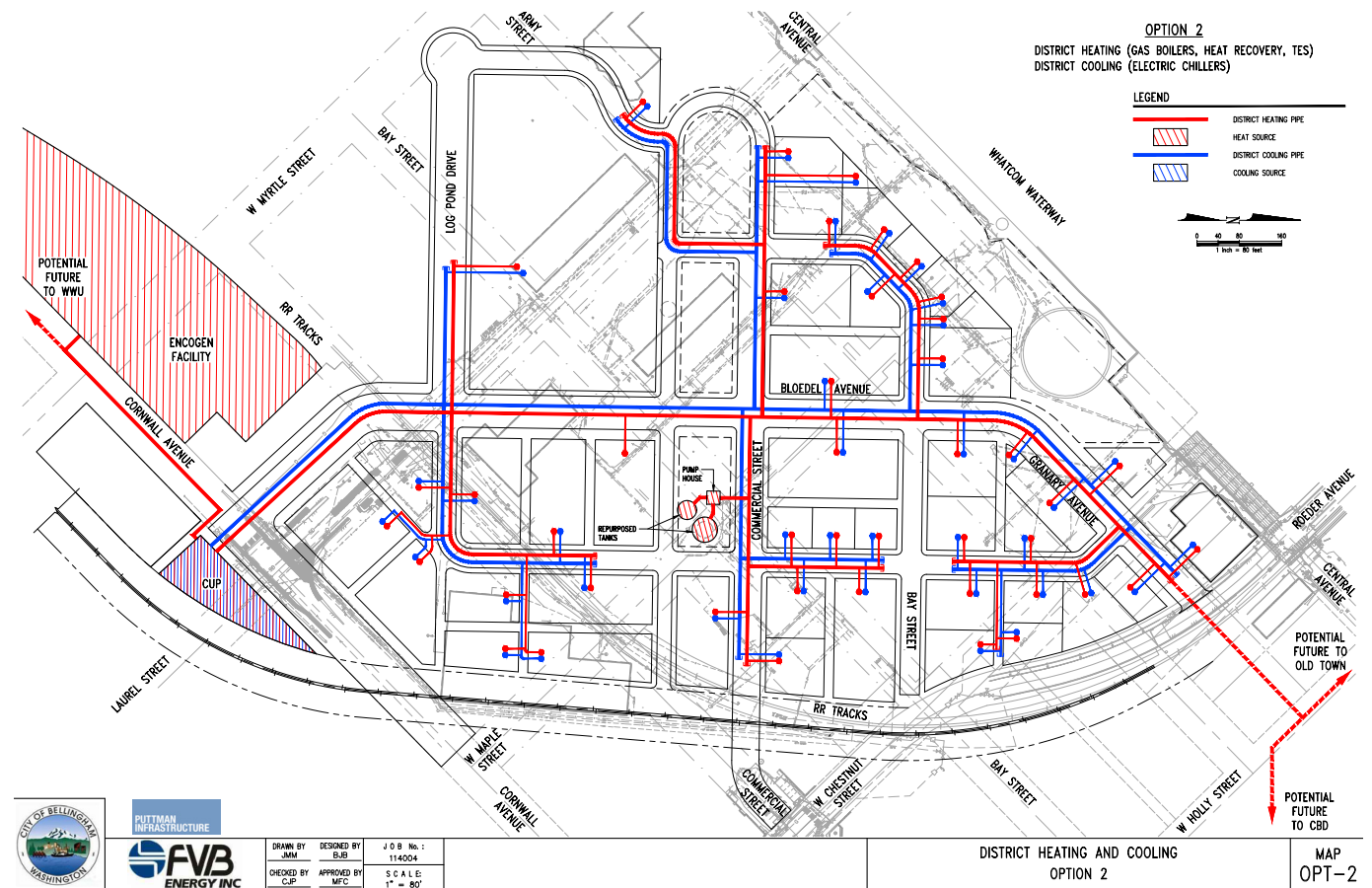


Figure 15 — Option 2: District Energy with Waste Heat Recovery

5. Option 2a: District Heating Only with Waste Heat Recovery

Option 2a assumes everything in Option 2 but no district cooling. Cooling provided via building scale systems. Only a two-pipe distribution system would be needed (two heating pipes for supply and return). Building-scale cooling equipment is required.

Option 2a would reduce Waterfront District annual energy input by 25% and carbon emissions by 54%. Capital cost for Option 2a, including district heating and building-scale cooling, is estimated at \$29.2M (31% increase from BAU) but would reduce life cycle costs to \$122.4M (16% decrease from BAU).

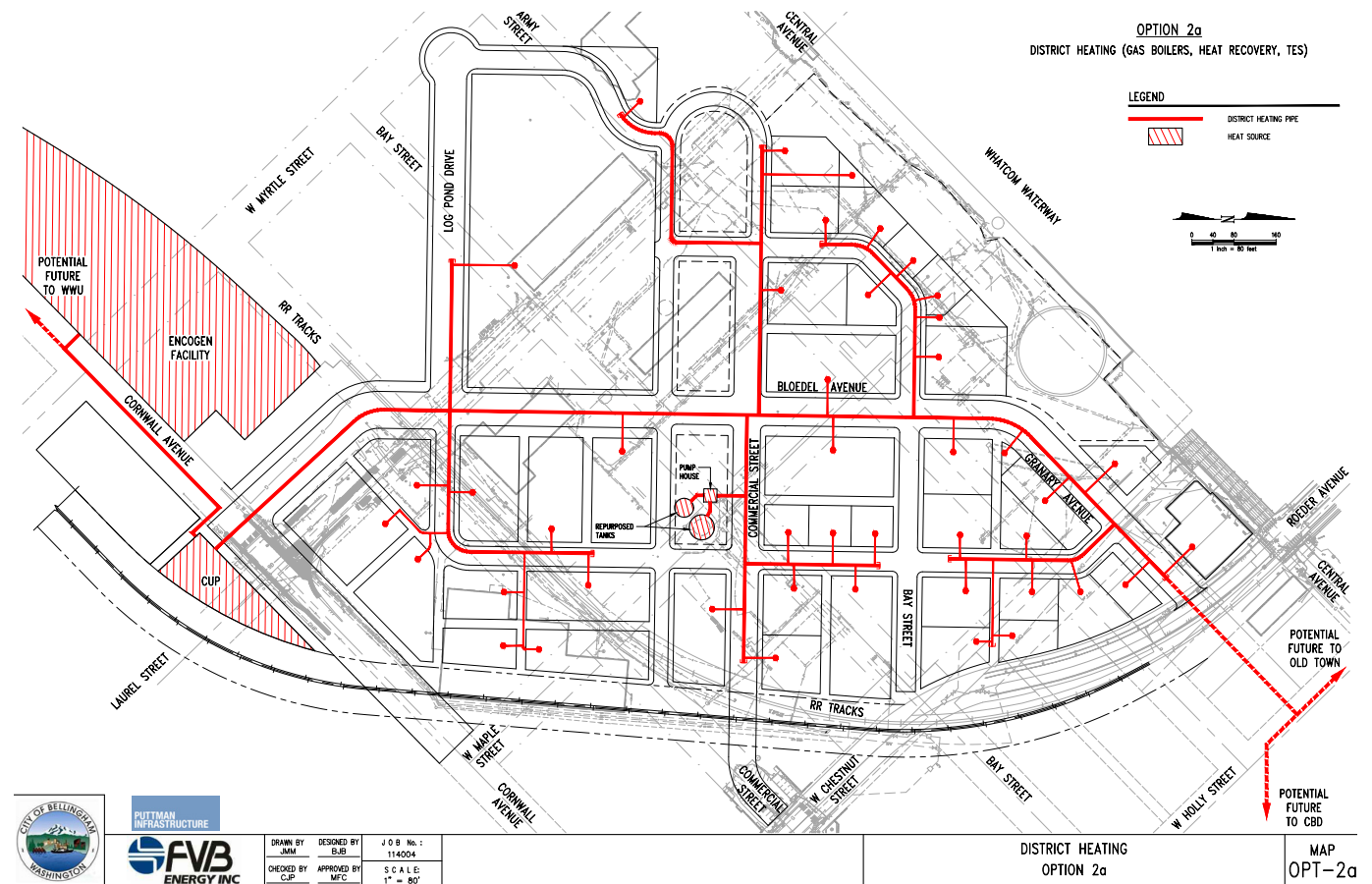


Figure 16 — Option 2a: District Heating Only with Waste Heat Recovery

6. Option 3: District Energy with Biomass

Option 3 assumes biomass combustion to generate heat for district heating. District cooling would be provided by electric centrifugal chillers. Thermal energy storage (TES) would be provided to capture waste heat from Encogen. As a result, Option 3 would include district heating (biomass), district cooling (electric centrifugal chillers), hot water and cold water thermal storage, a four-pipe distribution system, and energy transfer stations. District heating and cooling equipment to be located at the CUP site. No building-scale heating or cooling equipment is required.

Option 3 would reduce Waterfront District annual energy input by 22% and carbon emissions by 55%. Capital cost for Option 3, including district heating and district cooling, is estimated at \$33.3M (50% increase from BAU) but would reduce life cycle costs to \$133.4M (8% decrease from BAU).

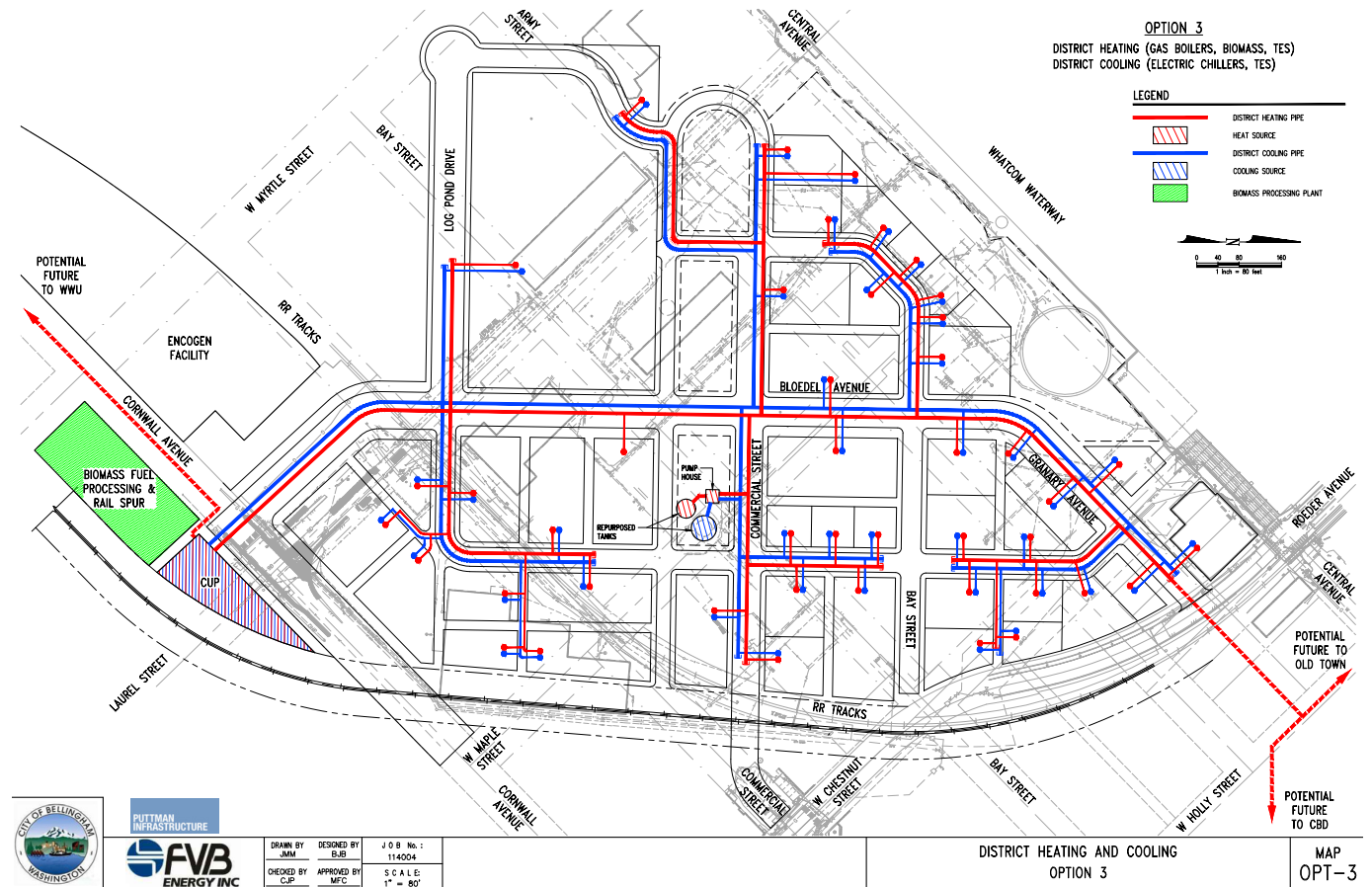


Figure 17 — Option 3: District Energy with Biomass

7. Option 3a: District Heating with Biomass

Option 3a assumes everything in Option 3 but no district cooling or use of the GP tile tanks for cooling energy storage. Cooling provided via building scale systems. Only a two-pipe distribution system would be needed (two heating pipes for supply and return). Building-scale cooling equipment is required.

Option 3a would reduce Waterfront District annual energy input by 18% and carbon emissions by 50%. Capital cost for Option 3a, including district heating and building-scale cooling, is estimated at \$31.1M (40% increase from BAU) but would reduce life cycle costs to \$137.7M (5% decrease from BAU).

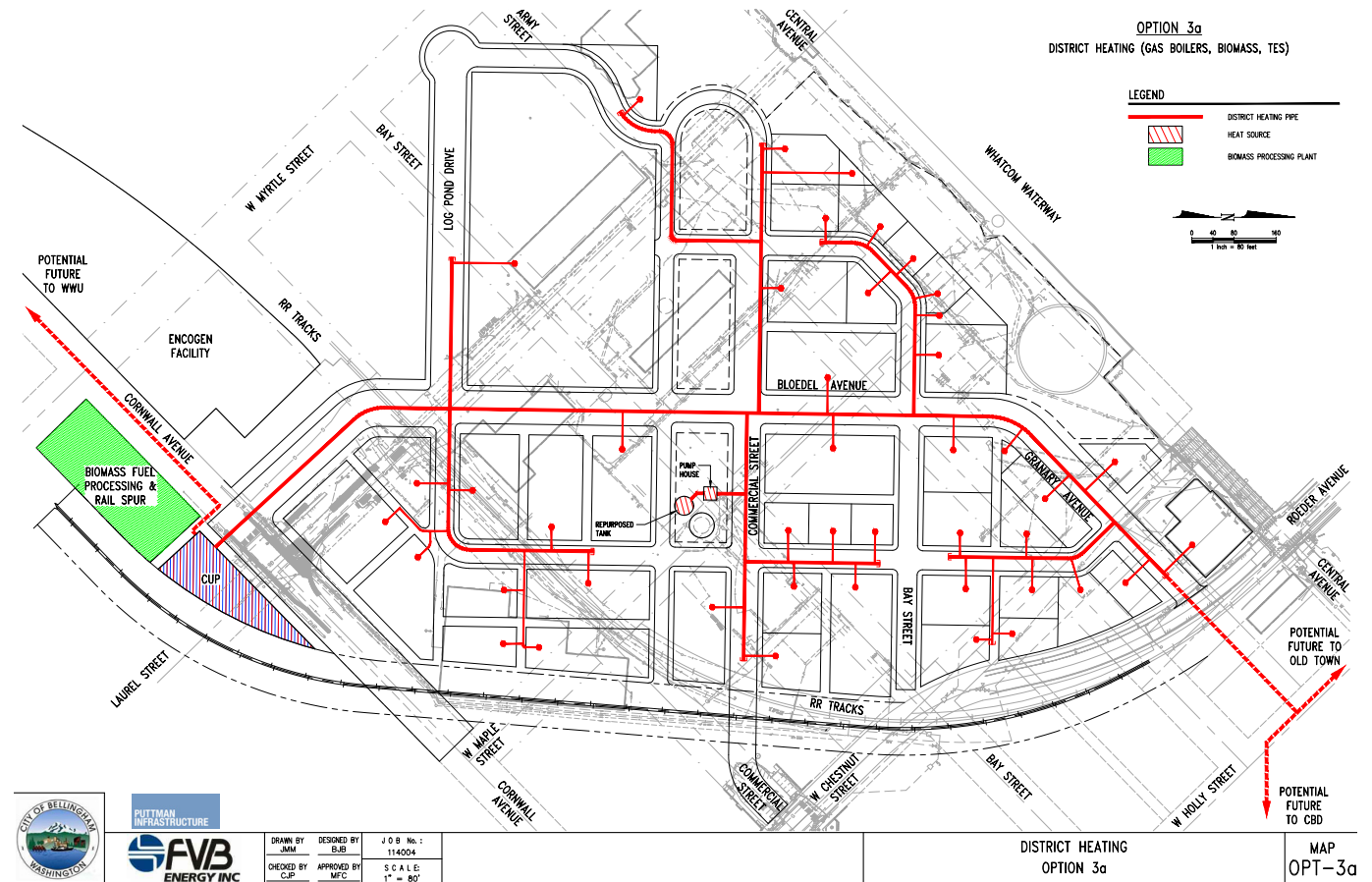


Figure 18 — Option 3a: District Heating with Biomass

8. Option 4: District Energy with Cogeneration

Option 4 assumes the use of a combustion gas turbine to generate district heating and electricity that could be sold to the PSE grid. District cooling would be provided by electric centrifugal chillers. Thermal energy storage (TES) would be provided to capture waste heat from Encogen. As a result, Option 4 would include district combined heat and power (combustion gas turbine), district cooling (electricity centrifugal chillers), hot water and cold water thermal storage, a four-pipe distribution system, and energy transfer stations. District CHP and district cooling equipment would be located at the CUP site. No building-scale heating or cooling equipment is required.

Option 4 would reduce Waterfront District annual energy input by 49% and carbon emissions by 73%. Capital cost for Option 4, including district heating and district cooling, is estimated at \$33.8M (52% increase from BAU) but would reduce life cycle costs to \$123.9M (15% decrease from BAU).

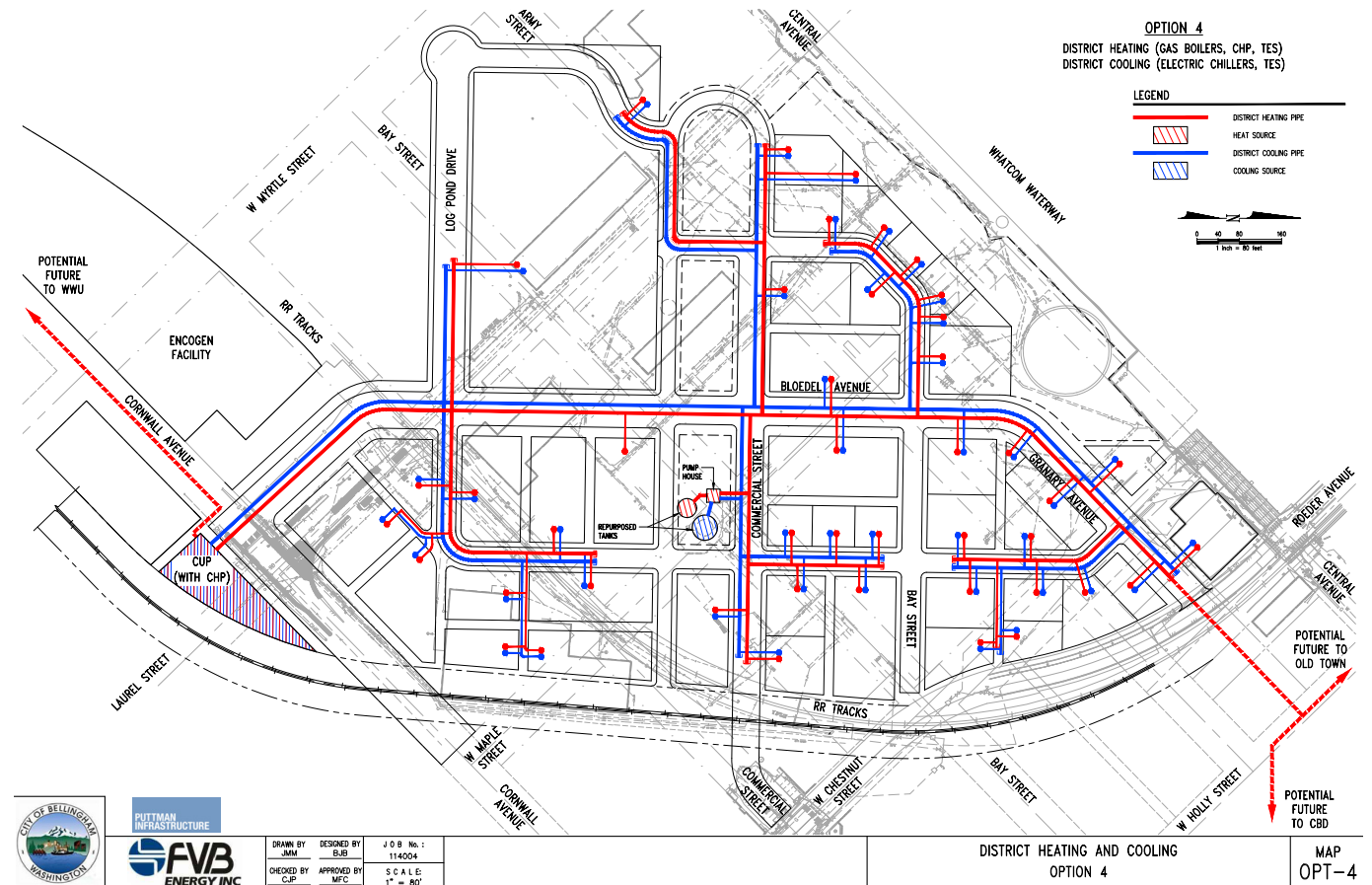


Figure 19 — Option 4: District Energy with Cogeneration

9. Option 4a: District Heating with Cogeneration

Option 4a assumes everything in Option 4 but no district cooling. Cooling provided via building scale systems. Only a two-pipe distribution system would be needed (two heating pipes for supply and return). Building-scale cooling equipment is required.

Option 4a would reduce Waterfront District annual energy input by 45% and carbon emissions by 69%. Capital cost for Option 4a, including district heating and building-scale cooling, is estimated at \$31.7M (43% increase from BAU) but would reduce life cycle costs to \$128.3M (12% decrease from BAU).

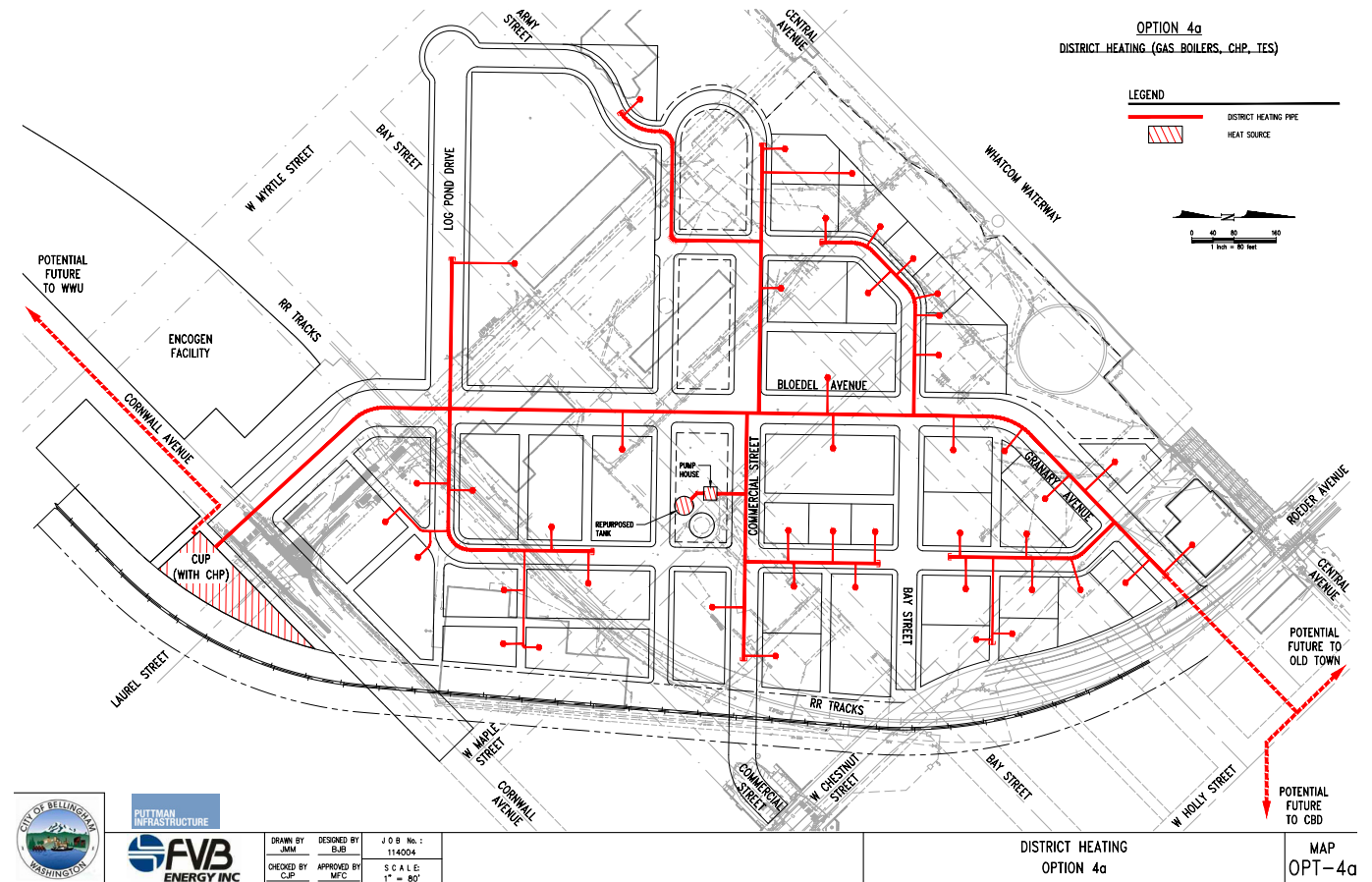


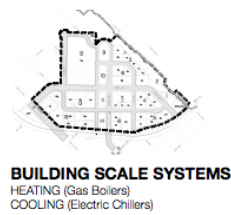
Figure 20 — Option 4a: District Heating with Cogeneration

District Energy Evaluation

For each option above, detailed performance and financial evaluations were completed based on waterfront development assumptions. Average and peak energy demands were estimated, building and district scale equipment sized, capital costs were estimated for all system components, operating costs (fixed and variable) were estimated for each system, and typical cost of capital assumptions were made. To align with local market conditions, local contractors specializing in building HVAC and district energy systems reviewed capital and operating costs.

Further evaluation detail is provided in the Bellingham Waterfront District Infrastructure Assessment, Waterfront Utility Master Plan (Phase I) – Detailed Analysis (Puttman Infrastructure, September 2014).

BAU



DISTRICT ENERGY

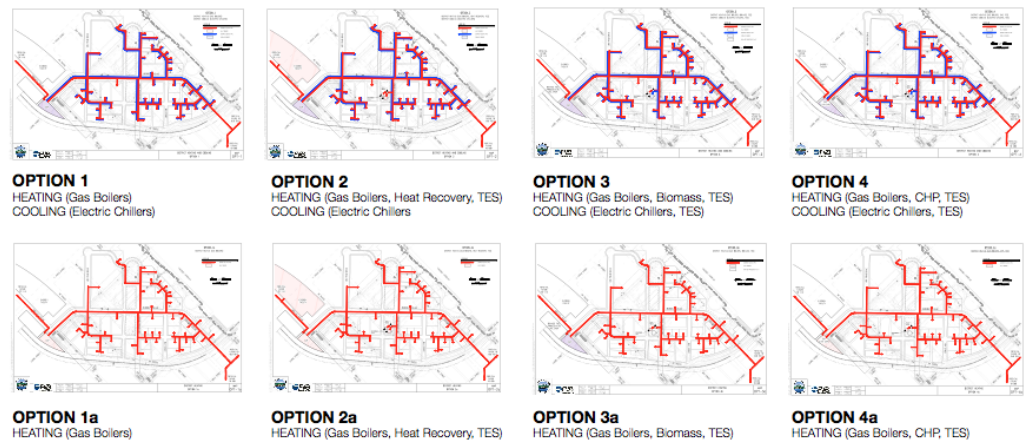


Figure 21 — District Energy Options

Attachment "B"

District Energy Findings

Comparing the BAU to district energy options, based on these initial technical and financial evaluations and giving consideration to evaluation criteria, resulted in the following findings:

1. Development Assumptions Impact District Energy Viability

Waterfront development build out and growth rate greatly impacts the viability of district energy. High development and high growth rate appears to be the only development assumption that allows district energy to be financially viable. Longer build out timeframes prove difficult financially as investment capital becomes stranded while waiting for revenue producing load to come online.

2. District Energy is More Cost Effective Given Development Timeline

The total life-cycle cost of most of the district energy options is slightly less than BAU demonstrating a more efficient delivery of energy service given the long development timeline. Total capital and operating cost savings range from 0-17%.

3. Option 2a Appears to be the Best Opportunity for District Energy

Option 2a (district heating with Enco-gen waste heat recovery and thermal energy storage) appears to be the best investment from the perspective of net-present value (NPV) and internal rate of return (IRR) assuming high development and growth rate.

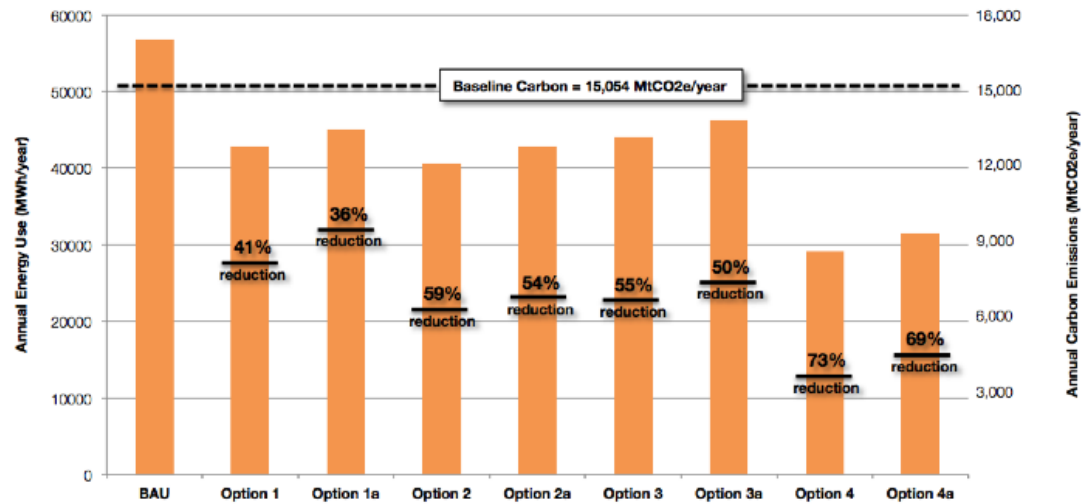


Figure 22 — Energy Use and Carbon Emissions Comparison

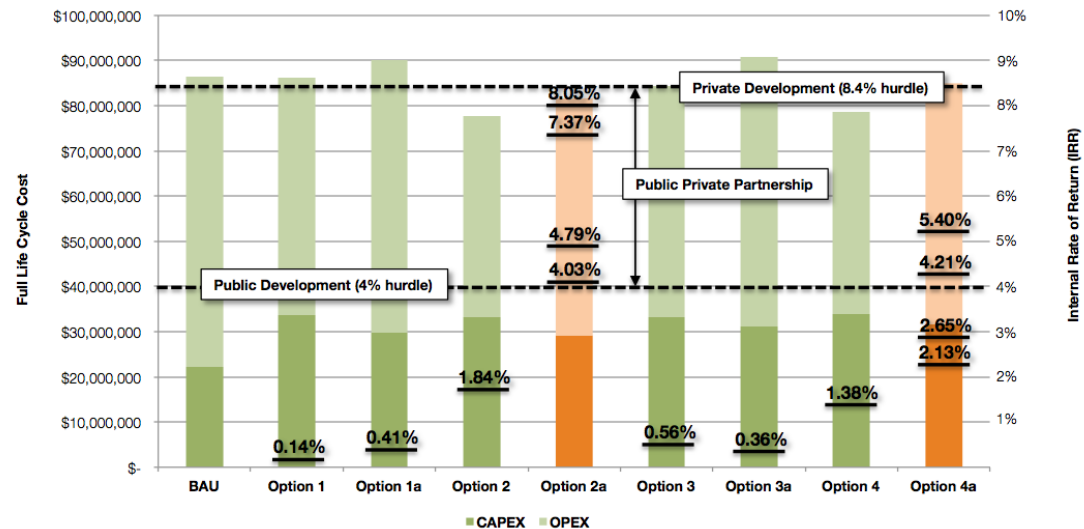


Figure 23 — Life Cycle Costs and Investment Returns Comparison

Attachment "B"

4. District Energy Generates Significant Energy and Carbon Savings

District energy reduces energy use by 18% to 49% as compared to the BAU. Carbon emissions savings were estimated at 36% to 73% as compared to the BAU. These potential energy and carbon savings align well with City of Bellingham sustainability and climate action plan goals. Option 2a generates 25% energy use saving and 54% carbon savings.

5. District Cooling May Not Be Suitable

District cooling may not be suitable at the district scale due to the cost of district cooling versus building scale cooling to meet projected cooling loads. A case for district cooling could be made if buildings with larger, year round cooling loads could be located within the waterfront (i.e., cold storage, laboratory, data center, etc.).

6. Suitable Investment Returns Under a Public Private Partnership Development Model

For each district energy Option, investment rate of returns (IRR) were estimated to understand investment potential. IRRs ranged from 0.14% (Option 1) to 8.05% (Option 2a) given potential capital contributions to the system. Of the three potential devel-

opment models (public, private and public private partnership), Option 2a generates suitable returns to support a public private partnership. Total capital requirement of the public to implement the system is estimated between \$8M and \$12.5M over a build out timeframe of 35 years. Capital investments would be aligned with development phasing to generate suitable returns as the waterfront develops over time.

7. Public and Private Development Models Do Not Appear Feasible

Projected investment returns align well with a public development model but the City expressed concern of "going it alone" due to lack of experience delivering district energy. As such, a public development does not appear feasible. Under a private development model, cost of capital was estimated at 8.4%. None of the district energy Options generate IRRs that clear this 8.4% hurdle, even with significant public capital contributions (Option 2a is the highest at 8.05%). As a result, private district energy developers would not be able to generate the necessary financial return on their investment for them to be engaged.

8. District Energy Reduces Private Development Costs

District energy removes the need to install building scale heating and cooling reducing capital cost for future building development. The efficiency gained reduces total capital and operating costs by 16% (Option 2a) over a 35-year build out period – generating \$23.3M in savings. This could help catalyze waterfront development.

9. Partnership Needed with Puget Sound Energy

A core efficiency component of Option 2a is the thermal energy storage system to capture waste heat from PSE's Encogen facility. Without this waste heat capture system, Option 2a may not generate the energy efficiency needed to be financially viable. As such, engaging PSE early to begin building a potential partnership will be needed. PSE had a similar partnership with the GP facility in the past in which waste heat generated from Encogen was utilized by the GP facility.

10. Regulations Allow District Energy

A review of existing regulations and permitting requirements found district energy could be developed to serve the Waterfront District.

11. Need for District Energy Utility

To realize the benefits of district energy, a district energy utility is needed to ensure energy service cost competitiveness and reliability of service.

12. Brand and Market Differentiation

District energy has the potential to generate marketing "buzz" and market differentiation that could prove valuable for the Waterfront District.

Recommended District Energy Option

Option 2a appears to be the most financially viable while generating significant GHG emission reductions due to efficient thermal energy delivery utilizing waste heat from PSE's Encogen facility through the reuse of the existing tile tanks as thermal energy storage. Further analysis and design refinement revealed improved financial performance by siting the district heating facility next to the existing tile tanks on Block 11 and modulating boiler equipment installation to align with phase by phase development better aligning capital investment with revenue generation.

Option 2a would reduce Waterfront District annual energy input by 25% and carbon emission by 54%, all at a long-term cost savings of 16% over the next 35-years.

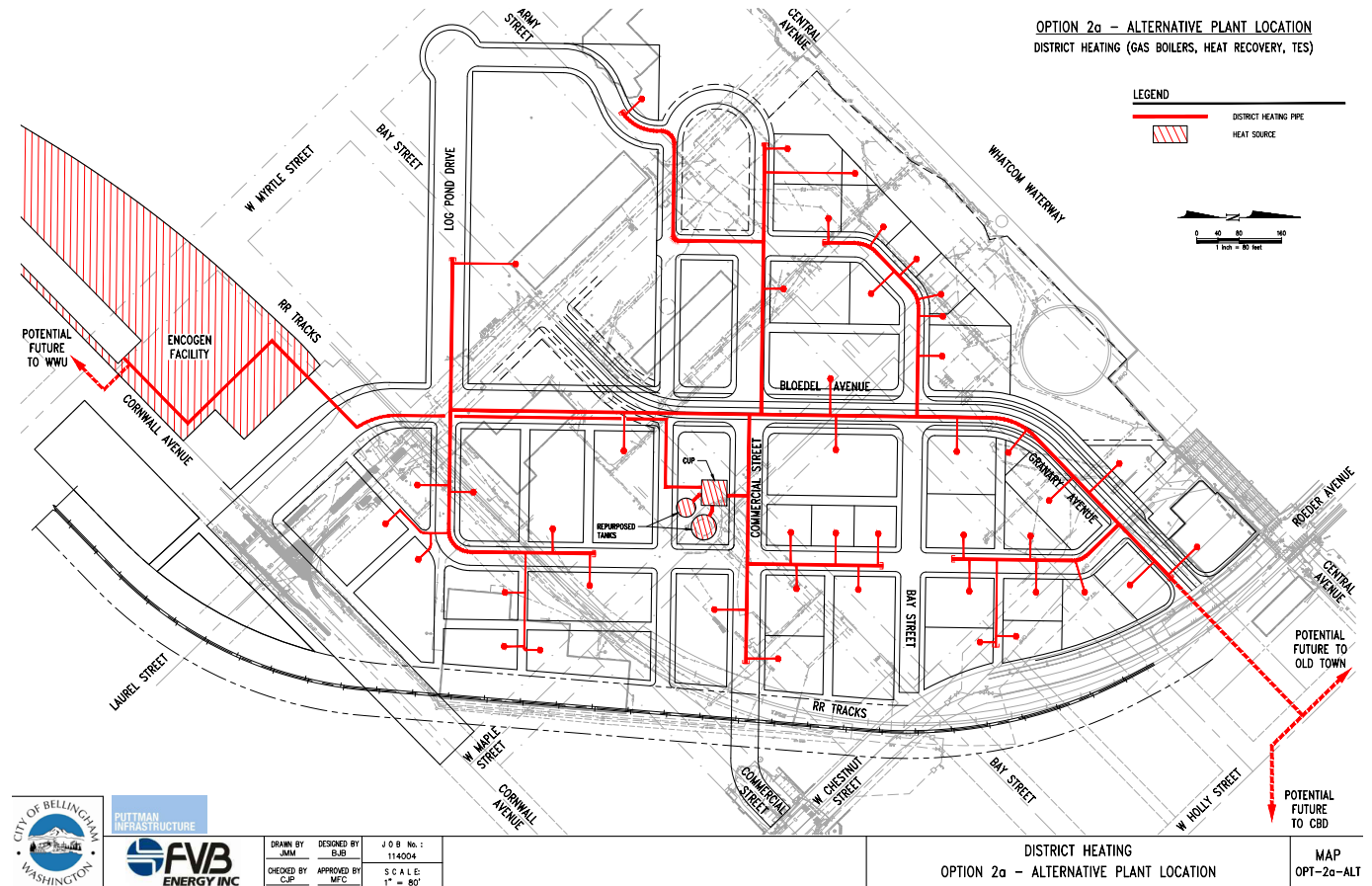


Figure 24 — Recommended District Energy System
Option 2a: District Heating Only with Waste Heat Recovery

Recommended District Energy Development Model

A public private partnership (P3) development model is recommended to deliver district energy (Option 2a) as the potential investment returns are not great enough to justify a fully private development approach. Projected investment returns are suitable for a public development model however the City expressed concern about "going it alone" due to lack experience with delivery district energy.

The structure of the recommended P3 is identified in Figure 25 – District Energy Development Model Structure (P3). The following key partners, including roles and responsibilities, have been identified to make recommended district energy P3 work:

1. Puget Sound Energy (waste heat provider)

PSE will need to be engaged with to structure an agreement to provide waste heat to the district energy system.

2. District Energy Provider

PSE has recently expressed interest in developing district energy and should be given the opportunity to evaluate whether or not to develop a system for the Waterfront District. Should PSE decline, the City should consider issuing

a request for expressions of interest (RFEI) to identify additional district energy providers.

3. City and Port (Capital Contributions, Enabling Strategies)

The City and Port have a key role to play in developing district energy through both financial (i.e., capital con-

tributions) and non-financial (i.e., design standards) commitments to ensure commercial viability.

4. Building Owner (Customer)

The master developer must be supportive of district energy as the buildings they develop will be the future customers of the district energy system.

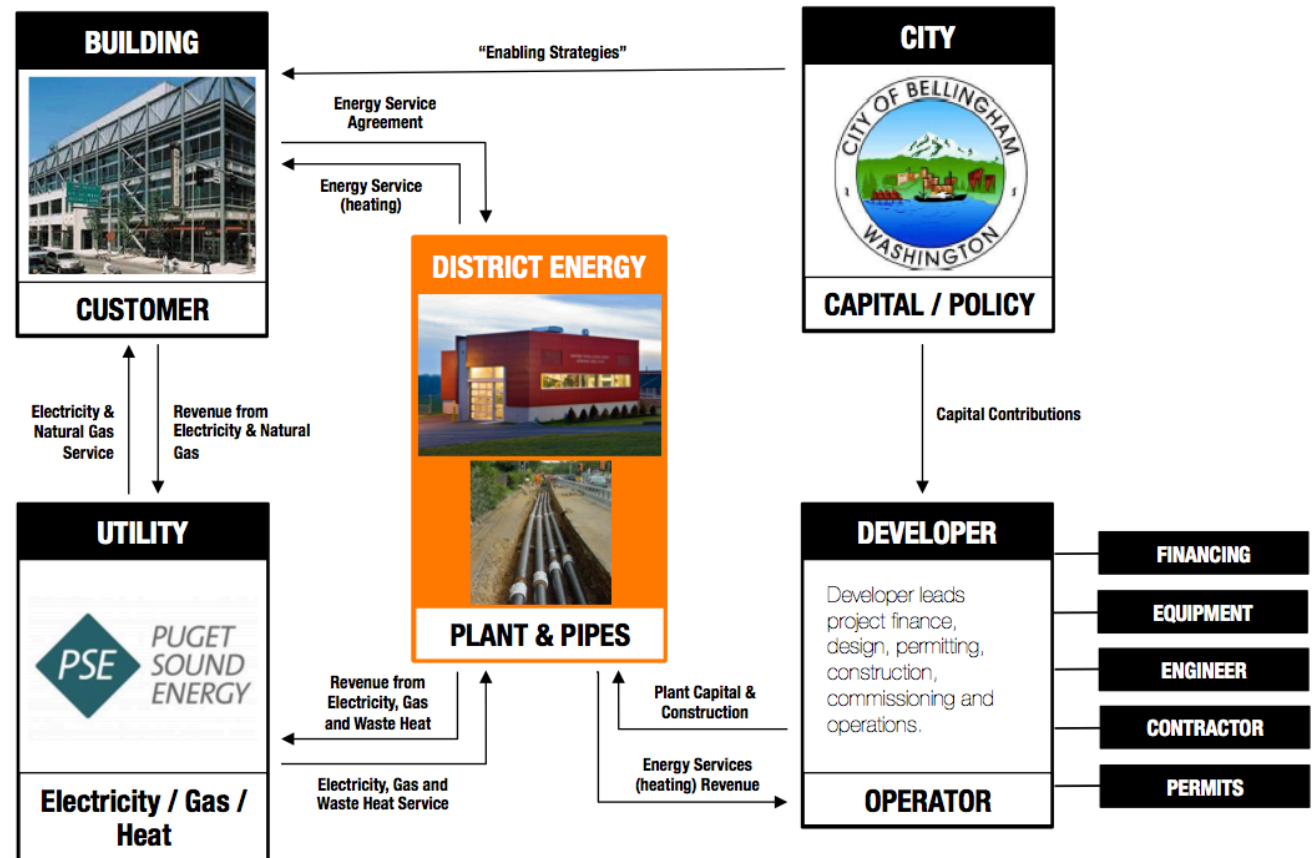


Figure 25 — District Energy Development Model Structure

District Energy Development Next Steps

Based on the detailed district evaluation, findings and recommendations described above, the following next steps should be completed over the next 2-3 months to move district energy development forward at the Waterfront District:

1. Initiate Partner Engagement

City should initiate engagement with key project partners, including the City, Port, master developer and PSE, to gauge preliminary support for implementation of a district energy system. Assuming initial support, City to work with partners throughout the following steps to ensure their interests are incorporated into system development.

2. Confirm Preferred District Energy Option

Options 2a and 4a both demonstrated adequate investment returns to justify commercial viability. However, Option 2a achieves it through Encogen waste heat reuse and Option 4a through CHP. The City should meet with PSE to confirm its interest in Option 2a. Should PSE not want to share waste heat with the district energy system, then Option 4a should be considered.

3. Develop Public Private Partnership Framework and Roadmap

Based on the recommended DE development model, a detailed partnership framework should be established identifying roles, responsibilities (including capital contributions), and timeline for financing, developing and operating the district energy system. The partnership framework should also be coupled with a district energy development roadmap to demonstrate tasks and major milestones for implementing district energy.

4. Confirm Partner Interest

Once a preliminary draft of the P3 framework and roadmap has been completed (see #2), City should convene a meeting with City, Port, master developer and PSE to confirm support of a public private partnership to implement district energy. The partners, assuming they are interested, should work together to finalize the P3 framework and roadmap. Upon finalization, each partner should formally confirm support of the P3 through a letter of interest (LOI).

5. Confirm City Capital Contributions and Enabling Strategies

Capital contributions from the City to the district energy P3 will be necessary to ensure adequate investment returns. Moreover, specific "enabling strategies"

to minimize project risk, such as mandatory connection standards, also need to be agreed to.

6. Incorporate District Energy into WUMP Phase 2

Incorporate district energy into Phase 2 of the Waterfront Utility Master plan.

7. Initiate Formation of District Energy Utility

Based on supportive partner interest and agreed upon P3 framework, City to begin initiating formation of a district energy utility to serve the Bellingham Waterfront.

5

DISTRICT WATER

Use of a district water system to serve the Bellingham Waterfront has the potential to reduce annual potable water use by over 60% while reducing both capital and operating costs to the buildings connected to it. Section 5 provides an overview of district water, the options evaluated, and recommendation of a preferred district water option, including development model and key next steps.

What is District Water?

District water is a term used to describe the provision of non-potable water – water not used for drinking or related consumptive uses – at a multi-building or neighborhood scale to meet non-potable water demand such as toilet flushing, HVAC, and irrigation. Sources of non-potable district water typically include rainwater harvesting, reclaimed greywater (non-toilet wastewater) and reclaimed blackwater (all wastewater). District water systems have the potential to reduce potable water demand from the buildings connected to it by 25-65% annually in a manner more cost effective than similar

building-scale systems.

Assessing District Water Viability

As with district energy, the core district water assessment is the comparison of district-scale water options to a building-scale (BAU) option to determine which option is more cost effective – and generates additional value for the waterfront district and community of Bellingham. Five district water options were evaluated in this assessment.

Further evaluation detail is provided in the Bellingham Waterfront District Infrastructure Assessment, Waterfront

Utility Master Plan (Phase I) – Detailed Analysis (Puttman Infrastructure, September 2014).

Unique Waterfront District Assets

As noted before, a unique characteristic of district infrastructure is to leverage existing infrastructure assets in a manner not feasible at the building scale to provide more cost effective and environmentally beneficial infrastructure service. Related to district water, one existing asset stands out:

I. GP Industrial Water Pipe

The fact that the GP industrial water pipeline still actively serves the Bellingham Waterfront – it provides process water to PSE's Encogen facility – is a unique remnant of the GP facility. When at full use, the conduit was able to deliver over 40,000,000 gallons of water a day to the GP facility from Lake Whatcom. Repurposing this infrastructure asset for non-potable purposes creates significant financial advantage over creating new district water systems focused on reclaimed water such as rainwater harvesting or wastewater reuse. Water is provided to the Encogen facility at 80% the current City water rate.

District Water Options

Similar to the district energy assessment, the district water assessment compares conventional provision of water to meet building demands (i.e., all water demand met with the City's potable water system) to district-scale water systems that leverage existing and/or future site assets to reduce City potable water use. A summary of each option evaluated is provided below. Further evaluation detail is provided in the Bellingham Waterfront District Infrastructure Assessment, Waterfront

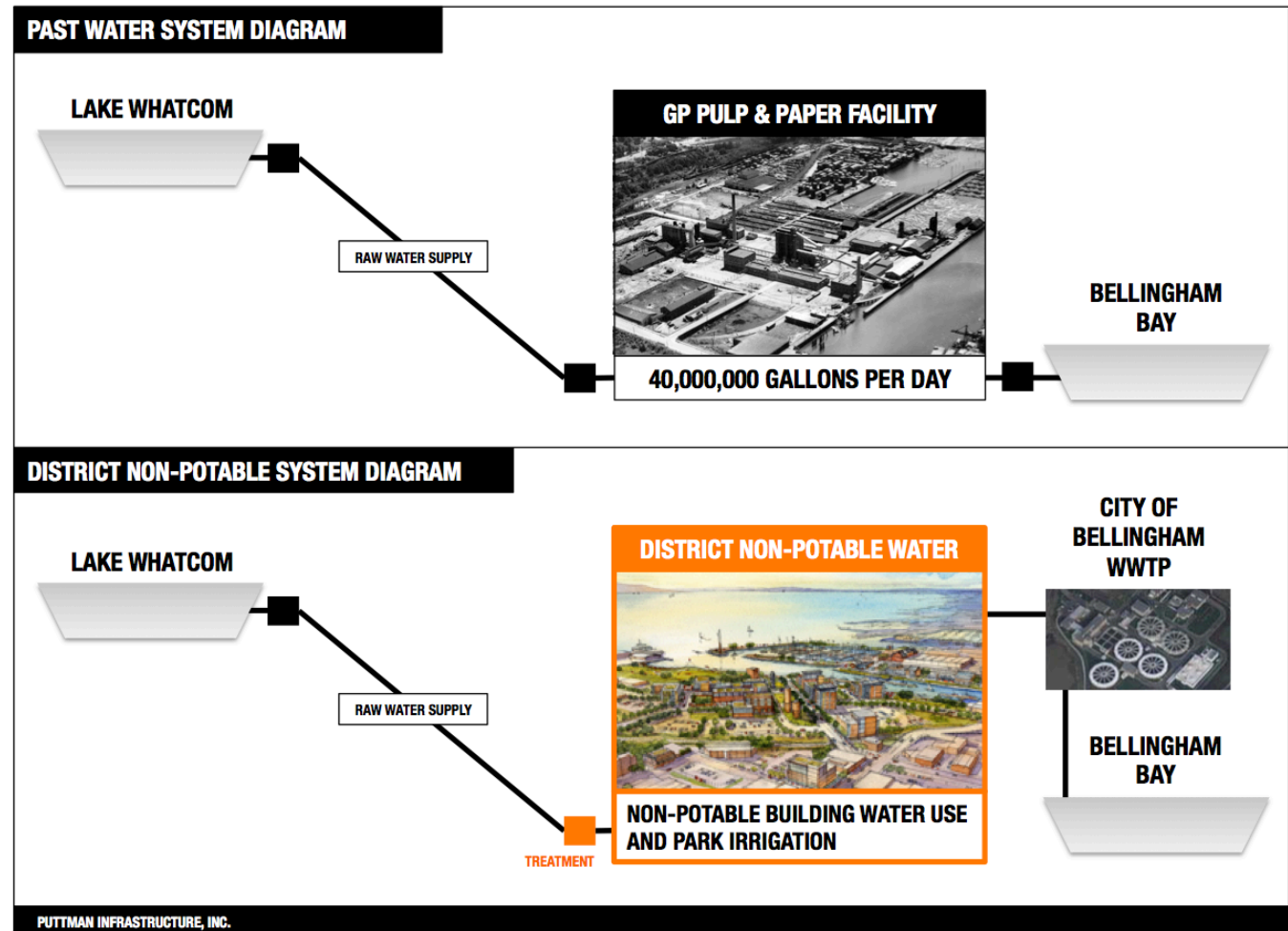


Figure 26 — District Water Diagram

Utility Master Plan (Phase I) – Detailed Analysis (Puttman Infrastructure, September 2014).

I. Business As Usual

BAU assumed all water demand is met with City provided water. No district system assumed. Total potable water use for the Waterfront District is estimated at 226M gallons annually.

Attachment "B"

2. Option 1a: Raw Water for All Non-Potable

Option 1 leverages use of the existing GP industrial water pipeline serving the Waterfront District. Year round water is available to the district based on the City's current Lake Whatcom water right. The system would utilize this water as a non-potable water source to supply 100% of the non-potable water demand in the district (e.g., toilet flushing, irrigation, and building HVAC). The system would consist of a treatment facility for disinfection (to meet State reclaimed water Standards), a distribution system to serve each property and a meters at each property to track usage.

Option 1a would reduce potable water use from the Waterfront District by 60%. At an estimated capital cost of \$1.25M and given projected operating costs and revenue, a simple payback on the investment would be approximately 9 years.

3. Option 1b (Raw Water for Irrigation Only)

Option 1b utilizes the same GP industrial water pipeline but eliminates the treatment facility and only provides non-potable for irrigation purposes. The system would consist only of a distribution system to serve each property and meters at each property to track usage.

Option 1b would reduce potable water use from the Waterfront District by 10%. At an estimated capital cost of \$320,000 and given projected operating costs and revenue, a simple payback on the investment would be approximately 24 years.

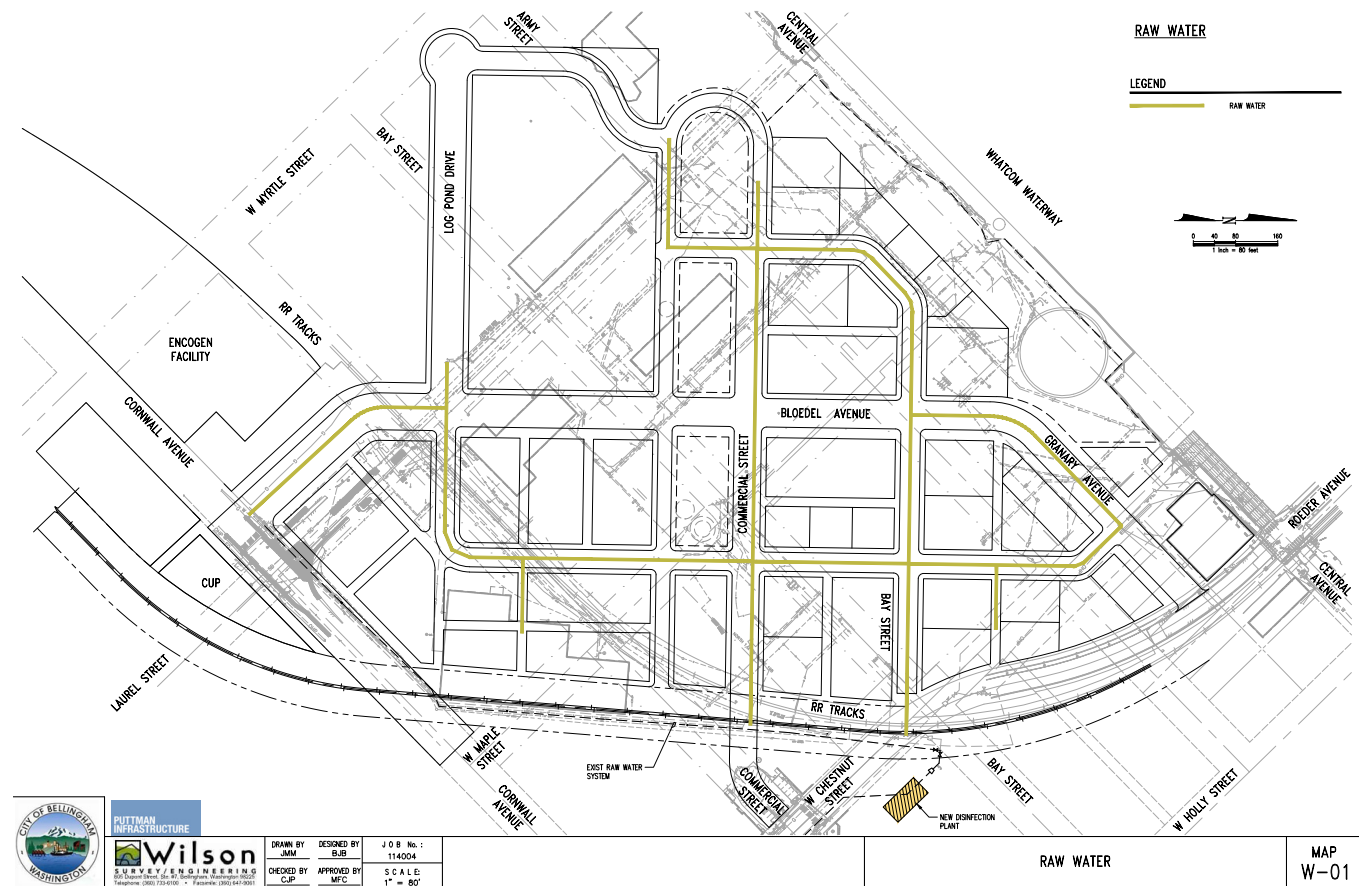


Figure 27 — Option I: Raw Water Supply

3. Option 2: Rainwater Harvesting

Rainwater from building roofs would be collected, stored, treated and distributed to supply non-potable water to the district. Based on historic Bellingham rainwater, collected rainwater from building rooftops would only supply a portion of the non-potable water need in the district. For example, either 50% of Phase 5 development or the full irrigation demand of Phases 3, 4 and 5 could be met with collected rainwater. A district rainwater harvesting systems would consist of a gravity collection system (for roof runoff only), storage facility, treatment works, and non-potable water distribution system.

Option 2 would reduce potable water use from the Waterfront District by 16%. At an estimated capital cost of \$1.79M and given projected operating costs and revenue, a simple payback of greater than 50-years is estimated.

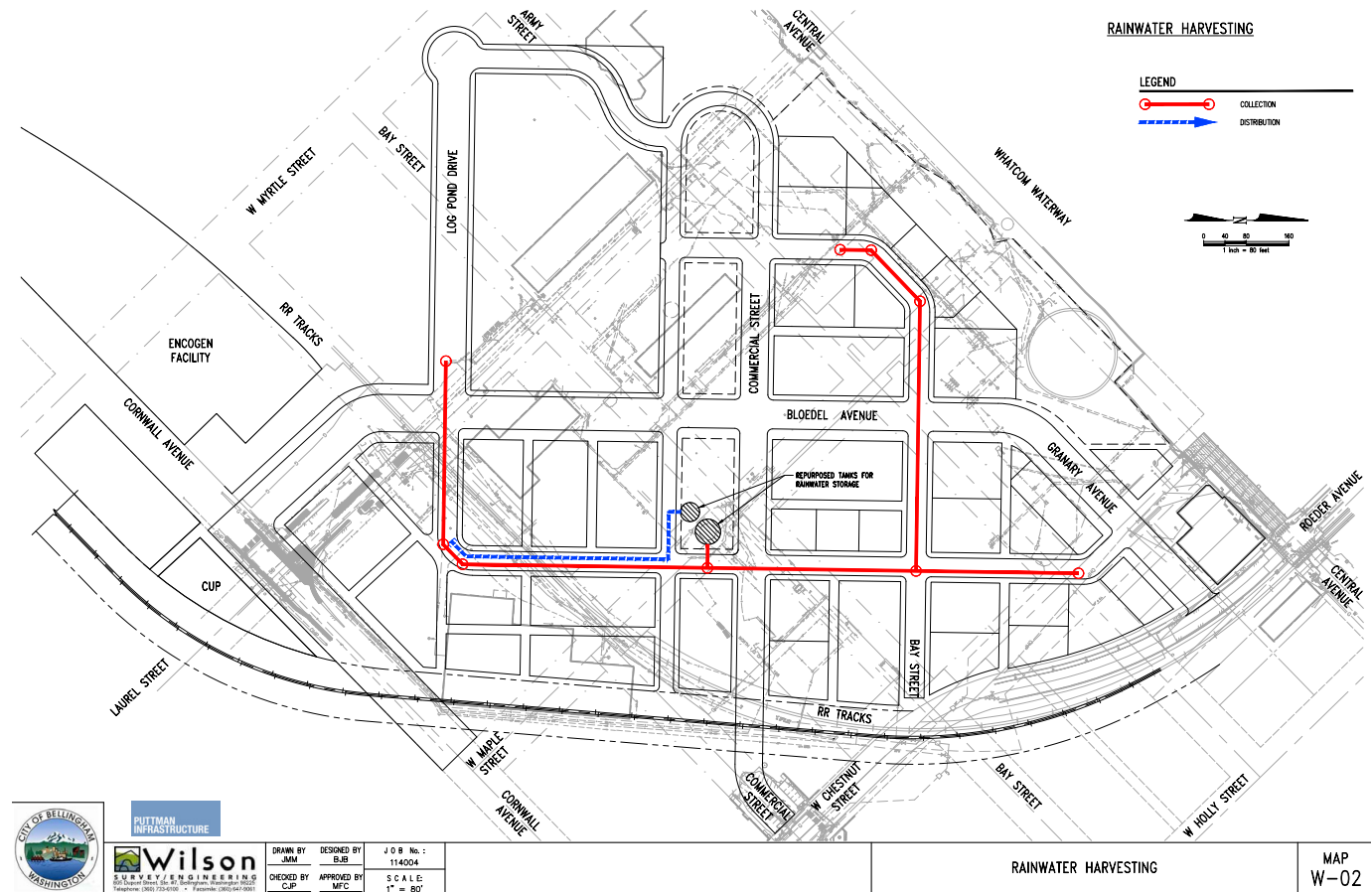


Figure 28 — Option 2: Rainwater Harvesting

4. Option 3: Greywater Reuse

Greywater is typically defined as building wastewater that excludes wastewater generated from toilets. The State of Washington restricts greywater reuse to subsurface irrigation only. As a result, greywater generated from Phases 1, 2 and 3 could be collected and reused to meet park irrigation demands (via subsurface irrigation systems). The system would consist of a gravity collection system (serving Phases 1, 2 and 3), treatment works and non-potable water distribution system. Subsurface irrigation would be used to serve all park space.

Option 3 would reduce potable water use from the Waterfront District by 27%. However, estimated operating costs out way potential revenue generation therefore the system could not generated sufficient revenue to recoup the initial investment.

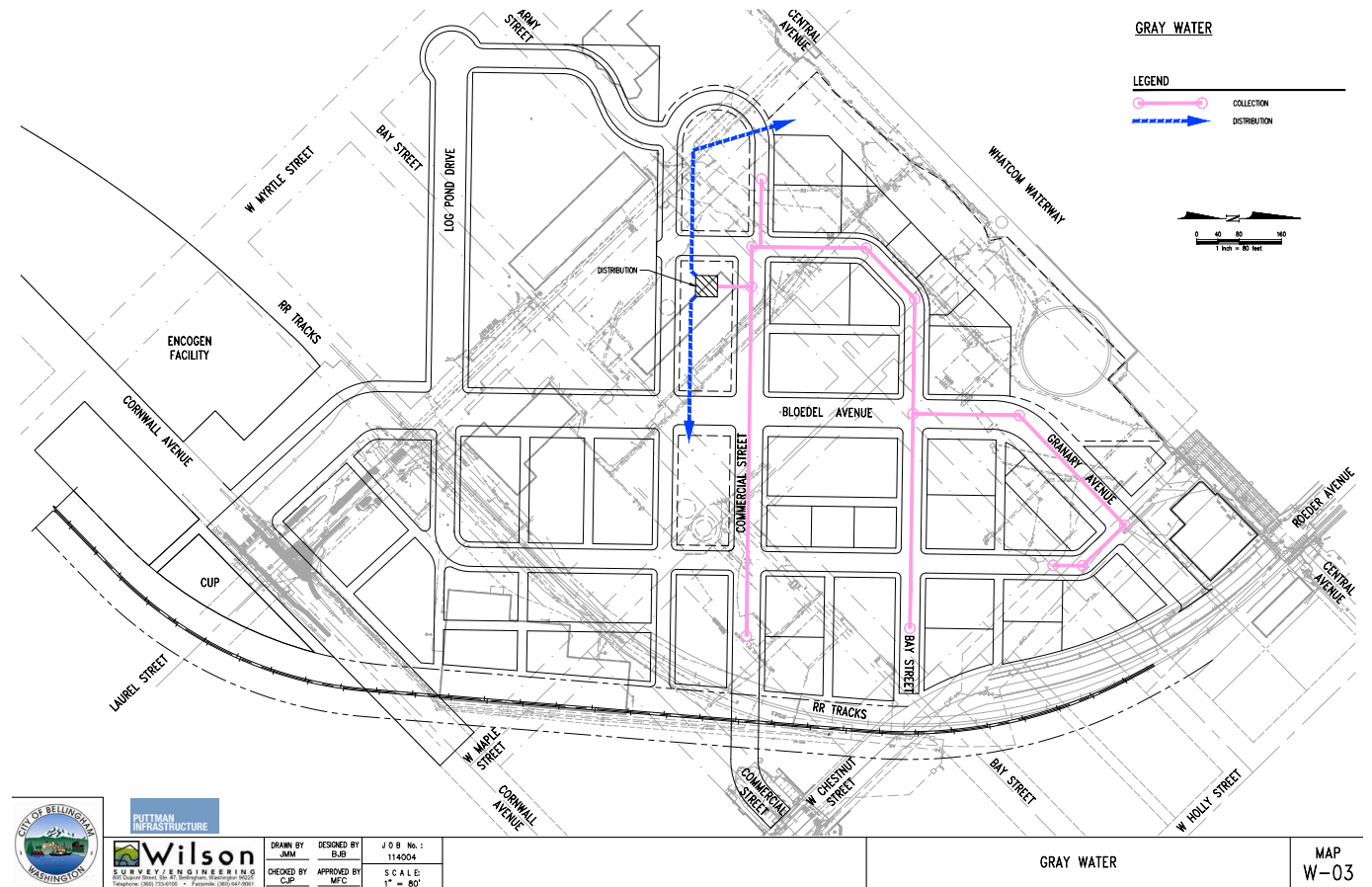


Figure 29 — Option 3: Greywater Reuse

5. Option 4: Wastewater Reuse

All wastewater generated from the waterfront district could be conveyed to an on-site wastewater treatment system and reused to meet 100% of the non-potable water demand of the district. The system would consist of a gravity collection system, treatment facility located at the CUP site, and non-potable water distribution system.

Option 4 would reduce potable water use from the Waterfront District by 60%. However, estimated operating costs out way potential revenue generation therefore the system could not generated sufficient revenue to recoup the initial investment.

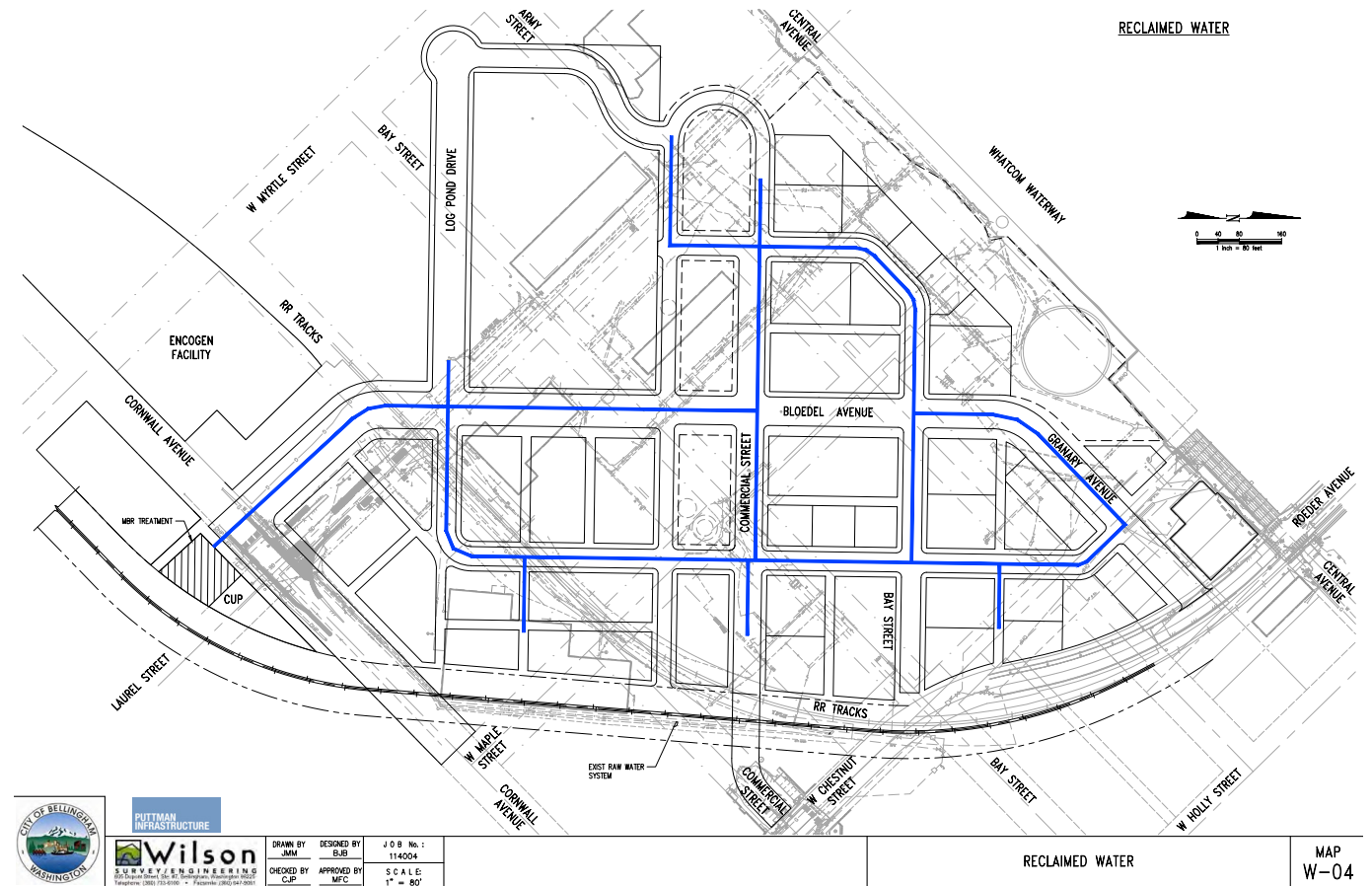


Figure 30 — Option 4: Wastewater Reuse

District Water Evaluation

For each option above, detailed performance and financial evaluations were completed based on waterfront development assumptions. Average and peak potable water and non-potable water demands were estimated, district scale equipment sized, capital costs were estimated for all system components and operating costs (fixed and variable) were estimated for each system.

Further evaluation detail is provided in the Bellingham Waterfront District Infrastructure Assessment, Waterfront Utility Master Plan (Phase I) – Detailed Analysis (Puttman Infrastructure, September 2014).

BAU



DISTRICT WATER



OPTION 1
RAW WATER (Lake Whatcom)



OPTION 2
RAINWATER HARVESTING



OPTION 3
GREYWATER REUSE



OPTION 4
WASTEWATER REUSE

Figure 31 — District Water System Options

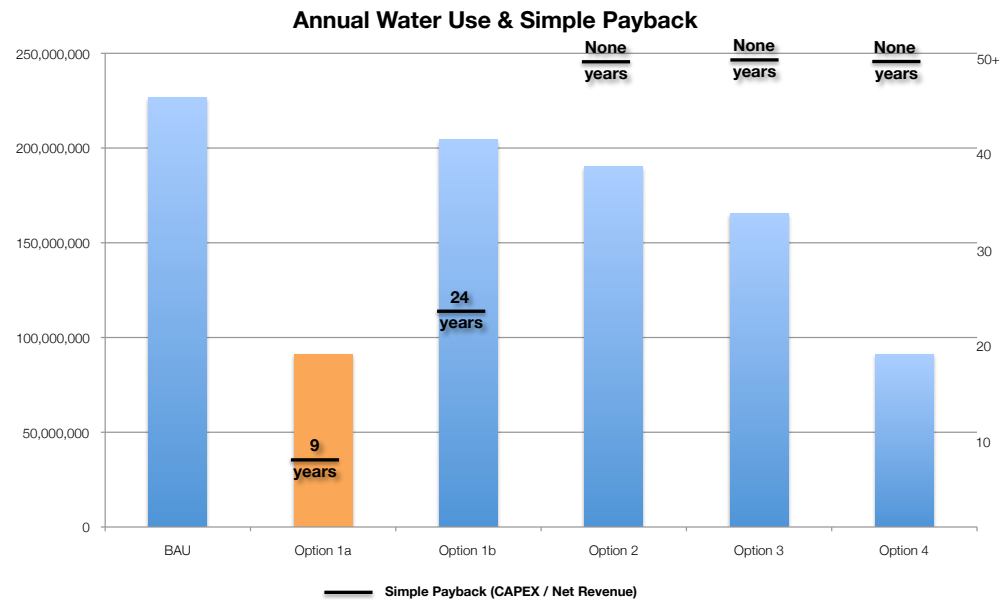


Figure 32 — Annual Potable Water Use & Simple Payback Comparison

Attachment "B"

District Water Findings

Comparing the BAU to district water options, based on these initial technical and financial evaluations and giving consideration to evaluation criteria, resulted in the following preliminary findings:

1. District Water Reduces Potable Water Demand

Use of a district water system has the potential to reduce potable water demand by 16-60%. Options 1 and 4 have the ability to meet 100% of non-potable water demand, generating a 60% reduction in potable water use.

2. Suitable Payback Periods for District Water

Payback periods for each district water option are less than 20 years except for Option 4 (wastewater reuse). This is a standard hurdle period given this level of assessment. Potential revenue is based on 80% of the current City water rate, similar to the rate charged to PSE's Encogen facility for process water.

3. Potential District Water Rate Favorable to Private Development

PSE's Encogen facility currently utilizes the same raw water supply from Lake Whatcom that the waterfront district would use. The City charges of rate 20% less than current potable water rates. A similar rate structured could be provided for the district water system to generate financial benefit for properties connected to the district water system. Further financial assessment will be conducted to assess potential rate structures.

4. Regulations Allow District Water
A review of existing regulations and permitting requirements found district water could be developed to serve the Bellingham Waterfront District.

5. Need for District Water Utility
To realize the benefits of district water, a district water utility is needed to ensure water service cost competitiveness and reliability of service. City of Bellingham Public Works is likely the best option for developing the district

water utility.

6. Brand and Market Differentiation
District water has the potential to generate marketing "buzz" and market differentiation that could prove valuable for the Waterfront District.

Recommended District Water Option

Option 1a appears to be the most

financially viable district water option. Not only does Option 1a reduce potable water demand by 60% - the highest among the options - it creates the most promising investment return. Similar to energy, the treatment works of the district water system could be sited at Block 11 to further reduce capital and operating costs.

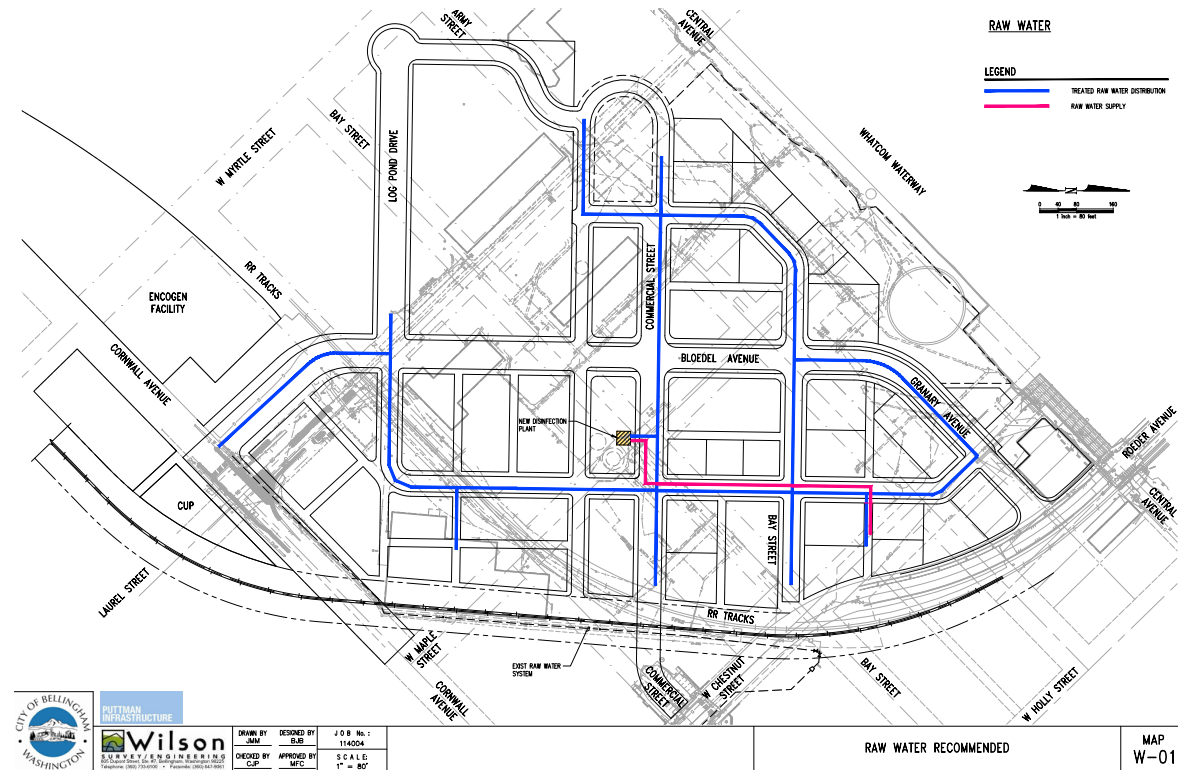


Figure 33 — Recommended District Water Option

Attachment "B"

Recommended District Water Development Model

A public development model is recommended to deliver district water (Option 1a) for two reasons. First, the City already provides potable water service, including the administrative and technical infrastructure to support operations, that make it the first choice provider. Second, the City owns both the GP industrial water pipeline and the water via an existing water claim – both of which simply infrastructure development complexity. The district water system of the Bellingham Waterfront District would simply be an extension of the existing City of Bellingham water utility.

The structure of the recommended public development model is identified in Figure 33 – District Water Development Model Structure (Public). The following key partners, including roles and responsibilities, have been identified to make the recommended district water system work:

1. City (Finance, Develop, Operate, Enabling Strategies)

Much like with the current Bellingham water system, the City would finance, develop and operate the district water system. Funding would likely come from bond dollars and revenue from non-potable water fees (service charges and usage rates). City should also enact a mandatory connection standard to ensure all non-potable water demand from district development is served by the district water system.

2. Building Owner (Customer)

The master developer must be sup-

portive of district water as the buildings they develop will be the future customers of the system.

District Water Development Next Steps

Based on these findings, the following next steps will be completed:

1. Initiate Partner Engagement

City should initiate engagement with key project partners, including the City, Port, and master developer; to gauge preliminary support for the imple-

mentation of a district water system. Assuming initial support, City to work with partners throughout the following steps to ensure their interests are incorporated into system development.

2. Refine Public Development Model and Create Implementation Roadmap

A public development model will be structured identifying the most appropriate ownership entity, utility structure, investment requirements, operating structure, risk considerations and legal considerations. Moreover, a clear implementation roadmap will be created

identifying key steps and milestones to successfully development district energy under the public development model.

3. Confirm Partner Interest

City to meet with master developer to review district water system benefits and confirm developer support for implementing district water:

4. Incorporate District Water into WUMP Phase 2

Incorporate district water into Phase 2 of the Waterfront Utility Master plan.

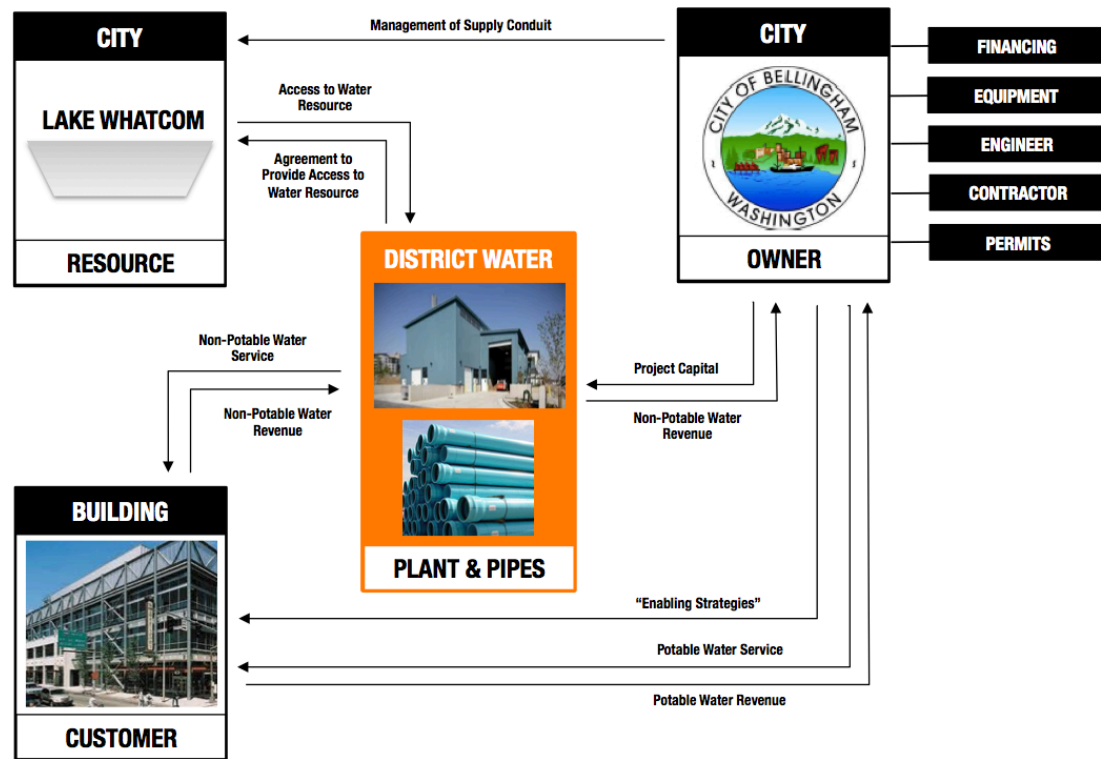


Figure 34 — District Water Development Model Structure (Public)

6

MICRO HYDRO

A unique asset of the Bellingham Waterfront District is the existing GP industrial water pipeline that supplied water from Lake Whatcom to the GP facility as process water – and still provides process water to PSE’s Encogen facility. Over 250-feet of elevation difference exists between Lake Whatcom and the Bellingham Waterfront. This elevation difference, or “head,” combined with the size of the existing conduit and available Lake Whatcom water, has the potential to generate significant power through the use of a new hydroelectric power turbine. Section 6 provides a summary of the assessment of this potential and the next steps to realize it.

What is Micro Hydro?

Micro hydro is simply a term to describe a small hydroelectric power generating facility. Micro hydro facilities are generally considered “in conduit” facilities, or facilities located within pipes used to convey water for municipal, irrigation and industrial water purposes.

Assessing Micro Hydro Viability

Potential revenue needs to be at a significant enough amount to justify initial

investment commitments. Potential system scale, power output, revenue generation potential, and interconnect location will be assessed to determine in micro hydro makes sense for the Waterfront District. A detailed micro hydro assessment is provided in the Bellingham Waterfront District Infrastructure Assessment, Waterfront Utility Master Plan (Phase I) – Detailed Analysis (Puttman Infrastructure, September 2014).

Unique Waterfront District Assets

Due to facility scale, power output, revenue generation potential, and interconnect location, it is often difficult to prove out a positive business case for micro hydro. But the Bellingham Waterfront District is different. Power potential is significant, water is available, infrastructure exists, and interconnection nearby. Moreover, the City of Bellingham already generates power – and revenue – from the Hutchinson hydro facility located on the same system

serving the Waterfront District.

The trick will be finding the “right fit” micro hydro solution that leverages these existing assets to not only provide the financial return required to justify an initial investment but also meet water resource management needs and goals of the greater Bellingham community

Micro Hydro Options

The existing GP industrial water pipeline presents a unique opportunity to generate electricity through the use of small hydroelectric turbines. Current water availability exists via a City water right from Lake Whatcom to supply water for significant micro hydro power generation (large hydro) however current operations only create power generation potential for four (4) months a year (small hydro). Additional small hydro opportunities exist based on the water needs of existing water users such as Encogen or potential water users such as a district water system and a district energy system. Six options were evaluated to leverage both large and small hydro opportunities:

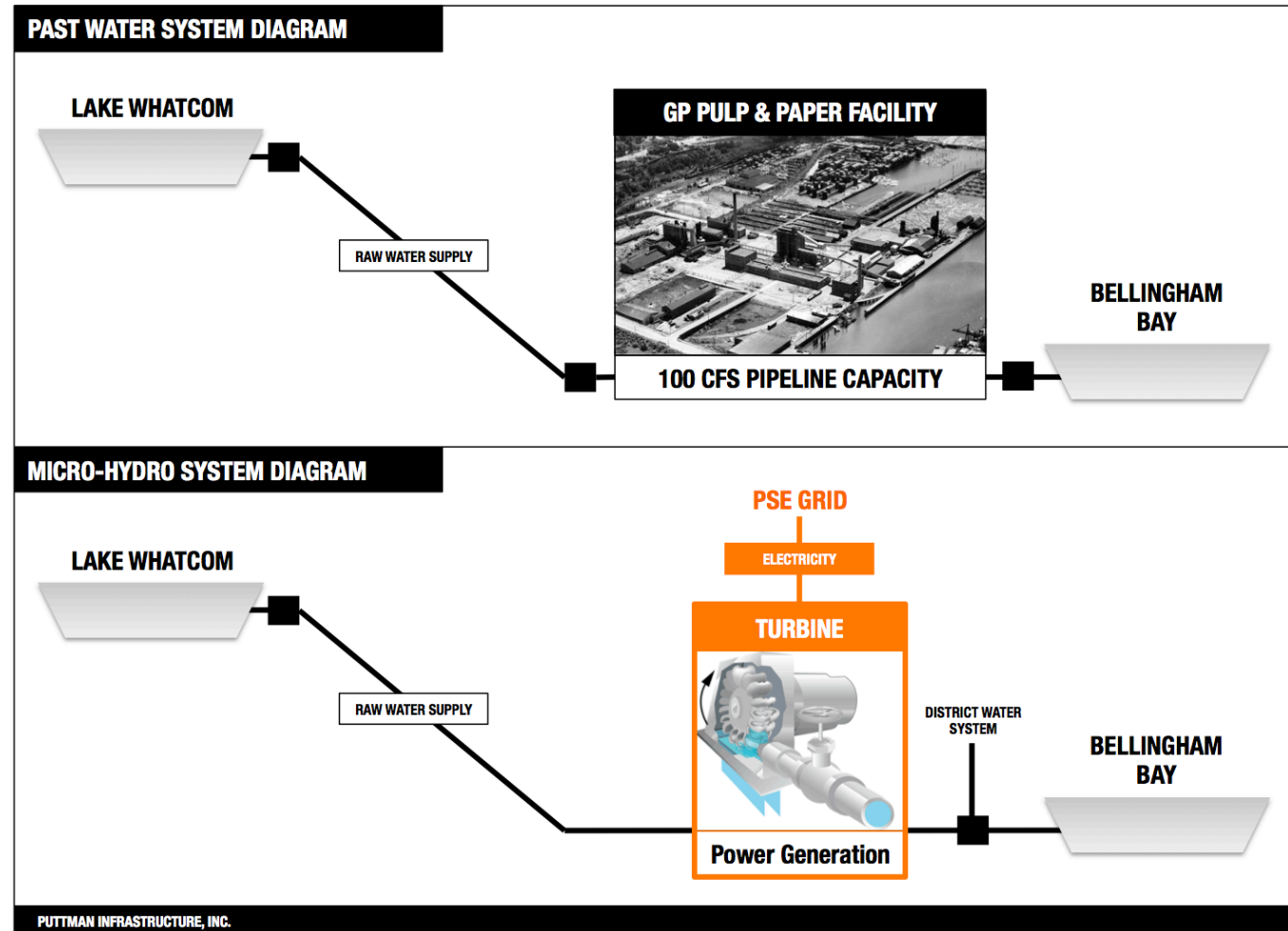


Figure 35 — Micro Hydro Diagram

Attachment "B"

1. Option 1: Small Hydro from District Water

Water utilized in the raw water district water system (District Water Option 1) could generate power via a micro hydro system. The micro hydro system would be located just upstream of the district water system, consisting of a small hydro turbine housed in the same structure as the district water treatment works. As a secondary use, the cost of FERC licensing would be avoided.

Annual energy generation estimated for Option 1 is 27,000 kWh, generating approximately \$1,600 in revenue. At a capital cost of \$335,000, the simple pay-back on the system would 219 years.

2. Option 2: Small Hydro from District Energy

The potential district energy system requires pumping to supply heating and cooling water throughout the district. These pumps would traditionally be driven by electric motors consuming electricity. An alternative would be to drive these pumps with a direct-coupled hydro turbine to provide electricity via micro hydro versus grid electricity. A small additional water right would be required to ensure 24/7 operations. As a secondary use, the cost of FERC

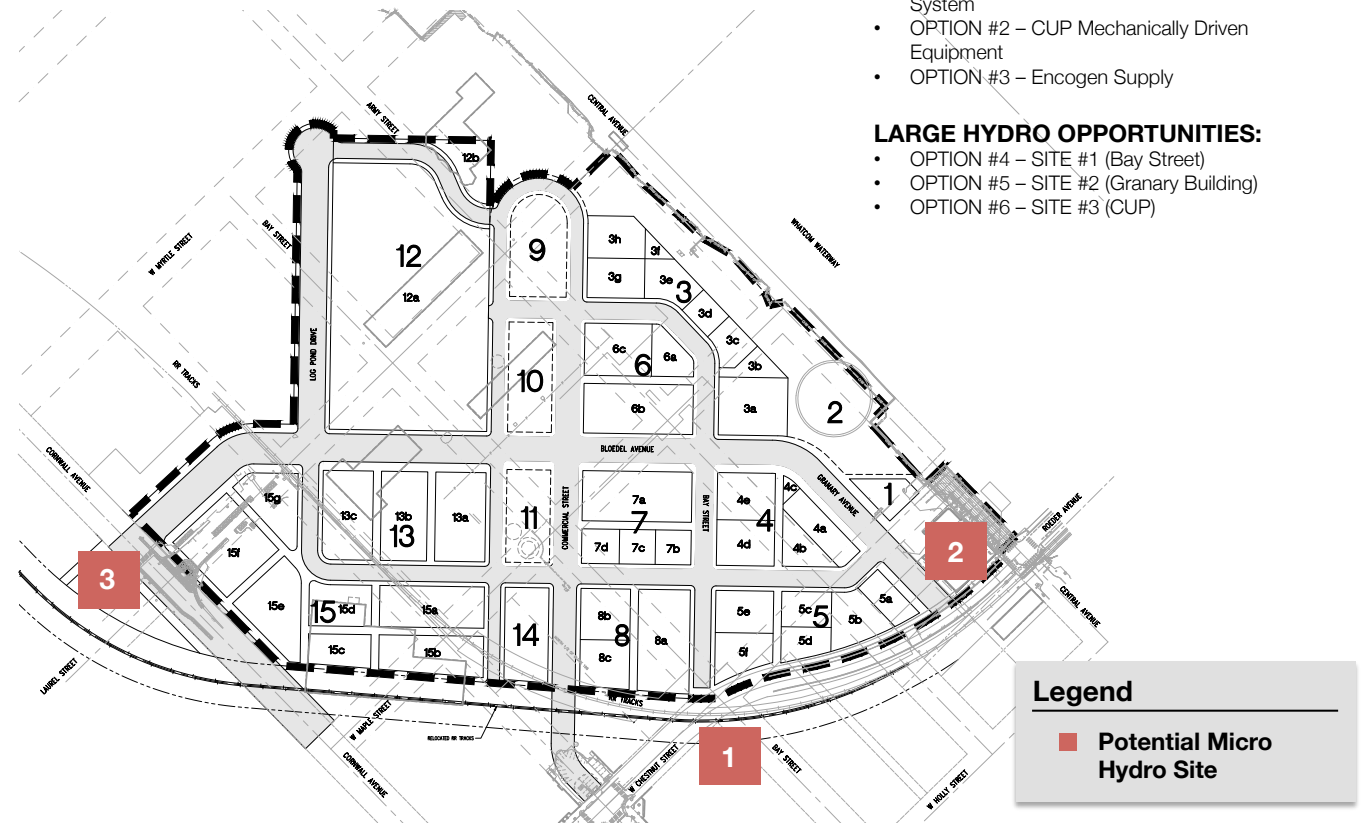


Figure 36 — Potential Micro Hydro Sites

licensing would be avoided.

Annual energy generation estimated for Option 2 is 350,000 kWh, generating approximately \$28,032 in revenue. At a capital cost of \$150,000, the simple payback on the system would 5 years.

3. Option 3: Small Hydro from Encogen Supply

PSE's Encogen facility currently utilizing Lake Whatcom water via the existing GP industrial water pipeline. A small hydro turbine could be placed on this line to generate electricity. As a secondary use, the cost of FERC licensing

would be avoided.

Annual energy generation estimated for Option 3 is 40,000 kWh, generating approximately \$2,000 in revenue. At a capital cost of \$335,000, the simple pay-back on the system would 168 years.

4. Option 4: Large Hydro at Waterfront District Site #1

Given current Lake Whatcom water availability, hydro generation could be utilized as a stand-alone system to generate electricity. FERC licensing would be required. Site #1 is vacant lot located at the corner of Bay and Chestnut Streets adjacent to the Waterfront District. A penstock would be required to connect water from the existing GP industrial water pipeline to the hydro turbine. A tailrace pipe would be required to convey water for discharge to Bellingham Bay.

Annual energy generation estimated for Option 4 is 2,474,000 kWh, generating approximately \$123,700 in revenue. At a capital cost of \$5.8M, the simple pay-back on the system would 47 years.

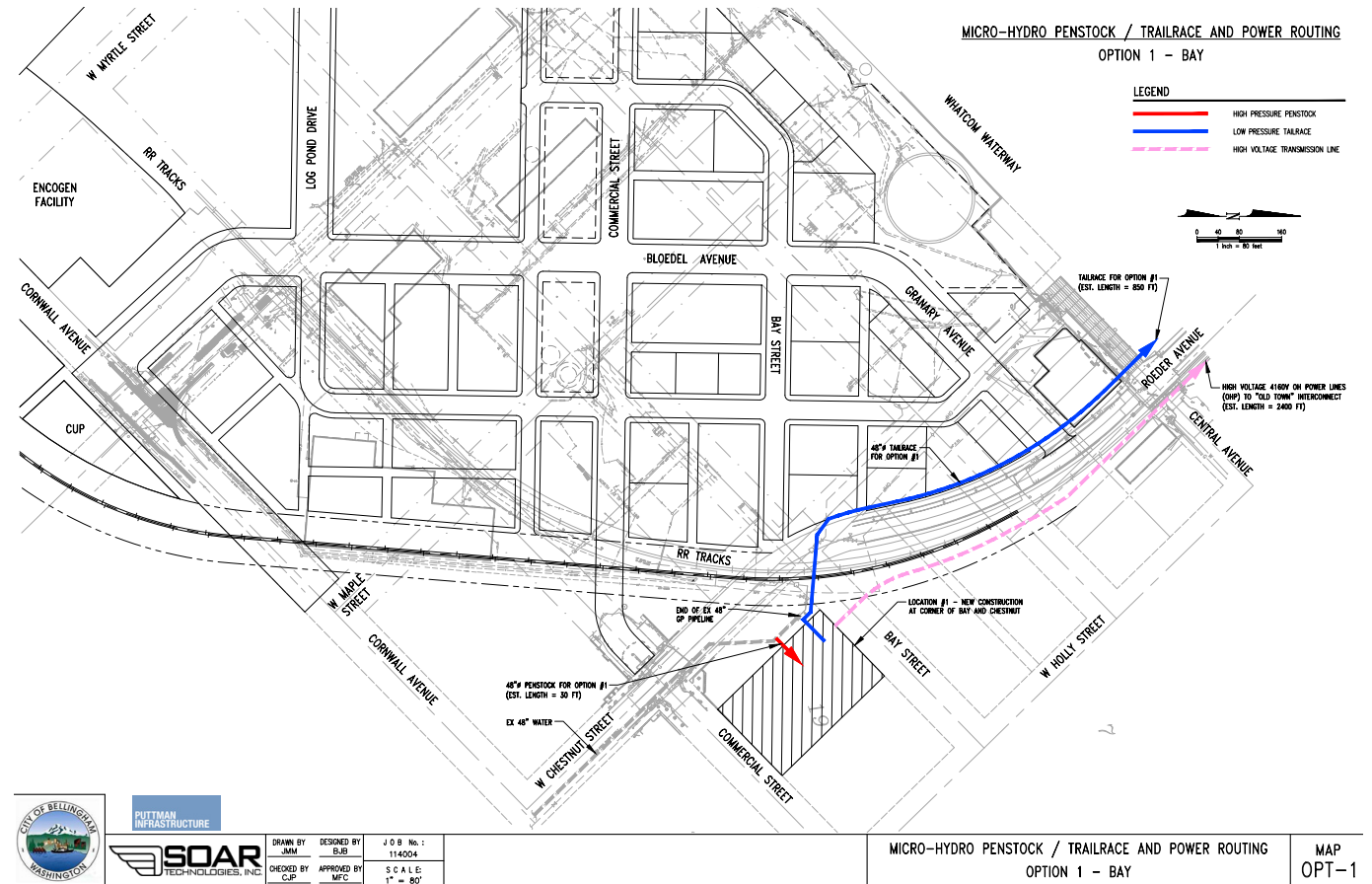


Figure 37 — Option 4: Large Hydro at Waterfront District Site #1

5. Option 5: Large Hydro at Waterfront District Site #2

Option 5 is similar to Option 4 but locates the hydro turbine within the Granary Building. A penstock would be required to connect water from the existing GP industrial water pipeline to the hydro turbine. A small tailrace pipe would be required to convey water for discharge to Bellingham Bay.

Annual energy generation estimated for Option 5 is 2,474,000 kWh, generating approximately \$123,700 in revenue. At a capital cost of \$5.6M, the simple pay-back on the system would 46 years.

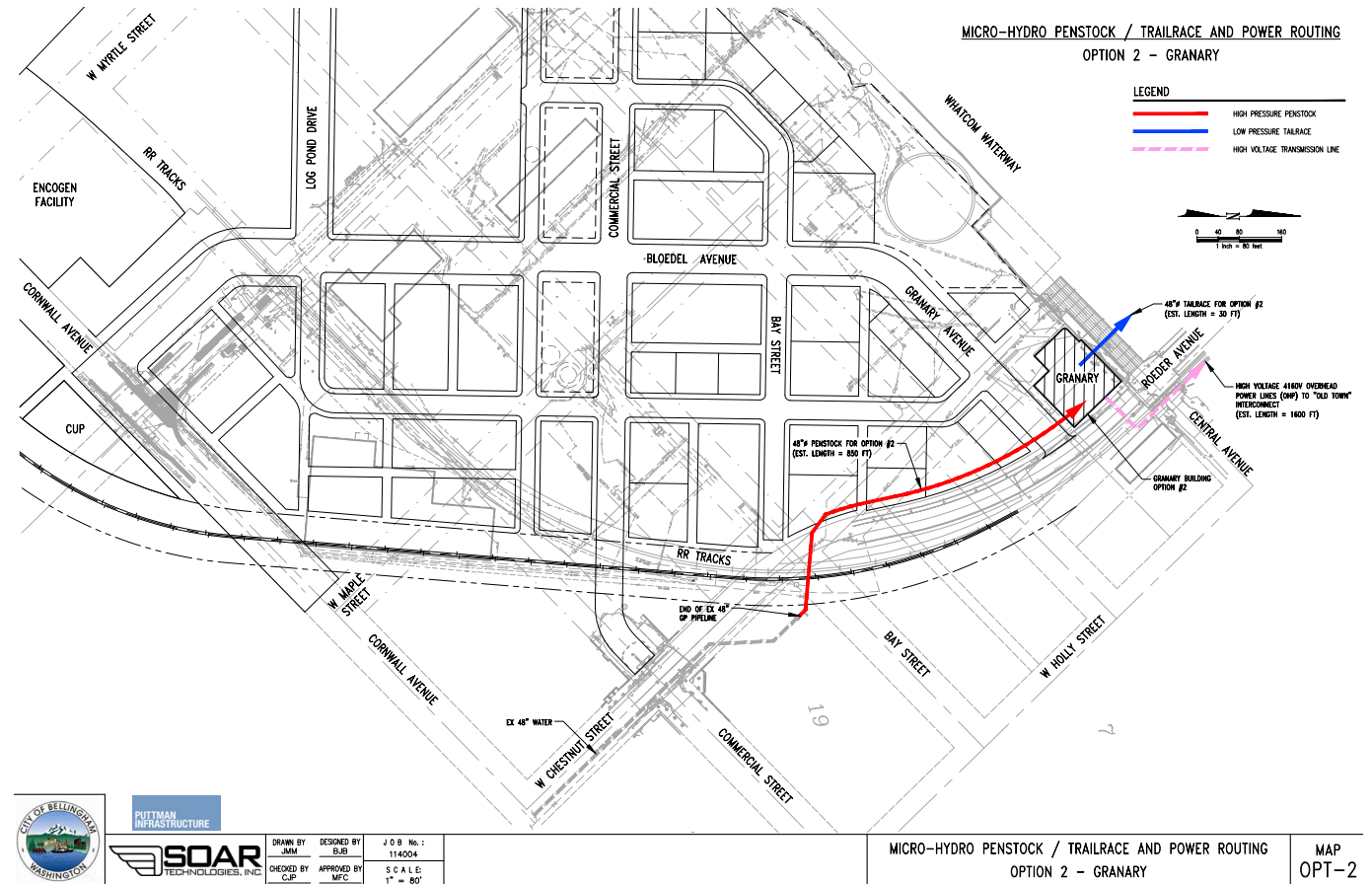


Figure 38 — Option 5: Large Hydro at Waterfront District Site #2

6. Option 6: Large Hydro at Waterfront District Site #3

Option 6 locates the hydro turbine at the CUP site requiring a penstock pipe to supply water from the GP industrial water pipeline and a tailrace pipe to discharge water back to Bellingham Bay. Tailrace water could be utilized to supply a water feature within proposed park(s).

Annual energy generation estimated for Option 6 is 2,474,000 kWh, generating approximately \$123,700 in revenue. At a capital cost of \$7.5M, the simple pay-back on the system would be 61 years.

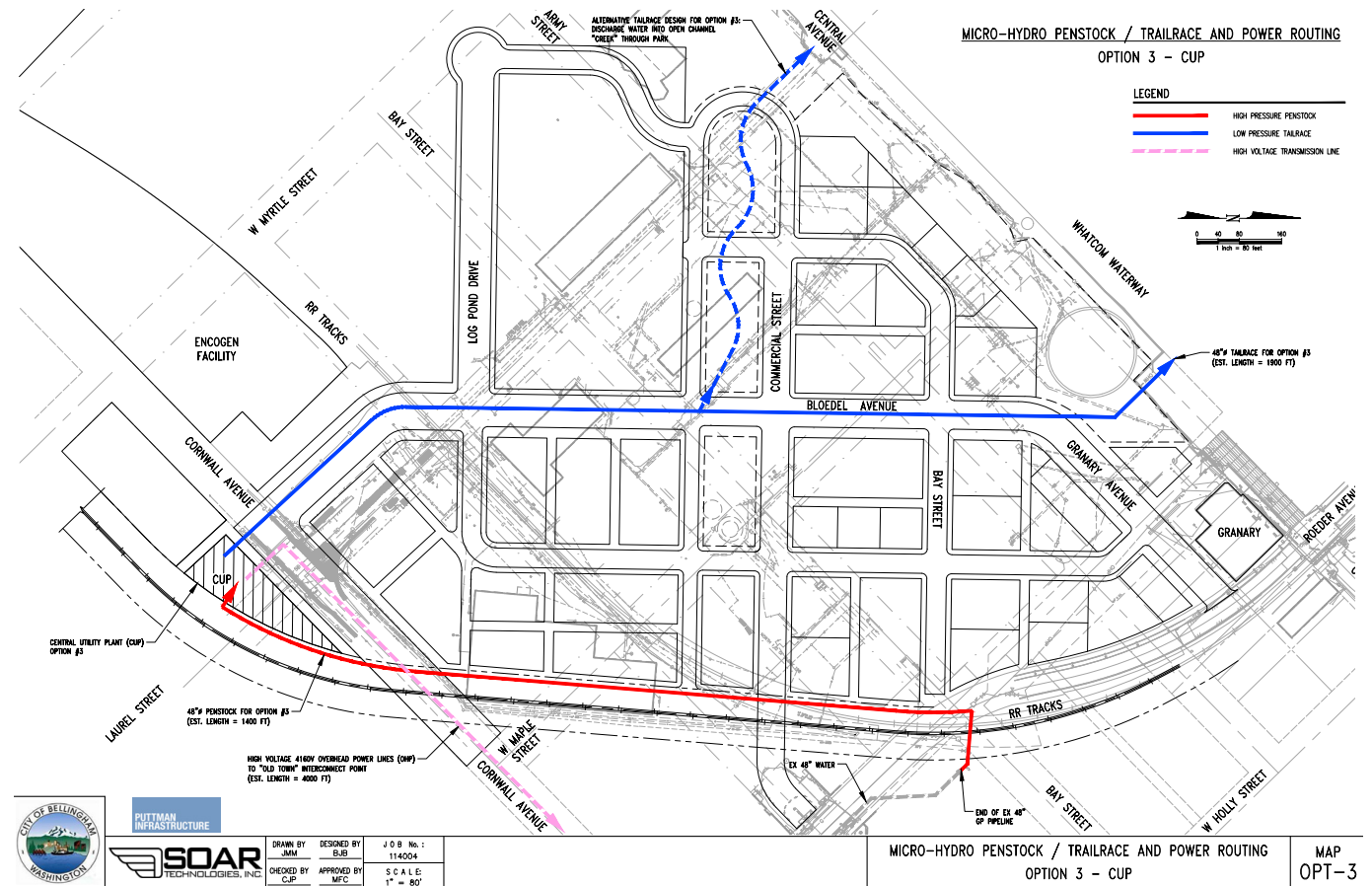


Figure 39 — Option 6: Large Hydro at Waterfront District Site #3

7. Option 7: Demonstration Pilot

Option 7 seeks to optimize the use of available water with a facility generation capacity suitable to create adequate investment returns. The hydro turbine would be co-located with the district energy and district water facilities adjacent to the existing GP tile tanks. A penstock pipe to supply water from the GP industrial water pipeline and a tailrace pipe to discharge water back to Bellingham Bay will also be required.

The annual revenue generating potential of this system would pay for the \$1,000,000 capital investments in just 10 years, assuming Lake Whatcom water resource planning could be accomplished prior to developing the system.

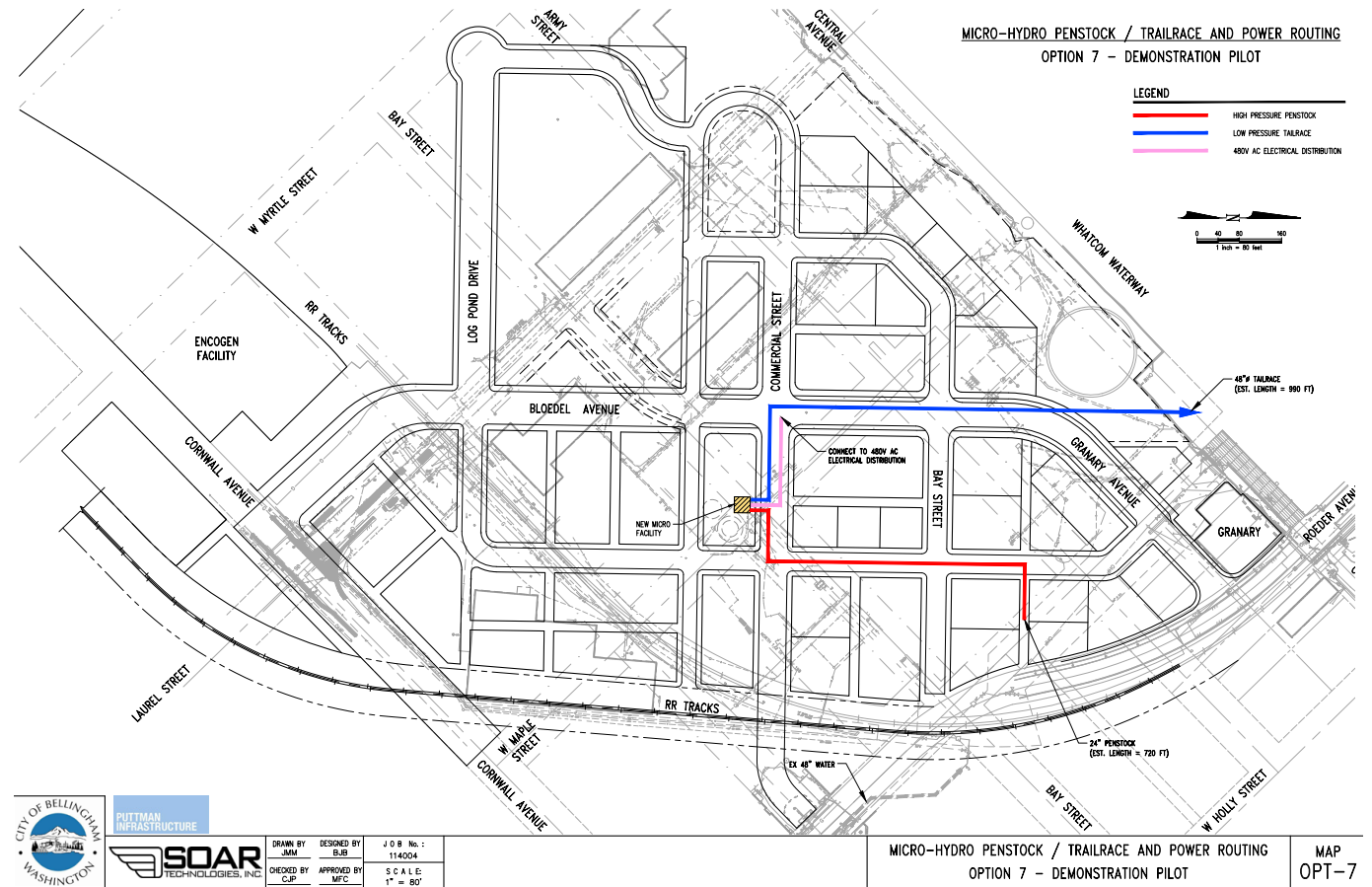


Figure 40 — Option 7: Demonstration Pilot

Attachment "B"

BAU



Micro Hydro Evaluation

For each option above, power production and revenue generation was estimated as well as capital and operating costs. Simple payback periods were estimated based on capital and operating costs and potential revenue.

Previous evaluations of micro-hydro associated with the GP industrial water pipeline were utilized to ensure potential water flows available for power generation aligned with water available from the Lake Whatcom watershed.

Further evaluation detail is provided in the Bellingham Waterfront District Infrastructure Assessment, Waterfront Utility Master Plan (Phase I) – Detailed Analysis (Puttman Infrastructure, September 2014).

MICRO HYDRO

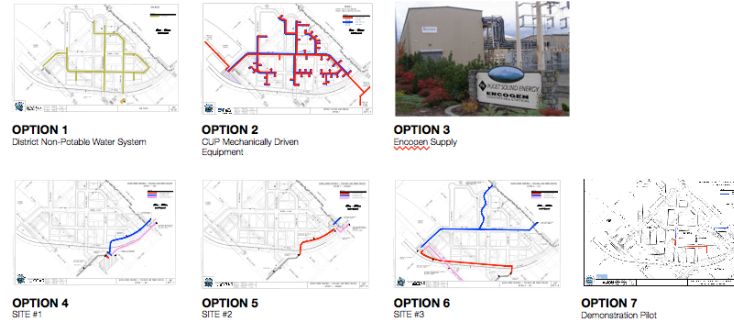


Figure 41 — Micro Hydro System Options

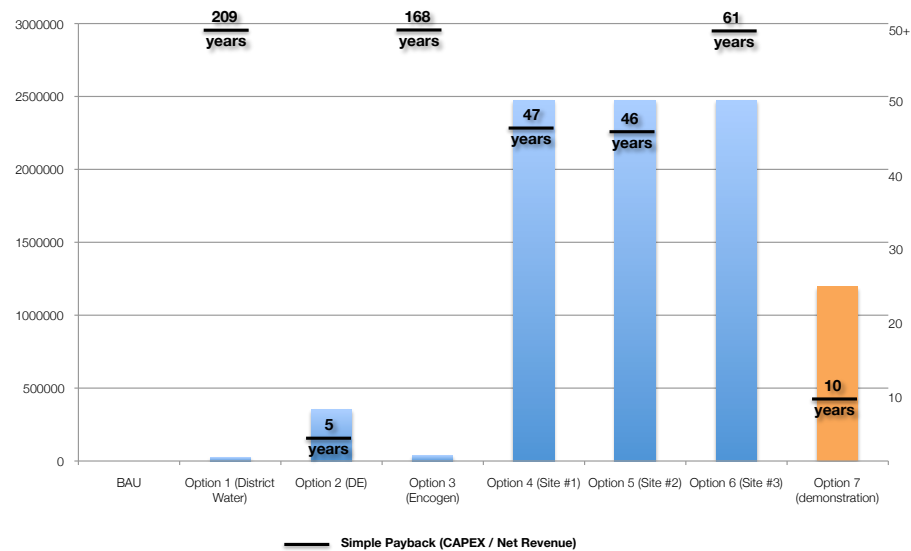


Figure 42 — Annual Power Generation & Simple Payback Comparison

Micro Hydro Findings

Based on these initial technical and financial evaluations and giving consideration to evaluation criteria, the following preliminary findings are made.

1. Demonstration Pilot Micro Hydro Appears Feasible

Given potential simple payback ranges for the options evaluated, the micro hydro demonstration pilot generates adequate investment returns (10-year payback) while balancing Lake Whatcom water use with other uses..

2. Micro Hydro Viability Increases Significantly with Additional Water

A review of existing water rights revealed additional water is available via diversion from the Nooksack River. With the potential of providing year round water, this additional supply would significantly increase micro hydropower production and revenue generation from Options 4, 5 and 6.

3. Regulations Allow Micro Hydro

Clear regulatory pathways exist to support the implementation of micro hydro. Small hydro Options 1, 2 and 3 are currently exempt from FERC licensing as they are considered secondary uses for the supply water. Large hydro Options 4, 5 and 6 would require full FERC licensing.

4. Brand and Market Differentiation

Regardless of scale, micro hydro has the potential to generate marketing "buzz" and market differentiation that could prove valuable for the waterfront development.

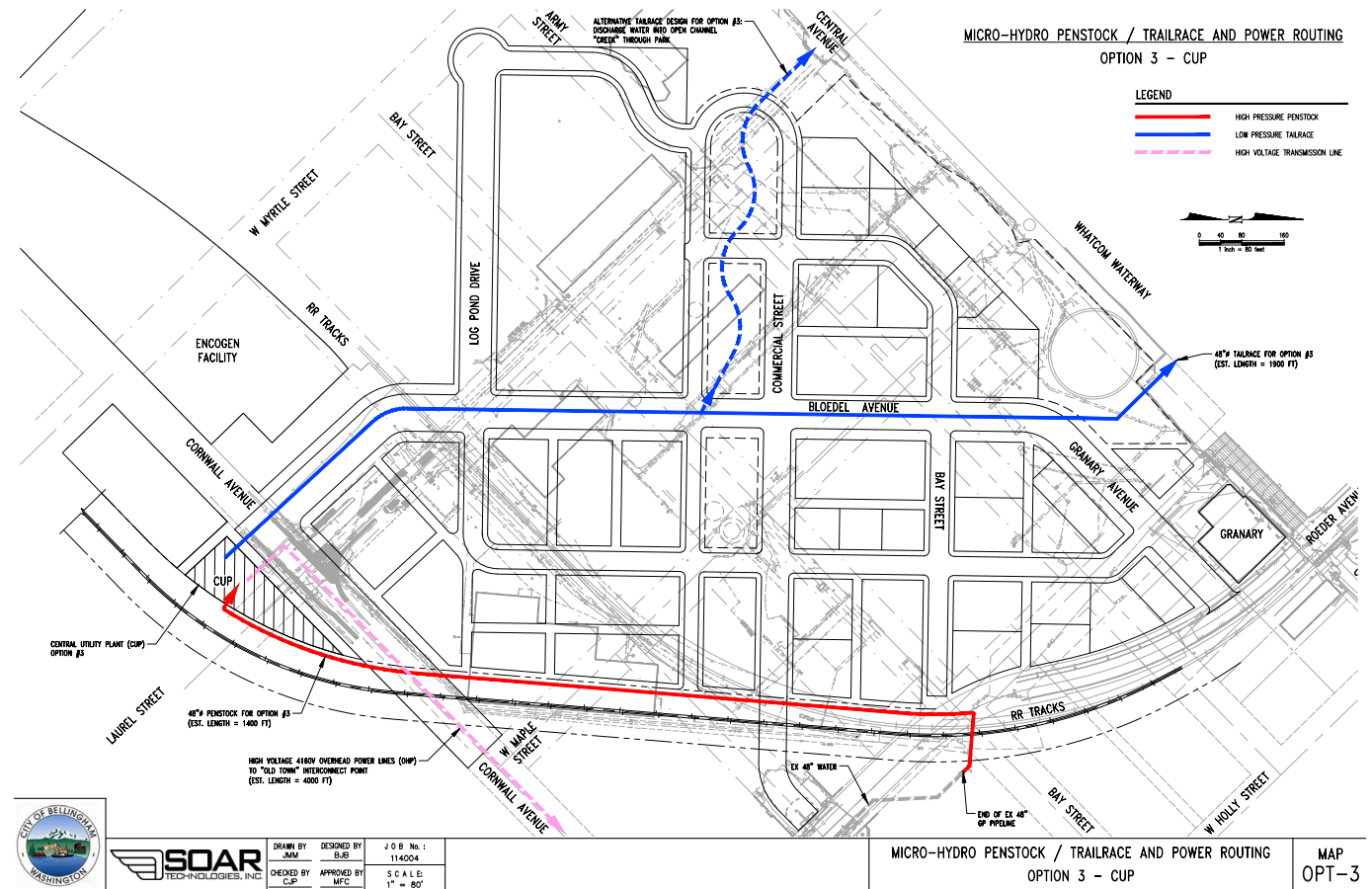


Figure 43 — Recommended Micro Hydro Option: Option 6

Recommended Micro Hydro Option

Option 6 (large hydro) is the recommended system option for micro hydro. Option 6 would use the existing GP industrial water pipeline to generate

power from available Lake Whatcom water, balancing water resource demands between municipal and environmental uses. The annual revenue generating potential of this system would pay for the \$7.5M capital investment in just over 60 years. Should

additional water diversion be agreed to, the system payback period could be reduced significantly.

Recommended Micro Hydro Development Model

A public private partnership (P3) development model is recommended to develop micro hydro (Option 7) at the Waterfront District. This model was selected due to the fact that the City owns the water and existing GP industrial water pipeline and that the City has not expressed interest in developing, owning and operating a micro hydro facility. That City is interested in leveraging its existing resources to generate revenue and help the Waterfront District – and community – achieve its sustainability goals. Projected investment returns appear suitable for a private partner to engage with the City in developing and operating this hydroelectric resource.

Moreover, the City may help to minimize regulatory challenges associated with FERC licensing of the micro hydro facility by completing a comprehensive Lake Whatcom water management strategy that balances existing water rights with water quality and water resource needs for fish and wildlife.

The structure of the recommended P3 is identified in Figure 42 – Micro Hydro Development Model Structure (P3). The following key partners, including roles and responsibilities, have been identified to make recommended district energy P3 work:

1. City (Infrastructure, Net-Metering, Enabling Strategies)

The role of the City would be to provide the private micro hydro developer with the water necessary to generate electricity.

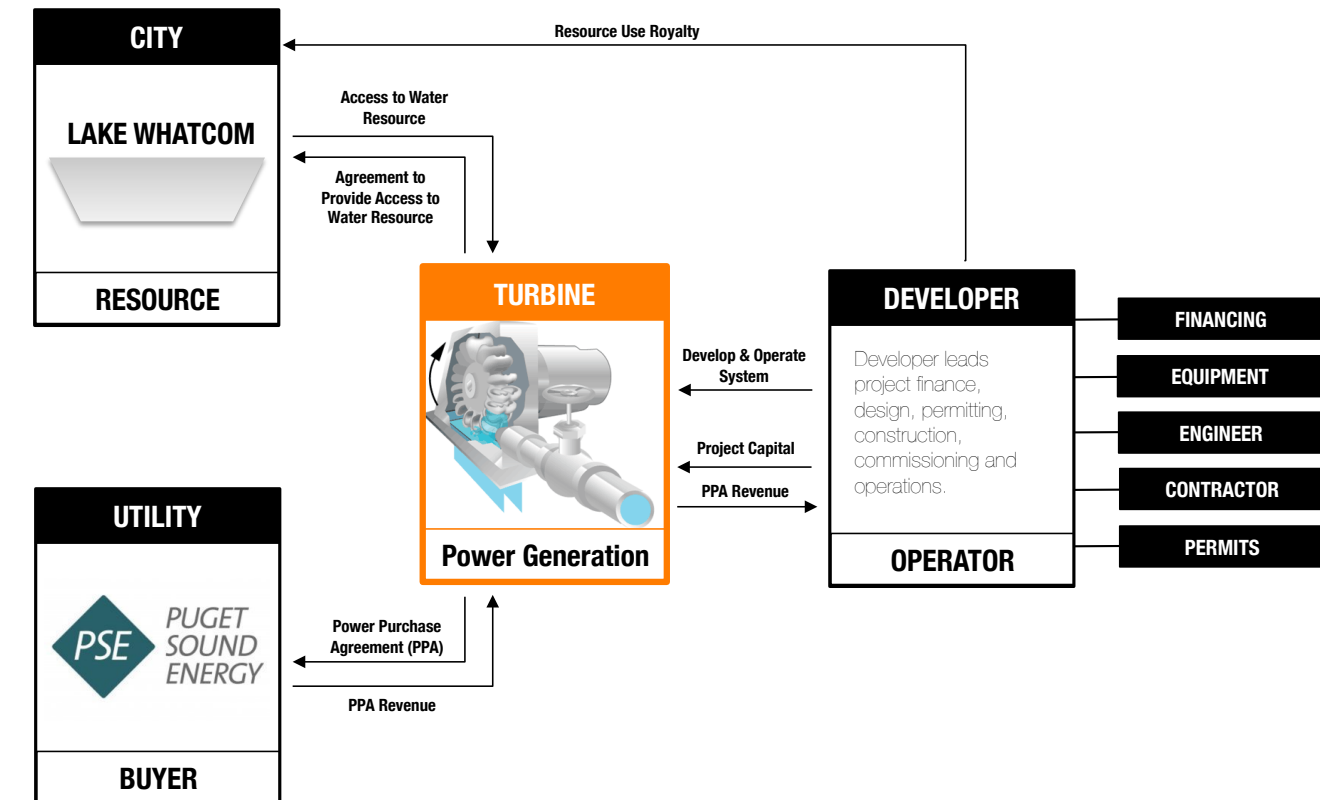


Figure 44 — Micro Hydro Development Model Structure

2. Micro Hydro Developer (Finance, Develop, Operate)

The micro hydro developer would be responsible for financing, developing (design and permits), construction and operations of the micro hydro facility.

3. PSE (Energy Purchaser)

PSE would be the purchaser of electricity generated from the micro hydro facility.

In addition to the partners above, WWU has expressed interest in sup-

porting the development of a micro hydro facility and could potentially help to bring project financing into the P3 structure.

Micro Hydro Development Next Steps

Based on these findings, the following next steps will be completed:

1. Initiate Partner Engagement

City should initiate engagement with key project partners, including the City, Port, master developer and PSE, to gauge preliminary support for the implementation of a micro hydro system. Assuming initial support, City to work with partners throughout the following steps to ensure their interests are incorporated into system development.

2. Outline Approach to Assess the Viability of Additional Lake Whatcom Use for Micro Hydro

A clear approach identifying the necessary steps and potential issues associated with providing additional Lake Whatcom water supply for micro hydro purposes is needed to better understand the issues and opportunities associated with utilizing this resource. Technical, regulatory, legal and political elements will be identified and a roadmap will be established to complete/resolve each element. Explore how best to align this roadmap with potential waterfront development to ensure cost effective construction and operations.

3. Develop Public Private Partnership Framework and Roadmap

Based on the recommended micro hydro development model, a detailed partnership framework should be established identifying roles, responsibilities (including capital contributions), and timeline for financing, developing and operating the micro hydro system. The partnership framework should also be coupled with a micro hydro development roadmap to demonstrate tasks and major milestones for implementing micro hydro.

4. Confirm Partner Interest

Once a preliminary draft of the P3 framework and roadmap has been completed (see #2), City should convene a meeting with City, Port, WWU and PSE to confirm support of a public private partnership to implement micro hydro. The partners, assuming they are interested, should work together to finalize the P3 framework and roadmap. Upon finalization, each partner should formally confirm support of the P3 through a letter of interest (LOI).

5. Incorporate Micro Hydro into WUMP Phase 2

Incorporate micro hydro into Phase 2 of the Waterfront Utility Master plan.

7

DISTRICT STORMWATER

District stormwater optimizes the use of green infrastructure to manage stormwater in a more ecologically connected and cost effective manner versus the use of grey infrastructure. Four district stormwater options were evaluated, all with similar capital costs. Further assessment is recommended to determine the best district stormwater system for the Bellingham Waterfront District. As such, the stormwater assessment summarized in Section 7 is for reference only and will be refined during Phase 2.

What is District Stormwater?

District stormwater is an approach to stormwater management that seeks to maximize the use of multi-benefit, green infrastructure best management practices (BMPs) on properties and within streets to meet regulatory requirements in a more ecologically connected and cost-effective manner as compared to use of single-benefit grey infrastructure BMPs.

The Bellingham Waterfront presents, at scale, a unique opportunity to implement a district stormwater system

that meets regulatory requirements while maximizing ecological value in a cost effective manner. Achieving this outcome is possible through the use of multi-benefit green infrastructure best management practices (BMPs) versus single-benefit grey infrastructure BMPs. Four district stormwater options were evaluated to determine the best district-scale solution for the Waterfront District.

Assessing District Stormwater Viability

At full build out, the Waterfront District covers approximately 36-acres, of which 18.5 acres is comprised of developable lots, 12.3 acres of streets, 1.3 acres of alleys and 3.9 acres of parks. All stormwater generated from the Waterfront District will discharge directly to Bellingham Bay via existing outfalls along the waterfront.

Assessing district stormwater viability lies on evaluating the most appropriate stormwater solution based on the fol-

Attachment "B"

lowing approaches:

1. Centralized vs. Decentralized

A centralized stormwater approach seeks to manage stormwater in large, "centralized" grey infrastructure stormwater facilities prior to discharge to Bellingham Bay, minimizing the need for onsite, or block-by-block, stormwater facilities. A decentralized stormwater approach does just the opposite. It focuses on a block-by-block, or "decentralized", green infrastructure stormwater facilities to management stormwater prior to discharge to Bellingham Bay.

2. BAU vs. District

The business as usual (BAU) approach to stormwater management manages onsite and offsite stormwater separately. Each property is required to meet regulations onsite. The district-scale (District) approach to stormwater management seeks to combine onsite and offsite stormwater management into "shared" stormwater facilities

Stormwater options uses a mix of the approaches above will be evaluated, specifically identifying capital costs associated with each option as a way to determine the most cost effective approach to stormwater management for the Waterfront District.

A detailed stormwater assessment is provided in the Bellingham Waterfront District Infrastructure Assessment, Waterfront Utility Master Plan (Phase I) – Detailed Analysis (Puttman Infrastructure, September 2014)

Unique Waterfront District Assets

From a stormwater perspective, no unique infrastructure assets exist within the Waterfront District that a district stormwater system could leverage.

District Stormwater Options

Utilizing the stormwater approaches described earlier – centralized vs. decentralized, BAU vs. District – the following four stormwater options were evaluated:

1. Option I: Centralized Business As Usual

In the BAU centralized system, treatment of "offsite" stormwater runoff from streets, alleys, driveways and parking will be provided in two centralized, grey infrastructure facilities immediately prior to the two existing outfalls. Treatment of "onsite" stormwater will be required through additional green infrastructure facilities per local development regulations.

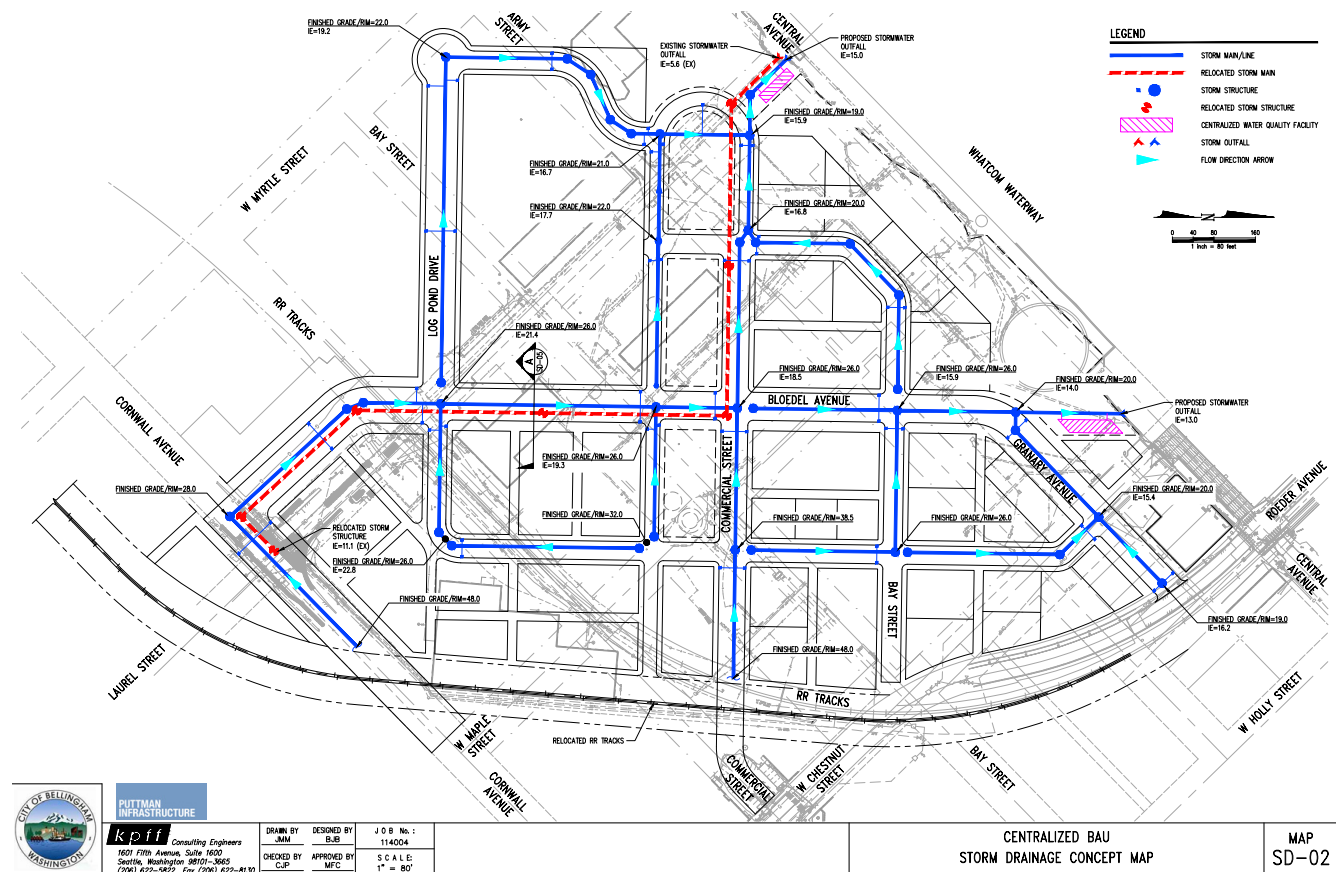


Figure 45 — Option I: Centralized BAU

2. Option 2: Decentralized Business As Usual

Treatment of "offsite" stormwater runoff will be provided by block-by-block, grey infrastructure facilities such as water quality catch basins along the street ROW in the BAU decentralized system. Treatment of "onsite" stormwater will be required through additional green infrastructure facilities per local development regulations.

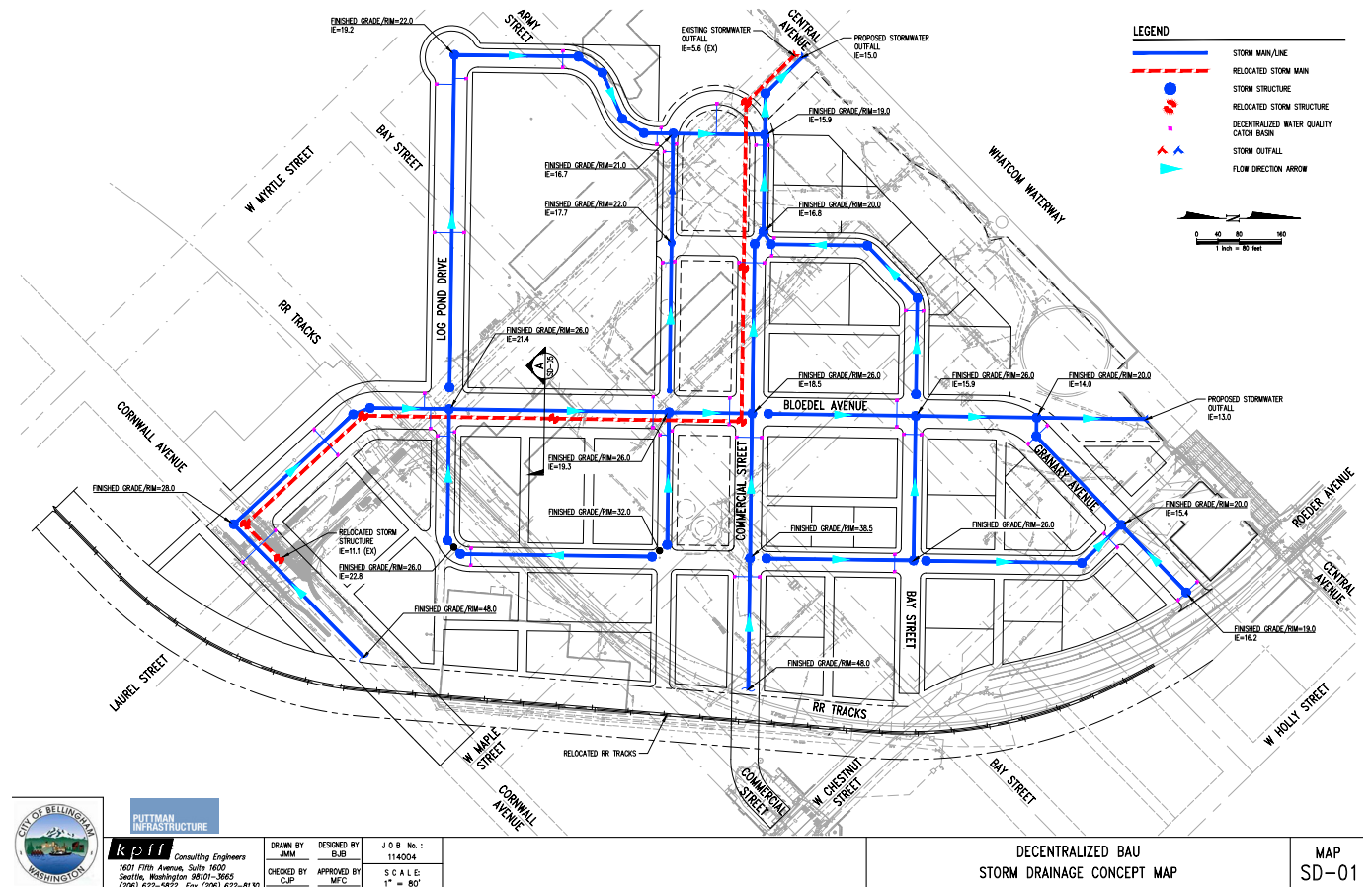


Figure 46 — Option 2: Decentralized BAU

3. Option 3: Centralized District Stormwater

In the District centralized option, combined "offsite" and "onsite" stormwater will be captured and treated in two centralized, green infrastructure facilities immediately prior to the two existing outfalls. Onsite stormwater treatment will not be required.

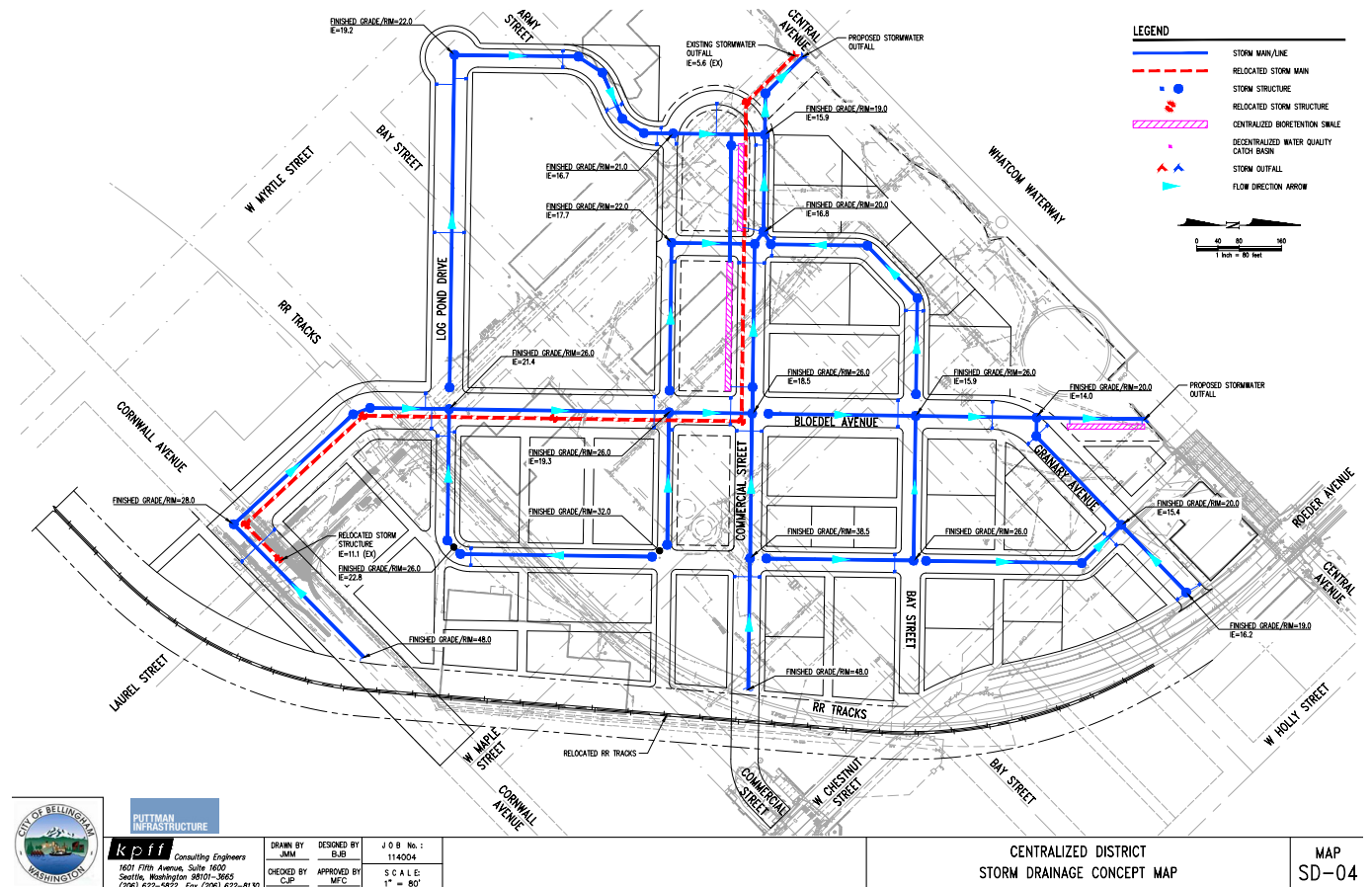


Figure 47 — Option 3: Centralized District

4. Option 4: Decentralized District Stormwater

In the District decentralized option, "offsite" and "onsite" stormwater will be captured and treated by block-by-block, green infrastructure facilities such as stormwater bioswales and planters. Onsite stormwater treatment will not be required.

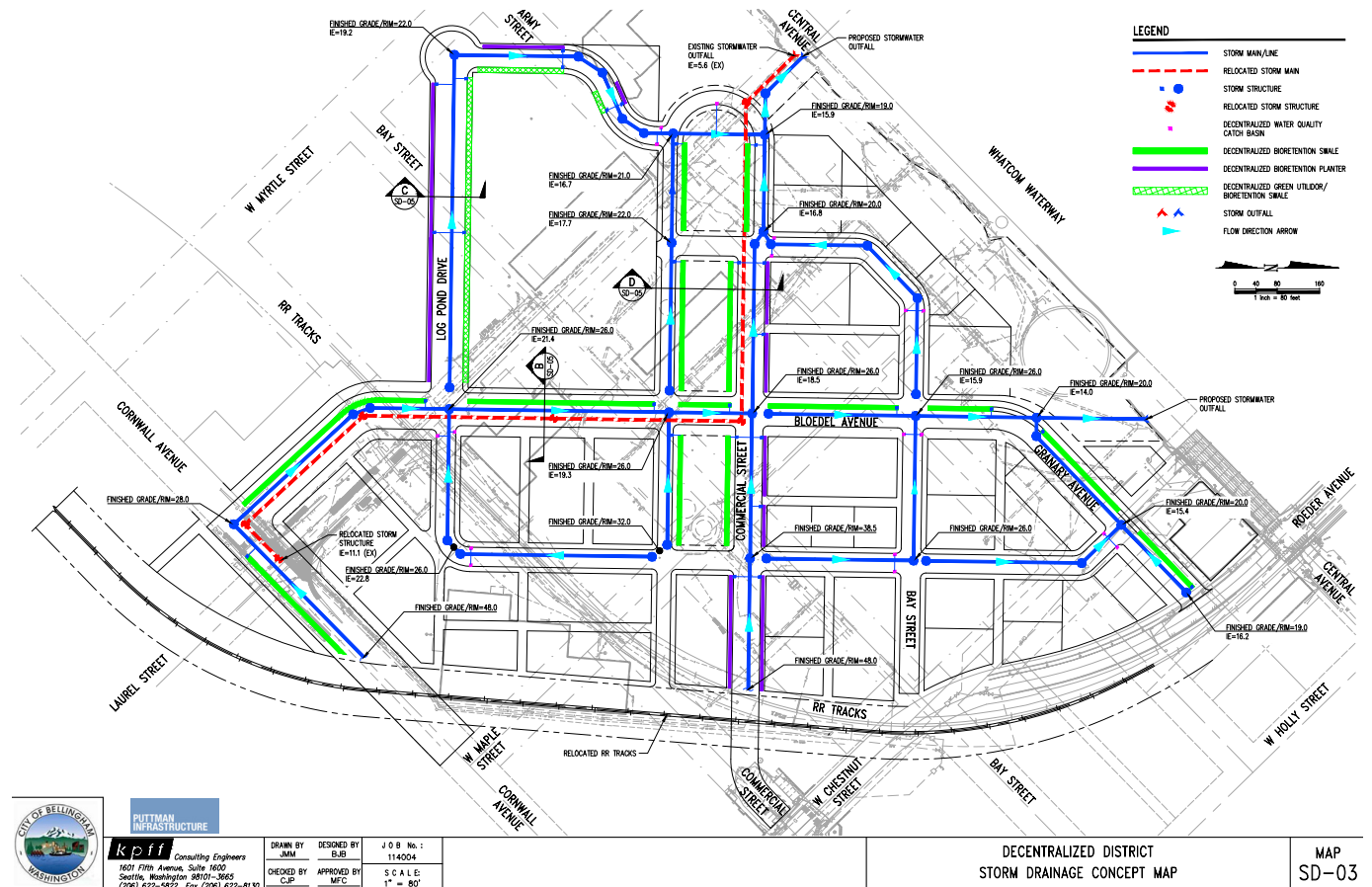


Figure 48 — Option 4: Decentralized District Stormwater

District Stormwater Evaluation

For each stormwater option above, rough order of magnitude (ROM) capital costs were estimated to compare cost effectiveness.

Further evaluation detail is provided in the Bellingham Waterfront District Infrastructure Assessment, Waterfront Utility Master Plan (Phase 1) – Detailed Analysis (Puttman Infrastructure, September 2014)

District Stormwater Findings

Based on the direction of the City, further options refinement and comparison will be completed during Phase 2 of the WUMP.

Recommended District Stormwater Option

Based on the direction of the City, further evaluation of stormwater options will be completed in Phase 2 of the WUMP. Option 4 however appears to be the preferred option for implementation based on the generation of additional public and private value as compared to the other options.

Recommended District Stormwater Development Model

An evaluation of the most appropriate district stormwater development model – public, private or public private partnership – will be conducted once

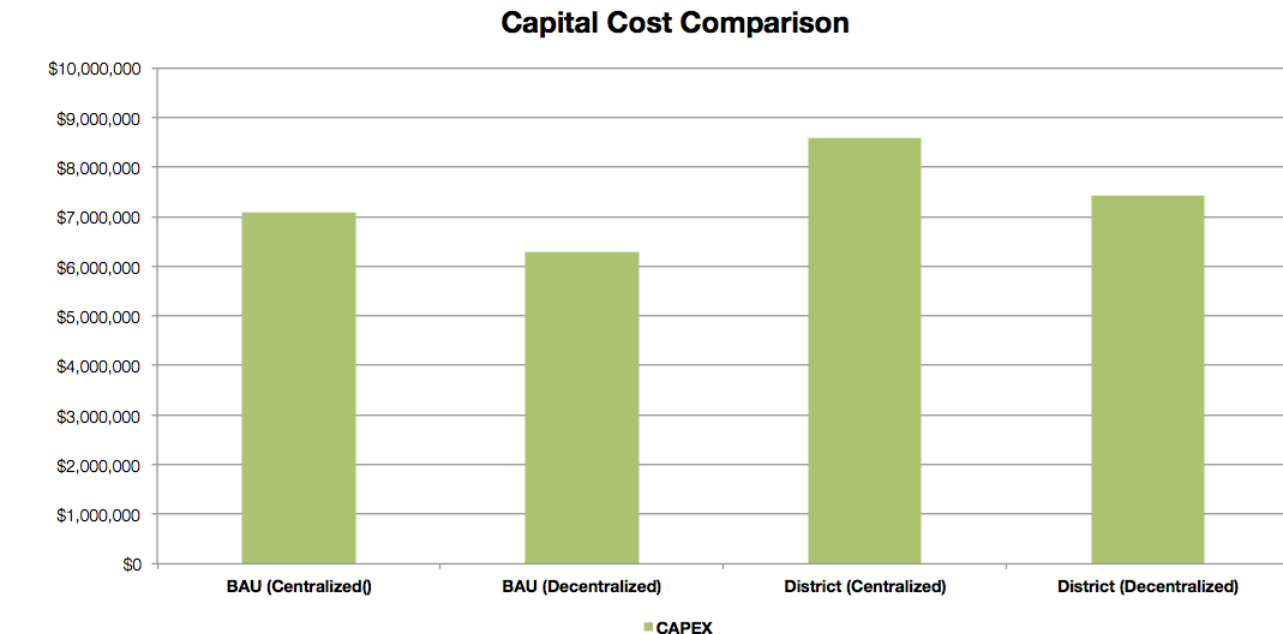


Figure 49 — District Stormwater Capital Cost Comparison

a recommended district stormwater option has been confirmed.

District Stormwater Development Next Steps

The following next step is recommended:

1. Initiate Partner Engagement

City should initiate engagement with key project partners, including the City, Port, and master developer, to gauge preliminary support for the implementation of a district stormwater system. Assuming initial support, City to work with partners throughout the following steps to ensure their interests are incorporated into system development.

2. Continue District Stormwater Assessment in Phase 2 to confirm Option 4 Recommendation

District stormwater assessment efforts will be continued in Phase 2 in order to confirm Option 4 as the preferred option for integration into Phase 2 waterfront utility master planning efforts.

8

SUMMARY OF NEXT STEPS

This section summarizes recommended next steps to support the development of district infrastructure systems to serve the Bellingham Waterfront District.

District Energy Development Next Steps

1. Initiate Partner Engagement

City should initiate engagement with key project partners, including the City, Port, master developer and PSE, to gauge preliminary support for implementation of a district energy system. Assuming initial support, City to work with partners throughout the following steps to ensure their interests are incorporated into system development.

2. Confirm Preferred District Energy Option

Options 2a and 4a both demonstrated

adequate investment returns to justify commercial viability. However, Option 2a achieves it through Encogen waste heat reuse and Option 4a through CHP. The City should meet with PSE to confirm its interest in Option 2a. Should PSE not want to share waste heat with the district energy system, then Option 4a should be considered.

3. Develop Public Private Partnership Framework and Roadmap

Based on the recommended DE development model, a detailed partnership framework should be established identifying roles, responsibilities (including capital contributions), and timeline for

financing, developing and operating the district energy system. The partnership framework should also be coupled with a district energy development roadmap to demonstrate tasks and major milestones for implementing district energy.

4. Confirm Partner Interest

Once a preliminary draft of the P3 framework and roadmap has been completed (see #2), City should reconvene a meeting with City, Port, master developer and PSE to confirm support of a public private partnership to implement district energy. The partners, assuming they are interested, should work together to finalize the P3 frame-

Attachment "B"

work and roadmap. Upon finalization, each partner should formally confirm support of the P3 through a letter of interest (LOI).

5. Confirm City Capital Contributions and Enabling Strategies

Capital contributions from the City to the district energy P3 will be necessary to ensure adequate investment returns. Moreover, specific “enabling strategies” to minimize project risk, such as mandatory connection standards, also need to be agreed to.

6. Incorporate District Energy into WUMP Phase 2

Incorporate district energy into Phase 2 of the Waterfront Utility Master plan.

7. Initiate Formation of District Energy Utility

Based on supportive partner interest and agreed upon P3 framework, City to begin initiating formation of a district energy utility to serve the Waterfront District.

District Water Development Next Steps

1. Initiate Partner Engagement

City should initiate engagement with key project partners, including the City, Port, and master developer, to gage preliminary support for the implementation of a district water system. Assuming initial support, City to work with partners throughout the following

steps to ensure their interests are incorporated into system development.

2. Refine Public Development Model and Create Implementation Roadmap

A public development model will be structured identifying the most appropriate ownership entity, utility structure, investment requirements, operating structure, risk considerations and legal considerations. Moreover, a clear implementation roadmap will be created identifying key steps and milestones to successfully develop district water under the public development model.

3. Confirm Partner Interest

City to meet with master developer to review district water system benefits and confirm developer support for implementing district water through a letter of interest (LOI).

4. Incorporate District Water into WUMP Phase 2

Incorporate district water into Phase 2 of the Waterfront Utility Master plan.

Micro Hydro Development Next Steps

1. Initiate Partner Engagement

City should initiate engagement with key project partners, including the City, Port, master developer and PSE, to gage preliminary support for the implementation of a micro hydro system. Assuming initial support, City to work with partners throughout the following steps

to ensure their interests are incorporated into system development.

2. Outline Approach to Assess the Viability of Additional Lake Whatcom Use for Micro Hydro

A clear approach identifying the necessary steps and potential issues associated with providing additional Lake Whatcom water supply for micro hydro purposes is needed to better understand the issues and opportunities associated with utilizing this resource. Technical, regulatory, legal and political elements will be identified and a roadmap will be established to complete/resolve each element. Explore how best to align this roadmap with potential waterfront development to ensure cost effective construction and operations.

3. Develop Public Private Partnership Framework and Roadmap

Based on the recommended micro hydro development model, a detailed partnership framework should be established identifying roles, responsibilities (including capital contributions), and timeline for financing, developing and operating the micro hydro system. The partnership framework should also be coupled with a micro hydro development roadmap to demonstrate tasks and major milestones for implementing micro hydro.

4. Confirm Partner Interest

Once a preliminary draft of the P3 framework and roadmap has been

completed (see #2), City should convene a meeting with City, Port, WWU and PSE to confirm support of a public private partnership to implement micro hydro. The partners, assuming they are interested, should work together to finalize the P3 framework and roadmap. Upon finalization, each partner should formally confirm support of the P3 through a letter of interest (LOI).

5. Incorporate Micro Hydro into WUMP Phase 2

Incorporate micro hydro into Phase 2 of the Waterfront Utility Master plan.

District Stormwater Development Next Steps

1. Initiate Partner Engagement

City should initiate engagement with key project partners, including the City, Port, and master developer, to gage preliminary support for the implementation of a district stormwater system. Assuming initial support, City to work with partners throughout the following steps to ensure their interests are incorporated into system development.

2. Continue District Stormwater Assessment in Phase 2 to Confirm Option 4 Recommendation

District stormwater assessment efforts will be continued in Phase 2 in order to confirm Option 4 as the preferred option for integration into Phase 2 waterfront utility master planning efforts.

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Brian Gouran

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Wilson Engineering

10

REFERENCES

Detailed district infrastructure assessment information is provided in the Bellingham Waterfront District Infrastructure Detailed Analysis Summary (Puttman Infrastructure, September 2014).

THE waterfront DISTRICT

BELLINGHAM  WASHINGTON



Stephanie Bower, Architectural Illustration

Sub-Area Plan

2013

A Port of Bellingham/City of Bellingham
Partnership Project

Attachment "C"

Prepared by the Port of Bellingham and the City of Bellingham, with assistance from CollinsWoerman, the Waterfront Advisory Group and many other Whatcom County citizens and volunteers.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

Bellingham's central waterfront is in a state of transition from its long history as an active industrial site to a new mixed-use neighborhood. Over the past several years, the Port of Bellingham and the City of Bellingham have joined together to create a vision and develop a clear path to transform this vacant brownfield site into a thriving mixed-use urban neighborhood. In early 2005, the Port of Bellingham acquired approximately 137 acres of waterfront property and tidelands adjacent to Bellingham Bay. This property had been owned by the Georgia-Pacific Corporation, which operated a pulp and tissue mill on the site. This property, along with other Port, City and private properties, made up a project site, which was initially called "New Whatcom", and later renamed the "Waterfront District". The Sub-Area Plan boundary was expanded in 2012 to include the bluff along Boulevard and State Street to make the boundary contiguous with the Sehome and South Hill neighborhood boundaries and to delete several parcels which overlapped with the Old Town Urban Village Plan. See Figure 1-1 Sub-Area Boundary.



1.1 Purpose of the Sub-Area Plan

The Sub-Area Plan's purpose is to provide a framework for future development of the 237 acre site known as the "Waterfront District". The Waterfront District Sub-Area Plan includes a balance of environmental, economic and community objectives developed to

restore the health of the land and water, improve waterfront access, promote a healthy and dynamic waterfront economy, and reinforce the inherent qualities of the waterfront.

The Waterfront District Sub-Area Plan represents a joint planning effort with the City of Bellingham involving residents, landowners, community stakeholders and resource agencies to create a long-term redevelopment opportunity for the Waterfront District.

1.2 Relationship to the 2006 Comprehensive Plan

The 2006 City of Bellingham Comprehensive Plan establishes goals and policies to guide future decision-making and coordinate growth within the City over a 20-year planning period. The Comprehensive Plan serves as a guideline for designating land uses, infrastructure development and community services, and long-range implementation strategies.

The Waterfront District falls within two urban villages defined in the Comprehensive Plan: the "Central Waterfront District" and the "Central Business District (CBD) Core Village". Infill within urban villages is an essential element of the City growth strategy.

Comprehensive Plan Policy FLU-18 requires a master plan to be prepared for each urban village to provide a framework for development. The Waterfront District Sub-Area Plan meets the criteria for a Master Plan as defined in the City Comprehensive Plan. Master or Sub-Area plans for urban villages must specify land uses and densities; street and utilities layout; lot arrangement; housing types; village square or plaza locations; streetscape amenities; relationship of the buildings to the street; parking structures or lots; protection of critical areas; pedestrian and bicycle facilities; and compatibility with surrounding areas.

The Waterfront District is located within the City of Bellingham CBD Neighborhood. When the CBD Neighborhood Plan was updated in 2008, the neighborhood plan incorporated sections of the Waterfront Futures Group Vision and Framework Plan pertaining to the City Center, which includes the Waterfront District. Concurrent with the adoption of the CBD Neighborhood Plan, the Waterfront District was rezoned to a new zoning category called "Waterfront Mixed-Use". This new zoning designation becomes effective upon adoption of the Waterfront District Sub-Area Plan, which more clearly defines the intended uses and development patterns within the area.

1.3 The Planning Process

Related Planning Processes

Bellingham's City Center and Central Waterfront has been a focus of numerous planning efforts since the early 1990's. Those plans include:

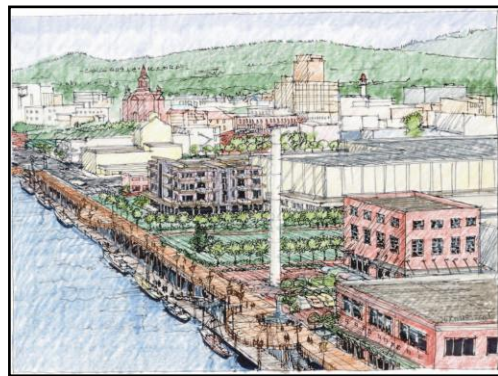
- Regional Urban Design Assistance Team Report (1992)
- Visions for Bellingham (1992)
- Bellingham Bay Demonstration Pilot (1996–present)
- Whatcom Creek Waterfront Action Program (1996)
- Downtown Development Workshop (1998)
- Bellingham Bay Comprehensive Strategy FEIS (2000)
- City Center Master Plan (2002)
- Community Forum on Growth Management (2004)
- Waterfront Futures Group (WFG) Vision and Framework Plan (2005)
- Bellingham Comprehensive Plan (2006)
- Central Business District Neighborhood Plan (2008)

These planning efforts involved various forms of community input and involvement.

Each process identified the Waterfront District as an underutilized area and a vital link between

the Central Business District, Old Town, and adjacent residential neighborhoods. Job opportunities, environmental restoration, and increased public access and recreational opportunities on the waterfront have been identified as priorities for the area.

An extensive planning effort was conducted by the Waterfront Futures Group (WFG) in 2003/2004. The Port and City appointed this citizen-led task force to take a fresh and independent look at the future of the entire waterfront in response to the closure of Georgia-Pacific's (GP) pulp and tissue operations. The WFG held 41 public meetings



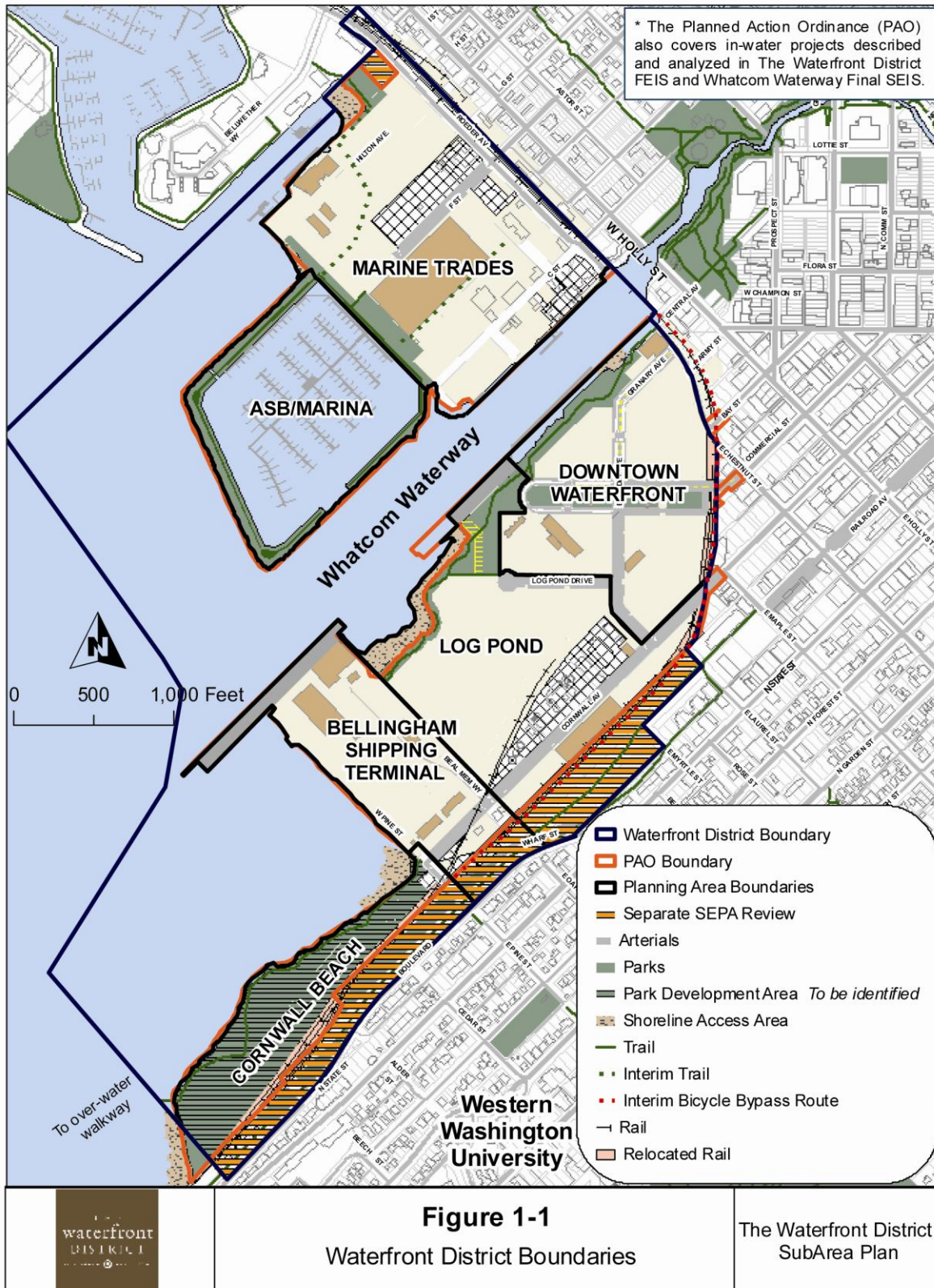
and had 26 guest forums and special events focusing on the future of the waterfront. The WFG completed the community visioning process by publishing the Waterfront Vision and Framework Plan which called for redevelopment of the city center waterfront into "a mixed-use neighborhood that combines commercial, institutional, industrial, retail and residential uses, and that over time will provide many new job opportunities and a substantial amount of urban housing."

The WFG vision was approved by City Council and the guiding principles and recommendations were used to update Bellingham's Comprehensive Plan and the CBD Neighborhood Plan in 2006 and 2008 respectively.

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Figure 1-1: Waterfront District Boundaries



Public Investment

After closure of the pulp mill in 2001, GP explored options to fund the required environmental clean-up to market the property for private development, but the cost of clean-up and the required infrastructure investment made it difficult to attract private investors. During this period, the Port studied the potential acquisition of the GP property to determine if public ownership was viable. The Port purchased the GP property in 2005 after extensive community outreach and partnership commitments from the City and the Washington State Department of Ecology to make the long-term public investments necessary to implement the community's vision on the central waterfront. The Port committed to pay for most of the environmental cleanup, to build marine infrastructure, and to dedicate land for parks, public space and rights of way. The City agreed to build new streets and utilities to serve the site, to develop waterfront parks and trails, and to create a regulatory environment that would attract private investment. The Department of Ecology pledged grant support for environmental cleanup costs.

Since acquiring the GP property, the Port and City have secured significant state and federal grant support and have started to spend money on environmental cleanup, habitat restoration and infrastructure design. These public investments are intended to attract substantial private sector investment and generate long-term positive impacts for the community.

The Waterfront District Planning Process

The Port and City launched a public planning process to develop a Sub-Area Plan for the Waterfront District shortly after acquiring the GP property. To ensure this plan was consistent with the community vision, the Port and City appointed the Waterfront

Advisory Group (WAG) to integrate recommendations of the WFG into plans, projects and regulations. From 2005-2010, this citizen-led task force held regular public meetings to gather public input and ensure public awareness and participation in waterfront planning.

The Port and City started development of the Sub-Area Plan by inviting neighbors, business owners and anticipated stakeholders to a series of eight workshops and community meetings during 2005 and 2006 to help turn the WFG vision into a Draft Framework Plan, which could be tested under the



State Environmental Policy Act (SEPA). During these meetings and workshops, the community evaluated a range of design alternatives that illustrated how infrastructure, development, public parks and trails, and new habitat might take shape on the waterfront.

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The Draft Environmental Impact Statement (DEIS) identified a traffic congestion problem with the proposed street layout in the “Draft Framework Plan” and evaluated alternate street layouts, densities and other mitigating measures to address traffic, view corridors, historic and cultural resources, critical areas and a range of other important considerations. The Draft Framework Plan also provided an opportunity for the Port and City to assess the project economics.

Additional public meetings and workshops were held during 2007 and 2008 to update the community, address specific issues raised by the SEPA analysis and by the public, and receive input to guide development of draft master plan concepts and regulations. During this process, the public provided input on the Waterfront District’s character-defining features, view corridors and vistas, preferred land uses, building heights and design standards. The community discussed the role of Western Washington University (WWU) and its plans to create a campus on the waterfront, multimodal circulation, development character, environmental considerations, parks, trails, plazas, economic viability, block sizes, parking strategies, development phasing, historic and cultural resources, and sustainable strategies.

A group of local architects volunteered to evaluate the planning concepts and provide recommendations and ideas that maintained the original WFG vision. The Port and City also hired an architectural firm to assess the potential for preservation and adaptive reuse of eleven industrial buildings and structures. This evaluation considered the condition of the historic resources, the cost of construction, market feasibility and compatibility with other planning objectives.

In addition to the public input received during the planning process, the Port and City received feedback and recommendations from the Waterfront Advisory Group, Western Washington University, Whatcom Transportation Authority, environmental resource agencies, regional and local developers and professional consultants. This Sub-Area Plan is the culmination of these public processes.

1.4 Context

Natural and Historical Setting

Bellingham’s current waterfront is made up of land forms created by filling tidal flat areas over the past century. Before this filling occurred, these tide flats provided food and protection to young salmon as they left nearby rivers and adjusted to salt water in preparation for a journey out to sea.



Source J.B.Hann circa 1902

For thousands of years, ancestors of the present day Lummi Nation and Nooksack Indian Tribe relied upon catching the salmon passing the nearshore areas. The beaches and nearshore areas were used by these Native American tribes as seasonal encampments for fishing and shellfish harvesting.

For the last 100 years or more, Bellingham’s waterfront has served the regional economy as a thriving industrial area, transportation gateway and home to many maritime activities. In 1891, the Great Northern Railroad finished an overwater rail trestle across the mud flats on Bellingham’s central waterfront allowing the

distribution of goods across a new, nationwide rail network. In the early 1900's, the Whatcom Creek federal waterway was established and silt from the dredged waterway was used as fill along parts of the waterfront.

In 1926, Ossian Anderson opened Bellingham's first pulp mill on the south side of the Whatcom Waterway creating a new economic opportunity for Whatcom County's extensive timber resources. In the years after, Pacific Coast Paper Mills and Puget Sound Pulp were founded and operated as major employers on the waterfront. Through the 1930's and 40's, the Bellingham waterfront saw major activity related to the pulp mill and the production of ethyl alcohol (a by-product from pulp mill waste). In the early 1960's, Georgia-Pacific acquired the waterfront mill site. Operations continued through the following decades, discharging various waste products to adjacent waterways and upland properties. During this time, Bellingham's waterfront industries were largely unregulated and there was not a general awareness or understanding of the importance of environmental stewardship.



In 1972, the United States passed the Clean Water Act ushering in a new era of pollution control. In response to the growing framework of environmental regulations, GP

built a 36-acre wastewater treatment lagoon on the north side of the Whatcom Waterway to treat process water.

The GP mill adjusted to economic trends over the years, but in 2001 the pulping operation was permanently closed down. This signaled a slow decline that continued until Georgia-Pacific closed its Bellingham site permanently on December 21, 2007.

The Waterfront District Today

Today, the Waterfront District is bordered by Bellingham Bay to the west, CBD and Old Town to the east, the Lettered Streets and Columbia neighborhoods to the north, and Sehome and South Hill neighborhoods to the south.

Present densities within the Waterfront District are low. There is no residential population and most of the property is vacant with pockets of contamination due to past industrial activities. The site is primarily paved and occupied by inactive industrial structures. Despite its prominent location between Bellingham Bay and downtown Bellingham, public pedestrian and vehicular access is limited and the only recreational use of the site occurs at the southwesterly end of Cornwall Avenue where a small pocket beach is located. Most of the shorelines are hardened with industrial wharfs, bulkheads, and non-engineered rip rap.

Redevelopment of the Waterfront District is a "once in a century" opportunity intended to restore public access along the shoreline and convert the upland area closest to the Central Business District to a vibrant mixed-use extension of downtown Bellingham. Other portions of the site will be remediated and marketed for shipping, marine trades and light industrial uses to replace a portion of the jobs lost when the Georgia Pacific mill closed.

CHAPTER ONE

INTRODUCTION

1.5 Redevelopment Potential

The redevelopment of the Waterfront District as an urban neighborhood will help concentrate a significant amount of expected population growth within the existing city limits and reduce impacts on agricultural, forest and rural landscapes in the county. The 2006 Bellingham Comprehensive Plan projects a demand for 1,225 infill housing units in the Central Waterfront District Urban Center, and an additional 1,321 units in the Downtown Core Urban Center by the year 2025. The Waterfront District encompasses the majority of the vacant land within these two Urban Centers and redevelopment at urban density is an important element in the City's adopted infill strategy.



There are 237 acres within the planning area of the Waterfront District, including the ASB lagoon, most of which is currently in public ownership by the Port, City and Washington State Department of Natural Resources. Over half of the project area will be retained for public open space and infrastructure, including 33 acres of new park land, 4 acres of existing public open space, 60 acres for streets, utilities and railroad rights-of-way, and 29 acres for a marina. The remaining 111 acres of Port, City and private property will be available for industrial use or redevelopment for residential, retail, commercial, and institutional use.

One of the key challenges for this planning effort was the definition of an appropriate goal for the level of development density within the Waterfront District. During initial planning discussions in 2005, the Port and City planning team identified the Fairhaven Historic District as a starting point for evaluating density options. The density of building in Fairhaven, if applied to the entire Waterfront District would result in approximately 6.0 million square feet of building floor space. This density assumption was used in the Draft Framework Plan published jointly by the City and Port in September, 2006, and was used as the medium density development alternative in the evaluation of a range of alternatives in the Environmental Impact Statement (EIS) for the proposal. A low-density alternative of 4.0 million square feet and a high-density alternative of 7.5 million square feet were also analyzed. Based on this analysis and public comment, the medium-range density of 6.0 million square feet of floor space was selected as the preferred alternative in the 2008 Supplemental Draft EIS.

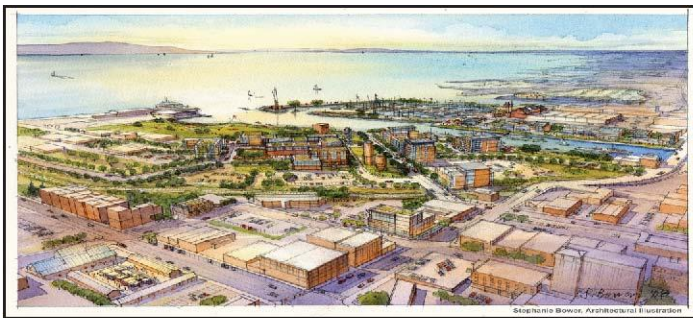
As the preferred alternative was further refined, five separate planning areas were defined, each of which has a different redevelopment character and density. The Downtown Waterfront Area is expected to accommodate a density somewhat higher than Fairhaven, while the Marine Trades, Shipping Terminal and Cornwall Beach Areas will be significantly less dense than Fairhaven. The Log Pond Area is proposed to remain in industrial use through the end of the planning period for the Sub-Area Plan. At full build-out, the Waterfront District is projected to have 5.3 million square feet of building capacity, with a mix of commercial, residential, office, institutional and industrial uses.

CHAPTER TWO

VISION

2.0 Vision

The community vision for Bellingham's central waterfront has been developed over more than two decades of planning and strategic investment. Some of the key vision statements from the WFG's guiding principles for the City Center character and Central Business District Neighborhood Plan are repeated in this Waterfront District Sub-Area Plan to ensure that the plan is consistent with and implements the City's Comprehensive Plan, Central Business District Neighborhood Plan and the WFG vision.



Architectural Concept Images by Stephanie Bower

2.1 Waterfront Futures Group Vision

Guiding Principle 1 – Reinforce the Inherent Qualities of Each Place on the Waterfront:

- 1-1. Make the waterfront a regular part of the lives of more people.
- 1-2. Respect history, cultures, and the arts.
- 1-3. Make the waterfront inviting to people on foot.
- 1-4. Reinforce a unique "sense of place" at different waterfront locations.
- 1-5. Complement adjacent uses.

Guiding Principle 2 – Restore the Health of Land & Water:

- 2-1. Enhance or reintroduce natural systems.
- 2-2. Create and restore habitat wherever possible.
- 2-3. Remediate upland and in-water contamination.
- 2-4. Protect existing natural shorelines.
- 2-5. Seek opportunities to soften existing hardened shorelines.
- 2-6. Tailor environmental cleanup strategies and remediation to planned use.
- 2-7. Manage stormwater to enhance estuarine habitats.
- 2-8. Require sustainable practices in all development.
- 2-9. Restore, enhance and expand beaches wherever possible.
- 2-10. Connect proposed open space and natural areas to regional open space network and natural wildlife corridors.
- 2-11. Explore mitigation banking and incentives (such as environmental credits) for environmental resource protection and enhancement prior to redevelopment.



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Guiding Principle 3 – Improve Waterfront Access:

- 3-1. Develop strong connections between up lands and water.
- 3-2. Provide links to regional trail systems.
- 3-3. Provide multiple modes of access to each area of the waterfront.
- 3-4. Provide convenient connections between different modes of transportation (jitney/bus).
- 3-5. Create and connect large and small parks and open spaces with a “braided” system of pedestrian trails.
- 3-6. Enhance opportunities for visual access to waterfront areas.
- 3-7. Provide the opportunity to walk the waterfront while respecting natural habitat.
- 3-8. Help people find their way.
- 3-9. Provide way finding for the Coast Millennium Trail as a route that follows existing and proposed trails.
- 3-10. Explore the concept of public access “banking” and other financing incentives for improving public access.
- 3-11. Protect and enhance environmental resources when designing shoreline access and upland development.

Guiding Principle 4 – Promote a Healthy and Dynamic Waterfront Economy:

- 4-1. Create new mixed-use areas on the waterfront for commercial, industrial, educational, recreational and residential uses.
- 4-2. Support water dependent activities and uses.
- 4-3. Create conditions attractive to jobs of the future.
- 4-4. Strengthen the tie between local jobs and resources.
- 4-5. Provide public amenities and

infrastructure to support redevelopment.

4-6. Improve permitting processes to achieve the goals and principles of the Waterfront Vision.

4-7. Explore economic spin-off related to Bellingham Bay Pilot cleanup strategies.

4-8. Provide incentives and credits for “green” buildings.

2.2 The Waterfront District



Guiding Principles and Implementation Strategies

The WAG sponsored a public involvement process during 2005 and 2006, which led to the adoption of “New Whatcom Guiding Principles and Implementation Strategies” by the Port and City in 2006. The Implementation Strategies provide further guidance related to redevelopment of the Waterfront District and are listed in the applicable chapters of this Sub-Area Plan.

2.3 City Of Bellingham Comprehensive Plan

The WFG plans, visions, guiding principles and recommendations were used to inform updates to the Bellingham Comprehensive Plan. Accordingly, the visions for the six “character areas” along the waterfront and 39 general guiding principles were included in the Framework Goals and Policies chapter of the 2006 City of Bellingham Comprehensive Plan.

2.4 Central Business District Neighborhood Plan

The WFG guiding principles for the City Center character area were summarized and incorporated into the Central Business District Neighborhood Plan to ensure consistency with, and implementation of the City's Comprehensive Plan and the WFG's recommendations for Bellingham's waterfront.

- Create a mixed-use neighborhood, with a combination of commercial, institutional, educational, retail services and housing.
- Provide a place where people can live, work, study and spend their leisure time without relying on auto transportation.
- Convert the existing ASB into a new marina or marine habitat.
- Maintain deep water and transient moorage and marine-related commerce in and along the Whatcom Creek Waterway.
- Significantly improve public access opportunities throughout the area.
- Locate WWU and/or other educational or institutional facilities in the area.
- Acquire the GP property to ensure community involvement in planning for redevelopment and to secure acquisition of land for parks, roads and public access.

When implemented, this vision will connect downtown Bellingham with the central waterfront and contribute in a significant way toward the vibrancy of the community and the region.

2.5 Bellingham Shoreline Master Program

The City of Bellingham adopted an update to its Shoreline Master Program (SMP) in 2013. The SMP goal for shoreline development within the Waterfront District is:

Coordinate shoreline uses to ensure uses that result in long-term over short-term benefit, protect and restore the shoreline resources and ecological

functions, increase public access to the shoreline, and promote economic development and accommodate water-dependent uses.

The proposed shoreline uses, setbacks and development standards in the Waterfront District Sub-Area Plan are consistent with and implement the SMP.

2.6 Applicants' Objectives

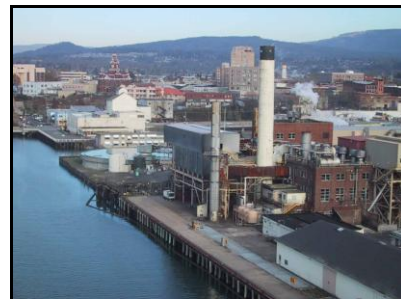
The applicants' objectives prepared for the Draft Environmental Impact Statement for the Waterfront District, and listed below, reflect the Vision statements adopted over the past two decades of planning and public involvement and are the basis for the plans, policies and implementation strategies included in the Waterfront District Sub-Area Plan:

- Redevelop the industrial site into a mixed use, waterfront neighborhood providing opportunities for a range of uses and activities. Create a vibrant area that integrates water-dependent uses and open space with new office, retail, services, institutional, and residential uses, and enhances the economy and livability of the area.
- Connect the Waterfront District Redevelopment project with surrounding neighborhoods including the Central Business District by: ensuring that the redevelopment is compatible with adjacent areas; encouraging uses that complement, not replace, neighboring uses; and integrating new roadway, pedestrian access and trails with surrounding systems.
- Provide community benefits through the phased construction of public open spaces and beaches, pedestrian trails, and moorage for small vessels that fit within the overall intent of the redevelopment plan.
- Identify opportunities to restore and create habitat along the waterfront environment; creating an economically-viable redevelopment.

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- Ensure that redevelopment is compatible with environmental remediation efforts.
- Enhance the region's economic vitality by creating conditions that are attractive to a range of employment opportunities and businesses, including water-related industries, research and development ventures, goods and service establishments, and educational and cultural facilities.
- In conjunction with the City of Bellingham, construct an integrated and economically responsible infrastructure network and public amenities that adequately support phased, long-term redevelopment of the site and stimulate private investment in the project. The ability to provide the infrastructure and public amenity system should be derived from grants and the sale or lease of redevelopment parcels by the Port and from grants, bond financing and tax revenues by the City and other applicable fees and service charges. These sources of capital will be used to offset the initial and ongoing investment in infrastructure and amenities to minimize subsidy from the general tax base of the Port or City.
- Increase public access to the waterfront by developing pedestrian, bicycle and vehicular connections to/from the site and an interconnected system of trails, viewpoints, walkways, streets, parking and boat moorage facilities. Use of non-motorized transportation modes will be a priority.
- Work with non-profit organizations and developers to provide opportunities for a mix of housing products affordable to a range of employees on the site and in the community.
- Work cooperatively with the City of Bellingham and the public to adopt a Sub-Area Plan and Development Agreement that provide the necessary predictability, consistency and expediency for long-term success of the redevelopment, and allow for flexibility to respond to market factors over time.
- Encourage sustainable and "green" development practices as part of future building and infrastructure design and construction at the site.
- Incorporate features into the planned marina to complement future mixed-use redevelopment, including: boat slip configurations, public walkways/small parks around the perimeter of the marina, and enhanced habitat opportunities.
- Continue to coordinate with state, federal and local agencies, tribes, organizations, institutions, the public and the private sector to facilitate redevelopment planning and implementation that is successful and an asset to the community.



CHAPTER THREE

ENVIRONMENTAL CONSIDERATIONS

3.0 Environmental Considerations

Environmental Cleanup

Most of the Waterfront District is built on tidelands, which have been dredged and filled to support over 100 years of heavy industrial waterfront activity. Portions of the site are affected by soil, groundwater and/or sediment contamination caused by historic releases of hazardous substances. Bringing this environmentally compromised land back into functioning and productive use is essential to meet the community vision for the central waterfront. Clean up of contaminated properties is regulated by the Washington State Model Toxics Control Act (MTCA). MTCA is a citizen-mandated law enacted through a voter's initiative and is the state counterpart to the federal Superfund law. Ecology is the lead agency responsible for the implementation and enforcement of MTCA. The mission of Ecology is to protect, preserve, and enhance Washington's environment, and promote the wise management of air, land and water for the benefit of current and future generations.



There are six state-listed cleanup sites within the Waterfront District. The MTCA cleanup process includes multiple steps from the initial discovery of contamination, to long-term monitoring to ensure the effectiveness of the cleanup action, to deed restrictions that ensure the long-term integrity of the cleanup action. The Department of Ecology, the Port and the City are working cooperatively to effectively and efficiently integrate site cleanup, habitat restoration, and redevelopment activities. Ecology's cleanup requirements will vary

from site to site and will depend on a number of considerations including the nature and extent of contamination and the intended uses of the property.

Ecology must select the most appropriate cleanup action for current and reasonable foreseeable uses of the property. Cleanup methods may include treating, removing, or isolating contaminants in order to reduce exposure to humans and the environment. For each site, Ecology will evaluate a range of cleanup options that meet cleanup requirements given the current and planned uses of the property.

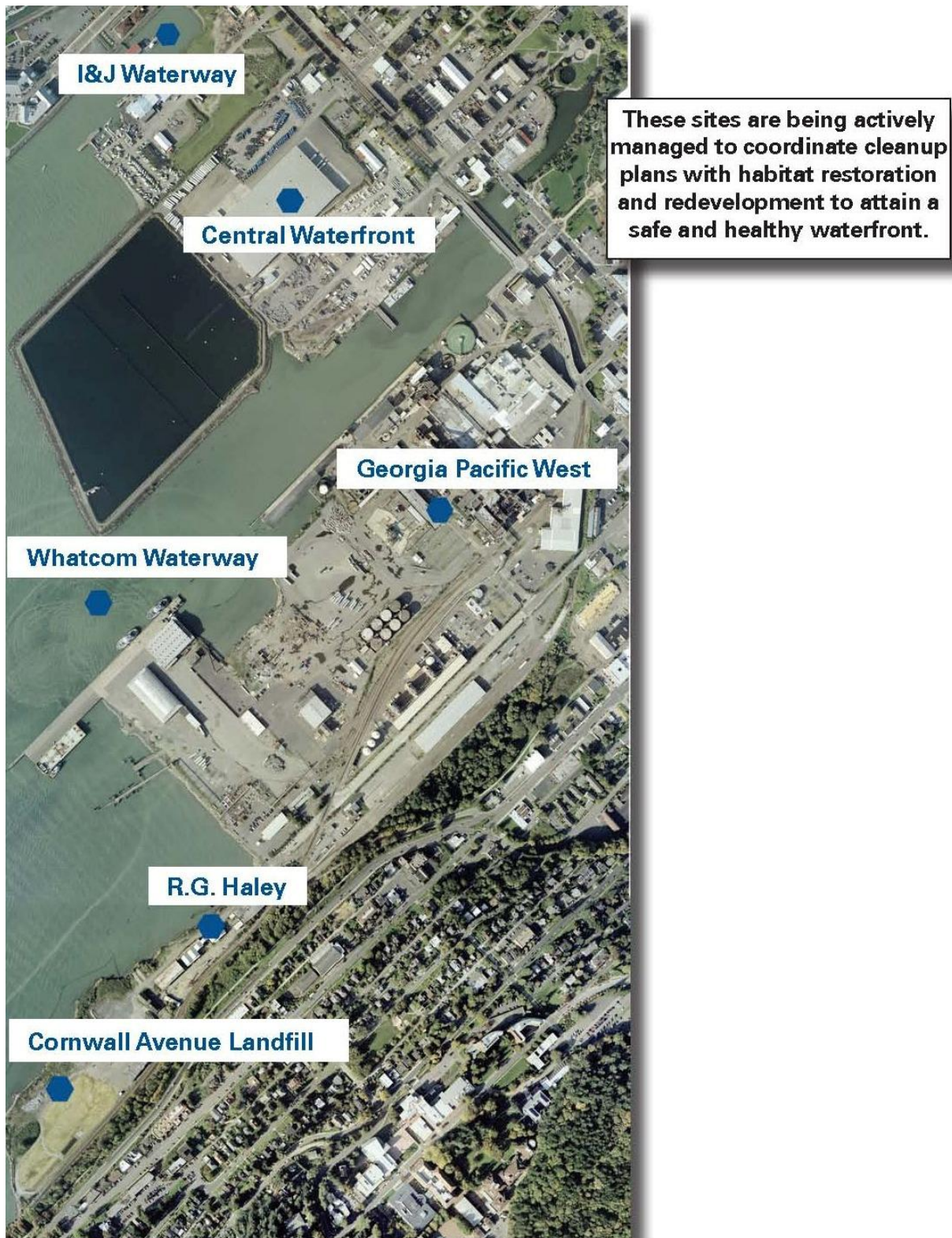
Environmental cleanup can be effectively and efficiently performed in conjunction with redevelopment activities. For example, if an environmental cleanup requires isolation of contaminated soil to reduce exposure, that isolation could be achieved through paving or buildings. The former GP tissue warehouse, located on the north side of the Whatcom Waterway, is an example of the integration of environmental cleanup and redevelopment. This warehouse was built in 1999 on top of a former municipal landfill and a state-listed cleanup site. The warehouse floor and surrounding parking lot were designed to function as an environmental cap which isolates contaminants in the underlying landfill from humans and the environment. The warehouse foundation includes a vapor control system which releases gases generated as the landfill decomposes over time.

Environmental cleanup requirements established by Ecology under state law will be adhered to throughout the redevelopment of contaminated properties within the Waterfront District.

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Figure 3-1: State-Listed Cleanup Sites



Attachment "C"

There are six state-listed cleanup sites within the Waterfront District. These sites include contaminants at levels exceeding state standards in the soil, surface water, ground water and sediments caused by historic industrial activities. The upland sites were originally tide flats and sub-tidal areas in Bellingham Bay that were filled in, beginning in the mid 1800's, to support industrial activities.

Site	Description
Cornwall Avenue Landfill	This site was used to support a variety of industrial activities from the late 1800's to 2004 including sawmill operations, a garbage dump, and pulp and paper mill product storage. The site is primarily contaminated with heavy metals, petroleum compounds, and solid waste caused by use of this property from 1953-1965 as a municipal landfill. The Port acquired this property in 2005 and is developing cleanup options under Ecology oversight which protect human health and the environment based upon a large waterfront park and mixed-use redevelopment along the bluff.
R.G. Haley	This site was used for a variety of industrial activities from the mid 1800's to late 1900's including lumber, coal and wharf operations. The site is primarily contaminated with petroleum compounds caused by wood treatment operations performed by R.G. Haley and other companies from 1951 to 1986. The City acquired this property in 2010 and is developing cleanup options, under Ecology oversight, which protect human health and the environment based upon mixed-use redevelopment.
Georgia Pacific West	This site was used to manufacture paper products from 1925-2007. The site is primarily contaminated with petroleum compounds, mercury, metals, and caustic caused by pulp, paper and chemical manufacturing operations performed by GP from 1963-1992. The Port acquired this property in 2005 and is developing cleanup options under Ecology oversight which protect human health and the environment based upon a combination of industrial and mixed-use redevelopment.
Whatcom Waterway	This site, located within the waters of Bellingham Bay including the Aerated Stabilization Basin, is primarily impacted by mercury contamination discharged from GP's former chemical plant from 1965-1979. The Port is implementing Ecology's selected cleanup action which protects human health and the environment based upon habitat restoration, a new marina, visitor moorage, marine trades and public access along the shoreline.
Central Waterfront	This site was used to support a variety of industrial activities from the early 1900's to the 1970's including a municipal and wood waste landfill, boat yards, foundry activity, petroleum storage, and pulp and paper mill product storage. The site is primarily contaminated with heavy metals, petroleum compounds, and solid waste caused by a range of historic industrial activities. The Port and City acquired most of the privately-owned portions of this site in 2005 and 2006 and are developing cleanup option plans under Ecology oversight which protect human health and the environment based upon industrial mixed-use redevelopment.
I&J Waterway	This site, located within the waters of Bellingham Bay, has been used since the early 1900's to support a variety of industrial activities including lumber mills, a rock crushing plant, frozen foods processing, and a seafood processing facility. The site is primarily contaminated with metals and phthalates caused by a range of historic industrial activities. The Port is developing cleanup options under Ecology oversight which protect human health and the environment based upon mixed-use redevelopment of the surrounding uplands and ongoing light industrial navigation requirements in the I&J Waterway.

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Habitat Restoration

In 1999, Chinook salmon were listed as threatened under the Endangered Species Act in the waters throughout the Bellingham area. These fish, the largest of the Pacific salmon, once filled the surrounding waters and represented the natural heritage of the northwest coast. A combination of factors including over fishing, the destruction of habitat in the rivers and the ocean, and dams and other barriers, brought these massive fish to the brink of extinction. The decline of salmon is closely associated with the decline in the health of Bellingham Bay and Puget Sound. Over the past one hundred years, there has been a large recession in the population of species which inhabit the surrounding area including forage fish, bottom fish, orca whales, salmon and marine birds. The restoration of shoreline habitat is critical to a coordinated, ecosystem-wide restoration effort and figures prominently into redevelopment plans for the Waterfront District.



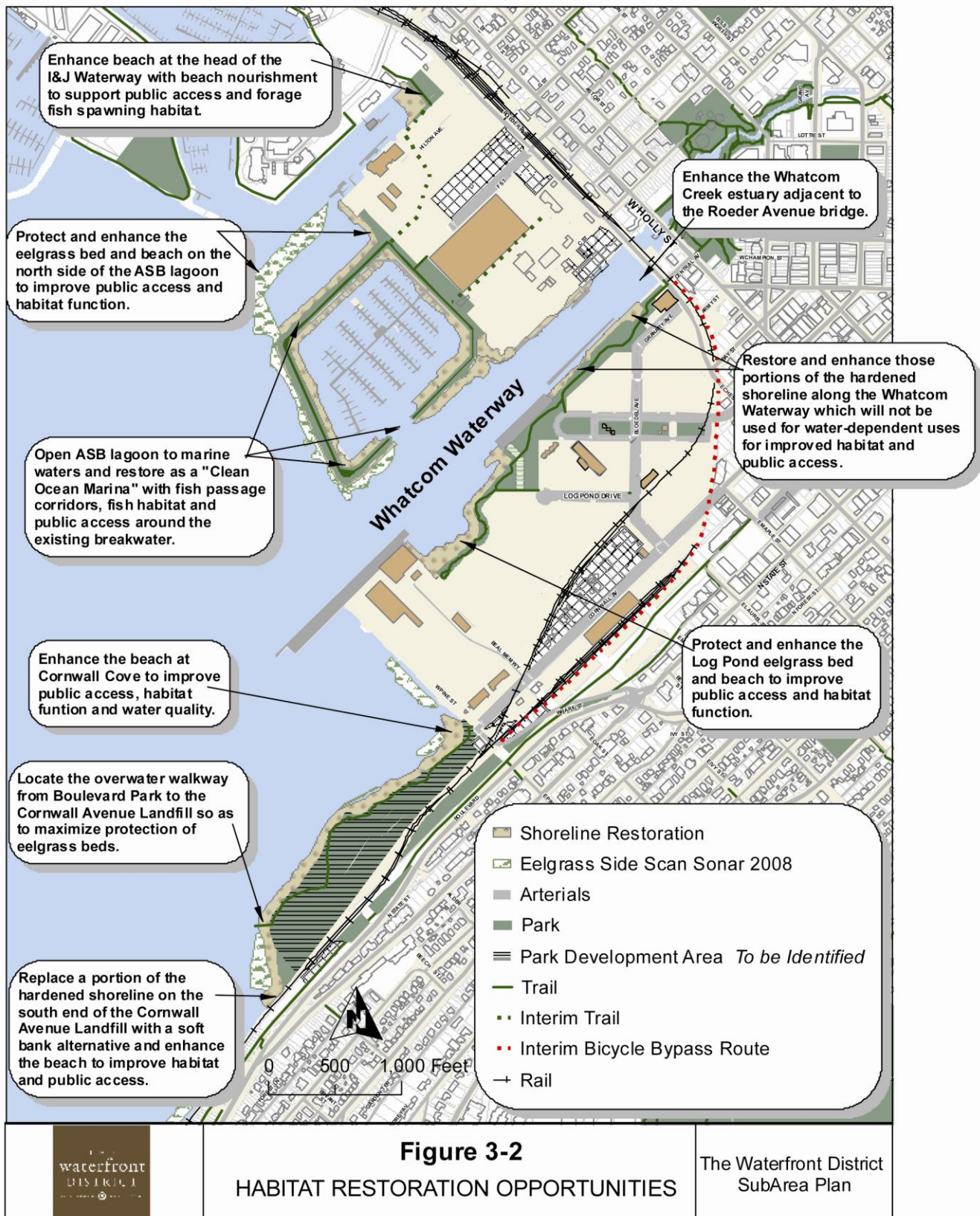
Bellingham's central waterfront was once surrounded by shallow mudflats and extensive eelgrass beds which offered a surplus of food and protection to juvenile salmon as they left nearby rivers and adjusted to salt water in preparation for a journey out to sea. This natural environment has been devastated by more than a century of unregulated heavy industrial activity on the waterfront. Historic industrial development expanded on top of traditional salmon spawning grounds and the shallow mudflats were filled to create new

industrial land. Shorelines were hardened with bulkheads, docks, wharves and rip rap and, as young salmon lost their traditional habitat, they became increasingly vulnerable to predators. Today, the shorelines throughout the Waterfront District include a legacy of failing bulkheads, old docks and over-water industrial structures. While these structures were important to the waterfront operations that supported the local economy for many years, some of the existing overwater structures are now recognized as impediments to the new community waterfront envisioned by the WFG. Removing the failing and unused infrastructure will create opportunities to soften and reshape the shorelines to provide richer and more productive habitat for salmon at all tidal stages. Portions of the GP Wharf which are in usable condition will be retained into the future to support water-dependent uses in the Log Pond area.

The Port and City, working in collaboration with the multi-agency task force, the Bellingham Bay Pilot, have identified the highest priority habitat restoration areas in Bellingham Bay. The Waterfront District will support Puget Sound recovery efforts by restoring several miles of urban shorelines, removing creosote pilings and unnecessary overwater structures, improving nearshore connectivity, and building more than four acres of new shallow habitat benches. Human activities and the natural environment will be balanced through design solutions which integrate shoreline habitat into mixed-use urban redevelopment. While salmon recovery and the customary return of Chinook will ultimately require all causes of decline to be addressed, the Waterfront District redevelopment will restore critical nearshore salmon habitat and serve as a Puget Sound model for how urban development can be carefully balanced with intricate human-nature interactions.

The habitat restoration projects illustrated on Figure 3-2 will occur over time as environmental remediation projects are completed and upland areas are converted to mixed-use development.

Figure 3-2: Habitat Restoration Opportunities



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Shoreline Development

The Waterfront District includes approximately 3 miles of shoreline, which is regulated by the City's Shoreline Master Program. (SMP) The Washington State Department of Ecology approved the City's SMP in February of 2013.

The SMP includes the "Waterfront District" shoreline designation under which "Special Area Planning" was conducted as specified in WAC 173-26-201(3)(d)(ix).

The stated purpose of the Waterfront District Shoreline Designation is:

"To plan for, protect and implement restoration of the shoreline ecological function, reserve areas for water-dependent and water-related uses, maximize public access to the shoreline and accommodate shoreline mixed uses and non-water-oriented uses where appropriate."

The SMP establishes Shoreline Management Policies for the Waterfront District, which were adapted from the WFG Guiding Principles for City Center and the Waterfront District Implementation Strategies. The Shoreline Policies and Implementation Strategies in the Waterfront District Sub-area Plan are consistent with and implement the Waterfront District Shoreline Management Policies in the SMP.

The SMP includes habitat protection and restoration management policies for the Waterfront District that incorporate and are integrated with the Bellingham Bay Demonstration Pilot Project Comprehensive Strategy analysis. The policies include:

- Coordinating with state, federal and local agencies including Lummi Nation and Nooksack Tribe to improve ecological function of the shoreline.

- Cooperative projects and funding for shoreline restoration, habitat enhancement, environmental remediation and public access should be identified.
- Pocket beaches within the Waterfront District should be reserved for preservation and restoration / enhancement as habitat and public access points."

The SMP also includes a Waterfront District Development Regulation Matrix with minimum and maximum shoreline setbacks, buffers and height regulations for each shoreline use area. The SMP provides that:

"The maximum setbacks and buffers within the Waterfront District shoreline mixed-use sub-area may be reduced down to the minimum setbacks and buffers (both as specified in BMC 22.11.30 F) as conditioned upon the adoption of a Comprehensive Plan amendment for a Waterfront District Master Plan and Development Agreement for the entire Waterfront District Special Development Area or, upon the adoption of a master plan for a portion of land area within the Waterfront District."



Sea Level Rise

The Waterfront District infrastructure and development will be constructed to accommodate potential long-term sea level rise and tsunami conditions. Most of the site is currently located at an elevation of 5-7 feet above the Mean High Water Mark. Recent climate change studies have projected sea level to rise 15" to 50" over the next 100 years. Development in the Waterfront District shall be constructed in accordance with the best available science sea level rise information at the time the development occurs.

The site grade for parks, infrastructure and development pads will be raised to levels appropriate for the design lifetime of the projects. Marine-related industrial uses which need water access and buildings or facilities with a low initial cost or short life span may be located close to current sea level elevations and modified over time to adjust to rising sea level. Commercial, residential and institutional uses with a longer building life or more significant investment will be elevated at appropriate levels to reflect projected sea level rise.

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Waterfront District Guiding Principles and Implementation Strategies

The WAG sponsored a public involvement process during 2005 and 2006, which led to City and Port adoption of “Guiding Principles and Implementation Strategies” in 2006. The following Implementation Strategies provide guidance related to Environmental Restoration, Habitat and Shorelines:

- Continue to work with State and Federal and local agencies, organizations, institutions, including the Lummi Nation and Nooksack Tribe to be good stewards of the environment. Identify opportunities for cooperative projects and joint funding for shoreline restoration, habitat enhancement, environmental remediation and public access improvements.
- Evaluate sites identified in the Waterfront Futures Group “Opportunities and Ideas for Habitat Restoration and Water Access on Urban Bellingham Bay” and other plans and studies for designation as public access and shoreline restoration sites in the New Whatcom* Master Plan and City of Bellingham Shoreline Master Program update.
- Designate the natural shoreline areas at the head of the I&J Waterway, the foot of Cornwall, and adjacent to the Log Pond for preservation and enhancement as habitat and public access points.
- Explore opportunities to rehabilitate and enhance hardened shoreline along the Whatcom Waterway, ASB lagoon and other shores for improved habitat and public access.
- Continue work with NOAA to develop a “Clean Ocean Marina” standard which incorporates environmental remediation, habitat enhancement, pollution prevention practices and public access, and apply these standards to the proposed New Whatcom* Marina.
- Make the majority of water’s edge accessible via non-motorized means of transportation, including pedestrian walkways, bicycle trails, motorized and non-motorized boat access, and transient moorage, connected to a network of parks, trails and transit connections. Restrict or control public access to areas used for water-dependant industry, sensitive habitat or government agency uses where public access would conflict with public health or safety, habitat protection or national security.

* Note: This planning area, originally called “New Whatcom” has been renamed the Waterfront District.

3.1 Environmental Considerations Policies

Environmental Cleanup

1. Work with Ecology to coordinate the selection of environmental cleanup strategies that are appropriate and compatible with anticipated land uses.
2. Integrate habitat restoration into Ecology required cleanup actions.
3. When implementing Ecology-required cleanup actions, incorporate sustainable strategies to minimize the net environmental footprint.
4. Identify areas within cleanup site boundaries which best support modified Low Impact Development solutions as part of future upland redevelopment.
5. Evaluate the beneficial reuse of dredge material that meets Ecology standards as fill material and as raw material for construction projects.
6. Clean-up levels will be developed pursuant to state law to be protective of land uses in the Waterfront District.

Habitat

7. Where appropriate, replace hardened shorelines with natural beach alternatives in coordination with cleanup and redevelopment activities to enhance habitat, improve aesthetics, reduce long-term maintenance costs, and achieve the stabilization and safety of the shoreline.
8. Protect, restore, and enhance eelgrass habitat.
9. Protect, restore and enhance nearshore habitat connectivity.
10. Protect, restore, and enhance natural habitat forming processes such as stream hydrology, tidal hydrology, sediment supply, wave environment, long shore sediment transport, and the food web.
11. Create shallow water habitats by modifying elevations.
12. Remove creosote-contaminated logs, pilings and debris or replace with non-creosote alternatives.

13. Use Low Impact Development stormwater principles to improve wildlife habitat and enhance estuarine functions.
14. Restrict off-leash dog areas and boat anchoring from sensitive nearshore habitat areas.
15. Develop complex riparian vegetation along the shoreline in order to restore habitat. Where appropriate, include designated trails and areas of focused public access to the water.
16. Restoration and enhancement opportunities should be integrated with site clean-up plans to the extent allowed under project-specific regulatory permitting requirements and implemented as specified in the SMP's Restoration Plan, the Whatcom Resource Inventory Area 1's "Marine Nearshore and Estuarine Assessment and Restoration Prioritization" plan and the City's Habitat Master Restoration Plan.

Shorelines

17. The majority of water's edge should be accessible via non-motorized means of transportation, including pedestrian walkways, bicycle trails, motorized and non-motorized boat access, and transient moorage, connected to a network of parks, trails and transit connections.
18. Public shoreline access may be restricted in areas used for water-dependent industry, sensitive habitat or government agency uses where public access would conflict with public health or safety, habitat protection or national security.
19. Shoreline areas within the Cornwall Beach, ASB marina and the head of the I&J Waterway are designated as a Recreational Shoreline Environment where the primary uses within shoreline jurisdiction are public recreation, open space and habitat restoration. Accessory uses intended to support public recreation or serve park visitors should also be permitted in this area.

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20. The shoreline within the Log Pond area was also designated as a Recreational Shoreline in the Final Draft SMP. The shoreline will be restored for public access and habitat function. Water-dependent, water-related and water-enjoyment uses are also permitted within Recreational Shorelines.
21. The shoreline within the Downtown Waterfront area is designated as a Mixed-Use Shoreline Environment where the water's edge is reserved for habitat and public access, with variable building setbacks to allow businesses, residences, and public facilities to be located within shoreline jurisdiction.
22. Buildings located within shoreline jurisdiction along the Whatcom Waterway should have variable shoreline setbacks and open space between buildings to avoid construction of a wall of buildings close to the water.
23. The Bellingham Shipping Terminal and Marine Trades Area of the Waterfront District are identified as appropriate locations for water-dependent and water-related uses and ancillary activities to support commercial fishing, recreational boating and maritime industries, including boat building and repair.
24. Parking within shoreline areas should be located under buildings or within parking structures located on the upland side of the development unless associated with a water-dependent use or unless no other feasible alternative exists. Surface parking, with appropriate stormwater management, may be developed as an interim use on areas planned for future redevelopment. Where interim surface parking is permitted, the long-term parking strategy and timing of the proposed redevelopment should be specified in the shoreline permit for the project.
25. Streets within shoreline jurisdiction should be designed and aligned in such a manner that the minimum width of travel way for vehicles is provided to facilitate circulation and accommodate future land uses.
26. Shoreline buffers should be managed to preserve, enhance and restore native vegetation and habitat functions. Public trails to provide water access should be permitted within shoreline buffers, provided they are designed and managed to protect or enhance shoreline ecological function.
27. Parks, trails, public plazas, artwork, signs benches and outdoor seating areas should be allowed within shoreline setbacks outside of designated shoreline buffers, other than areas designated for habitat restoration in future park plans.
28. Site grades should be raised to accommodate potential long-term sea level rise and tsunami conditions appropriate to the design life-time of the project.



3.2 Environmental Considerations Implementation Strategies

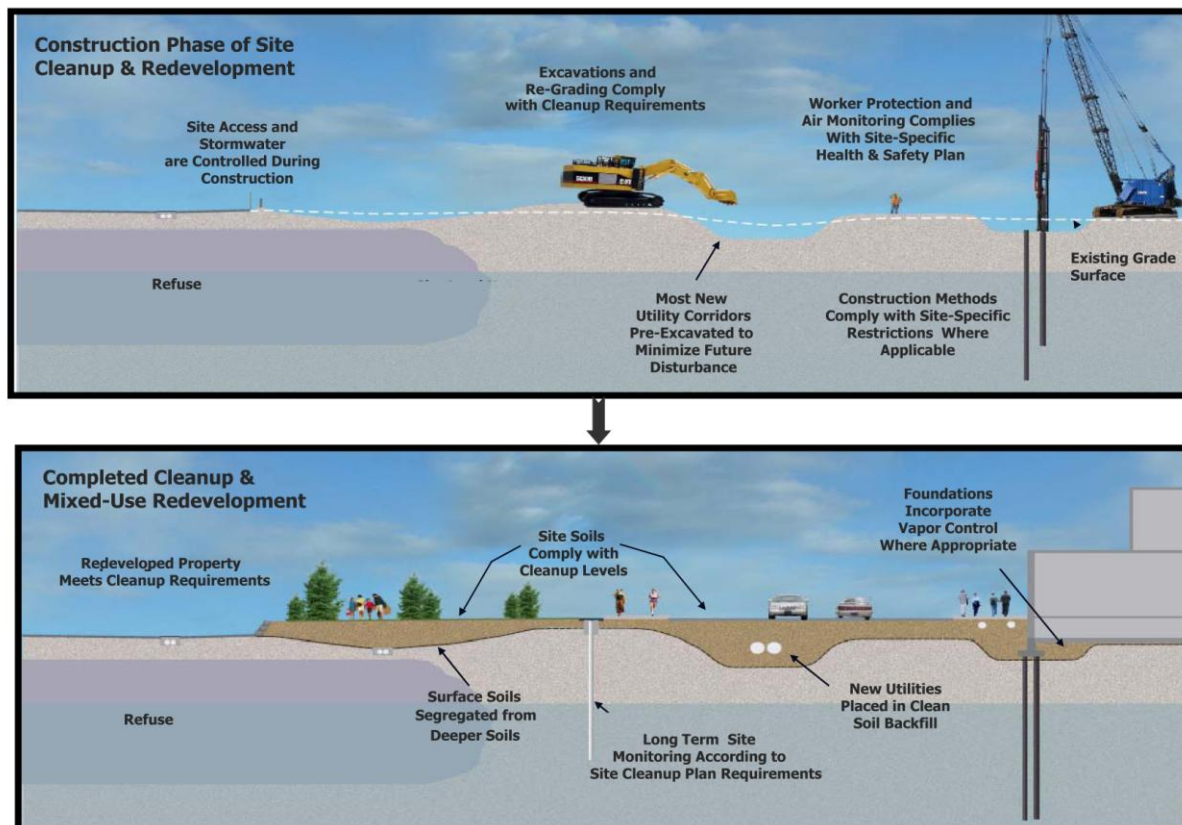
1. Replace a portion of the hardened shoreline on the south end of the Cornwall Avenue Landfill with a soft bank alternative and enhance the beach to improve habitat function and public access in coordination with cleanup and redevelopment activities in the Cornwall Beach Area.
2. Locate the overwater walkway from Boulevard Park to the Cornwall Avenue Landfill so as to protect eelgrass beds from construction impacts. Enhance the Cornwall Cove beach to improve public access and habitat function in coordination with cleanup

Attachment "C"

and redevelopment activities in the Cornwall Beach Area.

3. Enhance stormwater management at Cornwall Cove beach in accordance with Ecology stormwater standards, in coordination with the upgrade of Cornwall Avenue.
4. Enhance the Log Pond beach to improve public access and habitat function in coordination with cleanup and redevelopment activities in the Log Pond Area.
5. Protect and enhance the Log Pond eelgrass bed.
6. Portions of the hardened shoreline along the Whatcom Waterway which are not being retained for water-dependent uses should be restored and enhanced for improved habitat and a variety of public access experiences upon completion of environmental remediation and in coordination with redevelopment activities in the Downtown Waterfront area.
7. Build public promenades along the waterfront with viewing platforms and overlooks to provide users with recreational opportunities and vistas of key estuary and habitat areas in coordination with upland redevelopment activities.

**Figure 3-3:
Coordinating Site Redevelopment
with Cleanup Requirements**



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8. Enhance the Whatcom Creek estuary adjacent to the Roeder Avenue Bridge.
9. After completion of environmental remediation, the ASB lagoon may be opened to marine waters and restored as a Clean Ocean Marina with fish habitat and public access around the rim of the existing breakwater. In the event that a marina is built, it should include fish passage corridors through the north and south sides of the breakwater which are located so as to protect existing eelgrass beds from construction impacts.
10. Enhance the shoreline next to the C Street stormwater outfall in coordination with cleanup and redevelopment activities in the Marine Trades Area. This beach shoreline area should not be designated as a public beach due to proximity to the stormwater outfall.
11. Enhance the beach on the north side of the ASB lagoon to improve public access and habitat function in coordination with cleanup and redevelopment activities in the Marine Trades Area.
12. Enhance beach at the head of the I&J Waterway with beach nourishment to support public access and forage fish spawning habitat in coordination with cleanup and redevelopment activities in the Marine Trades Area.
13. Remove creosote-treated pilings and unnecessary overwater structures or replace with non-creosote alternatives.
14. Use sustainable design as part of environmental cleanup where feasible (i.e. design impermeable, rainwater-harvesting structures that act as subsurface "caps" for deeper contaminated materials but allow for near-surface water movement and infiltration for collection).
15. Continue to work with State and Federal and local agencies, organizations, institutions, including the Lummi Nation and Nooksack Tribe to be good stewards of the environment. Identify opportunities for cooperative projects and joint funding for shoreline restoration, habitat enhancement, environmental remediation and public access improvements.
16. Development within shoreline jurisdiction shall comply with the shoreline buffers, setbacks and height limits for the Waterfront District, established in the Final Draft SMP, upon Ecology approval.
17. Restrict off-leash dogs and boat anchoring from sensitive near-shore habitat areas.
18. Develop an interpretive signage program to educate the public about sensitive habitat areas and access restrictions.



CHAPTER FOUR

DEVELOPMENT CHARACTER

4.0 Development Character

The Waterfront District redevelopment is intended to implement the community vision for the Central Waterfront by converting a large under-utilized Brownfields industrial site into a vibrant mixed-use neighborhood where people can live, work, shop, study and spend their leisure time, without relying on vehicular transportation. The project will reflect the commitment of Bellingham citizens to environmental stewardship by remediating historic contamination and restoring degraded shorelines to provide habitat for fish, birds and small wildlife species, as well as, opportunities for public access to the water. A network of interconnected waterfront parks, trails and public open space will provide outdoor recreation opportunities and community gathering places to serve the entire Whatcom County community and attract new residents, businesses and visitors to the region.

The mix of uses and phasing of development and infrastructure within the Waterfront District is intended to complement and enhance businesses in the Central Business District and adjacent neighborhoods. Development should include a healthy balance between the creation of new jobs and housing opportunities, supported by goods and services. Public ownership of the majority of the land, during the planning phase, will allow some of the land to be leased or sold for development over time.

Interim uses are proposed to make use of vacant properties until the development market and infrastructure investment can support more intensive uses. These interim uses include but are not limited to: marine-related light industrial and transportation, construction staging, environmental remediation, alternative energy research and production, food production and surface parking.

The policies and implementation strategies in

this chapter, and the associated development regulations, are intended to guide the redevelopment of the site as a compact urban village with sufficient density to support transit and pedestrian-oriented development. Development standards relating to building height, setbacks, and design are proposed to preserve key view corridors to and from adjacent neighborhoods, limit building mass adjacent to parks and rights-of-way, and encourage sustainable design features and amenities to support pedestrian-oriented commercial activity and public gathering space at the ground level.



The Waterfront District Downtown Area achieved a Stage 1 Certification under the US Green Building Council's LEED (Leadership in Energy and Environmental Design) for Neighborhood Development pilot program. This program integrates the principles of smart growth, new urbanism and green building and benefits communities by reducing urban sprawl, increasing transportation choices, decreasing automobile dependence, encouraging healthy living, and protecting threatened species. These development strategies are reflected in policies and implementation strategies throughout this Sub-Area Plan.

The Waterfront District, Old Town and a portion of the Central business District have also been selected by the Portland Sustainability Institute to participate in the EcoDistrict Program. There is considerable overlap between LEED ND program concepts and EcoDistrict concepts. Where feasible, these concepts have been integrated into the updated draft Sub-area Plan and Development Regulations.

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Waterfront District Guiding Principles and Implementation Strategies

The Waterfront Advisory Group sponsored a public involvement process during 2005 and 2006, which led to City and Port adoption of the Guiding Principles and Implementation Strategies" in 2006. The following New Whatcom Implementation Strategies provide guidance related to Development Character:

- Redevelop the New Whatcom site with a mix of uses including jobs, housing, retail development, services, educational and cultural facilities and water-dependent industrial uses.
- Divide the New Whatcom redevelopment area into a number of districts with distinct character and function, developed in phases to correspond with market demand.
- Encourage a mix of uses which complement, rather than duplicate, businesses in the Central Business District and provide family-wage jobs, including offices, research and development, business incubators, live-work studios, and water-related industries.
- Maintain a balance between jobs, housing, retail development and services developed on the New Whatcom site. Develop a phasing plan which establishes a ratio between retail, services, offices or institutional uses, and residential development on the site.
- Encourage the development of businesses which provide goods and services to residents of the site and surrounding neighborhoods, local businesses and employees, and visitors to attractions on the site. Develop size and design criteria which discourage "big box" stores which draw the majority of their customers from other areas of the City.
- Work with non-profit organizations and private developers to provide incentives for development of a mix of housing types affordable to the employees of the businesses provided on the site.
- Include sites for water-related industry and services to support commercial fishing, recreational boating and maritime industries, including boat building and repair to preserve the nautical history of our community.
- Develop appropriate design features and transitional areas to buffer uses which produce noise, glare or odors from incompatible uses where needed.
- Capitalize on the synergistic relationship between New Whatcom and adjacent commercial districts by enhancing rather than competing with adjacent areas especially the Central Business District. This can be achieved by an early emphasis on jobs, residential units and other activities which support businesses in the adjacent areas.
- Work with universities, agencies, organizations and business groups involved in education, art and culture to attract educational and cultural facilities to the waterfront.
- Work with non-profit organizations and provide a combination of incentives, mandates, and subsidies for private developers to develop a mix of housing types affordable to employees of the jobs provided nearby.
- Implement land uses that acknowledge Bellingham's deep maritime and cultural history.
- Design a building scale and business atmosphere which encourages unique, locally owned businesses.
- Utilize appropriate site design standards, such as Whatcom County Building Industry of Washington "Green Community" program or Leadership in Environmental Education and Design (LEED)[™] Neighborhood Development standards and encourage new or remodeled buildings to be BuiltGreen[™] or LEED[™] certified.
- Establish unique urban waterfront design guidelines to encourage contemporary architecture and leading green building techniques that blend with the historic industrial buildings on the GP site and highlight the maritime flavor and cultural heritage of the Bellingham waterfront.
- Work with Lummi and Nooksack leaders to facilitate their development of cultural and educational facilities which feature Native American culture and history.

4.1 Development Character

Policies Land Use Policies:

1. Encourage a compatible mix of urban density commercial, residential, recreational, institutional, and light industrial uses.
2. Maintain a balance between job creation, housing, and building space for goods and services within the Waterfront District. Allow the market to influence uses within individual development projects.
3. Cluster compatible land uses and adopt appropriate development regulations to establish areas of unique character within different sub-zones of the Waterfront District.
4. Develop a network of waterfront access points, parks, public gathering places and areas for public use and enjoyment throughout the Waterfront District. Integrate parks and open space into development areas to add value to adjacent properties.
5. Encourage pedestrian-oriented development at street level and require the ground floor of buildings fronting on Commercial Street and Bloedel Avenue to be designed for commercial, retail, services or public facility use. Allow these spaces to be occupied by offices or other interim uses until such time as the market supports conversion to commercial use.



6. Preserve sufficient land for marine cargo and marine-related commercial, recreational and industrial uses in areas

with access to navigable waters, and adopt appropriate development standards for these areas which recognize the potential for noise, glare and the need for water access, open yard space and buildings big enough to store and repair large vessels and equipment.

7. Identify a site with sufficient size and expansion space for a campus of higher education or other institutional or business campus and adopt flexible design standards to allow a unique character to be established for this campus area.
8. Allow for opportunities to accommodate a grocery store, elementary school, day care center, recreation facilities and similar services for families with children and encourage construction of such facilities when there is sufficient demand.



9. Establish transitional areas to be used for light industrial use, construction staging, environmental clean-up uses, including temporary storage or treatment of dredge materials, alternative energy research or production, local food production, surface parking and similar interim uses until such time as the market and infrastructure is available for these areas to be developed into more intensive uses.
10. Enable the development of inclusive affordable housing for low and moderate income persons. A variety of housing types and price ranges should be available, including housing for elderly and disabled persons, families with children, students and employees of local businesses.

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11. Encourage the development of public services, art and cultural facilities which reflect the history of the site and region to serve area residents and attract visitors to the District.
 12. Provide for sufficient density to allow public entities to recover investments into land, clean-up costs, parks and infrastructure, through land sales and future tax revenues.
 13. Phase development to meet market demand and installation of infrastructure.
 14. Encourage land uses in the Waterfront District that complement and help to diversify and expand the City Center and that also take advantage of the unique urban waterfront location.
 15. Encourage industrial land uses that provide jobs for light manufacturing and assembly, high technology, research and development and industrial uses which depend upon or relate to the waterfront.
- Sustainable Development Policies:***
16. Promote sustainable design strategies and development practices generally consistent with LEED for Neighborhood Design and other sustainable development programs.
 17. Ensure that environmental remediation of soil, groundwater and marine shoreline areas occurs prior to or in conjunction with redevelopment.
 18. Restore marine shorelines by removing creosote pilings and dilapidated industrial structures and replace with shoreline materials and contours which support ecosystem recovery goals and public access, where appropriate.
 19. Encourage re-use and recycling of materials on-site.
 20. Re-use the existing Aerated Stabilization Basin breakwater materials for environmental capping, shoreline restoration and fill for parks and roadways to lower the carbon footprint of the project and reduce impacts on local sand and gravel quarries.
 21. Encourage building and site designs which conserve energy and potable water, capture and treat storm water on-site, and utilize alternative energy, recycled wastewater, sustainable building materials and innovative construction techniques.
 22. Create a framework for personal wellness and environmental stewardship by providing habitat restoration, outdoor recreation opportunities, convenient recycling and compost facilities, roof top and patio gardens, sites for local food production and facilities to support pedestrians, and alternative modes of transportation such as bicycles, motorcycles, transit and ride-share programs.
 23. Incorporate bio-swales and other low-impact stormwater management techniques into landscape medians, street plantings and stormwater systems where possible to provide an aesthetic amenity and reduce the impacts of stormwater runoff.
 24. Utilize natural vegetation and low-water use plants in landscape design to avoid the need to use potable water for irrigation.
 25. Design circulation systems and parking facilities which encourage non-motorized transportation, transit and ride-share programs, reduce paved driving surfaces, and protect water quality.
 26. Encourage the adaptive reuse of existing buildings if an assessment of structural, economic, market and land use factors show positive benefits of keeping the building. New buildings should be built utilizing methods that will allow easy adaptive reuse in the future if the building use changes over time.
 27. Development should utilize district specific utilities, such as district heating and cooling, and non-potable water systems if

available and implemented through a Waterfront Utilities Master Plan.

Site Design Policies:

28. Within mixed-use commercial and residential areas, define pedestrian-scale blocks and building pads by developing a network of interior roads, bicycle routes and pedestrian connections with a block size similar to or smaller than the existing City of Bellingham Central Business District and Fairhaven. Where buildings or blocks exceed 240 feet, require pedestrian through-block routes and pedestrian access through buildings during business hours.
29. Encourage pedestrian-oriented development in mixed-use commercial areas by locating buildings adjacent to the sidewalk on arterial streets, except when set back to accommodate public plazas, outdoor seating, dining, landscaping or artwork.
30. Minimize the visual impact of surface parking by reducing parking space requirements, locating surface parking along interior streets or alleys, behind or within the interior of buildings, or below street grade where feasible, and requiring landscaping or screening of surface parking lots. (See related parking policies in Chapter 5 entitled Multi-modal Circulation & Parking.)
31. Establish view corridors and design standards to preserve water views from public streets and designated view points within adjacent neighborhoods and establish visual connection with the Central Business District.
32. Encourage public and private open space at ground level through design regulations and incentives for dedication of public open space.

LEED ND Credit Opportunities

Note: LEED ND, developed by the US Green Building Council, is one of many different voluntary rating systems to address and achieve sustainability goals. The following plan features provide potential credit toward LEED ND certification:

The project includes a balance of housing units and jobs. At least 25% of the total building square footage is designed for residential use, and the project is located within a ½ mile walking distance of 4,900 existing jobs.

Half of the housing units are within walking distance of the proposed Western Washington University campus site.

Site design policies and development standards encourage walkable streets, with buildings located close to the sidewalk, commercial uses at ground level, doors and windows facing the sidewalk, and pedestrian amenities such as weather protection, benches, lighting and art work at street level.



Commercial street frontage and pedestrian amenities soften the appearance of parking garages and maintain walkable streets.

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Building Design Policies:

33. Establish design regulations and a predictable design review process to ensure that building designs are consistent with the intended character of the various development areas.
34. Encourage pedestrian-oriented uses on the ground floor of buildings fronting arterial streets within Commercial Mixed- Use areas, and provide street-level amenities, such as awnings, benches, lighting and landscaping to support pedestrian and transit use.
37. Encourage appropriately scaled signs and kiosks integrated with building design and street furniture to identify businesses and direct the public to parks, trails, transit facilities, parking and other locations of interest.
38. Design building roof tops and mechanical equipment with consideration for appearance from the adjacent bluff. Encourage screening, vegetation and use of materials to minimize glare.

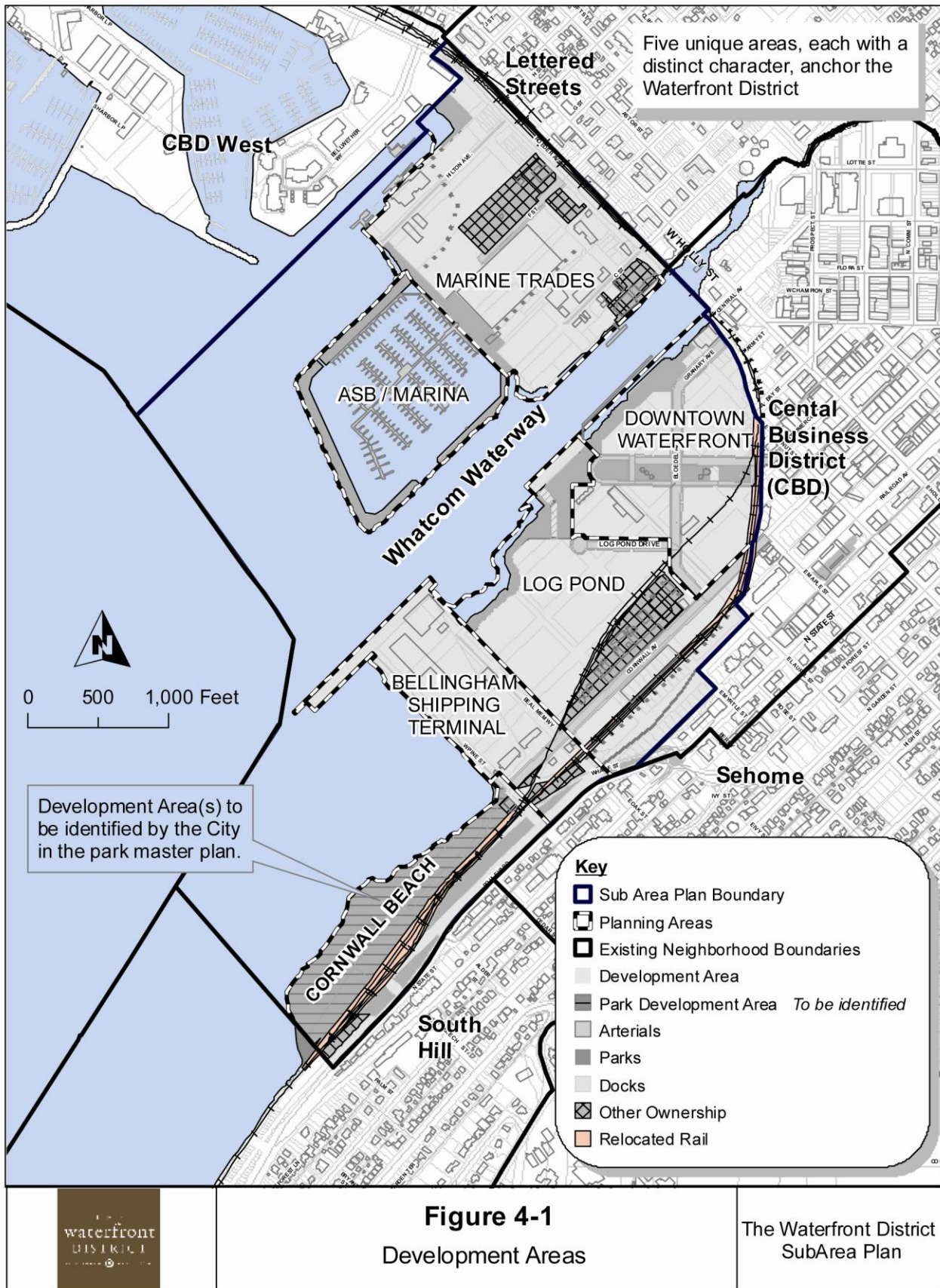


35. Establish building heights, density, and design standards relating to building bulk and scale to encourage building forms which are inviting to pedestrians at street level, preserve views to and from adjacent neighborhoods, and have sufficient density to support use of public transit and attract private investment.
36. Recognize the need for larger industrial buildings and less stringent design standards to accommodate marine industrial uses, upland boat storage and other light industrial uses within Industrial Mixed-use areas. Provide lighting standards, setbacks, screening or landscaping to reduce impacts and separate Industrial Mixed-use areas from other mixed-use development areas.



When residential development is located at street level, the ground flow should be elevated above street level or set back from the sidewalk with landscaping along the street frontage.

Figure 4-1: Waterfront District Development Areas



Areas of Unique Character

The Waterfront District is divided into five areas of unique character where the mix of land uses, density, building types and the layout and design of streets, trails, parks and open spaces will define the character and function of the proposed development:

Marine Trades Area

This 58-acre area is characterized by a working waterfront that will support a new Clean Ocean Marina which adaptively reuses the wastewater treatment lagoon. The main focus of development in this area is to accommodate jobs



revolving around marine trades such as fishing, boat building, boat repair, marine haul out facilities, marine product manufacturing and supplies, research and development.

Shipping Terminal Area

The existing deep water port in this 25-acre area will be maintained for shipping, port and industrial related opportunities. Industrial uses characterize this area with the potential for use of its peripheral areas to accommodate transitions between related office, transportation, and light industrial uses.

The Downtown Waterfront Area

The character of this 37-acre area is similar to the commercial portion of the Central Business District (CBD) or Fairhaven. Uses that provide goods and services will mainly serve the population of the area and are not intended to compete with those in the CBD. A mix of housing, office and institutional uses are proposed to be accommodated in a high density configuration centered around the Commercial Street Green open space and Bloedel Avenue. A site for a higher-education or other institutional or business campus is identified along the southern edge. Minimum building heights will be encouraged to establish an urban environment that will become the heart of the Waterfront District. This area's waterfront development will have an urban character with pedestrian-oriented uses encouraged along the waterfront promenade.



Log Pond Area

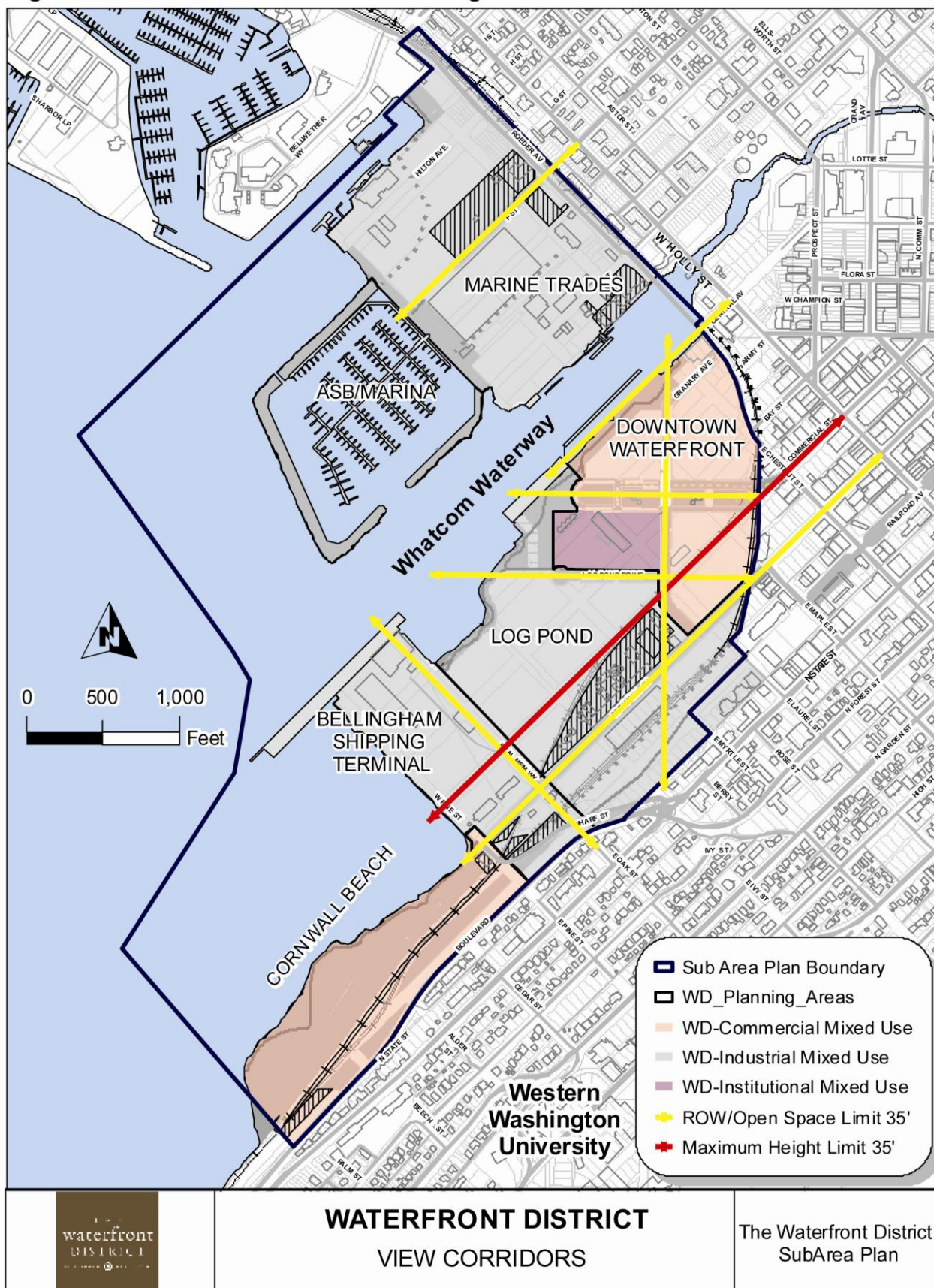
This 52-acre area is identified as an Industrial Mixed-use area to be utilized for transportation, construction or light industrial uses through the end of the planning period for the Waterfront District Sub-area Plan. Preferred land uses in the area also include light manufacturing and assembly, high technology, and research and development. Materials which are manufactured, processed or stored in this area may be imported or exported by truck or by vessel through the Bellingham Shipping Terminal or over the remaining portion of the GP Wharf. The Port is working with Burlington Northern to obtain permission to install a rail spur to serve this area in the future. The shoreline and beach along the Log Pond will be restored for habitat and public enjoyment, accessible via a waterfront pedestrian and bicycle trail and by non-motorized vessel. Public access through this area may need to be interrupted during periods when recreational use would conflict with industrial or cargo activities.



Cornwall Beach Area

A mix of residential and office uses, with a small amount of goods and service uses are proposed in this 29-acre area. The goods and service uses will mainly serve residents of the Waterfront District and the users of the Cornwall Beach Park, which is a major component of this area, with connections to Boulevard Park via an over-water walkway. Medium density development will be encouraged to relate to the park environment. The Cornwall Beach area includes the bluff located east of the railroad tracks along Boulevard and State Street. The majority of this bluff is in public ownership and is not developable due to steep slopes and limited access. The Environmental Impact Statement for the Waterfront District did not contemplate any development along this bluff. If the private property along the bluff develops in the future, additional planning and SEPA review will be required.

Figure 4-2: Waterfront District Urban Village View Corridors



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Floor Area Ratio (FAR)

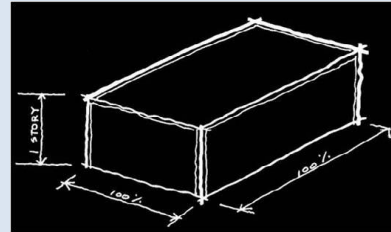
During initial planning discussions in 2005, the Port and City planning team identified the Fairhaven historic district as a starting point for evaluating density options. The density of building in Fairhaven, if applied to the entire Waterfront District would result in approximately 6.0 million square feet of building floor space.

Lower density development is proposed in the Marine Trades, Bellingham Shipping Terminal and Log Pond areas and urban density development is concentrated in the Downtown Waterfront area and the development pad within the Cornwall Beach area.

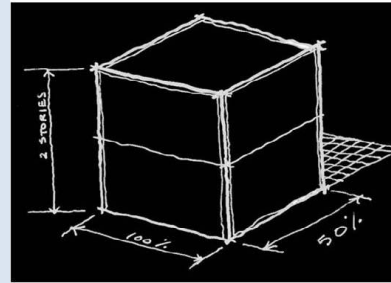
Base and Maximum FAR for the various Waterfront District planning areas are included in the Waterfront District Development Regulations.

What is Floor Area Ratio(FAR)?

FAR is the gross square footage of a building, excluding structured parking, divided by the square footage of the site.



**Two different forms of
a 1.0 FAR building**



For example: In both examples above, the building is 10,000 square feet, and is built on a 10,00 square foot lot. This is an FAR of 1.0.

If you know the FAR and you want to calculate how much gross floor area you could build, multiply the FAR by the site area.

Historic and Cultural Resource Policies:

39. Utilize the assumptions, methodology and recommendations from the Waterfront District Adaptive Re-Use Assessment dated 2009, prepared by Johnson Architecture to evaluate any proposals to demolish any of the structures identified on Figure 4-3. An updated assessment of market conditions and/or developer interest in adaptive re-use should be completed for the Granary Building, Board Mill Building or east portion of the Alcohol Plant prior to demolition of these buildings.
40. Temporarily hold certain structures for further market consideration and demolish certain unsafe structures and structures with limited potential for reuse, and salvage or reuse of materials and equipment within buildings and open spaces.
41. Document and preserve the rich industrial and Native American histories of the site through photographs and interpretive displays, signage, display of old industrial equipment and tanks, and reuse materials salvaged from demolished structures.
42. Ensure the preservation of culturally significant features through adherence to defined protocols and procedures for site cleanup and redevelopment.
43. Encourage the adaptive reuse of existing buildings if an assessment of structural, economic, market and land use factors show positive benefits of keeping the building. New buildings should be built utilizing methods that will allow easy adaptive reuse in the future if the building use changes over time.

Old Granary Building



Built: 1928
Dimensions: 121'x110' with 81'x39' office
Footprint Area: 16,469 sf.

Resource: Possible adaptive reuse of structure, or relocate and reuse materials.

Digester Building Tanks



Built: Ca 1938
Dimensions: 235'x44'
Footprint Area: 10,340 sf.

Resource: Possible reuse of materials, industrial equipment or display of tanks as a park feature.

Ceramic Tanks



Built: 1930
Dimensions: 31' x 120
Footprint Area: 1,607 sf.

Resource: Possible adaptive reuse as park feature, augmented with relocation of other historic equipment and materials.

Board Mill



Built: Ca 1946
Dimensions: 303'x72'
Footprint Area: 21,816 sf.

Resource: Possible adaptive reuse of structure, or relocate and reuse materials.

Chip Bins



Built: Ca 1937-1946
Dimensions: 129' x 51'
Footprint Area: 11,938 sf.

Resource: Possible adaptive reuse of structure, or relocate and reuse materials.

Alcohol Plant



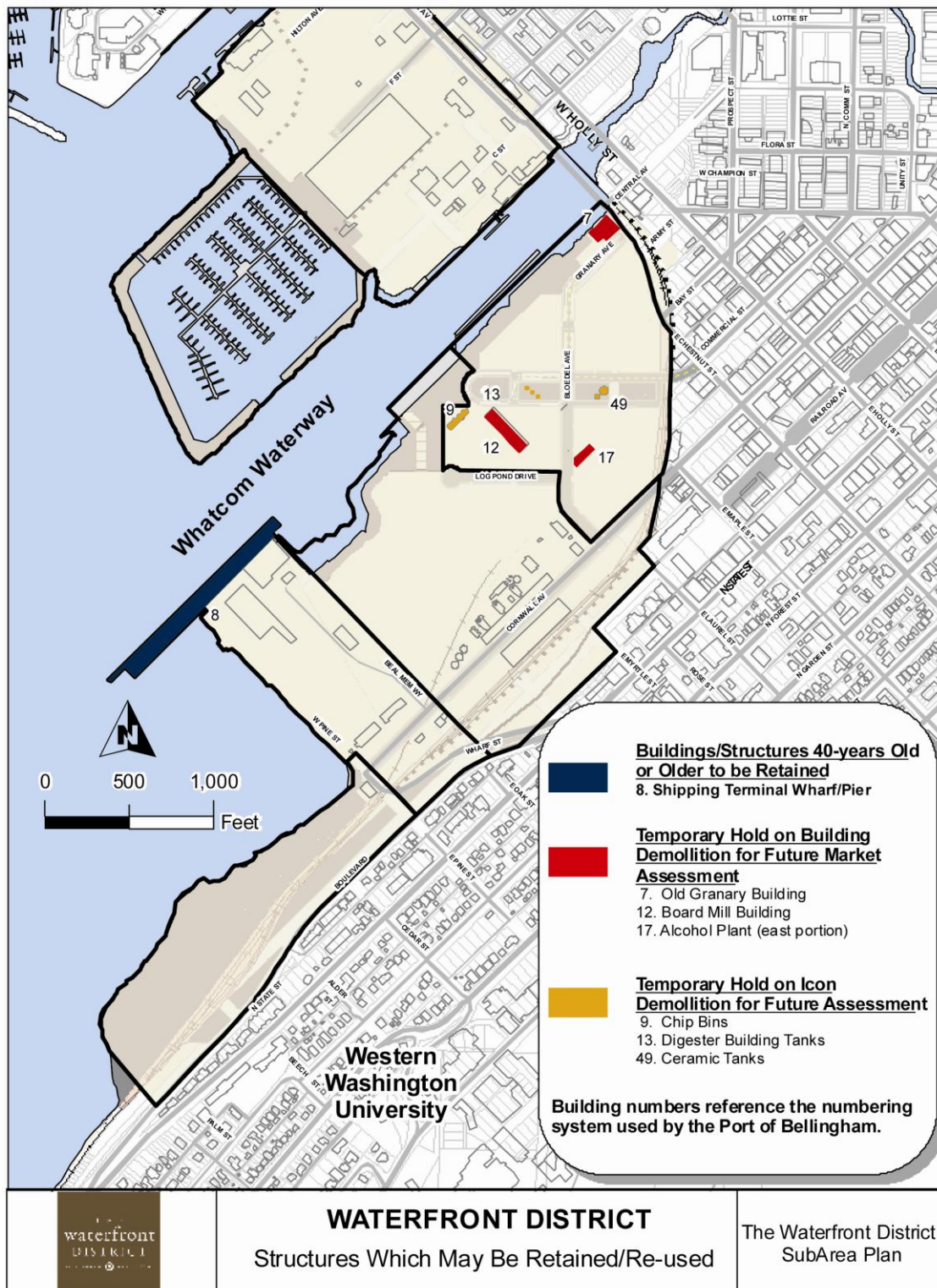
Built: Ca 1937-1946
Dimensions: 141.5' x 50'
Footprint Area: 15,575 sf.

Resource: Possible adaptive reuse of structure, or relocate and reuse materials.

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Figure 4-3: Structures Which Maybe Retained/Re-used



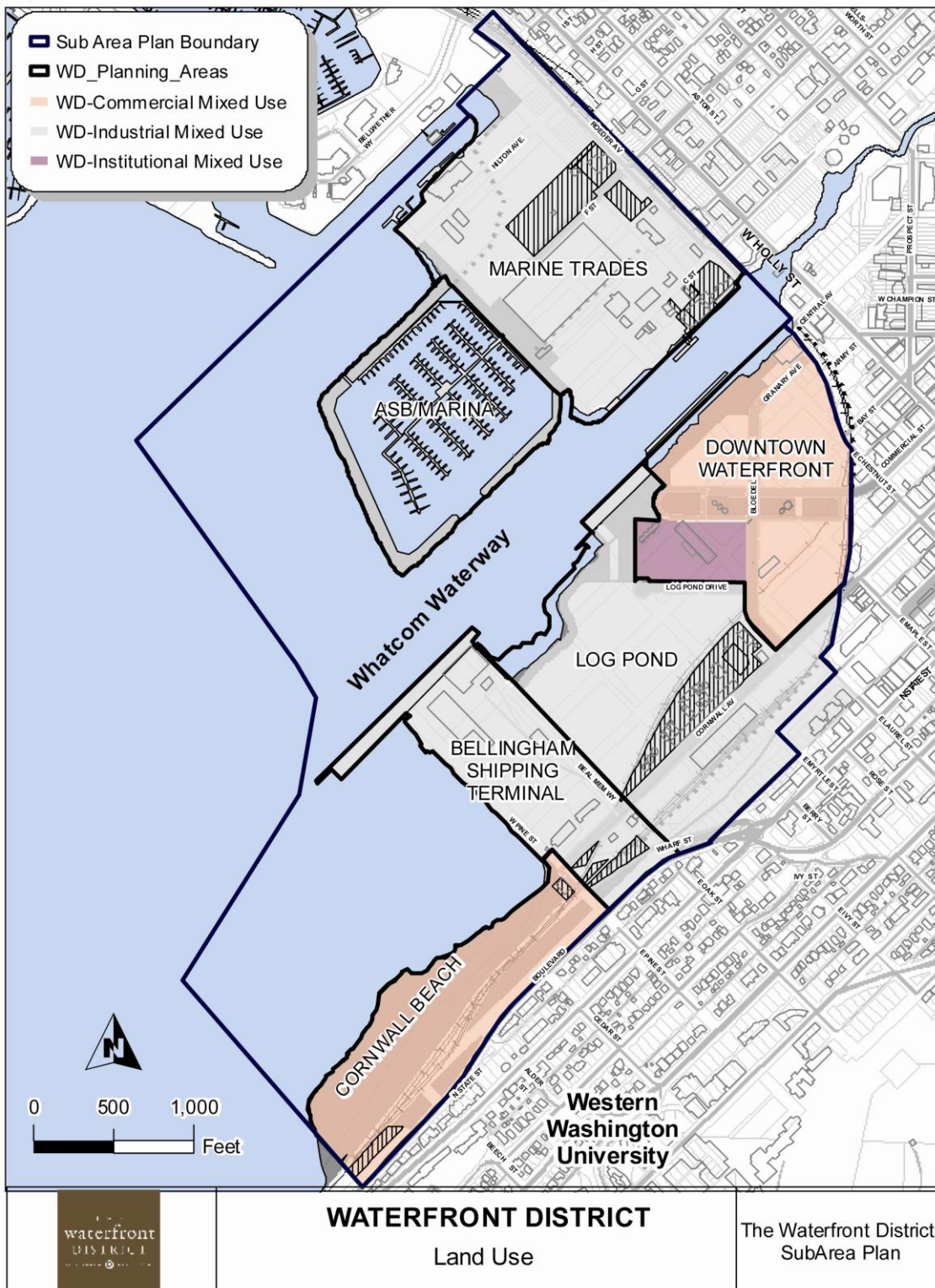
4.2 Implementation Strategies

1. Establish areas of unique character and several different Waterfront Mixed-Use zones to encourage clustering of compatible uses and variation in density and development standards by area.
2. Adopt development regulations, design standards and a predictable and efficient development approval process to implement the community vision established in the Waterfront District Sub-Area Plan.
3. Establish building height regulations and a Floor Area Ratio (FAR) system to encourage urban density development with sufficient critical mass to support transit and pedestrian-oriented mixed-use development.
4. Provide density bonuses to encourage provision of public open space, affordable housing, LEED Silver (or equivalent) buildings, or acquisition of density credits from the Lake Whatcom watershed.
5. Establish view corridors and design regulations to preserve public views along waterways and to and from street ends, public places and view points within adjacent neighborhoods.
6. Establish a phasing plan to phase building square footage by area to coincide with market demand and the availability of infrastructure, with flexibility to respond to changes in the economy or market and the availability of grant funding or private investment.
7. Establish the character of the early phase development by providing parks, trails, bicycle & transit facilities and pedestrian amenities in conjunction with early development.
8. Implement the Waterfront District Adaptive Re-Use recommendations by actively marketing buildings with adaptive reuse potential, retaining certain industrial icons within public spaces, completing mitigation for removal of structures and demolishing unsafe and/or unusable structures.
9. Work with the Bellingham/Whatcom Housing Authority, Kulshan Community Land Trust and other public and private housing developers to construct affordable housing units within residential or mixed-use development projects. When evaluating alternative development proposals, give priority to proposals which include programs to maintain at least 10% the housing units at levels affordable for purchase or rent by households which earn up to 80% of the City of Bellingham area median income.
10. When subdividing the property include a range of parcel sizes so as not to exclude any potential developers the opportunity to lease or purchase land in the Waterfront District.
11. Evaluate alternative development scenarios utilizing evaluation criteria to balance environmental impacts, economic impacts and community benefit.
12. Provide additional flexibility in the application of development standards in the Land Use Code to facilitate the development of buildings attempting to meet the Living Building Challenge (LBC) or equivalent. Such flexibility could be in the form of incentives such as added height and floor area ratio, or less stringent adherence to certain development and design standards. The LBC is a green building certification program created by the International Living Future Institute to recognize buildings meeting the most advanced sustainable standard. Information on the challenge is available at www.ilbc.org/lbc.

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Figure 4-4: Waterfront District Urban Village Boundary & Land Use Areas



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MULTI-MODAL CIRCULATION & PARKING

5.0 Multi-modal Circulation & Parking

The circulation network for the Waterfront District includes a system of multi-modal pedestrian-friendly streets, sidewalks, transit routes and bike paths which will reconnect the City of Bellingham to the waterfront.



The street network is one of the most important components for defining the character in each of the five different planning areas within the Waterfront District. In some places, the street design will accommodate commercial and light industrial activities associated with marine trades. In other areas, the streets will be designed as arterials or “green” streets within a more compact urban environment. Throughout the Waterfront District, the circulation system will encourage people to access and enjoy new community parks, walkways, open space and restored shorelines along Bellingham Bay. The circulation design, policies and implementation strategies in this chapter are intended to provide convenient, cost effective access for people of all ages and physical abilities, while maintaining a walkable character.

The Waterfront District has unique opportunities and challenges presented by its location. The street network must integrate a number of functions, if it is to support the successful transition of this area into a new urban neighborhood. Some of the most important functions of the street network include:

- **Connectivity** – Waterfront streets will establish new connections between the waterfront and adjacent neighborhoods by extending the existing street grid, new view corridors, and access points, allowing safe transport over the bluff and an active railroad.
- **Local traffic** – Streets within the waterfront will be designed to serve mostly local traffic and include a number of traffic calming features, such as narrow lanes, paving and sidewalk textures and landscaping to ensure that vehicles move at slow speeds, in keeping with the character of the area.
- **Pedestrian environment** – A variety of pedestrian features will create a walkable environment, with design adjustments to accommodate a comfortable blend of opportunities for people moving on foot, and using bikes, transit, commercial and personal vehicles.



- **Phased implementation** – The street network will be constructed gradually over time in planned phases. A biennial monitoring program will provide information on frequency of use and available capacity for each section of the network to assist the City and Port in programming needed infrastructure improvements and maintaining concurrency with adopted levels of service.

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The design objective, whether in the Marine Trades, Downtown Waterfront, or Cornwall Beach area is for a slow-moving experience that encourages safe and comfortable interactions among people using various modes of transit, in pursuit of diverse business and pleasure activities.

The parking strategy provided in this chapter is intended to promote a pedestrian-friendly waterfront



environment and encourage transit ridership, while providing sufficient parking to accommodate public access, support future businesses and attract private developer investment. Reduced surface parking is a key strategy in creating pedestrian-oriented development. Reduced surface parking will also decrease the total amount of impervious surfaces in the Waterfront District and lessen the impacts of stormwater runoff. Parking policies and design standards support reduced minimum parking space requirements, shared parking, commute trip reduction, and require off-street parking in commercial mixed-use areas to be located behind, beside or under buildings, or within parking structures. These provisions are needed to accommodate the projected density without creating a waterfront dominated by surface parking.

Parking will be accommodated through a balanced mix of on-street, surface, integrated structured parking and freestanding garages to support the future development capacity. Initially, on-street parking and low-cost interim surface parking lots will provide much of the parking capacity. As density increases, the interim surface parking will transition to structured parking integrated into the

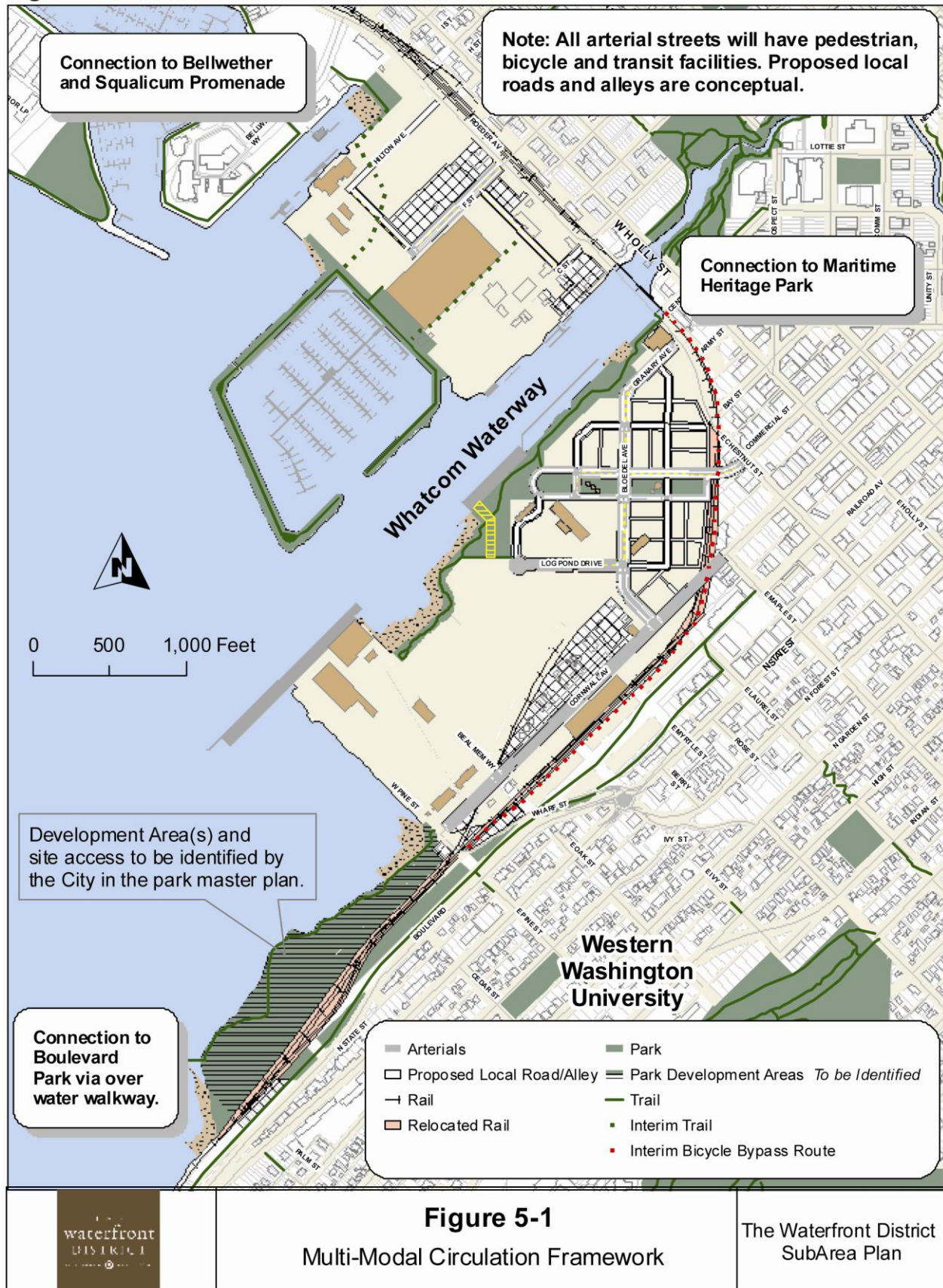
development. The long-term strategy to redevelop surface parking lots as infill sites allows maximum flexibility to encourage initial development without sacrificing the long-term vision of the Waterfront District as a dense urban environment with limited, but sufficient off-street surface parking. Permitting for development will include clear time lines for closure of interim surface lots and provisions for alternate parking facilities upon loss of interim surface parking.

The Waterfront District is split in two sections by the Whatcom Waterway. Properties north of the Whatcom Waterway are accessed by C Street, F Street and Hilton Avenue, which connect to Roeder Avenue. These streets have historically provided automobile and truck access to businesses on the site. In the future, F Street will be upgraded to be the primary access to the new marina and businesses, and will include sidewalks and dedicated bicycle lanes. Hilton Avenue and C Street will become local streets designed to accommodate truck traffic, forklifts, large and heavy freight and boats on travel lifts.

Properties south of the Whatcom Waterway are accessed primarily via Cornwall Avenue. Central Avenue historically provided access to the GP mill site via Roeder Avenue and is temporarily closed and gated. Wharf Street provides limited access to the south end of the site. A network of private streets which historically provided access within the GP paper mill is currently closed to the public.

Currently, bus service is available within a few blocks of the site on Holly Street and State Street. This service will need to be extended through the site as it develops. A network of pedestrian, bicycle and transit routes serve the surrounding Central Business District and neighborhoods. Sidewalks along Cornwall Avenue, Chestnut Street and Roeder

Figure 5-1: Multi-Modal Circulation Framework



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Avenue currently provide pedestrian access to the site, which will be extended along the new roads constructed within the development areas. Bicycles currently share traffic lanes with automobiles on Cornwall Avenue. The South Bay trail provides pedestrian and bicycle access to Fairhaven along the top of the bluff at the southern end of the site. This bicycle network will be expanded with dedicated bike lanes on all arterial streets through the site as it develops.

The main line of the Burlington Northern Railroad passes through the site, with active rail crossings at Cornwall Avenue, Wharf Street and Laurel Street. Passenger trains pass through the site and stop at the Fairhaven Station, approximately 4 miles south of the site. Relocation of the railroad to a corridor along the base of the bluff is proposed to allow development of an efficient road grid within the site and avoid at-grade rail crossings. A portion of the old rail way could be retained as a side spur to serve the Bellingham Shipping Terminal.

The Waterfront District is also accessible by water. The Bellingham Shipping Terminal provides deep-water access to ocean-going ships. Navigable waters in the Whatcom and I&J Waterways provide water access, loading and off-loading, and haul-out facilities for commercial fishing boats, barges and recreational boats. Pocket beaches at the head of the I&J Waterway, north of the ASB lagoon, the Log Pond, Cornwall Cove, and south of the Cornwall Avenue Landfill could be upgraded for hand carry boats.

The Waterfront District has unique

opportunities provided by its location, but also has limitations due to the topography, soils, historic contamination, the railroad, water bodies, view corridors, historic resources, the location and elevation of existing facilities, future tenant requirements, constructability and cost. The Environmental Impact Statement (EIS) evaluation of the site provided insight into many of these issues and provided analysis of a number of circulation options, designs and construction sequences. Specific on-site and off-site mitigation measures are identified in the Final EIS and 2012 EIS Addendum for each phase of development.

A phased network of transportation system improvements is proposed to accommodate the needs of automobiles, pedestrians, cyclists and transit. At full build-out, the network will consist of a fine grid of interconnected multi-modal streets, trails, dedicated bike lanes and transit routes to integrate the Waterfront District with surrounding neighborhoods. However, redevelopment is expected to occur over a relatively long time frame. Phased construction of the circulation network will focus development in specific areas so that a cohesive feeling for the Waterfront District is maintained over time as growth occurs. Interim roads and trails will provide connectivity in some areas until permanent infrastructure can be constructed.

An Infrastructure Phasing Plan is included in the Development Agreement, Planned Action Ordinance and Facilities Agreement, proposed for adoption concurrently with the Waterfront District Sub-area Plan. The phased installation of a multi-modal system of streets, walkways, bike paths, trails and transit routes in the Waterfront District will be monitored and managed over time, in order to encourage preferred patterns of development,

but also to take advantage of unplanned opportunities that may arise. Redevelopment of the waterfront is taking place during a time when traditional patterns of land use and transportation are being adjusted. Climate change, for example, is placing demands on local communities to explore and encourage shifts in how people get from one place to another. As outlined in Figure 5.2, the goal for mode shift in the Waterfront District represents a 15.6% increase from census data collected in 2010. This is possible because the Waterfront District redevelopment project will include mixed-use urban-density development and provides the opportunity to build a more modern system of multi-modal transportation from the beginning, rather than retrofitting existing infrastructure. While this goal is not a regulatory requirement, it is an important feature of the multi modal circulation system to avoid traffic congestion and encourage non-motorized access.

Management of the transportation system will be data driven. A biennial traffic monitoring program will be established for the waterfront. Data collection under the program will be conducted during the evening peak traffic hour and include the following components:

- **Traffic Counts.** Daily and peak hour traffic counts at all site access locations.
- **Vehicle Classification Counts.** Daily and peak hour vehicle classification counts at the site access locations, including trucks, cars and transit.
- **Pedestrian and Bicycle Counts.** Peak hour pedestrian and bicycle counts at each site access location.

The ability to achieve certain mode shifts is influenced by the land use within each planning area. Separate monitoring will be required in each of the five planning areas, and mode shift expectations may be different for each area. The Marine Trades Area, for

example will typically have a higher auto use due to the type of activity in that area.

The data collected for each planning area will be used to confirm when street infrastructure improvements are required and will be used to make adjustments to concurrency determinations for planned redevelopment. In addition, the data will be used to assist in understanding whether mode share targets are being achieved. The ability to meet or exceed mode share targets may reduce the level of infrastructure improvements required to serve the site. Conversely, the inability to meet targets may require a reduction in the overall level of development accommodated during any given phase of development.

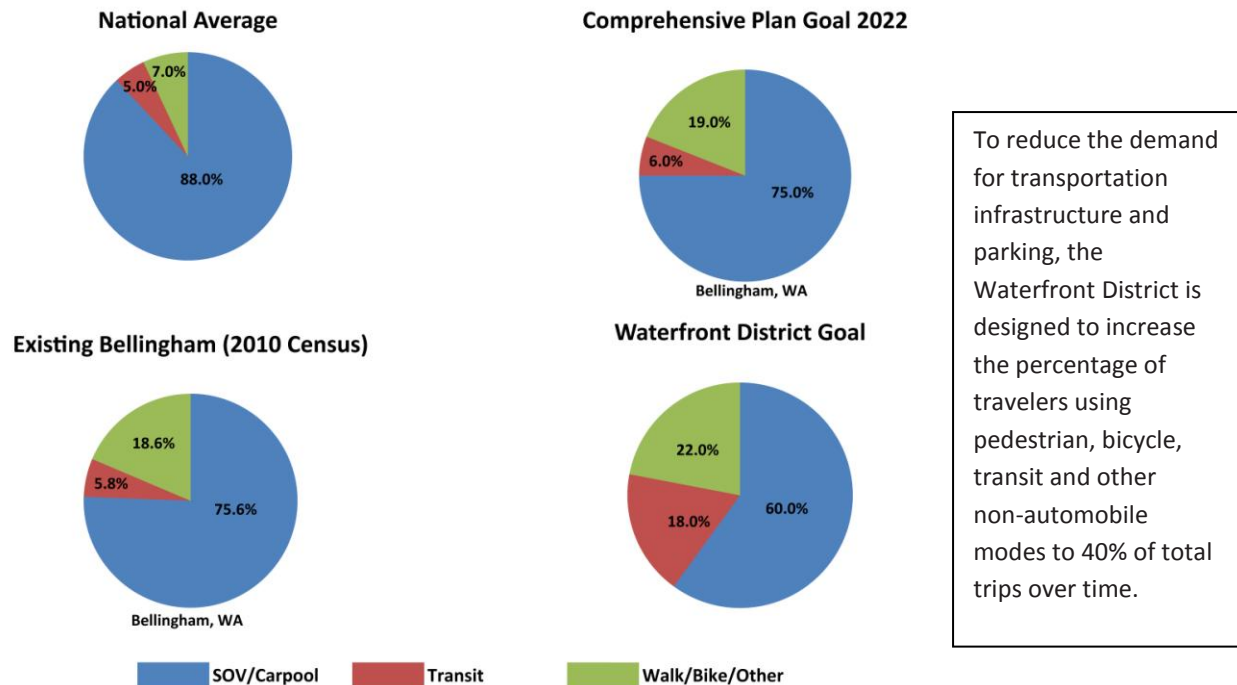
The response to mode shift data may take many different forms, including such things as behavioral adjustments, operational and/or engineering solutions, or policy determinations or some combination thereof. Behavioral adjustments by people accessing the waterfront may come in the form of people choosing to shift from cars to walking, biking or transit because of congestion. Operational solutions may take the form of having curb-side parking be limited during peak hours in order to provide an additional lane for vehicle traffic (e.g., cars, carpools, or dedicated transit lanes). Engineering solutions may include modifying existing roads, or construction of the next segment of street infrastructure before additional development occurs. A policy determination may be made that the public is satisfied with clogged intersections for an hour a day in order to keep the walkable character of the area.



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Figure 5-2: Mode Share Assumptions



Early phases of infrastructure are designed to activate the northern portion of the Downtown Waterfront Area, providing strong connections between downtown and the waterfront. The installation of park and trail connections will also occur in incremental phases in conjunction with installation of streets and utilities. The combination of transportation and public access features in early phases will create strong physical and visual connections between downtown and the waterfront and establish signature parks and public access features along the south side of the Whatcom Waterway. The Log Pond Area

will continue to be used for light industrial activities without any significant public investment in roads or utilities.

As the Downtown Waterfront Area gradually develops into an urban village, infrastructure will be expanded as necessary to serve proposed development and increase public access to the waterfront. Additional infrastructure will also be installed in the Marine Trades Area and the Cornwall Beach Area in later planning phases. Installation of the transportation network, public parks and trails will be managed over time in response to development trends and opportunities, funding availability, community priorities, and the schedule for railroad relocation.

Guidance from the New Whatcom Strategic Guidelines and Implementation Strategies (now known as the Waterfront District)

The Waterfront Advisory Group sponsored a public involvement process during 2005 and 2006, which led to the adoption of "New Whatcom Guiding Principles and Implementation Strategies" by the Port and City in 2006. The following Implementation Strategies provide guidance related to Circulation:

- *Develop a network of interconnected pedestrian, bicycle and transit facilities within the site with connections to adjacent neighborhoods and parks.*
- *Design the living, working and shopping areas with a pedestrian scale, which is not dominated by vehicles.*
- *Dissolve the barriers that separate the waterfront from the Bellingham Central Business District, connecting the City with the Bay.*
- *Develop strong vehicular and pedestrian connections between New Whatcom, E. Holly Street, Roeder Street and State Street, while acknowledging and creatively working the obstacles of topography and the railroad. If there is a WWU presence on the New Whatcom site, develop a connection to the WWU campus.*
- *Encourage non-motorized transportation by creating a "park once" environment that makes it safe and attractive for pedestrians or bicycles to connect to amenities, goods and services, jobs and housing. Provide covered transit stops, pedestrian facilities and bicycle parking areas to support non-motorized travel.*
- *Encourage frequent, convenient and well designed transit service as well as sufficient density to support it.*
- *Connect the New Whatcom open space and trail network to Boulevard Park with an over water trail from the south end of the Cornwall Landfill to Boulevard Park.*
- *Parking should be thought of as infrastructure and must be convenient, ample, efficient and affordable, and facilitated or managed by a local jurisdiction.*
- *Generally, parking should be located under buildings and in parking structures located away from the shoreline, unless associated with a water-oriented use.*
- *Subject to the Sub-Area Plan design and phasing, surface parking may be developed as an interim use on areas planned for future redevelopment, enabling its evolution over time into a denser environment.*

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MULTI-MODAL CIRCULATION & PARKING

5.1 Multi-Modal Circulation and Parking Policies

Circulation Policies

1. The Waterfront District should be designed to increase pedestrian, bicycle and transit usage through the installation of appropriate infrastructure, land-use mixture and density, site design, policies, and education. Develop a transportation system which enables the movement of more people in proportionately fewer automobiles.
2. Spatially connect the City to the waterfront through a network of new interconnected roads and trails designed to accommodate pedestrians, bicycles, automobiles, trucks and transit.
3. Integrate and connect new waterfront streets and trails to the existing network of streets, bike routes and trails within the Central Business District (CBD) and surrounding neighborhoods.
4. Block size within commercial mixed-use areas should be similar to or smaller than blocks in the existing CBD and Fairhaven. Blocks exceeding 240 feet in length or depth should include an alley or pedestrian access through the block. Large buildings on oversize blocks should include pedestrian access through the building during business hours.
5. Blocks within the Shipping Terminal, Marine Trade Area and Log Pond Area may be larger to accommodate marine transportation and industrial uses.
6. All streets and sidewalks should be open to the public and available for general public use, with the exception of streets within the Bellingham Shipping Terminal and portions of the site where active environmental clean-up, construction or industrial activities require site security or could pose a hazard to the public.
7. Cul-de-sacs should be avoided unless temporary in nature or required to access areas constrained by water bodies, the railroad or bluff. If new cul-de-sacs are created, pedestrian or bicycle through-connections shall be provided to adjacent blocks, where feasible.
8. All streets should be limited to a maximum speed of 25 miles per hour.
9. Sidewalks or foot paths should be provided on both sides of all arterial and local streets within mixed-use areas. Pedestrian access to uses within Marine Industrial areas may be separated from traffic routes for safety.
10. Sidewalks, crosswalks and walkways shall be designed in compliance with the accessible design provisions of the American Disabilities Act (ADA).



11. Physically separated or protected bike lanes should be located within or parallel to arterial streets, in dedicated parts of the right-of-way, so that all residences, businesses and public facilities have easy access to a dedicated bicycle route. When possible, these protected bike routes should be connected with shared pathways that are part of parks and open space areas, to create an integrated system for non-motorized transportation. Local streets may include two-way bicycle tracks or bicycle lanes shared with automobiles.

12. Businesses, public facilities and residential developments should provide bicycle parking spaces or storage.
13. Safe and comfortable transit facilities should be located at major trip generators to encourage transit use and reduce driving. Where feasible, transit stops should be located adjacent to buildings with weather protection or include shelters and benches, partially enclosed to buffer wind and rain, with lighting, route information and schedules.
14. A variety of boat and barge docking, moorage and launching facilities and services should be developed to provide water access for boats of all sizes, support water transportation and make the Waterfront District welcoming to visiting boaters.
15. Per City policy, this area receives an impact fee credit for the number of PM peak hour vehicle trips generated by the former Georgia Pacific Mill and other recent industrial uses within the Waterfront District. Transportation Impact Fees should not be imposed until such time as development exceeds the historic number of PM peak hour vehicle trips generated in this area, which will likely occur after early development phases; however, transportation impact fees should be phased in when redevelopment exceeds the threshold of historic transportation impact defined by number of PM peak hour vehicle trips.
16. The goal of the Waterfront District is to increase the percentage of travelers using pedestrian, bicycle, and transit modes to at least 40% of total trips to and from the site over time.
17. Encourage building design which supports pedestrian-oriented commercial activity and provides opportunities for visual or interactive links between businesses and pedestrians within commercial or mixed-use areas.
18. In commercial and mixed-use residential areas, street furniture, artwork and shielded lighting should be provided along streets and within open spaces adjacent to streets to create comfortable outdoor gathering places for residents and visitors. The specific design of the street furniture and lighting should be reviewed at the time each phase of development is proposed to ensure a compatible design which contributes to the cohesiveness of the area, but allows for variation between the unique development areas.
19. Within commercial and institutional mixed-use areas, street trees should be planted between the vehicle travel way and the sidewalk on arterial streets at intervals no greater than 50 feet. Within view corridors, tree species should be selected to minimize view impacts.
20. Street trees should not be required along interior streets in Industrial areas where they could conflict with industrial traffic, but should be provided along F Street and Roeder Avenue. The exterior boundaries of industrial areas and boat yards should be landscaped where they abut commercial mixed-use areas, parks or public roads.
21. Landscaping should feature native or drought tolerant plants which do not require permanent irrigation systems. Where feasible, streets should be designed with bioswales, tree wells or other natural stormwater treatment facilities to treat stormwater run-off from roads and double as landscaping.
22. Parking lots, garages, and waste disposal facilities should be screened from public streets and trails.

Streetscape Policies

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23. Transit stops, transit pull-outs and shelters should be located along all arterial streets at convenient intervals and should have priority over on-street parking and landscaping.
24. Well designed signage and way-finding should be located at frequent intervals to direct visitors to business districts, parking, transit stops, bicycle and pedestrian routes and public places throughout the Waterfront District and provide public information about site history and natural features.

Parking Policies

25. Parking should be provided through a combination of on-street, surface and structured or below-grade parking facilities, with on-street parking spaces reserved for short-term visitors and customers.
26. Minimum parking requirements should be reduced to a standard which is appropriate for a mixed-use urban setting in the future, assuming fewer cars, smaller cars, shared parking facilities and mode-shift to non-auto modes. Regulations should include provision for further reduction to parking space requirements for uses which provide shared parking facilities and programs to reduce automobile dependence.
27. At full build-out, no more than one-third of the total automobile parking spaces in Commercial or Institutional mixed-use areas should be provided in off-street surface parking lots.
28. Within commercial mixed-use areas, surface parking lots and the entrances to parking garages should be located at the side or rear of buildings, and off-street parking lots should not be located between the building and the street.

Figure 5-3: Parking Strategies

Various parking types respond to the character of each development area within the Waterfront District.

Surface



Surface parking will be used to accommodate early action development. As density increases over time, surface parking will be minimal.

Structure (Integrated)



Structure (integrated) parking is accommodated below buildings or integrated into the center of a block to support multiple uses. This is the most typical parking type.

Free-Standing Garage



Free-standing garages are utilized to support office, institutional and community parking requirements.

On-Street



On-Street parking (essential to a vibrant urban neighborhood) will carry approximately 10% of the parking demand at full development build-out.

Marina



Surface parking will be utilized at the marina to accommodate interim marina parking and truck/trailer parking for the Clean Ocean Marina.

29. Within shoreline jurisdiction, parking should be located under buildings, or within parking structures located away from the shoreline, unless associated with a water-oriented use. Parking should not be located between the building and the shoreline.
30. Surface parking may be developed as an interim use on areas planned for future redevelopment, enabling its evolution over time into a denser environment. Where interim surface parking is permitted, a clear strategy and time line for development of permanent parking spaces and redevelopment of interim surface lots should be established in development permit conditions.
31. In areas where development sites abut the bluff, streets should be designed to provide space for parking within buildings below street grade, with building entrances at street level.
32. Parking lots should be designed to reduce heat island impacts by limiting the size of surface parking lots, providing landscaping to shade parking lots and encouraging covered or structured parking.
33. Parking lots and structured parking should be designed to include pedestrian walkways connecting the parking facility to the buildings or uses which they serve, and should be landscaped or screened from adjacent streets and walkways.
34. If a structured parking facility is located at street level, the street frontage along any arterial street should be occupied by a retail, service or public use, or the facility should include landscaping, art work or outdoor seating along the street frontage, subject to design review.
35. Bike parking or covered storage areas should be located near the entrances to all public and private buildings, facilities or clusters of uses. Central bicycle facilities may be provided for institutional campuses or business parks with internal pedestrian routes.
36. Parking throughout the Downtown Waterfront Area should primarily be located under buildings or within parking structures located on the upland side of the development.

LEED ND Credit Opportunities

Note: LEED ND, developed by the US Green Building Council, is one of many different voluntary rating systems to address and achieve sustainability goals. The following plan features provide potential credit toward LEED ND certification:

Walkable streets include on-street parking, street trees, sidewalks, bike lanes and pedestrian oriented development at street level.

Project will encourage transit use and reduce driving by providing safe and comfortable transit facilities.

Parking is designed to increase pedestrian orientation and minimize the adverse effects of parking facilities by limiting the size and location of surface parking lots and providing bicycle and car-pool parking.

CHAPTER FIVE

MULTI-MODAL CIRCULATION & PARKING

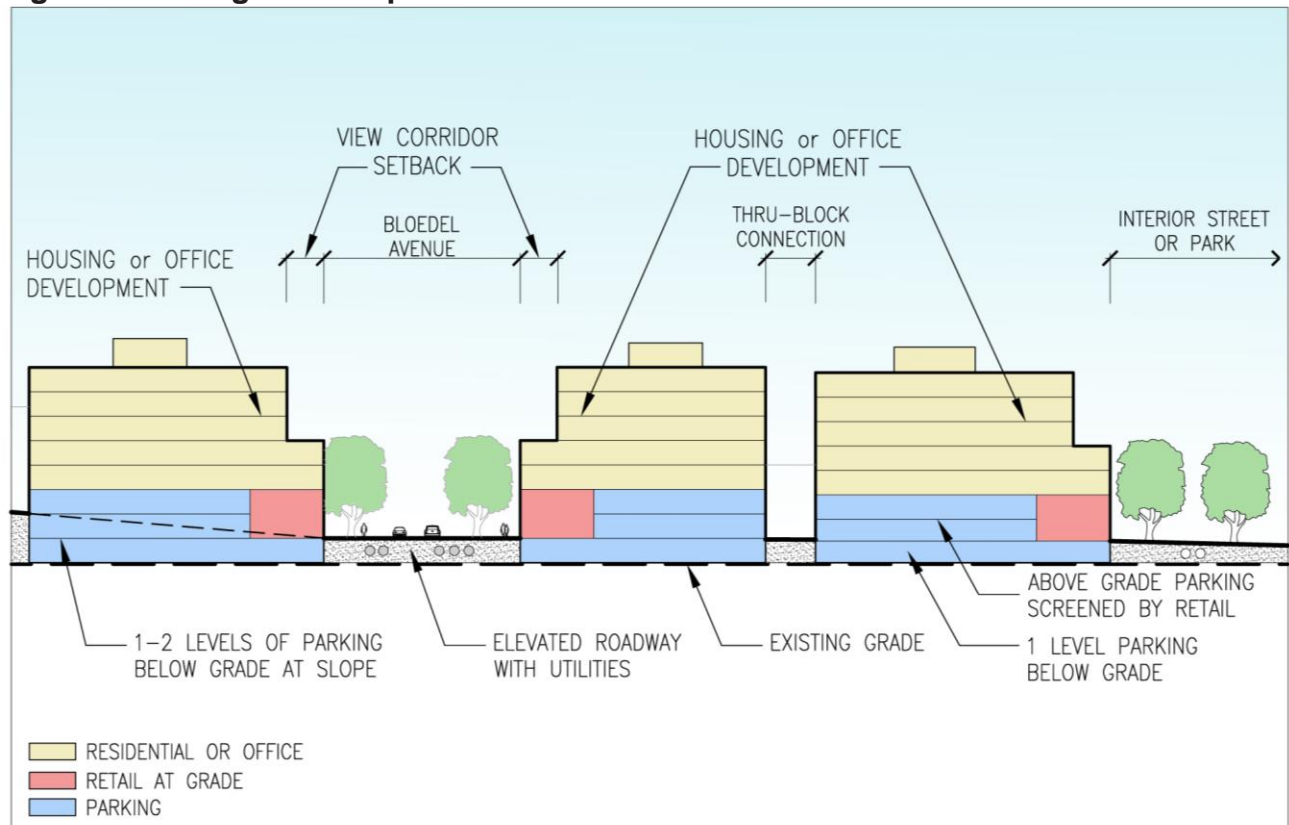
Integrated Slopes Approach

The existing site grade in the Downtown Waterfront Area is approximately 30 feet below the level of the existing downtown at Commercial, Cornwall and Bay Streets. Site conditions pertaining to water tables, potential sea level rise and soils make it unfeasible to excavate below the existing grade for underground parking. Raising the street level across the site provides the opportunity to install below-grade parking with pedestrian scale uses at street level. This approach also allows placement of utilities and stormwater systems under streets with minimum excavation.

In order to provide the possibility for below-grade parking and reduce the

grade difference between the downtown and the Waterfront District, an "Integrated Slope Approach" is envisioned to raise the elevation of the streets within the Downtown Waterfront area a minimum of 10 feet. Street grade will slope upward from the shoreline to the Central Business District, providing the potential for up to three levels of below-grade parking along the bluff adjacent to Roeder Avenue and Chestnut Street. This approach for parking will also create a noise buffer between the relocated BN/Santa Fe railroad tracks and the Waterfront District development. This configuration could provide the opportunity for parking garages within the Waterfront District to be accessed from existing downtown streets, reducing the amount of automobile traffic traveling on Waterfront District streets.

Figure 5-4: Integrated Slopes



5.2 Implementation Strategies

1. Design a network of arterial streets and trails to serve as the primary vehicle, bicycle and pedestrian access routes to development sites and public amenities within the Waterfront District.



2. Phase the development of arterial streets, trails and infrastructure to coincide with environmental clean-up, the development of adjacent properties, funding availability, and the schedule for railroad relocation.
3. Design and construct local streets, alleys, bike and pedestrian routes to provide access to individual buildings and parking areas at the time development is proposed.
4. Where feasible, install streets and utilities on clean fill placed above the current ground level to minimize excavation in areas with contaminated soils and elevate streets above potential flood levels which could result from the impacts of global warming, sea level rise or storm surge events.

5. Adopt design standards which encourage an appealing and comfortable pedestrian street environment within commercial and residential mixed-use areas with buildings located contiguous to sidewalks, building entrances facing public streets, transparent glass on businesses at ground level, weather protection, landscaping, artwork, lighting and outdoor seating areas. Allow alternate design standards to be established for institutional campuses or business campuses with internal pedestrian access.
6. Work with the Whatcom Transportation Authority (WTA) to ensure adequate funding for an efficient, convenient transit system with stops located in close proximity to the majority of residences and businesses, prior to occupancy of the first 1 million square feet of building space.



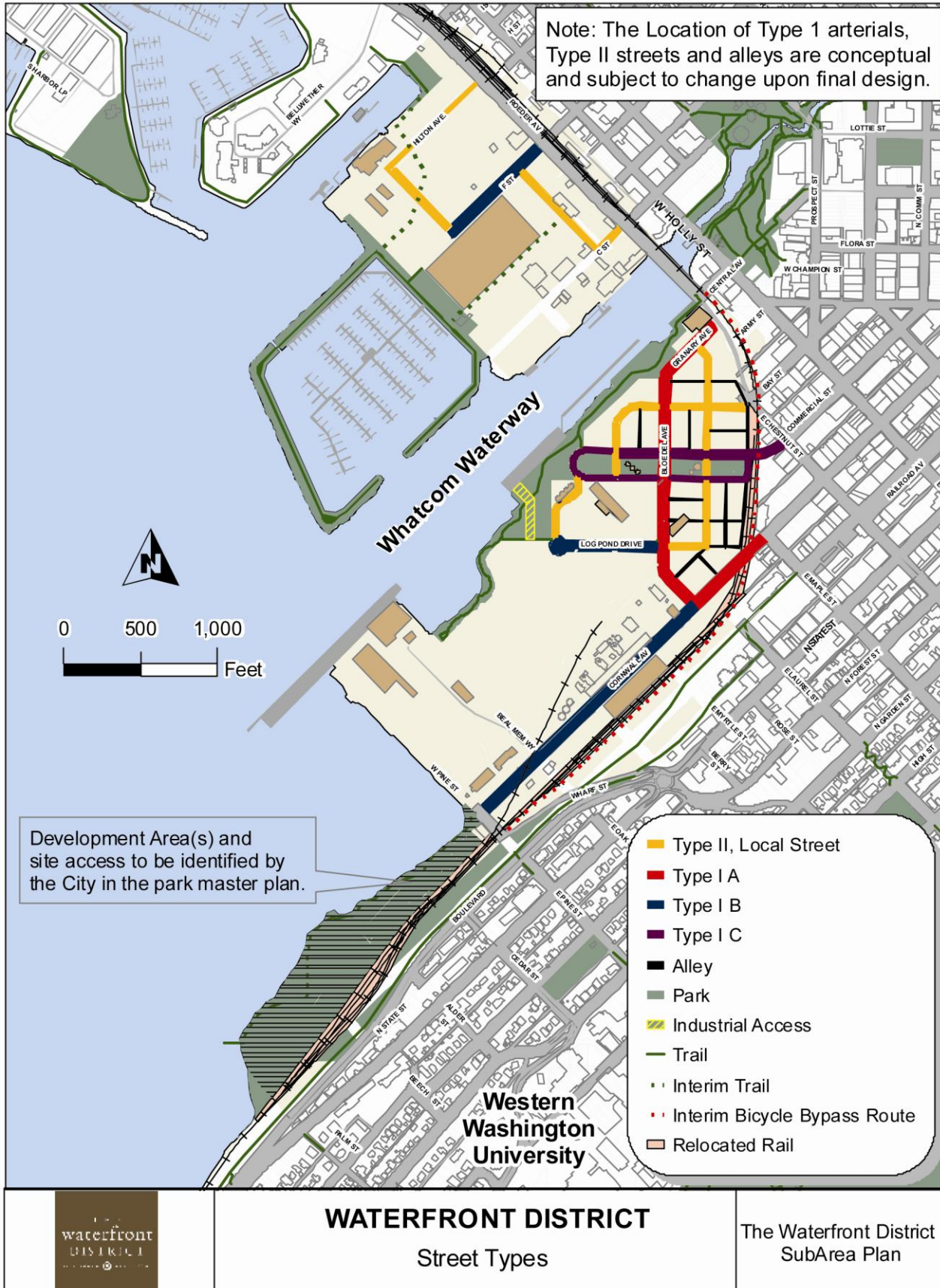
7. Obtain input from WTA regarding street design to ensure bus maneuverability around the site, allowing convenient connections to Downtown, Fairhaven and Western Washington University.

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8. Provide transit with priority access to the site if needed. This may include transit only lanes, shared bike/transit lanes, signal priority, or on-street parking lanes which convert to transit lanes during peak hour.
9. Work with Burlington Northern Railroad and seek grant funding to relocate the main line of railroad to a new route along the bluff, while maintaining a rail spur to serve the Bellingham Shipping Terminal and Log Pond transitional use area.
10. Work with the Port of Bellingham and BNSF Railroad to install a railroad quiet zone with supplemental safety measures at all track crossings in the Waterfront District.
11. Encourage landscaping, park design, and stormwater biotreatment facilities, such as bioswales, and use of native and/or drought tolerant plants which will not require permanent irrigation systems and support clean stormwater goals.
12. Maintain the Bellingham Shipping Terminal as a deepwater moorage and cargo facility, with adequate upland laydown area to support this use.
13. Develop a Clean Ocean Marina by adaptively re-using the ASB to serve the need for moorage.
14. Develop launching facilities and services for hand carry boats in one or more of the following areas: at the head of the I&J Waterway, north of the ASB lagoon, the south side of the Whatcom Waterway, Cornwall Cove, and/or south of the Cornwall Avenue Landfill.
15. Develop visitor moorage facilities along the Whatcom Waterway and encourage the development of services to attract visiting boaters to the Waterfront District.
16. Maintain and upgrade piers, moorage facilities and boat lifts along the north side of the Whatcom Waterway and south side of the I&J Waterway, and develop additional commercial boat haul-out facilities if needed to improve marine industrial water access.
17. Work with private carriers and pursue grant funding to assist in developing a network of water-taxis or a small ferry system to connect the Waterfront District to other transportation links.
18. Encourage landscaping with native or drought tolerant plants which do not require permanent irrigation systems.
19. Develop parking regulations and design regulations to prevent parked cars from dominating the landscape by reducing minimum parking requirements below existing city code requirements, encourage shared parking and commute trip reduction, and requiring surface parking lots to be located behind buildings and screened from public roads and trails.
20. Develop and implement a biennial traffic monitoring program to collect data and use results to encourage mode shift from cars to alternate forms of transportation such as walking, biking and transit, consistent with mode shift goals.
21. Take steps designed to encourage early development within each planning area in order to obtain the type of anchor tenants that will help define the character of development consistent with the Sub-Area Plan.
22. Develop an engineering response to the potential future closure of the at-grade crossing at Wharf Street that will support safe access to the Waterfront District by all users.

Figure 5-5: Street Types

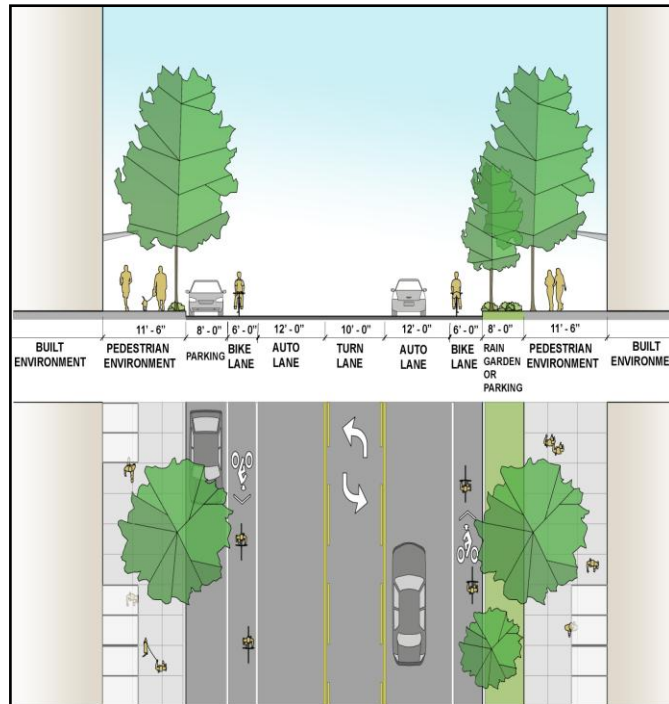


CHAPTER FIVE

MULTI-MODAL CIRCULATION & PARKING

Figure 5-6: Waterfront District Street Designs

The following street designs are conceptual. Alternate standards may be approved by the Public Works Director provided they are consistent with, and will further, the policies and implementation strategies in this chapter.



Type IA - Arterial Streets

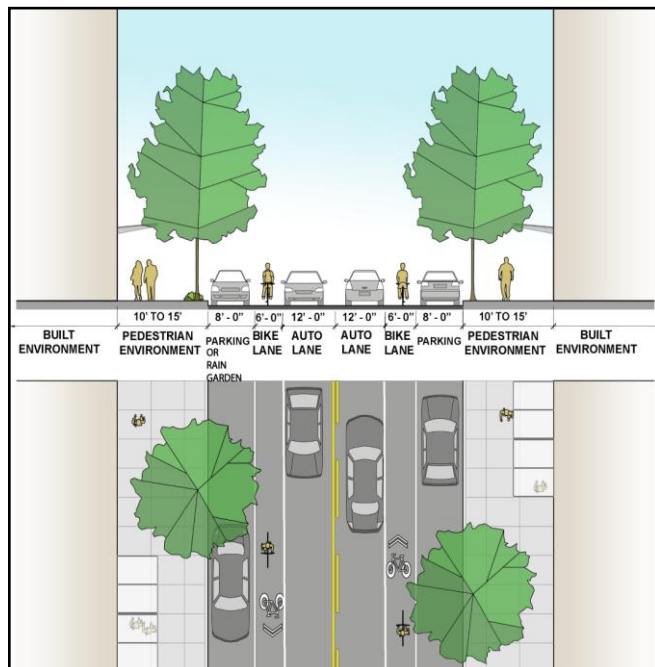
ROW: 85 ft. (2-way street) with one turn lane at intersection or optional center landscaping.

Bikes: Two dedicated bike lanes

Parking: Parallel parking on one or both sides of street

Landscaping: Street trees, highlighted landscape areas at wide sidewalk, natural biofiltration option in lieu of on street parking on one side of street.

Pedestrian Environment: Sidewalks on both sides of the street along with ground floor retail and commercial uses encourage pedestrian-oriented activity.



Type IB - Arterial Streets

ROW: 72 to 82 ft. (2-way street)

Bikes: Two dedicated bike lanes

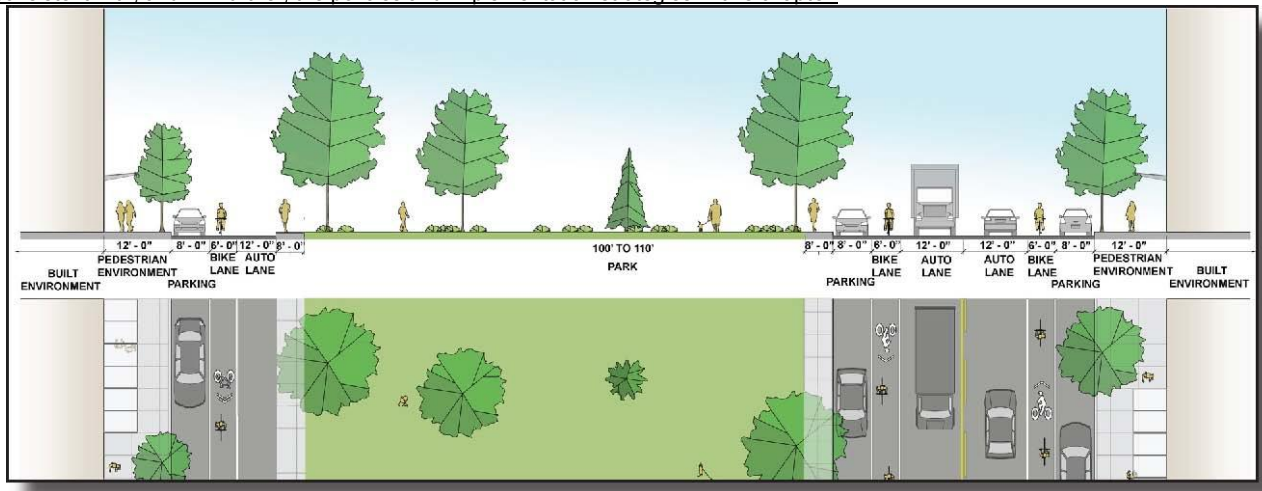
Parking: Parallel parking on one or both sides of street.

Landscaping: Street trees, natural biofiltration option in lieu of on street parking on one side of street.

Pedestrian Environment: Sidewalks on both sides of the street encourage pedestrian oriented activity.

Figure 5-6: Waterfront District Street Designs (continued)

The following street designs are conceptual. Alternate standards may be approved by the Public Works Director provided they are consistent with, and will further, the policies and implementation strategies in this chapter.

**Type IC - Arterial Street “Commercial Street Green”**

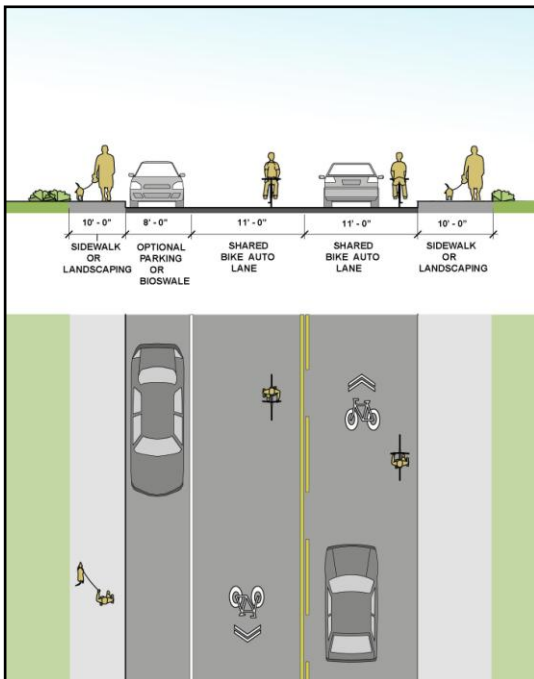
ROW: 210 TO 220 ft. (2-way street & 1-way street)

Bikes: Three dedicated bike lanes (2 on 2-way street & 1 on 1-way street)

Parking: Parallel parking both sides of the 2-way street & one side of the 1-way street

Landscaping: Street trees, potential for biofiltration, mill artifacts & landscape features within the center open space area.

Pedestrian Environment: Primary pedestrian link from downtown; encouraged activity at the ground floor. Sidewalks on both sides of the street and park.

**Type II - Local Streets**

ROW: 36 to 56 ft. (2-way street)

Bikes: Auto lane shared with bikes (lane striping to indicate shared auto/bike environment).

Parking: Optional parallel parking or bioswale on one side of street.

Landscaping: Street trees, low scale shrubs and ornamentals over utility vaults. Landscaping requirement may be waived within industrial areas.

Pedestrian Environment: Sidewalks on both sides, or optional sidewalk on one side and other side landscaped when located adjacent to park or trail with equivalent pedestrian facilities. Within industrial areas, separated pedestrian route may be provided.

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6.0 Utility Systems

UTILITY SYSTEMS

The Waterfront District requires an expansion of utility services to support the anticipated levels of development. Public and private utility suppliers have the capacity to service the full amount of planned development and system upgrades will be made in coordination with the site development schedule. Traditional conveyance lines for water, sewer and stormwater will be included in City rights-of-way. A non-potable, treated waste water conveyance system may also be located in City rights-of-way for irrigation use. These new utility corridors will be pre-excavated and backfilled with clean materials during the initial phase of utility and roadway installation, consistent with site cleanup activities. A utilities master plan, evaluating existing systems and envisioned improvements, will be prepared by the City's Public Works Department prior to site development to provide a framework for the short-term and long-term improvements. Innovative systems to treat or recycle wastewater or stormwater run-off within buildings or sites will be privately developed and maintained.

**Water**

The City provides water service to customers in and around the Waterfront District. The City's Capital Facilities Plan, updated in 2006, affirms that improvements to the existing water system can service the full amount of planned development. Potable water mains surround the Waterfront District and extend

into the site at a number of locations (Beal Memorial Way in the vicinity of the Oak Street right of way, Pine Street, Laurel Street, C Street, F Street, Hilton Avenue). Additional water system infrastructure will be placed within the site's new roadway network contingent on site development needs and in coordination with other utility system improvements.

**Sanitary Sewer**

The City provides sanitary sewer utility service to customers in and around the Waterfront District. The City's Capital Facilities Plan, updated in 2006, affirms that improvements to the existing sanitary system can service the full amount of planned development. Sewer pipes surround the Waterfront District and extend into the site at a number of locations (Beal Memorial Way, Pine Street, Laurel Street, C Street, Hilton Avenue). The majority of the site's existing gravity sewer system, especially in the area south of the Whatcom Waterway, will be reconstructed and relocated within the site's new roadway network contingent on-site development needs and in coordination with other utility system improvements. New on site pump stations will be required to help transport collected wastewater to the Post Point Pollution Control Plant.

Electricity

Puget Sound Energy (PSE) provides electricity to customers in and around the Waterfront District. PSE is expanding its electrical substation system to meet the area's long-term energy demands and will accommodate the planned levels of development in the Waterfront District contingent upon energy demands and site development needs. Most of the site's existing electrical lines will be removed or replaced with below-grade lines within the site's new roadway network in coordination with other utility system improvements.

Natural Gas

Cascade Natural Gas provides natural gas service to customers in and around the Waterfront District. Cascade Natural Gas has sufficient capacity to service the full amount of planned development in the Waterfront District. A 16-inch high-pressure natural gas distribution line traverses the perimeter of the site along Roeder Avenue, Chestnut Street and Cornwall Avenue and gas lines extend into the site at a number of locations. Most gas lines will be removed or replaced within the site's new roadway network contingent on site development needs and in coordination with other utility system improvements.



Stormwater Management

The careful management of stormwater is a high priority for waterfront communities throughout the Puget Sound. Federal, state and local regulatory requirements for stormwater management have become increasingly stringent in an ongoing effort to protect adjacent marine resources. Stormwater is generally managed within the Waterfront District by both the Port of Bellingham and the City of Bellingham under Phase II Municipal Stormwater permits issued by the Department of Ecology. Stormwater management associated with other specific operations, such as construction activity, boatyards and the Aerated Stabilization Basin (ASB), is also regulated by Ecology. Currently most of the stormwater generated in the Downtown Waterfront, Log Pond and Marine Trades areas is routed to the ASB. Stormwater treatment within the ASB will be discontinued prior to cleanup and redevelopment of that facility as a new Clean Ocean Marina, requiring the design and permitting of new conveyance and treatment facilities throughout the Waterfront District.



New conveyance and treatment facilities for stormwater typically will be installed in coordination with the phased construction of streets and other infrastructure. The new stormwater systems will be designed in accordance with Ecology stormwater requirements, low-impact development strategies, and MTCA requirements for protecting soil, groundwater, and marine resources. In many locations, the infiltration of stormwater will be avoided in order to prevent contact with contaminated subsoils. However, low-impact development strategies, such as the use of green roofs, pervious surfaces, rain gardens, and bioswales may be incorporated throughout the site as long as they are designed to be compatible with MTCA site cleanup requirements and meet applicable storm water

CHAPTER SIX

UTILITY SYSTEMS

regulations. Where appropriate and consistent with park goals and plans, these sustainable stormwater features may also be integrated into the new system of waterfront parks, creating a visual and attractive theme of natural water connections between upland areas and newly restored shorelines. New stormwater outfalls will be designed and permitted to ensure that clean stormwater is discharged to Bellingham Bay in locations compatible with comprehensive shoreline restoration projects.



Communication

The Waterfront District is served by telephone, wireless telephone service and cable television. Cable television is available through Comcast Corporation by franchise agreement with the City. Standard telephone service is available through Qwest and wireless telephone service is offered by a number of providers. Communication lines will be extended into the site contingent on site development needs and in coordination with other utility system improvements.

Sustainability

The installation of utility systems provides a unique opportunity to



integrate sustainable design principles and functions within the planned infrastructure to help minimize the environmental impacts of development and implement water-neutral and carbon-neutral resource strategies. Utility corridors could include additional piping and infrastructure to support the long-term development of district heating and cooling, on-site energy generation and wastewater reuse. An alternative approach might be to construct utility tunnels in some areas to facilitate the future addition of required infrastructure. The vast network of parks and open space could incorporate low- impact development stormwater solutions with significant environmental and economic benefits. As the waterfront develops into an urban village, a coordinated set of sustainable utility system strategies will help improve habitat, minimize the reliance on imported water and demand for water treatment and reduce the demand for nonrenewable energy resources.

District heating and cooling saves energy and money by using underground pipes to distribute hot water, chilled water or steam from a single source to a network of buildings which do not need boilers, furnaces, or cooling systems. The Waterfront District will have a variety of potential district energy sources, including recaptured "waste heat" from WWU, other institutional buildings or the Encogen plant.

On-site power generation is an energy efficiency strategy which reduces transmission losses from regional power stations



and responds directly to the site's energy needs. These systems can be large or small and surplus power can be fed back into the regional power grid. Potential on-site renewable sources of power include solar, wind, tidal, or hydropower. Hydropower could be generated from a surplus industrial pipeline extending from Lake Whatcom to the site which has a hydraulic capacity of 50 million gallons of water per day and historically supplied process water to GP.

Wastewater reuse systems significantly reduce water usage by using advanced treatment to recycle water to support landscape features, toilet flushing, and other building operations. On-site wastewater treatment could be phased with development and might be a cost-effective opportunity to expand treatment capacity and reduce loading to the Post Point Pollution Control Plant.

Low-impact development stormwater solutions could be used in combination with traditional engineering alternatives to reduce infrastructure costs and increase land values.



A naturalized stormwater system could be facilitated in areas like the Commercial Street Green with a planned grade change.



Relatively clean water from roofs and open spaces could be conveyed in a naturalized creek and pond system which would also serve as an aesthetically pleasing, signature "green" infrastructure resource. Polluted stormwater from traffic areas could be treated in properly designed oil separators and underground settling tanks. Special consideration is needed for implementing low-impact development stormwater solutions in areas where contaminated soils may be isolated and capped or blended with clean soils to meet state standards for public health and safety. Engineering solutions might include impermeable, rainwater-harvesting structures which act as subsurface "caps" for deeper contaminated materials but allow for near-surface water movement and infiltration for collection.

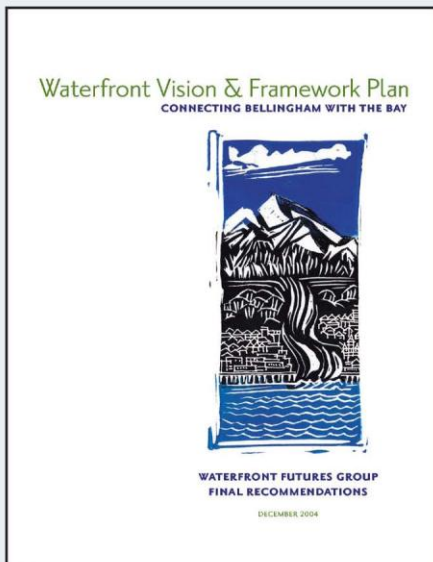
A proactive approach towards sustainable utility systems and infrastructure will help minimize the long-term demand for water and energy, improve habitat, provide aesthetic and recreational value, and reduce long-term capital and maintenance costs.

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UTILITY SYSTEMS

Waterfront District Guiding Principles and Implementation Strategies

The Waterfront Advisory Group sponsored a public involvement process during 2005 and 2006, which led to City and Port adoption of "Guiding Principles and Implementation Strategies" in 2006. The following Implementation Strategies provide guidance related to Utility Systems:



- *Where feasible, use bioswales, rain gardens and other appropriate low-impact development techniques to treat stormwater.*

6.1 Utility System Policies

1. Provide utility facilities that are sufficient to support the planned levels of development.
2. Wherever practicable, place utility distribution lines underground in corridors that are pre-excavated and backfilled with clean materials during the initial phase of utility and roadway installation.
3. Where above ground utility infrastructure and facilities are installed, all efforts should be made to minimize environmental, visual, and aesthetic impacts. Street lights should be shielded to avoid off-site light impacts.
4. Locate transmission lines, pipelines, and other utilities in the same infrastructure corridors whenever possible.
5. Encourage energy conservation, on-site energy generation and the use of on-site renewable energy sources.
6. Reduce the unnecessary or wasteful consumption of water.
7. Encourage low-impact development practices for stormwater management which are compatible with MTCA site cleanup requirements, stormwater regulations, and demonstrate the integration of natural system connections between shoreline restoration projects and appropriate waterfront park designs.

6.2 Utility Systems Implementation Strategies

1. Coordinate new road construction and the maintenance of existing roads with utility trenching activities.

2. Wherever practicable, install utility infrastructure that supports the long-term implementation of district heating and cooling, wastewater reuse and on-site energy generation.
3. Extend utility services to the site in accordance with the requirements of the utility companies.
4. Coordinate with utility providers for consistency between the comprehensive plans of each utility and development plans in the Waterfront District.
5. Provide timely notice of new construction, maintenance, and repair of existing roads to utility providers.
6. Encourage the use of water conserving design and techniques in required landscaping.
7. Whenever practicable, install utility infrastructure which is compatible with or allows the future conversion to on-site energy production.
8. Wherever practicable, manage and treat stormwater with low impact development techniques that support natural hydrology and ecosystem functions while meeting MTCA site cleanup requirements for protective confinement of contaminated subsoils.
9. Where appropriate, incorporate clean stormwater as an integral resource in the design and construction of parks, open space, landscaping, and shoreline restoration projects in a way that encourages public interaction and awareness of the natural system connections between uplands, shorelines and Bellingham Bay.

LEED ND Credit Opportunities

Design or purchase traffic lights, street lights, water, wastewater pumps and treatment systems that achieve a 15% annual energy reduction beyond an estimated baseline energy use for this infrastructure.

Incorporate the use of shared on-site, non-polluting renewable energy generation technologies such as solar, wind geothermal, small scale/micro hydro electric and biomass with peak generating capacity at least 5% of the total electrical service load.

Note: LEED ND, developed by the US Green Building Council, is one of many different voluntary rating systems to address and achieve sustainability goals. The above plan features provide potential credit toward LEED ND certification.

CHAPTER SEVEN

PARKS, OPEN SPACE & TRAILS

7.0 Parks, Open Space and Trails

One of the most significant elements of this redevelopment project is that it will provide people with numerous new waterfront access opportunities through the creation of approximately 33 acres of new upland parks and trails and 6 acres of restored public beach. These signature parks and trails will link downtown Bellingham and adjacent neighborhoods to the waterfront and will feature outstanding areas to walk, play and experience the waterfront. Parks and open spaces within the Waterfront District will be interconnected by a network of pedestrian and bicycle trails, with connections to the Coast Millennium Trail system and other local parks and trail systems.



Approximately 18% of the Waterfront District land area is proposed for use as public park, trails and habitat, equaling approximately 33 acres of new upland parks, plus 4 acres of existing public land located east of the railroad tracks along the South Bay Trail, State Street and Boulevard Street. In addition, 6 acres of public beaches will be restored for habitat and public use. The Waterfront District will serve as an important linkage in developing a regional system of waterfront parks and trails. The majority of the shoreline within the Waterfront District will be dedicated for public access and improved for public recreation, water access and habitat. This will benefit the entire community as well as the future businesses

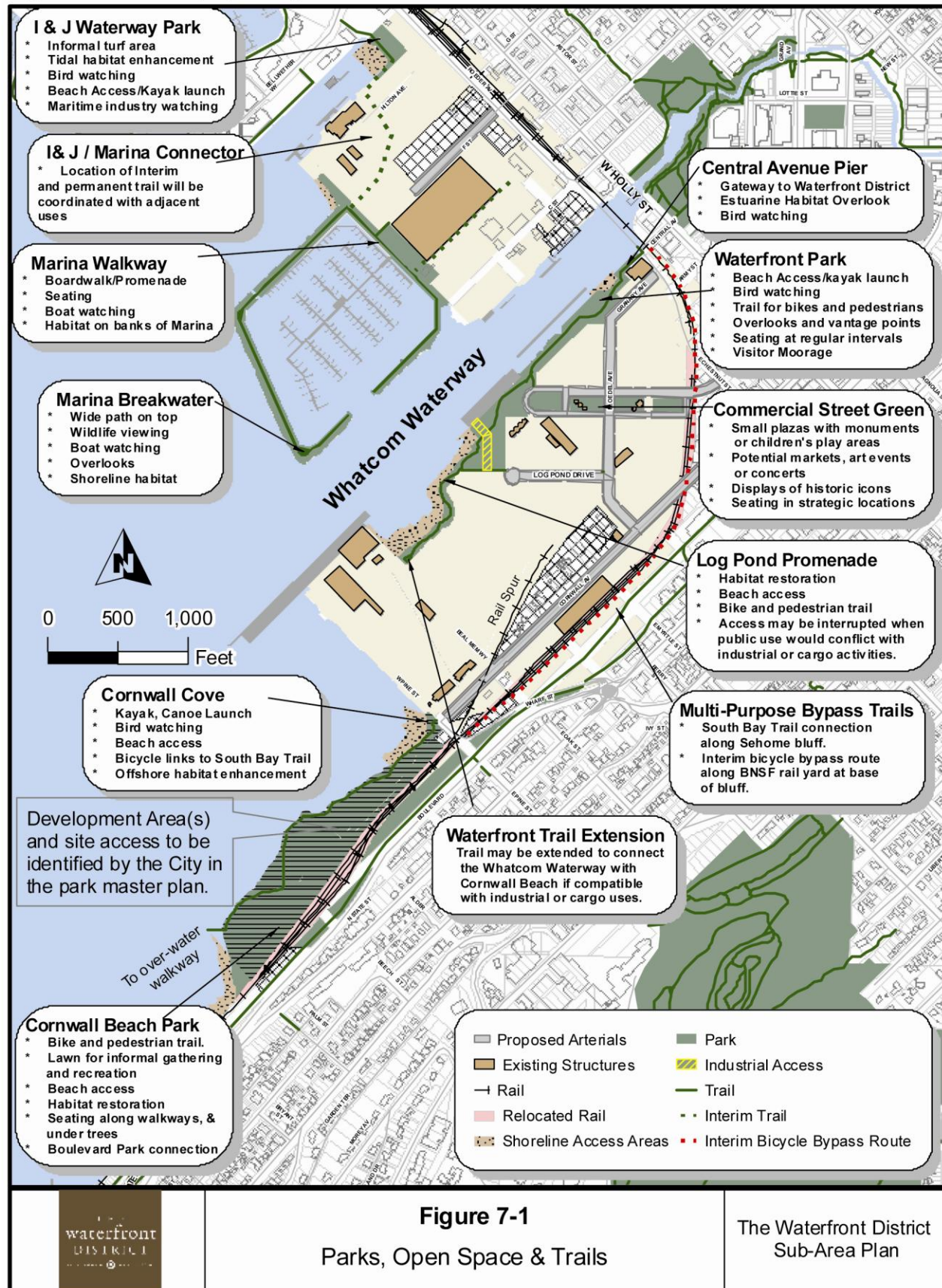
and residential development located within the Waterfront District. The precise design and layout of the parks, trails and habitat within each development area will be determined through future planning processes integrated with the design of future building footprints and streets. The Waterfront District Sub-Area Plan suggests the general location, size and key elements of various park developments, but recognizes that community discussion under the direction of Bellingham Parks and Recreation Department will further guide the details of the parks, open spaces and trails in the Waterfront District.

Similar to the transportation system, the parks, open space and trails will be phased as the site develops. Each phase of development will be accompanied by the creation of new public recreation, open space and habitat areas.



The public parks and open spaces described on the following pages will allow a variety of passive and active uses. Once development occurs within the Waterfront District, there may also be private open spaces within development parcels, such as courtyards, plazas and rooftop gardens. It will be important for designers to pay close attention to the transition between public and private open spaces.

Figure 7-1: Parks, Open Space & Trails

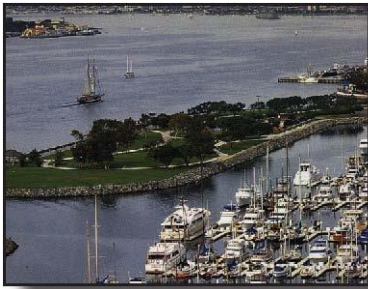


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PARKS, OPEN SPACE & TRAILS

Park and Open Space Descriptions and Acreage by Planning Sub-Area

Marine Trades Area (9-acres of upland park plus one acre of restored public beach)



The parks and open spaces within this area will create a dramatic new public access trail along the top of the breakwater to the Clean Ocean Marina. A public trail with pockets of natural vegetation and seating will extend along the length of this breakwater, ending at an overlook at the Marina entrance. People who walk to the outer end of the breakwater will experience an unencumbered feeling and unique views of Bellingham Bay, the city center, Western Washington University and Sehome Hill. The new breakwater trail will connect to a wide promenade or boardwalk with landscaping, public gathering areas and amenities fronting the future Marina. A bicycle trail or wide sidewalk along F Street will connect the marina boardwalk and trail system to an existing trail at the head of the I&J Waterway and a network of parks and trails at Squalicum Harbor and Bellwether on the Bay. A new beach park will be created at the north eastern end of the I&J Waterway for passive uses associated with hand-carry boat launching, exploring the beach or contemplating nature. Shoreline habitat

will be enhanced at this park and along portions of the Whatcom and I&J Waterways in areas where existing bulkheads are removed.

Downtown Waterfront Area (5-acres)



Maritime Heritage Park will link to the waterfront when the new park and trail areas take shape in the Downtown Waterfront Area. Much of the water frontage along the southern side of the Whatcom Waterway will become a public trail and park. The existing waterfront edge is a wharf on pilings or bulkhead, which may remain in front of the Granary Building and one or two other public viewing platforms. However, the majority of the waterfront edge will be softened over time by removal of the hardened edge, pilings, and over-water shading to provide a more natural shoreline along the Whatcom Waterway.

Several sections of the existing GP wharf southwest of the Clarifier tank will be retained to support environmental remediation activities and water-dependent uses through the first three phases of development. Most of the remaining wharf sections will be removed as environmental remediation is completed and the adjacent uplands are converted to mixed- use development. If industrial activities in the Log Pond area require ongoing water access, a section of wharf south of the Laurel Street crane pad may remain into the future.

A shoreline trail will extend south

through the Downtown Area of the Waterfront District along the southern edge of the Whatcom Waterway. This trail may continue through the Log Pond Area if compatible with industrial uses. A network of trails and sidewalks will eventually lead to Boulevard Park via an over-water walkway from the Cornwall Beach Area. The shoreline trail may be designed as a wide esplanade with benches, a railing and ornamental lighting along the top of the restored shoreline bank, with a few shoreline overlooks or viewing platforms. Lighting along the trail will be appropriately directed and shielded to provide adequate light for park and trail users, and avoid unnecessary glare on adjacent habitat and residential areas. This esplanade will merge with wide walks in front of waterfront mixed-use buildings, which will encourage cafes and restaurants to incorporate outdoor seating along the walk. The park space in this area will feature landscaped pockets, seating and spaces for passive recreation on lawn or turf between the shoreline trail and adjoining development. Areas between the trail and the water's edge will likely feature habitat restoration with designated public water access points at docks, overlooks and beaches formed when the bulkheads are removed and the banks are softened.

In areas where sections of the GP wharf remain, the shoreline trail will be constructed along the upland edge of the wharf. Public access along these sections of trail may need to be interrupted during periods when pedestrian or bicycle access would conflict with industrial or cargo activities on the wharf.

Log Pond Area



(5-acres of upland park and 2 acres of restored public beach are in the Log Pond area boundary) The shoreline

trail described within the Downtown Waterfront Area will continue along the Log Pond shoreline to provide public access to the restored Log Pond beach. Here people will experience a soft-bank shoreline similar to the shoreline at the Port's Marine Park facility in Fairhaven. Fronting onto the restored Log Pond, this park will offer a mixture of naturalized shoreline habitat, public overlooks and some water access via small beaches. The existing Log Pond shoreline may be reconfigured for more optimal habitat creation.

To the extent it is compatible with future industrial use, the Log Pond shoreline trail may continue through the Log Pond area to connect to the Cornwall Beach park and the overwater boardwalk. If public access through the Log Pond industrial area is not feasible, an alternate trail or sidewalk will be developed around the industrial use areas to connect the Whatcom Waterway to the Cornwall Beach Park.

Shipping Terminal Area (No new park acreage) The boundary of the Shipping Terminal was modified to add additional land along Wharf Street east of the previous sub-area plan boundary and exclude the small pocket beach previously described in this area. The Cornwall Cove pocket beach is now part of the Cornwall Beach area. A small parcel of City land with a short section of the existing South Bay Trail runs through the modified Shipping Terminal boundary.

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PARKS, OPEN SPACE & TRAILS

Cornwall Beach Area



(14-acres new upland park, 3-acres restored beach- conceptual image.)

The Cornwall Beach Area will provide the largest park in the Waterfront District, similar in size and experience to Boulevard Park, including a long natural beach for diverse recreational experiences.

This park, once a landfill, may include space for active and passive recreation use. This may be a good location for a small amphitheater for concerts with a stunning natural backdrop. The shoreline will be restored, with native plantings on the existing degraded shoreline and perhaps the creation of a new pocket beach along the southern shoreline. This entire area is a landfill, so shoreline reshaping will be required in some areas to cap and restore the shoreline. The park will include longer stretches of publicly accessible and walkable beach. This park will enable the realization of long term goals of connecting Cornwall Beach with the proposed over-water trail to Boulevard Park and the Taylor Avenue Dock to the south. This trail will intersect with a looping system of pedestrian trails or walks weaving through the park. Potential new residential or office development may overlook this park, providing an amenity for residents. This park could also be accessed in the future via a pedestrian bridge over the railway tracks from the South Bay Trail.

The expanded Waterfront District boundary includes approximately four acres of City and County land along the bluff above the Cornwall Beach planning area, which is currently used for public open space. The South Bay trail crosses through a portion of this public land. The trail could be extended along the Railroad Ave. right-of-way north of Wharf Street, or along the base of the bluff on BNSF land if an agreement can be reached with BNSF to allow a bicycle trail to be constructed within the railroad right-of-way.

The Cornwall Beach area also includes a small pocket beach adjacent to the Port Maintenance Shop, which has been discovered by the community as the perfect place to launch a kayak, enjoy a picnic or watch a sunset over Lummi Island. A small lawn area will provide gathering space and a location for boaters to prepare for launching, while areas adjacent to the beach will be restored to natural conditions to provide wildlife habitat. The size of this park is currently constrained by the location of the existing Port Maintenance Shop and parking lot and the existing location of Cornwall Avenue. If the Maintenance Shop site redevelops in the future, the size of this park, amenities and associated parking may be expanded.



Waterfront District Guiding Principles and Implementation Strategies

The Waterfront Advisory Group sponsored a public involvement process during 2005 and 2006, which led to City and Port adoption of "Guiding Principles and Implementation Strategies" in 2006. The following Implementation Strategies provide guidance related to Parks, Open Space and Trails:

- Establish signature design elements, a memorable park system, interconnected pedestrian and bicycle routes, and public amenities which set the New Whatcom area apart from other urban waterfront areas.
- Work with Lummi and Nooksack leaders to facilitate their development of cultural and educational facilities which feature Native American culture and history.
- Identify and preserve artifacts on the Georgia Pacific site, including equipment and storage tanks which have historic or aesthetic value, and utilize them as displays or art at community gathering points in the redevelopment project. Develop interpretive signs and information about the historical uses of the site.
- Develop an interconnected system of waterfront access and view points, public parks, open spaces, pedestrian walkways and bicycle routes which will be the back-bone of the New Whatcom redevelopment project.
- Make the majority of water's edge accessible via non-motorized means of transportation, including pedestrian walkways, bicycle trails, motorized and non-motorized boat access, and transient moorage, connected to a network of parks, trails and transit connections. Restrict or control public access to areas used for water-dependant industry, sensitive habitat or government agency uses where public access would conflict with public health or safety, habitat protection or national security.
- Develop the Whatcom Waterway and its adjacent waterfront access as a community amenity, extending the Maritime Heritage Park to the Bay.
- Connect the New Whatcom open space and trail network to Boulevard Park with an over water trail from the south end of the Cornwall Landfill to Boulevard Park.



CHAPTER SEVEN

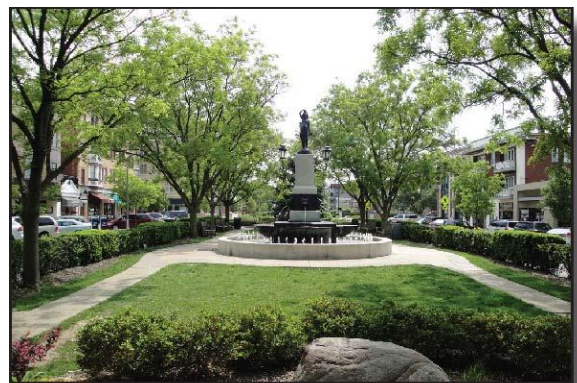
PARKS, OPEN SPACE & TRAILS

7.1 Park, Open Space and Trail Policies



Park Policies

1. An interconnected system of waterfront access and view points, public parks, open spaces, pedestrian walkways and bicycle routes should be designed and constructed to form the backbone of the Waterfront District.
2. Each park should be designed with a distinct character to provide a variety of park sizes, amenities and experiences for passive and active recreation for people of all ages, including water access and natural areas for wildlife habitat and viewing.
3. The detailed design, funding and construction of parks, open space and trail improvements should coincide with environmental clean-up, habitat restoration and the installation of streets and utilities for each phase of development.
4. Where appropriate and compatible with park plans, parks and open spaces should include some areas with natural or low-water use vegetation, utilize reclaimed wastewater for irrigation, or include water features which double as stormwater treatment or detention facilities.
5. Shoreline parks should include restored shoreline buffers and incorporate habitat enhancement projects consistent with the Bellingham Shoreline Master Program and Restoration Plan. Shoreline buffers may include trails and designated water access points, where no net loss of shoreline ecological function occurs to critical saltwater habitat. (See related policies in Chapter 3.)
6. Appropriate locations for off-leash dog areas should be identified within parks, with attention to conflicts with habitat areas. Off-leash dog use should be restricted in areas with eel grass or sensitive off-shore habitat, such as the Log Pond and pocket beach adjacent to the ASB.
7. Patios and private open spaces should include space for community gardens to allow residents to grow produce and flowers.
8. Reduce opportunities for crime and inappropriate activities by designing parks and trails with adequate lighting and visibility from adjacent roads, businesses and residents. Avoid isolated blind spots.



Open Space Policies

9. Within areas identified for development, buildings and landscaping should be designed to include public and private open spaces, plazas and roof top gardens for the use and enjoyment of residents, visitors and the general public. These spaces may be dedicated as public parks or managed by property developers, but are not counted as part of the 33 acres of new public park land described in this plan.
10. Public open space within development areas should be designed to be welcoming to the general public, with clearly defined access points to and from adjacent parks, sidewalks and pedestrian ways.
11. Private open spaces should be designed to be accessible by residents, employees or business patrons.
13. Recreational trail systems within parks should include clear directional signage and convenient connections to sidewalks and on-street bicycle routes.
14. Bicycle and pedestrian trails should be designed to comply with the accessible design provisions of the American Disabilities Act (ADA). Multi-modal trails should be at least 10 feet wide.



Trail Policies

12. Public parks and open spaces should be connected by a network of pedestrian and bicycle trails to establish a continuous corridor of non-motorized trails from Squalicum Harbor to the over-water walkway to Fairhaven.



CHAPTER SEVEN

PARKS, OPEN SPACE & TRAILS

7.2 Implementation Strategies

1. At full build-out, include at least 33 acres of new public parks and 6 acres of restored public beach, divided between the various development areas as follows:

Development Area	Upland Park	Public Beach
Marine Trades Area	9 acres	1 acre
Downtown Waterfront Area	5 acres	
Log Pond Area	5 acres	2 acres
Shipping Terminal Area	0 acres	
Cornwall Beach Area	14 acres	3 acres
Total	33 acres	6 acres

2. Construct early access park and trail features with Phase 1 and 2 development and infrastructure improvements to provide public access along the Downtown Waterfront Area and Cornwall Beach Area.
3. Work with Lummi Nation and Nooksack Indian tribal leaders to identify appropriate locations and facilitate the development of art work, displays and cultural facilities which feature Native American culture and history.
4. Where feasible and desirable, identify and preserve artifacts on the Georgia Pacific site that have historic or aesthetic value, including salvaged building materials, equipment and storage tanks, and utilize them as displays or art at community gathering points. Develop interpretive signs and information about the historical uses of the site.
5. Locate and design parks to serve as view corridors where appropriate. In those parks which are designated as view corridors, design landscaping and buildings to avoid obstructing views and limit the height of any structures to no more than 35'. Limit building height to 25' within shoreline parks designated as "Recreational Shorelines" in the Shoreline Master Program.
6. Restore natural beaches and provide public access to the water's edge at the head of the I&J Waterway, the pocket beach northwest of the ASB lagoon, the restored beach within Log Pond Park, the pocket beach at the end of Cornwall Ave., referred to in this plan as Cornwall Cove, and the beach at the southern end of the Cornwall Ave. landfill.
7. Include hand carry boat launch areas and facilities for boaters within parks where topography and water depth support water access, with attention to potential impacts on near-shore habitat.
8. Restore shoreline buffers and natural systems within parks and set them aside as habitat, with landscaping, fencing or topography barriers to protect natural areas from more active recreation uses.
9. Restrict off-leash dogs and boat moorage within sensitive near-shore areas, including the Log Pond and pocket beach north of the ASB, and develop a signage program to inform visitors about the location and importance of habitat areas.
10. Develop the south side Whatcom Waterway and its adjacent waterfront as a community amenity, extending the Maritime Heritage Park along the Whatcom Waterway. Design a variable width system of parks and trails to be constructed over time as adjacent properties are developed. Develop interim access routes through or around areas where environmental cleanup or interim uses are not compatible with early public access.

11. Connect the Waterfront District park and trail network to existing parks and trails within adjacent neighborhoods. Connect to Bellwether on the Bay and the Squalicum Promenade through a new park at the head of the I&J Waterway. Provide access to Maritime Heritage Park with a pedestrian and bicycle connection at Central Avenue. Access the South Bay Trail with connections at Cornwall Ave. and Wharf Street, and construct a link to Boulevard Park with an over-water trail connecting to the large new park at the south end of the Cornwall Landfill.
12. Work with BNSF, the City Public Works and Park Department to develop additional pedestrian connections over the railroad from the Cornwall Beach area to the South Bay Trail, at Laurel Street and connecting Broadway to Bellwether Way, over time as funding is available.
13. Develop a park and trail along the frontage of the new Clean Ocean marina, with a public trail, natural vegetation and seating areas extending around the marina breakwater.
14. Establish development regulations and incentives which encourage the development of public open space within areas proposed for development. Provide floor area bonuses for projects that provide public open space or plazas for public use.
15. Explore options for increased parking adjacent to the Cornwall Cove pocket beach, including on-street parking along Cornwall Ave.
16. Provide a density bonus or impact fee credit to developers who fund the construction of public parks or open space.
17. Park plans for the first phase of the Whatcom Waterway Waterfront Park should identify a location for a small visitor float, pier or beach area for access and temporary storage of kayaks, dinghies and other small vessels.
18. Develop an interim and permanent off-road trail connection between Bellwether Way and the ASB/Marina trail. The specific location of the interim trail and future permanent trail will be coordinated with future industrial uses to avoid unnecessary conflict with Port and/or Port-tenant operations.
19. Develop a continuous waterfront trail along the south side of the Whatcom Waterway and Log Pond shoreline from Roeder Ave. to the Northeasterly edge of the Shipping Terminal. This trail should be extended through the Log Pond planning area to connect to Cornwall Ave. if compatible with industrial and/or cargo uses in the Log Pond area. If the Log Pond area is subdivided into smaller parcels to be leased or sold for long term uses which do not require access to the Shipping Terminal, dedication of a trail connection should be considered during the binding site plan approval process. Public access along the Log Pond trail may be suspended for public safety or site security purposes during periods when upland uses conflict with trail use.
20. The breakwater trail around the marina should include a flat surface to accommodate a variable width public trail with a minimum width of 12-15-feet, several public gathering areas and gently sloping public beaches suitable for public use.
21. Develop launching facilities and services for hand carry boats in one or more of the following areas: at the head of the I&J Waterway, north of the ASB lagoon, the South side of the Whatcom Waterway, Cornwall Cove, and/or south of the Cornwall Avenue Landfill.

CHAPTER SEVEN

PARKS, OPEN SPACE & TRAILS

LEED ND Credit Opportunities

Note: LEED ND, developed by the US Green Building Council, is one of many different voluntary rating systems to address and achieve sustainability goals. The following plan features provide potential credit toward LEED ND certification:

At least 50% of dwelling units and building entrances will be located within ¼ mile walk distance of a multi-use trail at least 3 miles in length.

Recreation facilities and trails will be designed according to the accessible design provisions of the American Disabilities Act (ADA)

At least 90% of the dwelling units and business entrances within the Waterfront District will be located within 1/6 mile of a park, green plaza or square at least 1/6 acre in area and average park size is greater than ½ acre.



CHAPTER EIGHT

CAPITAL FACILITIES

8.0 Capital Facilities

The Waterfront District is a long-range project which will develop over several decades. The City and Port have worked jointly to develop an infrastructure phasing plan for the Waterfront District to ensure that transportation systems, utilities and parks within the Waterfront District will be adequate to serve each phase of development. The City and Port have also established a process to regularly evaluate and update the infrastructure phasing and associated capital projects over time.

Table 8-1 describes roads, bridges, utilities, parks, trails, cleanup and marine infrastructure projected to serve the first three phases of development. These projects correspond with Phase 1 through 3 in the infrastructure phasing plan, included in the Waterfront District Planned Action Ordinance and Facilities Agreement. Upon completion of these projects, the transportation infrastructure could support 2.7 million square feet of development south of the Whatcom Waterway and 0.7 million square feet of development north of the Whatcom Waterway.

These projects will be included in the respective City and Port Transportation Improvement Plans and Capital Improvement Plans. Projects will be scheduled and budgeted over time as development occurs and when additional infrastructure capacity will be needed.

Figure 8-1 Phase 1-3 Infrastructure and Cleanup Projects

Phase 1-3 Roads, Bridges & Utilities	Estimated Cost by Project*	Subtotals and Total Phase 1-3
Interim Central Avenue	\$2,500,000	
Granary/ Bloedel Avenue to Laurel And Interim Laurel St. to Cornwall	\$6,500,000	
Commercial Street Loop	\$4,400,000	
Wharf Street Roundabout	\$3,000,000	
Commercial Street Bridge	\$30,000,000	
Complete Commercial Street	\$3,200,000	
Sewer Lift Station	\$100,000	
Subtotal		\$49,700,000

* Cost estimates are based on preliminary designs in 2012 dollars, and are subject to change based on final design and construction timing.

CHAPTER EIGHT

CAPITAL FACILITIES

Phase 1-3 Parks & Trails		
Whatcom Waterway / Central Avenue Park	\$2,310,000	
Cornwall Beach Park (excluding cleanup)	\$12,550,000	
ASB Trail - Temporary	\$500,000	
Commercial Green Park	\$3,700,000	
Subtotal		\$19,060,000
Phase 1-3 Cleanup & Site Preparation		
GP West	\$19,600,000	
Cornwall Landfill	\$6,200,000	
Whatcom Waterway Phase 1	\$27,000,000	
Central Waterfront	\$12,900,000	
I&J Waterway	\$4,600,000	
RG Haley	\$6,000,000	
Demolition/ Site Preparation	\$5,500,000	
Subtotal		\$81,800,000
Total Phase 1-3 Infrastructure & Cleanup		\$150,560,000

* Cost estimates are based on preliminary designs in 2012 dollars, and are subject to change based on final design and construction timing.

Table 8-2 shows future projects projected to serve Phase 4 and 5 of development. The timing and cost of these projects may be modified over time to reflect more specific design, future demand and funding opportunities.

Figure 8-2 Phase 4-5 Infrastructure and Cleanup

Phase 4-5 Roads, Bridges & Utilities	Estimated Cost by Project *	Subtotals and Total Phase 4-5
C and F Street	\$4,200,000	
Maple and Chestnut Street	\$1,800,000	
Cornwall Ave Bridge	\$27,000,000	
Railroad Relocation	\$15,000,000	
Bloedel Ave. to Cornwall	\$6,900,000	
Subtotal		\$54,900,000
Phase 4-5 Parks & Trails		
Marina Park and Breakwater Trail	\$1,630,000	
I&J Waterway Park	\$1,140,000	
Whatcom Waterway Trail to Log Pond	\$200,000	
Log Pond Park and Trail	\$3,750,000	
Subtotal		\$6,720,000

Attachment "C"

Phase 4-5 Cleanup & Site Preparation		
Whatcom Waterway Phase 2	\$78,000,000	
GP Wharf Demolition	\$3,300,000	
Subtotal		\$81,300,000
Phase 4-5 Marine Infrastructure		
Clean Ocean Marina	\$27,000,000	
Waterway Moorage	\$3,500,000	
Subtotal		\$30,500,000
Total Phase 4-5 Infrastructure & Cleanup		\$173,420,000

The projects listed in Table 8-1 and 8-2 are proposed to be funded through a combination of state and federal grants, Real Estate Excise Tax (REET), Local Infrastructure Financing Tool (LIFT) funds, impact fees and other developer contributions. Projects described in the Infrastructure Phasing Plan and included in the City TIP may be funded out of sequence to respond to grant funding opportunities or the needs of early phase development projects.

The results of the biennial traffic monitoring program described in Chapter 5 will be used in conjunction with regular strategic budget discussions between the Port and City to ensure that infrastructure funding priorities are managed in alignment with development phasing.

CHAPTER NINE

CONCLUSIONS

9.0 Conclusions

The Waterfront District Sub-Area Plan describes a long-term redevelopment project which will convert an under-utilized Brownfields industrial site on the Bellingham waterfront to a vibrant mixed-use neighborhood, and restore three miles of shoreline for habitat and public access. The Waterfront Futures Group charted the course when they completed the Vision and Framework Plan for the Central Waterfront in 2004. The City and Port have been working together over the past seven years to complete the detailed planning, environmental review, development regulations and implementation strategies to allow this vision to move forward.



The following additional actions will to allow the first phases of development to begin, and will set the stage for a long term cooperative relationship between the City and Port as the site fully develops:

9.1 Implementation Strategies

1. Adopt the Waterfront District Sub-Area Plan as a sub-area of the City of Bellingham Comprehensive Plan and as an amendment to the Port of Bellingham Comprehensive Scheme of Harbor Improvements.
2. Adopt a Planned Action Ordinance with a table of required mitigation measures, consistent with those identified in the Final Environmental Impact Statement and 2012 Addendum to the EIS, to assist potential developers and agency regulators in the processing of permit applications for projects within the Waterfront District.
3. Develop a process so that mitigation measures identified in the Final Environmental Impact Statement for anticipated impacts associated with specific types of actions are implemented either before or concurrent with the specific action.
4. Establish a partnership structure, including representatives from both the Port of Bellingham and City of Bellingham, for long-term cooperation in the phased installation of public infrastructure and mitigation implementation.

Attachment "C"

5. Adopt a Development Agreement and associated Development Regulations to establish clear, predictable standards and review procedures for development.
6. Adopt a Facilities Agreement to clarify the roles and responsibilities of the City and Port to implement the Waterfront District Sub-Area Plan.
7. Establish an efficient permitting process that provides predictable time lines and determinations, for both prospective developers and the local community, on Waterfront District development projects that are consistent with the Sub-Area Plan.
8. Prepare more detailed park and infrastructure plans, with additional opportunities for public input, as specific parks and public spaces are designed and funded.
9. Periodically review the Waterfront District Sub-Area Plan and prepare amendments to the plan and development regulations, at least every ten years, to respond to development trends or changes in technology.



WATERFRONT DISTRICT DEVELOPMENT REGULATIONS

Article V. Waterfront District Urban Village

20.37.400 - Waterfront District Urban Village - Applicability

- A. The Regulations specified in this article shall apply to the use of all public and private land within The Waterfront District. Additional development regulations and restrictions apply as outlined in the Development Agreement adopted by **Resolution No. 2013-28**.
- B. Should the provisions of these Sections conflict with any other provision of the Bellingham Municipal Code, except the Critical Area Ordinance, Shoreline Master Program or Stormwater Regulations, the provisions of these Sections shall apply.
- C. **Nonconformity.** Nonconforming uses and buildings that are damaged or destroyed by sudden accidental cause may be reconstructed to those configurations existing immediately prior to the time the development was damaged, provided, a complete building permit application for repair and reconstruction is submitted within 12 months of occurrence of the damage or destruction. The Planning Director may extend the deadline upon finding that the applicant is experiencing undue hardship from unforeseen circumstances in meeting the deadline. New construction, other than routine maintenance on existing structures or reconstruction due to accidental causes, shall comply with the requirements of this ordinance.

D. Amendment.

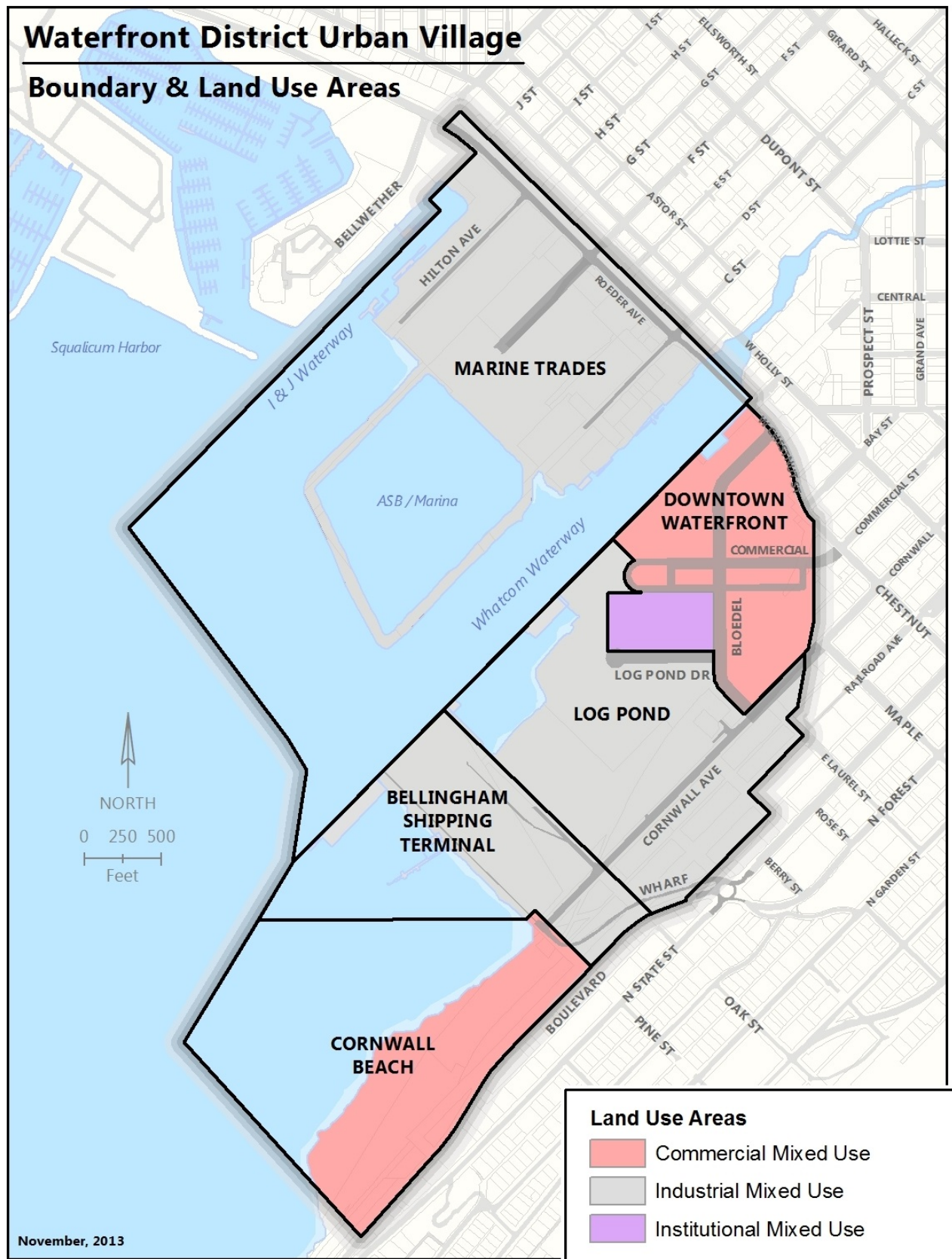
- 1. The following amendments shall follow the annual comprehensive plan amendment process outlined in BMC 20.20:
 - a. Any change within a land use area from one land use classification to another (i.e. Commercial or Institutional Mixed-Use to Industrial Mixed-Use.)
 - b. Any boundary change between unlike land use classifications (i.e. between Commercial or Institutional Mixed-Use and Industrial Mixed-Use.)
 - c. Creation of a new land use area with a new land use classification.
- 2. The following shall be considered through the rezone procedure in BMC 20.19:
 - a. Changes in the boundaries between like land uses, such as Commercial Mixed-Use and Institutional Mixed-Use.
 - b. Changes in the zoning of an "Area" or portion thereof.
 - c. Changes in permitted uses and/or density rules shall be considered a rezone, regardless of the land use area in which they appear.
- 3. All other amendments to BMC 20.37.400 through .480 shall be considered through the development regulation amendment procedure in BMC 20.22.

20.37.410 - Waterfront District Urban Village - Establishment of Boundaries and Land Use Areas

Attachment "D"

- A. The boundaries of The Waterfront District and associated Land Use Areas are delineated in **Figure .410-A**.
- B. The Waterfront District is divided into various commercial, institutional and industrial land use areas. The purpose of these areas is to encourage the clustering of compatible uses, establish areas of unique character, and allow for variance in design and development intensity.
1. **Generally.** The Waterfront District Mixed-Use designation is intended to implement The Waterfront District Subarea Plan and community vision for the Central Waterfront. The mix of land uses and densities is intended to attract a compatible mix of commercial, institutional, light industrial, recreational, and urban density residential land uses. Parks, trails, public gathering places and areas for public use and enjoyment of the waterfront are encouraged throughout the District. Development and design standards encourage pedestrian-oriented development at street level and preserve water views from public view points within adjacent neighborhoods through the use of view corridors and building height limitations.
 2. **Industrial Mixed-Use (IND).** The Waterfront District Industrial Mixed-Use designation recognizes the value and unique character of property with access or close proximity to navigable water and reserves this property primarily for industrial uses which depend upon or relate to the waterfront, but also allows public facilities, services, commercial and light-industrial uses which support or are compatible with an industrial setting in areas where infrastructure supports such uses. Development regulations in this area allow the building height and bulk needed to accommodate marine and industrial uses.
 3. **Institutional Mixed-Use (IM).** The Waterfront District Institutional Mixed Use and Commercial Mixed-Use designations are like land use designations with the exception that IM is intended to accommodate higher-educational institutions and similar institutional uses or business campuses as the primary use. Building placement within such campuses in the Institutional Mixed-use sub-zone may be in accordance with an adopted master plan prepared for the campus area. Research facilities, offices, retail, recreation, business and personal services and residential uses are also encouraged within the district to complement and support the institutional or business campus uses.
 4. **Commercial Mixed-Use (CM).** The Waterfront District Commercial Mixed-Use designation is characterized by a mix of residential, commercial, offices, recreation and public uses. Eating, drinking, entertainment, retail and service establishments are encouraged at ground level.

Figure .410-A: Waterfront District Urban Village Boundary & Land Use Areas



20.37.420 - Waterfront District Urban Village - Uses

A. Uses are established in **Table .420-A**, and the following:

1. Land use classifications are listed on the horizontal axis. Waterfront District land use areas are shown on the vertical axis.
2. If the symbol “**P**” appears in the box at the intersection of the column and row, the use is permitted subject to general requirements for the use and the use area.
3. If the symbol “**C**” appears in the box at the intersection of the column and the row, the use is permitted subject to the Conditional Use provisions specified in **BMC 20.16** and to general requirements for the use and the use area.
4. If the symbol “**N**” appears in the box at the intersection of the column and the row, the use is not allowed in that area, except for certain short-term uses (see **BMC 20.10.040** Temporary Uses).
5. If a (**number**) appears in the box at the intersection of the column and the row, the use may be permitted in the use area subject to the special limitation indicated in the corresponding “Note” at the end of the table.
6. **Use Determination:** In the case of a question as to the inclusion or exclusion of a particular proposed use in a particular use category, the Planning and Community Development Director shall have the authority to make the final determination. The Director shall make the determination according to the characteristics of the operation of the proposed use as they relate to similar allowed uses within the use area.
7. **Interim Permitted Uses** are allowed in accordance with the Development Agreement approved by **Resolution No. 2013-28**, or as amended by City Council action.
8. **Shoreline Master Program:** Specific uses allowed in **Table .420-A** may be restricted by the Shoreline Master Program.

Attachment "D"

Table .420-A Permitted Uses P=Permitted (#) = See Notes C=Conditional N=Not allowed				
LAND USE CLASSIFICATION	Area			
	Industrial Mixed-use	Commercial Mixed-use	Institutional Mixed-Use	
A. RESIDENTIAL USES				
1. Bed and Breakfast	N	N	N	
2. Confidential Shelters (subject to Section 20.10.047)	N	P	P	
3. Hotel, Motel & Hostel	N	P ⁽¹⁾	P ⁽¹⁾	
4. Residential Uses	N	P ⁽¹⁾	P ⁽¹⁾	
5. Night Watchman or Caretaker Quarters	P	P	P	
B. COMMERCIAL				
1. Adult Entertainment	N	N	N	
2. Commercial Recreation	C ⁽⁵⁾	P	P	
3. Crematory	P	N	N	
4. Day care	N	P	P	
5. Day Treatment Center	N	P	P	
6. Drinking Establishment	P ⁽⁵⁾	P	P	
7. Drive-up/ Drive through facilities such as bank tellers, food and beverage services, laundry pick up, and car washes.	P ⁽⁴⁾	N	N	
8. Eating Establishment	P ⁽⁵⁾	P	P	
9. Live/Work unit	N	P	P	
10. Motor vehicles sales, limited to automobiles, motorcycles, scooters, recreational vehicles.	N	P ⁽⁷⁾	P ⁽⁷⁾	
11. Nightclubs	N	P	P	
12. Offices, including child placement agency, post office & tourism center	P ⁽⁶⁾	P	P	
13. Repair of small equipment & items such as appliances, electronics, clocks, furniture, hand tools and watches.	P	P ⁽²⁾	P ⁽²⁾	
14. Retail sales, except as restricted in B.10. above.	P ⁽⁶⁾	P	P	
15. Services, personal	N	P	P	
16. Service stations and gas stations	P ⁽⁴⁾	N	N	
17. Water-related and water-dependant commercial, recreation and transportation uses such as: boat launching facilities, boat rental and sales, boat charter or cruise facilities, visitor moorage, boat storage, marina, water based transportation, and offices and retail supporting the same.	P	P	P	
C. HEALTH CARE				
1. Doctor, Dentist, Medical & Therapy Office and/or Laboratory	N	P	P	
2. Medical Care Facility	N	P	P	

Attachment "D"

Table .420-A Permitted Uses P=Permitted (#) = See Notes C=Conditional N=Not allowed				
LAND USE CLASSIFICATION	Area			
	Industrial Mixed-use	Commercial Mixed-use	Institutional Mixed-Use	
3. Service Care	N	P	P	
4. Veterinary Service, Animal Hospital & Small Animal Care Shop	P ⁽²⁾	P ⁽²⁾	P ⁽²⁾	
D. PUBLIC AND SEMI-PUBLIC ASSEMBLY				
1. Aquarium, Interpretive Center, Library & Museum	P	P	P	
2. Art Gallery, Art School, and Commercial Art Studio	P	P	P	
3. Auditorium, Stadium and Theater	C ⁽⁴⁾	P	P	
4. Church and House of Worship	C ⁽⁴⁾	C	C	
5. Community Center	C	P	P	
6. Convention Center	C	P	P	
7. Institution of Higher Education	P ⁽⁴⁾	P	P	
8. Neighborhood Club and Activity Center	N	P	P	
9. Park, Trail & Playground	P	P	P	
10. Passenger Terminal	P	P	P	
11. Private Club and Lodge	P	P	P	
12. Public Building and Use	P	P	P	
13. School	C	P	P	
E. INDUSTRIAL				
1. Automobile Repair	P	N	N	
2. Automobile Wrecking	N	N	N	
3. Commercial Electrical Power Generation per BMC 20.36.030	P	N	N	
4. Hazardous Waste Treatment & Storage Facility per BMC 20.16.020 G.1.	C	N	N	
5. Manufacture and Assembly	P	P ⁽²⁾	P ⁽²⁾	
6. Mini Storage Facility	P	P ⁽⁸⁾	P ⁽⁸⁾	
7. Monument and Stone Works	P	N	N	
8. Repair of Large Equipment such as vessels, vehicles and floor based tools	P	N	N	
9. Warehousing, Wholesaling & Freight Operation	P	N	N	
10. Water-related and dependent Industrial uses such as: Aquaculture, Barge loading facility, Boat/ship building, Boat Repair, Dry Dock, Net repair, Seafood Processing, Cargo Terminal, Web house, and offices supporting the same.	P	N	N	
F. MISCELLANEOUS USES				
1. Adaptive Uses for Historic Register Buildings per BMC 17.90.080 & 20.16.020	P	P	P	

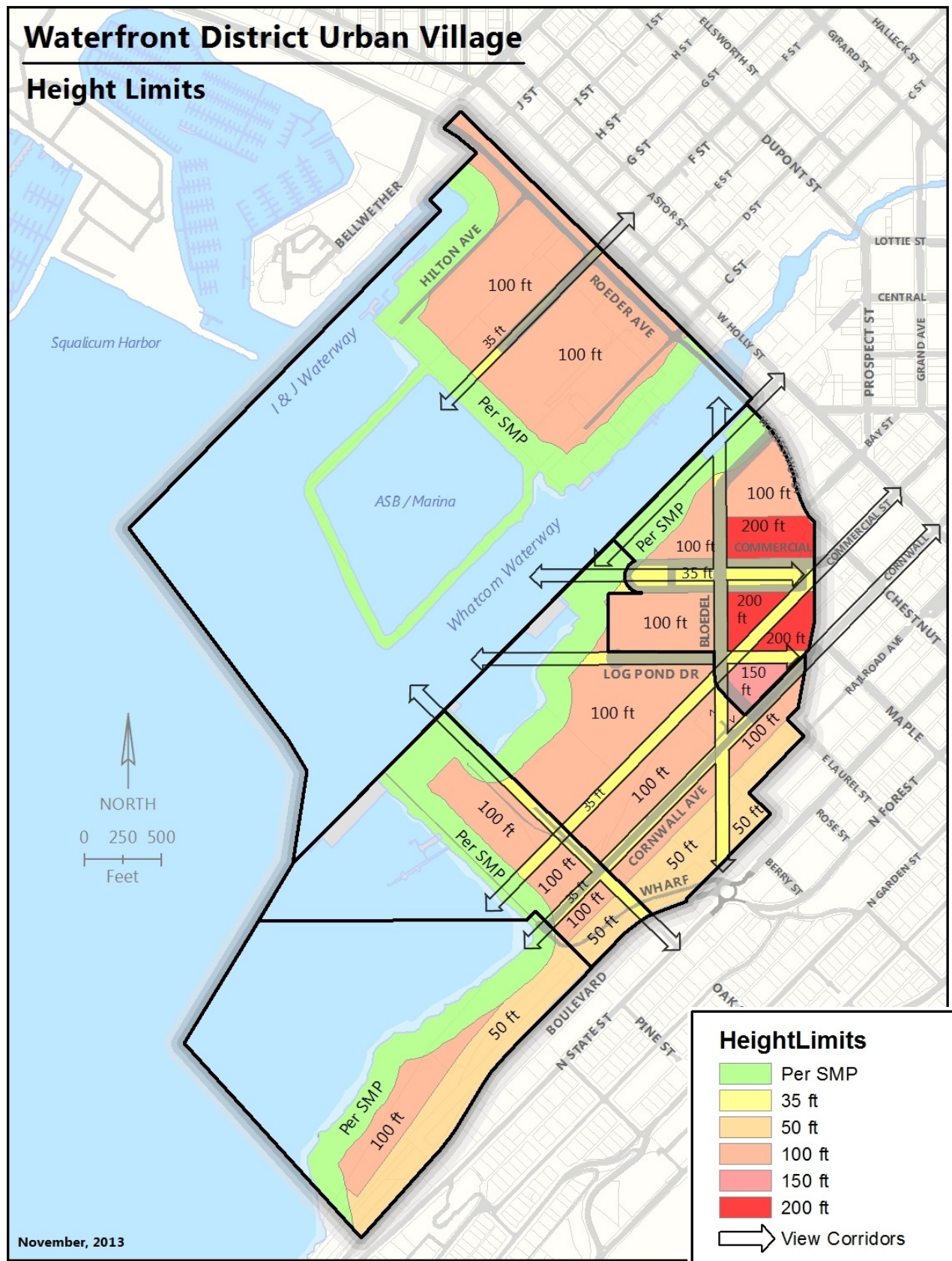
Attachment "D"

Table .420-A Permitted Uses				
P=Permitted (#) = See Notes C=Conditional N=Not allowed				
LAND USE CLASSIFICATION	Area			
	Industrial Mixed-use	Commercial Mixed-use	Institutional Mixed-Use	
2. Agricultural Nursery	P ⁽⁷⁾	N	N	
3. Community Gardens	N	P	P	
4. Community Public Facilities per BMC 20.16.020 J.4.	P	P	P	
5. Parking Facility (nonretail)	P	P	P	
6. Parking Facility (Retail)	P	P	P	
7. Public Utilities on private property	P	P	P	
8. Public Utilities within a public right-of-way or park	P	P	P	
9. District Specific Utilities	P ⁽⁹⁾	P ⁽⁹⁾	P ⁽⁹⁾	
10. Recreational Vehicle Park	N	N	N	
11. Recycling Collection Center	P	P ⁽³⁾	P ⁽³⁾	
12. Recycling and Refuse Collection and Processing	P ⁽³⁾ C ⁽¹⁰⁾	N	N	
13. Wireless Communications Facility per BMC 20.13	P,C	P,C	P,C	
Notes: (1) Residential units or hotel rooms may not occupy the street level frontage on Granary or Bloedell Ave. (2) Provided noise, smell and other impacts are internalized within an enclosed structure. (3) Facilities shall be sized and designed to collect waste from residents, businesses and visitors to the Waterfront District and shall not be used to collect or treat waste imported from outside of the District. (4) Provided the project site has frontage on an arterial public street improved to a Type 1A or Type 1B street standard depicted in the Waterfront District Sub-Area Plan, Multi-modal Circulation & Parking Chapter, or an alternate standard approved by the Public Works Director. (5) Provided the project site has frontage on an arterial public street improved to a Type 1A or Type 1B street standard depicted in the Waterfront District Sub-Area Plan, Multi-modal Circulation & Parking Chapter, or an alternate standard approved by the Public Works Director, or is located adjacent to the public park and trail planned along the frontage of the new ASB marina. Such uses may not be approved adjacent to the marina until after the marina and associated public access and parking is constructed. (6) Provided the office or retail uses are related to construction, shipping, industrial or marine-related activities, or the sale of products manufactured or processed within the district. Retail sales in buildings adjacent to the new ASB marina may include food, alcohol and other commodities intended to serve boaters or marina customers after the marina has been constructed and is open for vessel use. (7) When entirely enclosed within a structure. (8) The floor area devoted to mini storage shall be less than 50% of the floor area of other permitted use(s) on site, and mini storage uses are prohibited on ground level street frontages except for entry, office and similar active uses. (9) As allowed through approval of a Waterfront Utility Master Plan. (10) Conditional for facilities that collect or process recycling or refuse imported from outside the district.				

20.37.430 - Waterfront District Urban Village - Development Regulations

- A. Applicability.** The regulations of this Section shall apply to the development of any principal and/or accessory use within any area in the Waterfront District Urban Village.
- B. Design Review.** See **BMC 20.25** and **21.10** for applicable design review areas, standards, and procedures.
- C. Subdivision.** Except where the provisions of this Section conflict with any other provisions, the subdivision of land within the District shall comply with RCW 58.17 and BMC Title 18, as applicable.
1. There shall be no minimum lot width, depth or street frontage requirements for lots created for the purposes of residential, commercial, mixed-use, industrial, or institutional uses.
 2. Land divided through the binding site plan shall comply with **BMC 18.24**, except as modified herein.
 - a. Land divided through the binding site plan may include residential uses provided such division of land is compliant with RCW 58.17.035.
 - b. A separate general binding site plan contract is not required. The Waterfront Subarea plan and this Section shall be considered the contract.
 - c. All lots must abut appropriate utilities located in either right-of-way or adequate easements.
- D. Minimum Lot Size.** None.
- E. Maximum Density.** Building floor area ratios shall be consistent with Section **.430 H**.
- F. Setbacks.**
1. There shall be no minimum yards or building setbacks in Commercial or Institutional Mixed-Use sub-zones.
 2. The location and screening of buildings and uses in the Industrial Mixed-Use sub-zone shall comply with **Section .470 - Waterfront District Urban Village - Landscaping**.
- G. Maximum Building Height.**
1. Maximum building heights within The Waterfront District are shown on **Figure .430-A** except as provided herein.
 2. Height is measured per Height Definition #1. Exceptions:
 - a. Waterfront topography will be raised during construction in conformance with requirements of the Waterfront District Planned Action Ordinance (**BMC 16.30, Exhibit A**) to account for sea level rise and installation of public infrastructure. Existing grade shall be that which is established with such fill activities when height is not measured from an abutting city sidewalk.
 - b. A building may be divided into modules and stepped with height measured on a per module basis to respond to topography on sloped property.
 3. Solar and wind power generating facilities may be permitted to exceed maximum building height limits, provided they are not located within view corridors.
 4. **View Corridors.**
 - a. View corridors within The Waterfront District are shown on **Figure .430-A**

Figure .430-A: Waterfront District Urban Village Height Limits



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- b. Building height within view corridors is limited to 35 feet. Where view corridors fall within public rights-of-way, the view corridor extends to the edge of the right-of-way. View corridors which do not fall within public rights-of-way extend 30 feet on either side of the centerline of the designated view corridor.
 - c. Height within view corridors is measured to the highest point of the building or structure. Encroachment above the height limit into view corridors by rooftop objects such as mechanical equipment, elevator and stair shafts, smokestacks and ventilators is prohibited, other than eaves, cornices, awnings, decks with see-through railings and other similar features not exceeding 4 feet tall.
 - d. **Exempt Structures.** Structures of iconic art and historic waterfront structures that may be preserved and/or moved are exempt from view corridor height limits.
5. Properties within the jurisdiction of the Shoreline Master Program are also regulated by the height limits as defined in the Shoreline Master Program. Where conflicts arise, the more restrictive height applies.
6. Building height is further defined by building step backs, tall building floor plate restrictions and tower location standards as specified in the applicable Design Standards in **BMC 20.25.080**.

H. Floor Area Ratio (FAR)

- 1. Purpose.** The maximum floor area ratio (FAR) standards are intended to allow for modulation in individual buildings and flexibility in how to mass buildings on the site. Floor area ratios, combined with the density bonuses, height limits, view corridors and design standards are intended to implement The Waterfront District Subarea Plan.
- 2. Floor Area Ratio (FAR) Standard.**
 - a. Base and maximum FAR for each subzone are illustrated on **Figure .430-B**. Industrial Mixed Use land use areas are exempt from FAR.
 - b. Floor area transfer and bonuses outlined in **Table .430-A** provide the opportunity to increase FAR on individual building sites in the Commercial and Institutional Mixed-Use areas by a maximum of 2.0 FAR to the maximum FAR shown on **Figure .430-B**.
- 3. Transfer of Floor Area.** FAR may be transferred between properties that are part of a single development plan, provided:
 - a. The designs for the sending and receiving properties are reviewed at the same time.
 - b. The property owner(s) executes a covenant with the City that is attached to and recorded with the deed of both the site transferring and the site receiving the floor area reflecting the respective increase and decrease of potential floor area.
- 4. Floor Area Bonus Options.** Floor area bonus options summarized in Table .430-A and fully described in **Subsection 4. c.** below are offered as incentives to encourage facilities and amenities that implement The Waterfront District Subarea Plan.
 - a. Projects may use more than one bonus option unless specifically stated otherwise; bonus floor area amounts are additive.

Figure .430-B: Waterfront District Urban Village Floor Area Ratios

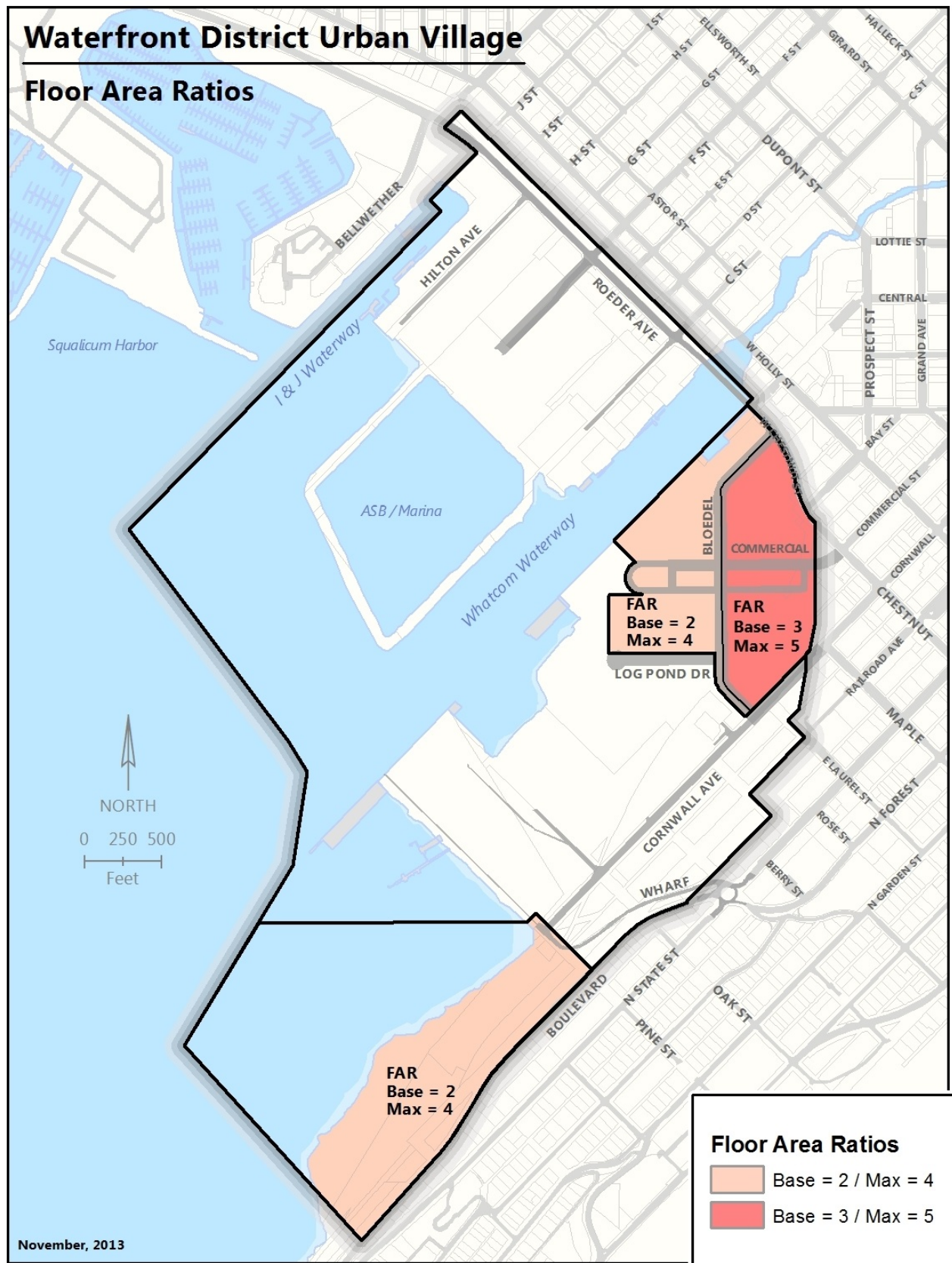


Table .430-A Summary of Floor Area Ratio Bonus Options

Bonus Option	Floor Area Bonus
Minimum LEED Platinum or Living Building Certification (or equivalent)	2.0 FAR Bonus
Public Plazas and Open Spaces	Provide 1 Square Foot of public open space; Receive 2.5 Square Feet of building space.
Affordable Housing	Provide 1 Square foot; Receive 4 Square feet bonus
Minimum LEED Gold Certification (or equivalent)	1.0 FAR Bonus
Minimum LEED Silver Certification (or equivalent)	0.5 FAR Bonus
Lake Whatcom Watershed Property Acquisition Program	Receive 1 SF for each Fee Unit paid (see Lake Whatcom Watershed Acquisition fee schedule)

- b. The maximum FAR increase that may be earned through the bonus options shall not exceed the maximum allowed FAR illustrated on **Figure .430-B**.

c. Bonus Options.

- (1) Public Plazas and Open Spaces.** Floor area may be transferred to and from any property within The Waterfront District when approved by the Planning Director, provided:

- (a)** The transferred floor area will result in the provision of a public plaza or open space to remain open to the public in accordance with park hours established in **BMC 8.04.040**.
- (b)** For each square foot of base FAR allowed by the development code transferred from an eligible site, two and one half (2.5) square feet of bonus floor area is earned on the receiving site(s) up to a maximum of 1.0 FAR per receiving site.
- (c)** The property owner(s) executes a covenant with the City that is attached to and recorded with the deed of both the site transferring and the site receiving the floor area reflecting the respective increase and decrease of potential floor area.

- (2) Affordable Housing.** Development which includes affordable owner-occupied housing or affordable renter-occupied housing which are ensured affordable for a period of not less than fifty (50) years, or for a lesser period established in an adopted state or federal affordable housing finance and monitoring program, and documented through deed restriction and/or covenant, and where such units' affordability is ensured through enforcement and monitoring by a public agency.

- (a)** For each square foot of affordable housing, four square feet of bonus floor area is earned, up to a maximum of 0.5 FAR.
- (b) "Affordable owner-occupied housing"** means housing units sold at a price affordable to households earning no more than 100% of Bellingham's median household income as published annually by the U.S. Department of Housing and Urban Development ("HUD").

- (c) **“Affordable renter-occupied housing”** means housing units rented to households earning no more than 80% of Bellingham’s household income as published annually by HUD.
- (3) **Leadership in Energy and Environmental Design™ (LEED) Certification or Living Building (or equivalent).** Buildings that incorporate sustainable design may receive a graduated (0.5 to 2.0) FAR bonus. To qualify for this bonus, the proposed project shall be certified by the Planning Director as a minimum LEED Silver, Gold, Platinum or Living Building Challenge certification (or equivalent).
- (4) **Lake Whatcom Watershed Property Acquisition Program (LWWPAP).** Contributors to the LWWPAP receive floor area bonuses when approved by the Planning Director, provided:
 - (a) Bonus floor area earned is paid for on a per square foot basis according to a fee schedule established by City Council resolution.
 - (b) Floor area paid for and floor area earned is at a 1:1 ratio, such that for each square foot paid for, one square foot of floor area is earned on the receiving site up to a maximum 0.5 FAR bonus.
 - (c) The applicant must submit with the application for land use review a letter from the Bellingham Finance Department documenting the amount which will be contributed to the LWWPAP.

I. Building Requirements for a Noise Level Reduction of Thirty (30) dB

1. **Applicability.** New development shall comply with the requirements of this section or **BMC 20.25.080 C.1.h.** (Acoustical Site Planning).
2. **Compliance.** Compliance with this section shall be deemed to meet requirements for a minimum noise level reduction (NLR) of thirty (30) decibels. The requirements of this section shall apply to the design of the exterior envelope of all buildings in the Waterfront District Area designed for residential occupancy.
3. **Exterior Walls.**
 - a. Exterior walls shall have a laboratory sound transmission class rating of at least STC-35.

Exception: Insulated walls that are constructed in accordance with the Washington State Energy Code and that have interior and exterior sheathing of not less than five-eighths (5/8) inch thick, or walls built in accordance with the following, shall be considered to meet the STC-35 requirements:

 - (1) Masonry and concrete walls having a weight of at least forty (40) pounds per square foot. These walls are not required to be furred out on the interior of the wall if at least one (1) surface of the concrete block wall is plastered.
 - (2) Stud walls at least four (4) inches in nominal depth shall be considered to meet the above requirements if built as defined below and to ASTM E497, Standard Practice for Installing Sound-Isolating Lightweight Partitions.
 - (a) The interior surface of the exterior walls shall be covered with gypsum board or plaster at least one-half (1/2) inch thick. If the exterior of the wall is stucco or brick veneer, the interior gypsum board or plaster may be fastened rigidly to the studs. If the exterior is of any other siding, the interior gypsum board or plaster shall be fastened resiliently to the studs.

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- (b)** Insulation material at least R-19 or of a higher insulating value when required by the Washington State Energy Code shall be installed continuously throughout the cavity space, installed as specified in the Washington State Energy Code.
- (c)** The outside of the wall shall be covered with a continuous layer of composition board, plywood, gypsum board, or a combination of these materials that is not less than three-quarters (3/4) inch thick.
- (d)** Outside sheathing panels shall be covered with a layer of building paper, or equivalent, installed accordance with the Washington State Building Code Act (RCW 19.27).
- (e)** Siding shall be installed over the building paper.

4. Exterior Windows.

- a. Windows other than as described in this section shall have a laboratory sound transmission class rating of at least STC-33.

Exception: Windows meeting the criteria listed below shall be considered to meet the STC-33 requirement:

- (1)** A window that is double-glazed with the glass at least one-eighth (1/8) inch thick with not less than a one-half (1/2) inch air space between the glass panels.
- b. All windows shall be installed to meet the following requirements:
 - (1)** The glass shall be sealed into the frame in an airtight manner with a nonhardening sealant or a soft elastomer gasket, or gasket tape.
 - (2)** They shall be weather-stripped to conform to an air infiltration test not to exceed one-half (1/2) cubic foot per minute per foot of crack length, in accordance with ASTM E-283-65-T.
 - (3)** The perimeter of the window frames shall be sealed to the exterior wall construction in accordance with the Washington State Energy Code.

5. Exterior Doors.

- a. Doors other than as described in this section shall have a laboratory sound transmission class rating of at least STC-33.

Exception: Doors meeting the following criteria shall be considered as meeting the STC-33 rating:

- (1)** Double door construction, where a minimum space between the double doors shall be not less than three (3) inches, is required.
- (2)** At side-hinged doors, at least one (1) of the doors shall be a solid-core wood, or insulated hollow metal, that is not less than one and three-quarters (1 3/4) inch thick at its thinnest point. The second door may be a storm door. Both doors shall meet all requirements of this section.
- (3)** Glass installed in a solid-core wood door, that has a total area of more than two (2) square feet, shall be not less than three-sixteenths (3/16) inch thick.
- (4)** All glass and glazing shall be sealed in an airtight manner with a nonhardening sealant or in a soft elastomer gasket or glazing tape.

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- (5) Exterior sliding glass doors shall be weather-stripped with an efficient airtight gasket system.
- (6) The double sliding glass doors shall be double-glazed with a separation between glass panels of not less than one-half (1/2) inch. The glass used in the double-glazed glass panels shall be of unequal thickness.
- b. All doors shall be installed to meet the following requirements:
 - (1) They shall be weather-stripped to conform to an air infiltration test not to exceed one-half (1/2) cubic foot per minute per foot of crack length, in accordance with ASTM E-283-65-T.
 - (2) The perimeter of the doorframes shall be sealed to the exterior wall construction in accordance with the Washington State Energy Code.
- 6. Roof/Ceiling.
 - a. Combined roof and ceiling construction other than described in this section shall have a laboratory sound transmission class rating of at least STC-44.

Exception: Roof-ceiling assemblies that are constructed in accordance with the Washington State Energy Code, and the following criteria, shall be considered to meet the STC-44 requirement:

 - (1) The roof deck shall be sheathed with not less than three-quarters (3/4) inch composition board, plywood or gypsum board sheathing, topped by roofing.
 - (2) Ceiling insulation shall be not less than R-19, and not less than the minimum requirement of the Washington State Energy Code. The insulation shall be installed with not less than six (6) inches average air space between the insulation and the roof deck.
 - (3) Gypsum board or plaster ceilings shall be not less than five-eighths (5/8) inch thick.
 - (4) The ceiling shall be substantially airtight with a minimum of penetrations. Lighting fixtures penetrating the ceiling assembly shall be in accordance with the requirements in the Washington State Energy Code. Other types of penetrations shall be treated in a similar manner to the requirements in the Washington State Energy Code.

20.37.440 - Waterfront District Urban Village - Sustainability

- A. **Applicability.** The regulations of this Section shall apply to the development of any principal and/or accessory use within any area in the Waterfront District Urban Village, except when a project incorporates a FAR bonus having LEED Certification or equivalent consistent with **BMC 20.37.430 H.4.c.(3)**.
- B. **Intent:** To promote sustainable design and development practices consistent with the LEED Neighborhood Design program and create a framework for environmental stewardship.
- C. **Standards:** All new development within The Waterfront District shall meet the following minimum standards for energy and water efficiency and recycling:
 - 1. **Light Pollution Reduction-** Lighting in industrial areas shall be directed downward or shielded to avoid unnecessary glare on adjacent residential or mixed-use areas.

2. **Landscape irrigation-** Landscaping with native or drought tolerant plants which do not require permanent irrigation systems is encouraged. If irrigation systems are installed for landscaping or uses such as rooftop and patio vegetable gardens to provide local or personal food production, irrigation systems shall use only captured rainwater, recycled wastewater, or water treated and conveyed by a public agency specifically for non-potable uses. Temporary irrigation systems used for plant establishment are allowed to utilize potable water if removed within three years of installation. All landscaping areas shall be consistent with **BMC 20.37.470**.
3. **Energy Conservation-** To minimize energy use, new development shall be designed to include two or more of the following energy-reduction features:
 - Orient buildings for use of passive and active solar heating systems.
 - Use of solar energy, heat, hot water systems
 - Comply with energy conservation element for LEED, GreenBuilt or other sustainable building program
 - Use of interior motion sensor light switches
 - Use of solar powered walkway or outdoor lighting
 - Use of light tubes for natural lighting
 - Use of Federal Energy Star Label Program
4. **Recycling facilities-** Buildings or building complexes larger than 20,000 square feet shall include at least two of the following for building occupants, and publicize the availability and benefits of the drop-off point(s), station(s), or services:
 - a. A drop-off point for office or household potentially hazardous wastes such as paints, solvents, oil, batteries, and fluorescent light bulbs;
 - b. At least one recycling or reuse station as available to building occupants dedicated to the separation, collection, and storage of materials for recycling including, at a minimum, paper, corrugated cardboard, glass, plastics and metals;
 - c. A collection station available to building occupants dedicated to the collection of landscaping and food wastes and other compostable materials.
5. **Construction waste recycling-** At least 50% of non-hazardous construction and demolition debris shall be recycled. The developer shall prepare and implement a construction waste management plan that, at a minimum, identifies the materials to be diverted from disposal and whether the materials will be stored on-site or commingled, ensures jobsite personnel understand and participate in the program, and retain verification records (waste haul receipts, waste management reports, spreadsheets, etc.) to confirm the diverted materials have been recycled or salvaged as intended. The plan shall be submitted at time of building permit application or as approved in writing by the Director.
6. **District Specific Utilities** – If available and implemented through a Waterfront Utility Master Plan, all new development within the Downtown Waterfront area shall connect to and utilize District Specific Utilities, such as district energy, district heating and non-potable water systems. Uses in other areas may connect to District Specific Utilities as approved by the Public Works Department.

20.37.450 - Waterfront District Urban Village - Parking

- A. **Applicability.** The regulations of this Section shall apply to the development of any principal and/or accessory use within any area in the Waterfront District Urban Village. All parking standards in **BMC 20.12** concerning applicability, general provisions, design

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provisions and improvement standards shall apply except as provided herein.

- B.** Uses shall provide parking as follows. Fractions are rounded up to the next whole number.
1. Minimum parking requirements for use designations of the Waterfront District shall be per **Table .450-A** Minimum Parking Requirements.
 2. If a use is not readily classified within the zoning classifications, then the Planning and Community Development Director shall determine the standards which shall be applied.

Table .450-A: Minimum Parking Requirements

Residential	0.5 space per studio unit. 0.75 space per 1-bedroom unit. 1.00 space per unit having 2 or more bedrooms.
Commercial and Institutional	1 space per 500 SF of gross floor area used for offices, retail, services, eating and drinking establishments, cultural or education facilities and similar uses.
Industrial and Manufacturing	1 space per 5,000 square feet of gross floor area or 1 per 2 employees (working at the same time) whichever is greater.
Warehousing and Wholesale	1 space for every 20,000 square feet of gross floor area or 1 per 2 employees (working at the same time) whichever is greater.
Mini-Storage	1 space for every 2,000 square feet of storage area plus 3 spaces for the Manager's office.
Marinas	See Shoreline Master Program
Boat Launches	See Shoreline Master Program

3. Buildings existing as of **December 9, 2013** are exempt from the requirement to provide additional parking due to a use change.
4. The Planning and Community Development Director shall have the authority to waive parking requirements when consistent with an area-wide parking plan and/or district pursuant to **BMC 20.12.010 A**.
5. Existing buildings listed on the Local, State or Federal Register of Historic Places are exempt from required parking for a one-time floor area expansion provided (1) the floor area expansion is limited to an area equal to 10% of the area of the existing building and (2) existing conforming parking on site shall not be displaced except as otherwise may be allowed. If the listed historic building provides 10% or less of the on-site parking that would be required for an equivalent new building, the Planning Director may allow displacement of some or all of the on-site parking.
6. The creation of new improved on-street parking that abuts a project site may count toward on-site parking requirements when the new street parking will increase the

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supply of improved on-street public parking. The parking and street design shall be consistent with the standards in **BMC 20.37.460**, and subject to Public Works Department approval.

7. Parking garages or shared parking facilities located within one thousand feet of the uses they serve may be counted toward the on-site parking requirements for the use, provided an off-site or shared parking agreement is approved for use of the facility.

C. Unbundled Parking. Unbundled parking means that the parking required of a project is not assigned to building space; it is sold or leased separately.

1. **Purpose:** To make more efficient use of parking that is required of a project but not otherwise used or needed by tenants of the project.
2. Taking into account that the parking required of a project represents the parking demand added to the general vicinity, any parking space constructed in the Waterfront District can be made available to any on- or off-site use, on a fee or lease basis, to provide more opportunities to satisfy the local parking demand.

D. Shared Parking:

1. **Purpose:** To efficiently utilize parking resources where the potential for shared parking provisions with adjacent land uses has been analyzed and found to be appropriate.
2. Two or more uses may share parking if the number of parking spaces provided is equal to the greatest number of required spaces for uses operating at the same time.
3. The developer shall complete a parking demand analysis to demonstrate that the resultant parking will be adequate for the anticipated uses.
4. To ensure that a parking area is shared, each property owner or party must sign a shared parking agreement in a form acceptable to the City Attorney, stating that his/her property is used for parking by another use(s) on the same property, or a use(s) on adjacent property. The applicant must file this statement with the Whatcom County Assessor's Office to run with the property(s). Shared parking may include use of off-site parking in a commercial parking structure.

E. Parking Reduction Allowed. The Planning Director may administratively reduce parking for projects that, either through adoption of a program or actual parking characteristics of the use, will result in less auto dependence. Such programs or special uses may include implementation of Zipcar™, enhanced bike storage facilities, purchase of WTA transit passes for a minimum of 2 years, car pool or commute trip reduction programs, installation of WTA transit shelters, and senior and affordable housing. The developer shall provide the information necessary to support this administrative decision.

F. Parking Design:

1. The location and screening of parking facilities in the Waterfront District shall comply with **Section .470** - Waterfront District Urban Village - Landscaping.
2. **Commercial and Institutional Mixed-Use areas.**
 - a. Individual surface parking lots or ground-level garages shall not be larger than 2 acres unless they are located under or over space intended for human occupancy.
 - b. To minimize the heat island impact of surface parking lots, a minimum of 50% of all off-street parking spaces shall be:

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- 1) Located within a building or parking structure;
- 2) Placed under cover in a structure with a roof having a Solar Reflective Index (SRI) of at least 29;
- 3) Use paving materials with a SRI of at least 29; or
- 4) Shaded by landscaping within 5 years of occupancy.

3. Interim Surface Parking.

- a. **Intent:** Interim surface parking may be permitted on parcels intended for redevelopment and should not remain in excess of 10 years in Commercial and Institutional Mixed Use areas.
- b. **Standard:** Alternative development standards may be approved by the Planning Director for Interim Surface Parking lots provided stormwater is treated in accordance with City stormwater regulations and a clear timeline is established for converting the lot to an alternate use.

G. Bike Parking.

1. **Number of spaces required.** Bicycle parking is required for certain use categories to encourage the use of bicycles by providing safe and convenient places to park bicycles. These regulations ensure adequate short and long-term bicycle parking based on the demand generated by the different use categories and on the level of security necessary to encourage the use of bicycles for short and long stays.
 - a. The required minimum number of bicycle parking spaces for each use category is shown on **Table .450-B**. No bicycle parking is required for uses not listed.
 - b. The required minimum number of bicycle parking spaces is based on the primary uses on a site. When there are two or more separate primary uses that operate at the same time on a site, the required bicycle parking for the site is the sum of the required parking for the individual primary uses.
2. **Exemptions.**
 - a. No long-term bicycle parking is required on a site where there is less than 2,500 square feet of gross building area.
 - b. No bicycle parking is required for unattended surface parking lots.
3. **Bicycle Parking Standards.**
 - a. **Short-term bicycle parking.**
 - (1) **Purpose.** Short-term bicycle parking encourages shoppers, customers, messengers, and other visitors to use bicycles by providing a convenient and readily accessible place to park bicycles. Short-term bicycle parking should serve the main entrance of a building and should be visible to pedestrians and bicyclists.
 - (2) **Standards.**
 - (a) Required short-term bicycle parking shall be located:
 - i. Outside a building;
 - ii. On the site;
 - iii. At the same grade as the sidewalk or at a location that can be reached by an accessible route; and
 - iv. Within 50 feet of the main entrance to the building as measured along the most direct pedestrian access route. For sites that have more than one primary

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building, the bicycle parking shall be within 50 feet of a main entrance as measured along the most direct pedestrian access route, and shall be distributed to serve all primary buildings.

- (b) Short term bike parking may be located within the public right-of-way provided the location and design are subject to Public Works Department approval.

TABLE .450-B: Minimum Required Bicycle Parking		
Specific Use	Long-term Spaces	Short-term Spaces
1. Multi-family housing	2, or 0.5 per bedroom and studio unit.	2, or 1 per 20 dwelling units.
2. Commercial: Retail Sales and Service, including Eating and Drinking Establishments	2, or 1 per 12,000 sq.ft. of gross floor area.	2, or 1 per 5,000 sq.ft. of gross floor area.
3. Commercial: Office	2, or 1 per 10,000 sq.ft. of gross floor area.	2, or 1 per 20,000 sq.ft. of gross floor area.
4. Commercial: Off-street parking lots and garages available to the general public without charge or on a fee basis	2, or 1 per 20 automobile spaces.	6, or 1 for each 20 automobile spaces.
Note: Wherever this table indicates two numerical standards, such as "2, or 1 per 5,000 sq.ft. of gross floor area," the larger number applies.		

b. Long-term bicycle parking.

- (1) **Purpose.** Long-term bicycle parking provides employees, residents, commuters and others who generally stay at a site for several hours, a secure and weather-protected place to park bicycles. Although long-term parking does not have to be provided on-site, the intent of these standards is to allow bicycle parking to be within a reasonable distance in order to encourage bicycle use.

- (2) **Standards.** Required long-term bicycle parking shall be:

- (a) Provided in racks or lockers that meet the standards of Subsection **G.3.c.**;
- (b) Located on the site or in an area where the closest point is within 300 feet of the site;
- (c) Covered. At least 50% of required long-term bicycle parking shall be covered and meet the standards of Subsection **G.3.c.(5)**. (Covered bicycle parking); and
- (d) Secured. To provide security, long-term bicycle parking shall be in at least one of the following locations:
 - i. In a locked room;
 - ii. In an area that is enclosed by a fence with a locked gate. The fence shall be either 8 feet high, or be floor-to-ceiling;
 - iii. Within view of an attendant or security guard;
 - iv. In an area that is monitored by a security camera; or
 - v. In an area that is visible from employee work areas.

c. Standards for all bicycle parking.

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- (1) Purpose.** These standards ensure that required bicycle parking is designed so that bicycles may be securely locked without undue inconvenience and will be reasonably safeguarded from intentional or accidental damage.
- (2) Bicycle lockers.** Where required bicycle parking is provided in lockers, the lockers shall be securely anchored.
- (3) Bicycle racks.** Required bicycle parking may be provided in floor, wall, or ceiling racks. Where required bicycle parking is provided in racks, the racks shall meet the following standards:
 - (a)** The bicycle frame and one wheel can be locked to the rack with a high security, U-shaped shackle lock if both wheels are left on the bicycle;
 - (b)** A bicycle six feet long can be securely held with its frame supported so that the bicycle cannot be pushed or fall in a manner that will damage the wheels or components; and
 - (c)** The rack shall be securely anchored.
- (4) Parking and maneuvering areas.**
 - (a)** Each required bicycle parking space shall be accessible without moving another bicycle;
 - (b)** There shall be an aisle at least 5 feet wide behind all required bicycle parking to allow room for bicycle maneuvering. Where the bicycle parking is adjacent to a sidewalk, the maneuvering area may extend into the right-of-way; and
 - (c)** The area devoted to bicycle parking shall be hard surfaced.
- (5) Covered bicycle parking.** Covered bicycle parking, as required by this section, can be provided inside buildings, under roof overhangs or awnings, in bicycle lockers, or within or under other structures. Where required covered bicycle parking is not within a building or locker, the cover shall be:
 - (a)** Permanent;
 - (b)** Designed to protect the bicycle from rainfall; and
 - (c)** At least 7 feet above the floor or ground.
- (6) Signs.** If required bicycle parking is not visible from the street or main building entrance, a sign shall be posted at the main building entrance indicating the location of the parking.

20.37.460 - Waterfront District Urban Village - Complete Streets

- A.** Unless an alternate standard is approved by the Public Works Director, all public and private roads constructed within The Waterfront District shall be open to the public and constructed in accordance with the street standards adopted in **BMC 13.04**.
- B.** Street width, sidewalks and bicycle facilities shall be consistent with the street designs for the various street types depicted in The Waterfront District Sub-Area Plan, Multi-modal Circulation & Parking Chapter. An alternate standard with equivalent pedestrian and bicycle access may be approved by the Public Works Director.
- C.** Except for industrial uses, blocks shall be of similar size or smaller than the blocks in the existing Central Business District. Any block exceeding 240 feet in length or depth shall

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include an alley or pedestrian access through the block, and large buildings located on oversized blocks shall include a pedestrian route through the building, unless otherwise approved by the Planning Director.

- D. If any cul-de-sacs are created, bicycle or pedestrian access shall be established to connect the end of the cul-de-sac to an adjacent public street, park or trail, unless access is restricted by steep slopes, the railroad or a water body.
- E. Arterial Streets shall be designed to accommodate transit use, with transit stops or pull-outs located a maximum of 1/4 mile apart.
- F. Where feasible, transit stops shall be located within or adjacent to a building with weather protection or include a partially enclosed shelter to buffer wind and rain, with a bench, lighting, and a kiosk, bulletin board or sign with route information and schedules.

20.37.470 - Waterfront District Urban Village - Landscaping

A. Applicability. This section provides the landscaping requirements for all uses permitted within The Waterfront District.

- 1. Vegetation size, species and planting standards shall be as specified in **BMC 20.12.030 D.** unless specified otherwise herein.
- 2. The provisions of this section shall apply to all new construction and to remodeling when the cost of remodeling exceeds 50% of the assessed valuation of the structure to the extent that there is space available for the landscaping.
- 3. Prior to issuance of a building permit, a scaled landscape site plan shall be submitted and approved by the Planning Department consistent with the provisions herein. Said plan shall specify specie name, size and location.
- 4. Landscaping pursuant to the approved site plan shall either be installed or bonded for (in an amount no less than 150% of cost of material and installation) prior to issuance of a certificate of occupancy or if no certificate is required prior to final inspection approval.
- 5. **Departures from landscaping requirements.** The Director may approve departures from the landscaping requirements pursuant to **BMC 20.25.080 C.**

B. Requirements

1. Commercial and Institutional Mixed Use Areas

- a. Where open maintenance/storage yards, loading areas, internal vehicular circulation or open parking areas abut a street, trail or park, a landscape buffer a minimum of 5' deep shall be planted along the park, trail or street frontage.

2. Industrial Mixed-Use areas

- a. Where buildings containing industrial uses abut an arterial street, trail or park, a landscape buffer having a minimum 20' depth shall be planted along the park, trail or street frontage.
- b. Where open construction/maintenance/storage yards or loading areas abut an arterial street, trail or park, or are adjacent to land zoned CM or IM, a landscape buffer having a minimum 10' depth shall be planted along the park, trail or street frontage.
- c. Where open internal vehicular circulation or parking areas abut an arterial street, trail

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or park, a landscape buffer a minimum of 5' deep shall be planted along the park, trail or street frontage.

- d. The Planning and Community Development Director may reduce or eliminate the landscape buffer in subsection **B.2.a.** above if all of the following criteria can be met for the wall length within the yard being reduced:
 - 1) At least 35% of the building wall area on the ground floor contains transparent windows between a height of 2 feet and 7 feet facing the street. The 35% transparent window calculation only applies to the section of building within the reduced yard.
 - 2) When the wall length within the yard being reduced fronts a street, a customer-oriented pedestrian entry faces, and is accessible from, the street.
 - 3) All parking facilities are located to the side or rear of the building having a reduced yard.
 - 4) Unless otherwise prohibited in **Table .420-A** or the Shoreline Master Program, the proposed use is retail, eating or drinking establishment, personal or business services, amusement and recreation, professional offices, the office component of an industrial use, educational facilities, or similar uses as determined by the Planning and Community Development Director.

3. Street Trees.

- a. One street tree shall be provided for every 50' of street frontage.
- b. Street trees within view corridors shall be slow growing species with narrow canopy.

4. Parking Lot Landscaping.

- a. In Commercial and Institutional Mixed Use Areas, surface parking lots with 15 or more parking spaces shall provide internal landscaping at the rate of 20 square feet of landscaped area per parking stall. The landscaping shall include at least one shrub for every 20 square feet of landscaped area and 1 shrub per enclosed bed. One tree shall be required for every 10 open parking spaces. Vegetation ground cover shall be provided for all landscaped areas that will provide 90% coverage within 2 years. This provision may be apply at the discretion of the Planning Director in Industrial Mixed Use areas when developed with a commercial use.
- b. Areas between surface parking lots and adjacent property, except for ingress/egress lanes, shall be landscaped. Planting beds must be at least 5' wide. Exceptions:
 - 1) A single 5' wide landscape bed may installed between adjacent properties when parking thereon is developed in a coordinated fashion.
 - 2) Landscaping between surface parking lots on adjacent properties may be waived by the Planning Director when the parking on said properties will be shared or unbundled as specified in **Sections .450 C. and D.**
- c. For every 10 open parking spaces, one tree shall be installed around the perimeter of the surface parking. These trees may be grouped or spread lineally.
- d. A wall or evergreen hedge designed to be maintained at a height of at least 2.5 feet and not more than 3.5 feet is required along the frontage of any street level open parking lot that fronts on an arterial street or park, or that is located in or across a right-of-way from a Commercial or Institutional Mixed zone. Open trellis work or similar features that can be seen through may extend above the wall. Street trees

with canopies above pedestrian height may be included. Planting beds must be at least 5' wide. (See **Figure .470-A**)

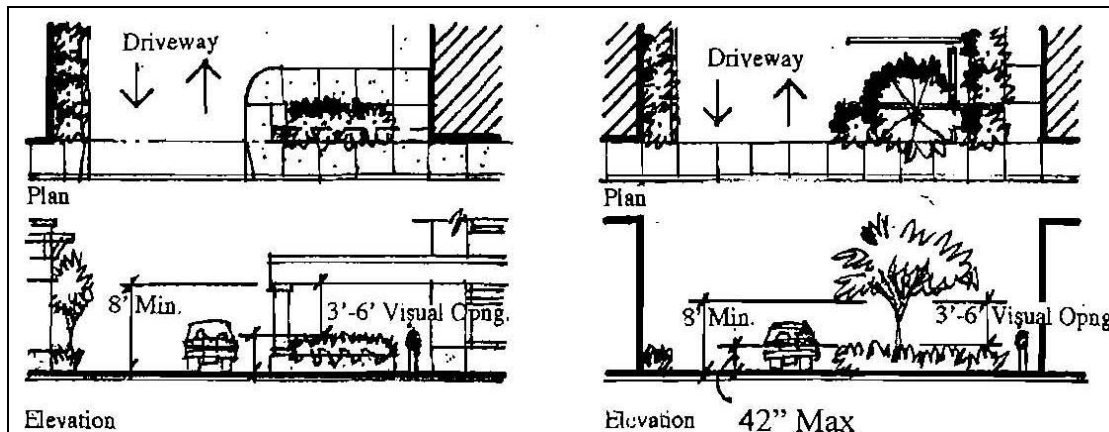


Figure .470-A: Surface Parking

- e. Perimeter landscaping may not substitute for interior landscaping. However, interior landscaping may join perimeter landscaping as long as it extends at least four feet into the parking area from the perimeter landscape line. (Need diagram)
- f. A rain garden, bioswale or low-water use alternative landscaping feature may be used to screen surface parking lots, provided the planting bed is at least 5' wide and includes shrubs or grasses which can be maintained at a height between 2.5' and 3.5' the majority of the year.
- g. **Interim Surface Parking.** Alternative development standards may be approved by the Planning Director for Interim Surface Parking lots provided stormwater is treated in accordance with City stormwater regulations and a clear timeline is established for converting the lot to an alternate use.

4. All Landscaping.

- a. Landscape beds shall include trees and a mix of small, medium and large plantings for a "layered" appearance, except where landscaping standards require a hedge, or an alternative design is approved by the Planning Director.
- b. **Crime Prevention Through Environmental Design (CPTED).** Plant selection and maintenance shall incorporate CPTED principals to provide adequate visibility from sidewalks, trails and adjacent uses, and minimize squatting and loitering.
- c. **Native Vegetation.** Where feasible, landscaping should include drought-tolerant or native plant species.
- d. **Irrigation.** If permanent irrigation systems are installed they shall utilize captured rainwater, treated wastewater or water from other non-potable source. Temporary irrigation systems may be installed for up to three years to allow new landscaping to be established.
- e. **Bioretention facilities.** Bioretention facilities or bioswales for stormwater treatment may be located within public rights of way or parks adjacent to public right-of-way in place of required street trees or landscaping.

20.37.480 - Waterfront District Urban Village - Signs

A. General Provisions. All signage in The Waterfront District shall comply with the provisions

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herein. Sign size and location standards may be administratively modified through the Design Review process to minimize view impacts to identified views of significance.

B. Exemptions. The following signs shall be exempt from the provisions of this Title:

1. Traffic signs installed by a government agency.
2. Directional, way finding program signs installed by a government agency if the signs are consistent with the provisions of the Waterfront District Plan.
3. Tenant Panel and Directory Signs when located within a recessed entry.
4. Interior signs including those painted on the interior of glass windows.
5. Building identification signs or cornerstones are permitted as an integral and architecturally compatible part of the building or structure. Cornerstones shall not exceed 4 square feet and building identification signs shall not exceed 32 square feet. These exemptions shall not contain any colors, words, letters, numbers, symbols, graphic designs, logos or trademarks for the purpose of identifying a good, service, product or establishment.
6. Directional Signs.
 - a. Directional signs are limited to 6 square feet per sign face and 3 feet in height if free-standing.
 - b. The message shall not contain the name of the establishment or advertising of any kind. Examples of directional signs include: "Enter", "Service Entrance", "No Parking", etc.
 - c. There is no limit on the number of directional signs.
7. Marine navigational aids.

C. Standards.

1. Unless specified otherwise herein, the following signs are prohibited:
 - a. Off premise, billboard, and rooftop.
 - b. Flashing, video, electronic, revolving, and any other signs that appear to move or vary in intensity. Animated, moving, blinking or electronic (LED or similar) message boards are permitted only in association with theaters, stadiums, arenas, convention centers and similar large public assembly venues.
2. All signage must be an integral, coordinated part of a sign design plan for the entire building or complex under one ownership.
3. All signs shall be mounted against the side of the building except as provided below.
4. One free standing monument or pole sign is permitted at each main entrance. The determination of whether an entrance functions as a main entrance shall be made by the Planning Director. Said sign may be lighted but the message shall be limited to the name of the complex and its occupants, with the exception that if a gasoline station is represented on the sign, the sign may contain gasoline price information. Said sign shall not exceed 60 square feet per face nor 6 feet in height measured from existing grade. A pole sign shall be mounted on at least two posts placed at the outmost sides of the sign face.
5. Master planned areas larger than 4 acres shall be permitted 1 project identification sign at each secondary entrance. Said sign may be lighted and the message shall be limited

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to the name of the complex and address. Size, dimension and design requirements shall be the same as that for primary entrance signs.

6. If a gasoline station is located within a multiple use site and is not represented on the center's signs, it shall be allowed one free standing sign. Size, dimension and design requirements shall be the same as that for the center's primary entrance. The message on the sign shall be limited to the name of the use and gasoline prices.
7. Building mounted signs extending over the street right-of-way shall comply with the International Building Code and the requirements of the Public Works Department.
8. Temporary building signs shall not exceed 32 square feet.
9. Real estate signs are limited to one sign per street frontage, shall be unlighted, and shall not exceed 32 square feet.
10. Properties within the jurisdiction of the Shoreline Master Program are also regulated by the sign standards as defined in the Shoreline Master Program. Where conflicts arise, the more restrictive standards apply.

**PORT OF BELLINGHAM
And
HARCOURT BELLINGHAM LLC**

**MASTER DEVELOPMENT AGREEMENT
FOR A
PORTION OF THE WATERFRONT DISTRICT
BELLINGHAM, WASHINGTON, USA**

19th May 2015

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PORT INITIAL



HARCOURT INITIAL

THIS MASTER DEVELOPMENT AGREEMENT (this "Agreement") is effective as of MAY 19, 2015, and is by and between the **PORT OF BELLINGHAM**, a Washington municipal corporation (the "Port") and **HARCOURT BELLINGHAM LLC**, a Washington limited liability corporation ("Harcourt").

RECITALS

WHEREAS, in 2005, the Port acquired approximately one hundred thirty-seven (137) acres of waterfront property adjacent to Bellingham Bay from Georgia-Pacific Corporation which had owned and operated a pulp mill and tissue mill on the property;

WHEREAS, the property acquired from Georgia-Pacific Corporation, along with other Port and City of Bellingham (the "City") property and private properties, has been designated the Waterfront District Sub-Area of the City of Bellingham (the "Waterfront District");

WHEREAS, the Port and the City have been working cooperatively since 2005 to master plan the redevelopment of the Waterfront District into a mixed-use urban waterfront with commercial, industrial, residential, public, and recreational uses;

WHEREAS, this Agreement concerns approximately nineteen (19) acres of property (including local roads) in the Downtown Waterfront Area of the Waterfront District (the "Master Development Area"). A map depicting the Waterfront District and the Master Development Area is attached hereto as Exhibit A;

WHEREAS, the Waterfront District is historically filled tidelands which, for the past one-hundred (100) years, has been used for industrial process (most recently the former Georgia-Pacific Corporation paper mill and pulp mills) and therefore contains numerous unknown subsurface structures, including, but not limited to, pilings that supported various structures, piping, conduits, and equipment;

WHEREAS, the Waterfront District, including the Master Development Area, is a "Brownfield" as the term is defined in Section 1, below;

WHEREAS, the Downtown Waterfront Area, including the Master Development Area, is within an environmental cleanup site designated by the Washington State Department of Ecology ("Ecology") as the Georgia-Pacific West Site (the "Site"). Ecology has determined that the Site requires remedial action pursuant to the Model Toxics Control Act ("MTCA"). Ecology has divided the Site into two remedial action units ("RAU") designated the Pulp/Tissue Mill RAU and the Chlor-Alkali RAU. Exhibit E is a map depicting these two RAUs;

WHEREAS, the Port and Ecology have entered into a consent decree (the "Pulp/Tissue Mill RAU Consent Decree" as further defined in Section 1, below) which specifies the remedial actions that will be undertaken by the Port in a portion of the Downtown

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Waterfront Area. The consent decree includes the requirement that an environmental covenant (the "Environmental Covenant" as further defined in Section 1, below) and a soils management plan (the "Contaminated Materials Management Plan" as further defined in Section 1, below) be recorded and adhered to in any development;

WHEREAS, the Port, at the direction of Ecology, has undertaken the development of a remedial investigation/feasibility study for the Chlor-Alkali RAU and anticipates entering into a consent decree with Ecology for the Chlor-Alkali RAU. It is anticipated that the Chlor-Alkali RAU consent decree will include an Environmental Covenant and a Contaminated Materials Management Plan;

WHEREAS, the City and the Port jointly completed an Environmental Impact Statement for the Waterfront District, (the "EIS" as the term is defined in Section 1, below) which evaluated a range of development alternatives for redevelopment of the Waterfront District;

WHEREAS, in 2010, the Port and Western Washington University created Western Crossings Development, a Washington nonprofit corporation to foster the development of six acres of property within the Waterfront District. The "Western Crossings" parcel is depicted on Exhibit A;

WHEREAS, in December of 2013, the Port and the City entered into and adopted (i) the Waterfront District Sub-Area Plan, (ii) the Design Standards and Development Regulations, (iii) the Development Agreement (pursuant to Chapter 36.70B RCW), (iv) Planned Action Ordinance 2013-12-091, and (v) and Interlocal Agreement for Facilities Within the Waterfront District (collectively the "Master Plan Documents" as the term is defined in Section 1, below), all attached hereto as Exhibit C;

WHEREAS, in 2013, the Port sought proposals from developers interested in developing the Master Development Area;

WHEREAS, Harcourt has Key Persons (as the term is defined in Section 1, below), experienced in the redevelopment of a "Brownfield" property from historic industrial uses to mixed uses and commercial uses of the scale envisioned herein, including, but not limited to, experience with (i) the type of restrictions of the consent decree, Environmental Covenant and Contaminated Materials Management Plan, (ii) unknown but anticipated subsurface structures, and (iii) the geotechnical properties of and associated with filled tidelands;

WHEREAS, on April 29, 2014, the Port and Harcourt Developments Limited executed a non-binding Term Sheet that generally outlined the transaction set forth herein. This Agreement supersedes that Term Sheet;

WHEREAS, Harcourt is associated with Harcourt Developments Limited and will undertake the actions herein;

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WHEREAS, the parties recognize that with regard to the development of the Master Development Area, the Port must act to reasonably protect public funds, must fulfill its other governmental functions, and cannot place public funds or public property at risk. Within the context of that limitation, the Port desires to work cooperatively with Harcourt to accomplish the redevelopment of the Master Development Area in a manner consistent with the Master Plan Documents;

WHEREAS, the parties recognize that this Agreement anticipates a long-term relationship between Harcourt and the Port and, so long as each of the parties are performing pursuant to the terms and conditions of this Agreement, they shall receive the mutual benefits of this Agreement;

WHEREAS, to the extent that Harcourt deems generally necessary, prior to the execution of this Agreement and prior to determining the specific feasibility of any single Project (as the term "Project" is defined herein), it has reviewed all documents included in this Agreement and undertaken investigations it desires concerning the Master Development Area, including, but not limited to (i) the redevelopment of the Granary Building, (ii) the Master Plan Documents, (iii) applicable Market Conditions (as the term is defined in Section 1, below), (iv) generally applicable financing conditions, necessary to complete a mixed use development within the Master Development Area and within the schedule provided for herein, and (v) the general environmental conditions, legacy historic subsurface conditions, and geotechnical conditions. Harcourt understands that development within the schedule provided herein is of critical importance to the Port;

WHEREAS, the conveyance of the property by lease or purchase within the Master Development Area fulfills an important public purpose by promoting the policy to reuse Brownfield property;

WHEREAS, consistent with the Master Plan Documents, the Port and Harcourt envision the mixed use development contemplated herein as a private undertaking to be contracted, constructed, and operated by Harcourt or parcel-specific ("Single Purpose Entities") as the term is defined in Section 1, below), which will provide a significant redevelopment of the Master Development Area and serve to extend the Bellingham downtown through the Waterfront District to Whatcom Waterway;

WHEREAS, Harcourt has indicated an interest to continue to develop beyond the Master Development Area and the Port has indicated a willingness to consider that interest, subject to satisfactory mutual performance in respect of the development contemplated in this Agreement, applicable zoning and land use restrictions and subject to all the terms and conditions of this Agreement;

WHEREAS, the Port and Harcourt envision that the Master Development Area will be developed with a series of projects (the "Project(s)") as the term is defined in Section 1, below) on individual parcels (the "Parcels") as the term is defined in Section 1, below) according to an overall schedule (the "Master Development Schedule") as the term is defined in Section 1, below), and which is attached hereto as Exhibit 4.1;

WHEREAS, Harcourt has developed a general vision for the development it desires to undertake and such development is contemplated herein, subject to compliance with or modification of the Master Plan Documents (the "Harcourt Draft Vision Plan") and is attached hereto as Exhibit B; and

WHEREAS, this Agreement is intended by the parties to establish the understanding between the Port and Harcourt with regard to the (i) acquisition by Harcourt and/or Single Purpose Entities of Parcels within the Master Development Area, (ii) design, development, and performance criteria for Harcourt's timely overall development within the Master Development Area and the development of each Project, and (iii) Harcourt's reliance on the timely completion of "Remediation" as the term is defined in Section 1, below) obligations by the Port and timely installation of "City Infrastructure" as the term is defined in Section 1, below) in order for Harcourt to timely complete its obligations.

NOW, THEREFORE, in consideration of the mutual undertaking and promises contained herein, and the benefits to be realized by each party, and in future consideration of the benefit to the general public by the creation of the development contemplated herein, the parties agree as follows:

1. **DEFINITIONS.** Throughout this Agreement, the following defined terms shall have the meanings set forth below. It is noted that other terms have been defined in the Recitals above and others may be defined within this Agreement. Those defined terms shall have the meaning set forth therein.

1.1. "Background Documents" are the documents listed on Exhibit C, including but not limited to, the Pulp/Tissue Mill RAU Consent Decree with exhibits, draft RI/FS documents for the Chlor-Alkali RAU, the Master Plan Documents, those documents that pertain to the Washington State Environmental Policy Act review, the Washington State Model Toxics Control Act compliance, the geotechnical conditions, the historic resources and abandoned industrial infrastructure.

1.2. "Brownfield" means previously developed and currently abandoned or underutilized real property and adjacent surface waters and sediment where environmental, economic, or community reuse objectives are hindered by the release or threatened release of hazardous substances.

1.3. "City Infrastructure" means the infrastructure that will be installed by the City pursuant to the Master Plan Documents.

1.4. "Closing" means the close of the acquisition of a particular Parcel by Harcourt or a Single Purpose Entity pursuant to a Sale Agreement.

1.5. "Commence Construction Date" means a date sixty (60) days after the City notifies Harcourt or an SPE that all necessary City permits are available for issuance by the City.

1.6. "Completion Date" means the date by which the construction on a particular Parcel must be Substantially Complete as evidenced by a certificate of occupancy, a temporary certificate of occupancy, or by such other means as the parties may mutually agree.

1.7. "Coordinating Committee" means a committee that is comprised of the Master Development Representatives of the Port and Harcourt and possibly a representative of the City of Bellingham (subject to City agreement). This committee will meet on a regular basis, as needed, to coordinate the Port Remediation, the City Infrastructure, and the Harcourt Projects.

1.8. "Construction License" means a temporary Construction License that the parties shall agree to and shall be substantially in the form attached hereto as Exhibit 5.8.1, to allow construction staging granted by the Port to Harcourt or a parcel-specific Single Purpose Entity and recorded contemporaneously with a Parcel Transfer.

1.9. "Construction Start Date" means the date that construction on a particular Parcel must begin, subject to extension as provided herein.

1.10. "Contaminated Materials Management Plan" or "CMMP" means the plan which sets forth the requirements for handling material, including soils, on the Property including each Parcel as appended to the Pulp/Tissue Mill RAU Consent Decree or which shall be appended to the future Chlor-Alkali RAU Consent Decree, as amended.

1.11. "Deed" means a Bargain and Sale Deed which will be used to Transfer each Parcel to Harcourt or a parcel-specific Single Purpose Entity, for each Parcel for which a sale is pursued rather than lease. Each Deed will be subject to this Agreement, the applicable Environmental Covenant, the CMMP, the requirement for Transfer Notification, the Environmental Indemnification and Environmental Easement Agreement, and any other encumbrance of record. The Deed shall be in substantially the form attached hereto as Exhibit 8.1.

1.12. "Environmental Covenant" means the restrictive covenant required pursuant to the Pulp/Tissue Mill RAU Consent Decree or which may be required in the future Chlor-Alkali RAU consent decree.

1.13. "Effective Date" means the date set forth in the first paragraph of this Agreement.

1.14. "Environmental Impact Statement" or "EIS" means the Draft Environmental Impact Statement, Supplemental Draft Environmental Impact Statement, 2010 Addendum to the Supplemental Draft Environmental Impact Statement, the Final Environmental Impact Statement, and the 2012 Addendum to the Final Environmental Impact Statement.

1.15. "Environmental Indemnification and Environmental Easement Agreement" means the indemnification agreement (in the form attached hereto as Exhibit D) executed by the Port and Harcourt or a parcel-specific Single Purpose Entity with regard to the environmental condition of the property and each development Parcel within the Master Development Area, Port compliance with the terms and conditions of the applicable consent decree and limiting the environmental liabilities of Harcourt and any parcel-specific SPE based on the Port's Remediation obligations.

1.16. "Environmental Standards" means all United States federal, Washington State, and local environmental laws and ordinances and all regulations promulgated thereunder, whether currently in effect or enacted or amended from time to time in the future (to the extent that compliance with future laws or amendments is legally required) including, but not limited to, the Endangered Species Act, the Resource Conservation and Recovery Act at 42 U.S.C. § 6921 et seq., the Comprehensive Environmental Response, Compensation, and Liability Act at 42 U.S.C. § 9601 et seq., the Clean Air Act at 42 U.S.C. § 7401 et seq., the Federal Water Pollution Control Act, as amended at 33 U.S.C. 1318, the Toxic Substances Control Act at 15 U.S.C. § 2601 et seq., the Shoreline Management Act, Ch. 90.58 RCW, the Hazardous Waste Management Act, Ch. 70.105 RCW, the Clean Air Act, Ch. 70.94 RCW, the Water Pollution Control Act, Ch. 90.48 RCW, and the Model Toxics Control Act at RCW 70.105.D, et seq., and also including, but not limited to, any guidelines, levels, and standards currently in effect or enacted or amended from time to time in the future (to the extent that compliance with future laws or amendments is legally required) by the applicable federal, state or local regulatory authority for addressing any contamination of any sort.

1.17. "Event(s) of Default" has the meaning given in Section 15.1.

1.18. "Force Majeure" has the meaning given in Section 16.31.

1.19. "Governmental Authorities" means any board, bureau, commission, authority, department or body of any local, municipal, county, state or federal governmental or quasi-governmental unit, or any subdivision thereof, or any utility provider serving the Master Development Area, having, asserting, or acquiring jurisdiction over or providing utility service to a Project, the Master Development Area and/or the management, operation, use, environmental cleanup or improvement thereof.

1.20. "Granary Building" means the existing undeveloped building depicted on the Map of the Master Development Area.

1.21. "Harcourt" means Harcourt Bellingham LLC a Washington limited liability company.

1.22. "Harcourt Guaranty" means the limited recourse guaranty by Harcourt of the performance of a Single Purpose Entity (in a form substantially equivalent to the form Guaranty, attached hereto as Exhibit 3.3).

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1.23. "Harcourt Master Development Documents" means all documents, including, but not limited to, plans, specifications, designs, calculations, financial projections, permit applications and permits that were created, used or obtained by Harcourt in regards to the Waterfront District as they now exist or are hereinafter created. The Harcourt Master Development Documents do not include any Project specific documents for Projects where the Parcel has been leased or purchased.

1.24. "Harcourt Ownership Structure" means the description of the ownership, management, and control of Harcourt attached hereto as Exhibit 3.2.

1.25. "Harcourt Improvements" means all buildings, structures, and fixtures now or hereafter placed or constructed in, under, upon or adjacent to a Parcel, including the to-be-constructed building as part of a Project, including, but not limited to, all additions to or replacements thereof made from time to time, and all access ways, local roads, pedestrian areas, fences, paved areas, utility distribution facilities, lighting, signage and other infrastructure improvements to be built by Harcourt or a parcel-specific Single Purpose Entity on the Parcel and any offsite improvements built as part of a Project. The term "Harcourt Improvements" shall not include any City Infrastructure.

1.26. "Interim Parking License" means a license granted by the Port as part of a Project where property can be used on an interim basis for parking for that Project.

1.27. "Key Persons" means the individuals listed on Exhibit 3.2 and as further defined in the Harcourt Ownership Structure.

1.28. "Land Valuation" means the per square foot value that will be applied to each Parcel as determined by the initial appraisals, outlined in and attached hereto as Exhibit 11.1 Appraisal of Waterfront Initial Development, and as adjusted thereafter as provided in this Agreement.

1.29. "Lease" means a lease from the Port to Harcourt or a parcel-specific Single Purpose Entity for a Parcel (in a form substantially equivalent to Exhibit 8.2).

1.30. "Legal Requirements" means all United States federal laws, Washington State, county, local laws and ordinances and regulations and other rules, orders, requirements and determinations of any Governmental Authorities now or hereafter in effect, whether or not presently contemplated, applicable to the Parcel or the Project or their ownership, operation or possession, including (without limitation) all those relating to parking restrictions, building codes, zoning or other land use matters, The Americans With Disabilities Act of 1990, as amended, the Master Plan Documents, the consent decree(s), the Environmental Covenant(s), the CMMP, the City of Bellingham land use regulatory code, the City of Bellingham Shoreline Master Management Program, life safety requirements and environmental laws with respect to the handling, treatment, storage, disposal, discharge, use and transportation of hazardous substances.

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1.31. "Lender" means the entity holding a mortgage, real estate contract or deed of trust encumbering Harcourt's or a parcel-specific Single Purpose Entity's interest in any Parcel and its successors and assigns provided that the funds advanced by the Lender are used for the Project.

1.32. "Market Conditions" means all the factors related to financing and the marketplace by a reasonable developer in determining that a Project can be designed, financed, built and utilized on a contaminated property in Washington State, including, but not limited to, new Legal Requirements and/or actions taken or withheld by Governmental Authorities that materially alter ability to perform, market demand, market absorption, financing availability, environmental stigma, construction costs, local economic trends, regional economic trends, and national economic trends.

1.33. "Master Development Area" means the area of approximately nineteen (19) acres depicted on Exhibit A. It does not include the Western Crossings Area.

1.34. "Master Development Representative" means a person appointed by the Port and a person appointed by Harcourt to be the primary contact between the Port and Harcourt.

1.35. "Master Development Schedule" means the schedule for the completion of all development within the Master Development Area, including the minimum and maximum floor area to be constructed and the mix of uses to be constructed, consistent with the Master Plan Documents and assuming the timely completion of Remediation obligations by the Port and timely installation of City Infrastructure.

1.36. "Master Plan Documents" means the documents the Port and the City entered into and adopted including (i) the Waterfront District Sub-Area Plan, (ii) the Design Standards and Development Regulations, (iii) a Development Agreement, (iv) Planned Action Ordinance 2013-12-091, (v) the Interlocal Agreement for Facilities Within the Waterfront District, and (vi) the Waterfront Permit Handbook as those individual documents may be hereinafter amended or modified. The Master Plan Documents are attached hereto as Exhibit C.

1.37. "Material Modification" means any significant modification that (i) conflicts with the Project Documents, (ii) alters the exterior physical appearance of the Project in a readily apparent way, (iii) materially alters the exterior structure of the building to be constructed on the Parcel, or (iv) causes the Construction Start Date or Completion Date to be delayed by more than sixty (60) days unless such delay(s) can be attributed to a Force Majeure event or any other exception that is outlined in this Agreement.

1.38. "Model Toxics Control Act" or "MTCA" means the statute found at Chapter 70.105D RCW and all codes, regulations, and guidance promulgated thereunder.

1.39. "Parcel(s)" means a specific parcel of real property within the Master Development Area on which a Project will be constructed.

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1.40. "Project" means the development and construction of Improvements on a Parcel or Parcels, including all related obligations.

1.41. "Project Concept Design Documents" means an architectural or artist's rendering that illustrates the Project's (i) scope, (ii) contemplated floor area, (iii) relationship to its surroundings, and (iv) consistency with the Master Plan Documents. The intent of the Concept Design Documents is to provide, visually and in text, an idea as to the nature and density of the Project and its proposed mix of uses.

1.42. "Project Construction Documents" means, collectively, all construction documentation that Harcourt or a parcel-specific Single Purpose Entity is required to submit as part of the City's design review and permitting process and upon which Harcourt and/or Harcourt's contractors will rely in building the Improvements. These documents are based on the Project Schematic Design Documents.

1.43. "Project Construction Schedule" means the schedule for construction of the Improvements approved as part of the Project Documents, including the dates for Construction Start Date and Completion Date.

1.44. "Project Development Design Documents" means documents which build upon the Project Concept Design Documents by illustrating and describing the refinement of the design of the Project, establishing the scope, relationship, forms, size, and appearance of the Project by means of plans, sections and elevations, typical construction details, and equipment layouts. The Project Design Development Documents shall include specifications that identify major material and systems and establish in general their quality levels. A model of the Project may be provided in conjunction with the documents.

1.45. "Project Documents" means this Agreement, the Sale Agreement or the Lease and the following documents:

1.45.1. "Project Financing Plan" means the financing plan by which the Parcel will be acquired and the Project completed including a letter of intent or other financing facility demonstrating Harcourt's or a parcel-specific Single Purpose Entity's ability to purchase the Parcel and complete the Project.

1.45.2. "Project Memorandum" means a memorandum signed by the Port and Harcourt or a parcel-specific Single Purpose Entity, which sets forth the understanding of the parties related to the particular Project, including, but not limited to, (i) the method of conveyance and/or purchase (including, if applicable, the Port Project Participation Plan), (ii) the Project entity, (iii) the Parcel boundary, and (iv) the Land Valuation and any other terms.

1.45.3. "Project Schedule" means the schedule for a Project which will include timing of (i) preparation, review, and approval of the various Project Documents, (ii) the creation of the Parcel as a legal lot of record by the Port, (iii) acquisition of the Parcel, (iv) the development schedule, and (v) the operational plan for the Project.

1.45.4. "Project Schematic Design Documents" means, (i) plans showing the Improvements in relation to the Parcel, with all proposed connections to existing or proposed roads, utilities, and services, together with a landscaping plan, (ii) plans, elevations, typical cross-sections and typical wall sections of all building areas, (iii) elevations of each building to determine the site lines and the specific configuration and relationship of design elements of the building exterior, (iv) plans, elevations, and typical cross sections of the interior space of different types of building areas (e.g., residential, office, retail, parking), (v) preliminary selection of major building systems and construction materials; (vi) preliminary exterior finish schedule, (vii) proposed layouts for exterior signage and graphics, (viii) outline of the exterior lighting concept, (ix) description of servicing requirements, trash areas, loading docks, etc., (x) calculation of gross building floor area and open space, (xi) compliance with the Environmental Covenant, if relevant, and (xii) compliance with the applicable CMMP, if relevant.

1.46. "Property" means the real property within the Master Development Area.

1.47. "Pulp/Tissue Mill RAU Consent Decree" means the consent decree dated December 22, 2014 entered in Whatcom County Superior Court Cause No. 14-2-02700-8, as amended from time to time, which applies to the Pulp/Tissue Mill RAU depicted on Exhibit E. The Pulp/Tissue Mill RAU Consent Decree is included in Exhibit C.

1.48. "Environmental Covenant" means the environmental covenant required pursuant to the Pulp/Tissue Mill RAU Consent Decree or which may be required in the future Chlor-Alkali RAU Consent Decree.

1.49. "Remediation" means the actions undertaken by the Port pursuant to the applicable consent decree.

1.50. "Right(s) of First Offer" or "ROFO" means the rights of Harcourt and the Port set forth in Section 14 whereby Harcourt or an SPE will have a right to purchase a Parcel at a price certain before the Parcel can be offered for sale to third parties or be developed by the Port for at or above that price certain. The ROFO is an executory contract right and not an estate in land.

1.51. "Rescission Option" has the meaning given in Section 7.

1.52. "Sale Agreement" means the Purchase and Sale Agreement for a Parcel, as referenced in Section 8.1, (in a form substantially equivalent to the form attached hereto as Exhibit 8.1(a)).

1.53. "Single Purpose Entity" or "SPE" means a legal entity organized under the laws of the State of Washington and created by Harcourt to undertake and own a Project on a Parcel. A Single Purpose Entity may own more than one Project and lease or own more than one Parcel.

1.54. "Substantial Completion" or "Substantially Complete" means the date on which the following has occurred: (i) the Improvements required to be developed by this Agreement are complete according to the approved Project Documents, except for punch list items that do not substantially prevent the use of the Improvements for their intended purposes, or (ii) the City has issued a temporary or final certificate of occupancy for the building portions of the Improvements (excluding certificates of occupancy for the interior space for which further tenant improvements are contemplated).

1.55. "Subsurface Industrial Historic Infrastructure" means anticipated, known and unknown subsurface and partial buried infrastructure, including, but not limited to, piping, vaults, foundations, piles, wiring, and structures that are remnants of the historic industrial uses of the Property.

1.56. "Transfer" means any sale, conveyance, transfer, ground lease or assignment, whether voluntary or involuntary, of any interest in this Agreement or any Parcel (excluding transfers to the City for City Infrastructure and parks) and includes transfer to a trustee in bankruptcy, receiver or assignee for the benefit of creditors, any merger, consolidation, liquidation or dissolution. In addition, "Transfer" includes any sale or any transfer of direct or indirect interests in Harcourt or any of its constituent entities, other than transfers of minority interest that do not individually or in the aggregate result in the change of control or management of Harcourt, the Property or any Project.

1.57. "Transfer Notification" means a written notice from the Parcel lessee or Parcel owner (other than a transfer from the Port to Harcourt or SPE) that a Parcel will be transferred.

1.58. "Western Crossings Development" means the Washington nonprofit corporation that has the right to develop an area of six acres within the Downtown Waterfront.

1.59. "Western Crossings Development Area" means a six (6) acre area allocated for development by Western Crossings, which is currently depicted on Exhibit A, and which area, subject to agreement by all parties to this Agreement and Western Crossings Development, may be re-allocated into the Master Development Area.

2. **RECITALS AND EXHIBITS.** The recitals set forth above and the exhibits below, including all the documents listed on Exhibit C are fully incorporated into this Agreement and form a material part thereto.

Name	Exhibit No.
Map of Waterfront District, including the Master Development Area, the Western Crossings Development Area, and the Log Pond Area	A
Harcourt Vision Plan	B
Background Documents (in attached DVD)	C
Environmental Indemnification and Environmental Easement Agreement	D
Map of Pulp/Tissue Mill RAU and Chlor-Alkali RAU	E
Chlor/Alkali RAU Consent Decree (to be added when entered in Whatcom County Superior Court)	F
Harcourt Ownership Structure	3.2
Form of Harcourt Project Guaranty Agreement	3.3
Master Development Schedule	4.1
Memorandum of Understanding between Port of Bellingham, Western Washington University and Western Crossings	4.4
Form of Construction License	5.8.1
Form of Deed	8.1
Form of Sale Agreement	8.1(a)
Form of Lease	8.2
The Appraisals	11.1

3. **HARCOURT OWNERSHIP AND TRANSFER RESTRICTIONS.**

3.1. Harcourt Responsibility. This Agreement establishes a long-term relationship between the Port and Harcourt and the terms under which the parties will perform in order that Harcourt or parcel-specific Single Purpose Entities may develop the Property within the Master Development Area.

3.2. Harcourt Ownership. Harcourt, for the term of this Agreement, shall continue the Harcourt Ownership Structure as set forth in Exhibit 3.2, including the ownership, control and management positions of the Key Persons (or their replacements as provided herein), except under the following conditions. The Key Persons may not Transfer, lease, assign, or pledge any of their respective interests in Harcourt or change the Harcourt Ownership Structure until after Substantial Completion has been achieved for the Granary Building and Building Two without the written consent of the Port, which consent shall be in the Port's sole discretion, and which the response to a request of the Port will be provided within ninety (90) days of the request. After Substantial Completion has been achieved for the Granary Building and Building Two, the Key Persons may not Transfer, lease, assign, or pledge any of their respective interests in Harcourt or change the Harcourt Ownership Structure without the written consent of the Port, which consent shall not be unreasonably withheld, conditioned or delayed, and which response to such a request of the Port will be provided to Harcourt within ninety (90) days of the request. Without limiting the foregoing, it is recognized that the Harcourt Key Persons collectively

have the requisite business experience and development experience in development of Brownfield sites and, through various business enterprises, have successfully developed Brownfield sites. Therefore, any request for consent of the Port for any proposed Transfer, lease, assign, or pledge any their respective interests in Harcourt or change the Harcourt Ownership Structure must contain a detailed explanation of how the Harcourt Key Persons collectively will continue to have similar or comparable business and development experience of Brownfield sites.

3.2.1. Specified Transfers. Notwithstanding the foregoing, at any time, the Port will consent to a change in the Harcourt Ownership Structure provided (i) at the time of the consent the Port reasonably determines that Harcourt is not in material default under any term or condition of this Agreement, and (ii)(a) the Transfer is between Key Persons or (b) from a Key Person to a business entity or trust in which the majority owner is a Key Person, and it is controlled by a Key Person, or (c) from a business entity or trust in which its majority owner is a Key Person and it is controlled by a Key Person to a Key Person or their business entity or trust described herein. However, once transferred the new owner shall be a Key Person as described in Section 1, above.

3.2.2. Purpose of Key Person Transfer Restriction. The Port is relying on the Brownfield experience of Key Persons and the Transfer restrictions contained herein to ensure that Harcourt maintains the continuity of ownership and business and development expertise to comply with this Agreement and, therefore this Transfer restriction is part of the overall economics of this transaction and acts as a form of consideration for the Port's entry into this Agreement.

3.2.3. No Personal Guaranty or Liability of Key Persons. The Key Persons make absolutely no personal guaranty and shall have no liability whatsoever under this Agreement on behalf of or related to Harcourt or to any Single Purpose Entity.

3.3. Harcourt Guaranty of Single Purpose Entity's Performance. Harcourt may form Single Purpose Entities to develop Projects. Harcourt will provide a Harcourt Guaranty, (in a form substantially equivalent to the form attached hereto as Exhibit 3.3) for each Project that is developed by said Single Purpose Entity. An Event of Default (Section 15.1, below) by a Single Purpose Entity shall have the same effect as an Event of Default as described in this Agreement.

3.4. Review of Documents and Property Investigation. Harcourt understands that it has had the opportunity to consult with the Port concerning the Background Documents described in Exhibit C, including, but not limited to, the Master Plan Documents and the Pulp/Tissue Mill RAU Consent Decree (with exhibits). Harcourt reserves the right to request additional access to the Property to conduct whatever parcel-specific investigations it deems appropriate prior to Parcel lease or purchase in preparation for construction of specific Project Improvements, for securing environmental insurance, and for obtaining any additional feasibility determinations. Harcourt and the Port will execute a reasonable "no fee" access agreement, which shall include appropriate

cross-indemnifications for personal injury suffered by Harcourt and/or the Port arising from such access.

3.5. Harcourt Master Development Documents. Harcourt, at its own expense, has and shall prepare such Harcourt Master Development Documents as may be necessary to undertake the development contemplated herein.

3.6. Project Development Responsibility. Except for Port Remediation obligations under the consent decrees, Harcourt has sole responsibility for construction, obtainment of all necessary permits and approvals, and compliance with all Legal Requirements as they relate to ownership, construction and operation of the Harcourt Improvements for each Project. Harcourt shall, at its own cost, furnish all plans, engineering, supervision, labor, material, supplies, and equipment necessary for completion of each Project Improvement.

3.7. Compliance with Master Plan Documents. The development within the Master Development Area shall comply with the Master Plan Documents as they now exist or are hereinafter amended.

3.7.1. Amendment of Master Plan Documents. Recognizing that the Master Plan Documents were developed with public involvement extending over nine years, Harcourt may, in its sole discretion, seek amendment to the Master Plan Documents; however, the Port shall not be obligated, but may elect to, support any proposed change and may oppose any proposed change. Any such proposed change shall not be the basis for any extension to the Master Development Schedule. Any such proposed change shall be undertaken at the sole cost of Harcourt.

3.8. Master Development Representative. For the term of this Agreement, the Port and Harcourt each agree to appoint, in writing, and maintain a Master Development Representative. The Master Development Representatives shall regularly communicate on all aspects of the Master Development Agreement. In addition, the Master Development Representative will participate in the Coordinating Committee. The Port and Harcourt will provide written notice within ten (10) days of any change of their respective Master Development Representative.

3.9. Importance of Adherence to Cleanup, City Infrastructure, and Development Schedules. The adherence to the applicable consent decree and related schedules and the Master Development Schedule is of critical importance in this Agreement and are the primary promises made by the Port to Harcourt and by Harcourt to the Port. Therefore, this Agreement and any provision thereto should be liberally construed to achieve these purposes.

3.10. No Objection to Redevelopment Opportunity Zone. The Port may, in its sole discretion, elect to include the Property within the Master Development Area within a Port designated Redevelopment Opportunity Zone pursuant to RCW 70.105D.150. Such an action shall not affect the validity of this Agreement. Harcourt will not object to such an

action, unless such action impacts Harcourt's ability to perform according to the terms of this Agreement.

4. MASTER DEVELOPMENT SCHEDULE.

4.1. Master Development Schedule. The Master Development Schedule (attached hereto as Exhibit 4.1) sets forth the (i) overall timing of the development of the Master Development Area, assuming the timely completion of Remediation obligations by the Port and timely installation of City Infrastructure, (ii) schedule of anticipated Projects, including the Granary Building and Building Two, (iii) mix of uses to be developed in the Master Development Area, (iv) provisions for affordable housing as set forth in the Master Plan Documents, (v) anticipated floor area to be developed in the Master Development Area, and (vi) analysis of how the Master Development Schedule aligns with the facility triggers and City Infrastructure implementation as outlined in the Interlocal Agreement for Facilities Within the Waterfront District (which constitutes one of the Master Plan Documents).

4.1.1. Compliance with Approved Master Development Schedule. Harcourt shall comply with the Master Development Schedule as it now exists or is hereinafter amended or modified, which modification shall be by mutual agreement of Harcourt and the Port. Except that, unless provided herein, neither the Port nor Harcourt is obligated to amend or modify the Master Development Schedule.

4.1.2. Extension of Master Development Schedule – Market Conditions. The Master Development Schedule was developed recognizing the current Market Conditions, reasonably foreseeable Market Conditions, and anticipated normal fluctuations in Market Conditions. Harcourt has examined the Market Conditions and provided a schedule that will allow for the timely completion of the development based on current and reasonably foreseeable Market Conditions. The Master Development Schedule will be reasonably extended by mutual agreement of the Port and Harcourt for up twenty-four (24) months to account for abnormal or unforeseen changes in Market Conditions as reasonably demonstrated by Harcourt to the Port. Thereafter, any further extension(s) will be within the Port's sole discretion based upon any reason or no reason.

4.1.3. Extension of Master Development Schedule – City Infrastructure Delay. Pursuant to the Interlocal Agreement for Facilities Within the Waterfront District (one of the Master Plan Documents attached hereto as part of Exhibit C) the City is required to install City Infrastructure. The Port has no obligation to install infrastructure. The Master Development Schedule was drafted recognizing the anticipated timing of City Infrastructure as set forth in the Master Plan Documents. The timing of the City Infrastructure is set forth in the Interlocal Agreement for Facilities Within the Waterfront District. The Master Development Schedule will be automatically extended to accommodate any delay by the City in providing City Infrastructure. Provided however, in the unlikely event that the City Infrastructure is delayed through no material fault of the Port in excess of thirty-six (36) months, then either the Port or Harcourt may unilaterally

terminate this Agreement without penalty for any reason or no reason by providing a written notice of termination to the other.

4.1.4. Extension of Master Development Schedule – Delay in Actions Related to Environmental Remediation. The Master Development Schedule was drafted recognizing the anticipated timing of actions required under the Pulp/Tissue Mill RAU Consent Decree and the completion of the Chlor-Alkali RAU Consent Decree. The Master Development Schedule will be reasonably extended by mutual agreement of the Port and Harcourt to accommodate (i) a delay in the Port's completion of actions required under the Pulp/Tissue Mill RAU Consent Decree, (ii) development of the Chlor-Alkali RAU Consent Decree or (iii) a delay in the Port's completion of actions required under the Chlor-Alkali RAU Consent Decree. Provided, however, in the unlikely event that the anticipated timing of items in (i), (ii) or (iii) above are delayed through no material fault of the Port collectively in excess of thirty-six (36) months, then either the Port or Harcourt may unilaterally terminate this Agreement without penalty for any reason or no reason by providing a written notice of termination to the other.

4.1.5 Notice for Request to Extend Master Development Schedule. To extend the Master Development Schedule under this Section 4, the party requesting the extension must provide written notice to the non-requesting party. The party receiving the request to extend the Master Development Schedule must respond to the requesting party within thirty (30) business days.

4.2. Relationship Between Schedules. As provided herein, each Project requires an associated Project Schedule, which will be developed and timely communicated to the Port, prior to transferring the Parcel for said Project to Harcourt or an SPE.

4.3. Exclusive Right to Develop Within the Master Development Area. Pursuant to this Agreement, and subject to compliance with all requirements herein, Harcourt is hereby granted an exclusive right to develop Projects within the Master Development Area according to the Master Development Schedule. In this regard Harcourt will utilize commercially reasonable efforts to develop and commercialize the Master Development Area in accordance with the Master Plan Documents. This right constitutes an executory contract right and does not create an interest in land.

4.3.1. Regular Reports to the Port. Harcourt will keep the Port fully appraised (at least annually) of its efforts to develop and commercialize the Master Development Area in accordance with the Master Development Schedule and the Master Plan Documents. Harcourt will promptly respond, in a form that is commercially reasonable, with detailed information to Port requests for information concerning this topic.

4.3.2. No Termination Except for Breach of this Agreement. Except as specifically provided herein, neither party will unilaterally terminate this Agreement or take any action in violation of this Agreement which (i) would cause an Event of Default, or (ii) cause Harcourt to breach this Agreement.

4.4. Western Crossings Development Area. The six (6) acre Western Crossing Development Area ("WCDA") is the subject of a Memorandum of Understanding between the Port of Bellingham, Western Washington University, and Western Crossings Development ("MOU"). Harcourt has no right in this MOU or otherwise to develop the WCDA. However, the Port agrees to reasonably facilitate a discussion regarding development opportunities in the WCDA between Harcourt and Western Crossings Development. Nothing here precludes Harcourt from reaching agreement with Western Crossings to undertake development with the WCDA.

4.4.1. Adding All or a Portion of the Western Crossing Development Area to the Master Development Area. In the event of an agreement between WCDA which, *inter alia*, allows the inclusion of all or a portion of the WCDA within the Master Development Area, Harcourt may request that the WCDA be included in the Master Development Area. The Port will not unreasonably withhold, condition, or delay consent to such a request. The Port and Harcourt recognize that the addition of WCDA property must include a reasonable revision to the Master Development Schedule.

4.4.2. Moving All or a Portion of the Western Crossing Development Area. If the Port, Harcourt and Western Crossings Development agree to relocate the Western Crossings Development Area to another location, the boundary of the Master Development Area (depicted on Exhibit A) will be changed to include all or a portion of the then vacated and former Western Crossing Development Area provided that the overall Master Development Acreage will not exceed the initial nineteen (19) acres.

4.5. Consultation on Development Outside of Master Development Area. Harcourt has no right in this Agreement or otherwise to develop outside the Master Development Area. However, so long as this Agreement remains in effect, the Port will be available to meet and discuss the potential for development in the Log Pond Area as defined in the Master Plan Documents or Western Crossings Development Area. In this regard, prior to entering into any agreement for development in the Log Pond Area, the Port will keep Harcourt reasonably informed and seek its timely input as to development plans with the Log Pond Area and Harcourt's desire to undertake or participate in such development. This Section 4.5 shall not create any legal right of Harcourt to develop or participate in the development beyond the Master Development Area. Moreover, neither Harcourt nor the Port shall be bound by the terms and conditions of this Agreement in any agreement for development beyond the Master Development Area. However, the Port and Harcourt each recognize that it is in their respective interests to work cooperatively to continue to facilitate development beyond the Master Development Area in a manner that would meet the needs of the Port and provide a reasonable development opportunity for Harcourt.

4.5.1. Limitation of Port Development in Log Pond Area. The Port shall not develop any of the Property within the Log Pond Area for any use that is inconsistent with the current Waterfront District Industrial Mixed Use zoning designation without the

prior written consent of Harcourt, which consent shall not be unreasonably withheld, conditioned, or delayed.

4.6. Log Pond Area – Zoning Change. Section 11.4 of this Agreement recognizes that Harcourt's development will increase land values within the Master Development Area. Likewise, it is recognized that a change in the zoning of all or a portion of the Log Pond Area from its current "Waterfront District Industrial Mixed Use" to "Waterfront District Commercial Mixed Use" followed by mixed use development by the Port or others may impact the Master Development Area land values or the ability of Harcourt to complete development in the Master Development Area. Therefore, this Section 4.6 establishes a process that will be followed prior to the Port (i) initiating a zoning change for all or any portion of the Log Pond Area from Waterfront District Industrial Mixed Use to Waterfront District Commercial Mixed Use or (ii) entering into a sale agreement that would allow a purchaser to initiate a zoning change for the purchased parcel within the Log Pond Area from Waterfront District Industrial Mixed Use to Waterfront District Commercial Mixed Use (items (i) and (ii) are collectively "Log Pond Action"). This Section 4.6 and its subparts do not create any present legal right of Harcourt to develop or participate in the development beyond the Master Development Area and, except as specifically set forth herein, shall not be construed to limit the Port's development activities outside the Master Development Area.

4.6.1. Notice to Harcourt of Port Log Pond Action. The Port will provide Harcourt with sixty (60) days written notice prior to undertaking any Log Pond Action (the "Log Pond Notice"). The Log Pond Notice shall contain a description of the proposed action and the property subject to the action. Upon receipt of the Log Pond Notice, Harcourt may, within sixty (60) days, notify the Port in writing (the "Log Pond Election") of its desire to exercise its right to include the property that was the subject of the Log Pond Notice within the Master Development Area. Failure to provide the written Log Pond Election to the Port within the sixty (60) day period shall be deemed an irrevocable and automatic waiver of any right of Harcourt to exercise its right to include the property that was the subject of the Log Pond Notice within the Master Development Area.

4.6.2. Inclusion of Log Pond Action Notice Property within the Master Development Area. Provided that the Port timely receives Harcourt's Log Pond Election, the Port and Harcourt agree to reasonably cooperate to amend this Agreement to include the property that was subject to the Log Pond Notice. The Port and Harcourt recognize that this change to the Master Development Area will necessitate a reasonable revision to the Master Development Schedule and the Land Valuation for the additional property. The Land Valuation will be determined without taking into account any increased value attributable to the development conducted by Harcourt within the MDA. The Port and Harcourt will not to unreasonably withhold, condition, or delay consent to such amendment. In the event that the Port and Harcourt are unable to agree to a revised MDA, the dispute resolution procedure set out in Section 16.26 shall be utilized.

5. **EACH PROJECT'S DEVELOPMENT.**


PORT INITIAL


HARCOURT INITIAL

5.1. Project Memorandum. Each Project requires that the Port and Harcourt and if applicable, the SPE, will develop a Project Memorandum, which will consist of anticipated and relevant details of each Project. The Project Memorandum will be consistent with the terms and conditions of this Agreement and will include the Project Schedule, the Project Concept Design Document, and the Project Financing Plan.

5.1.1. Project Schedule. Consistent with the Master Development Schedule, Harcourt will timely propose a Project Schedule with the proposed Project Memorandum for each Project which will include milestones for actions such that the Project Schedule can readily be evaluated for compliance with the Master Plan Documents and the Master Development Schedule.

5.1.2. Project Concept Design Document. The Project Concept Design Document will be in sufficient detail such that the Port can evaluate compliance with the Master Plan Documents and the Master Development Schedule. It will include (i) a description of the building height, mass and floor area calculations, (ii) the proposed mix of uses for the Project, (iii) affordable housing percentage, (iv) interim and permanent parking calculations, and (v) traffic analysis including PM peak hour trips.

5.1.2.1. Traffic Impact Fees. Subject to the provisions of this section, traffic impact fee credits of the Port will only be available for commercial and industrial uses. Any proposed use of Port traffic impact fee credits (expressed as "peak hour trips") and the compensation to the Port for those credits shall be included in the Project Concept Design Document. The Port can, in its sole discretion, provide traffic impact fee credits under such terms and conditions as the Port determines.

5.1.2.2. Parking. The Project Concept Design Document will include a parking plan setting forth the anticipated parking needs and the temporary and permanent parking plan. The Port will reasonably grant the right to use other areas in the Master Development Area as interim parking until the permanent parking is developed as part of the Project or another Project under such terms and conditions as the Port determines reasonable.

5.1.3. Financing Plan. The Project Financing Plan will be provided by Harcourt to the Port with the proposed Project Memorandum and will be in sufficient detail such that it includes, at a minimum, a proposed Project budget.

5.2. Approval of Project Memorandum and Attachments. After the parties have reached agreement regarding the Project Memorandum and attachments, the Port will approve the final documents, which approval shall not be unreasonably withheld, conditioned or delayed. Approval of the final documents will be signified by the Port's signature and date on the Project Memorandum. The Port's approval of any Project Memorandum will not constitute the Port's determination as to the advisability of the business decisions underlying of Harcourt's or the Single Purpose Entity's detailed site plan, financing agreements, or construction plans and specifications as these elements remain in the sole discretion of Harcourt.

5.2.1. Adequate Assurance of Ability to Complete Project. Upon request by the Port, Harcourt or a parcel-specific Special Purpose Entity, will provide commercially reasonable documentation of its ability to complete a Project. Evidence of a loan commitment or other credit facility are examples of commercially reasonable documentation.

5.2.2. Modifications. The Port's approval under this section shall not be required for any modification, replacement, alteration or addition (but excluding any relocation) to any previously approved submission, unless there is a Material Modification from the previously approved submission. For any Material Modifications thereto proposed by Harcourt, the approval procedure described in Section 5.2 shall be used.

5.2.3. Single Purpose Entity Default. Prior to Substantial Completion, a failure of the Single Purpose Entity to comply with all applicable terms of this Agreement, or the approved Project Memorandum shall constitute an Event of Default by Harcourt pursuant to Section 15.1 of this Agreement.

5.3. Compliance with Project Schedule. Upon Project Schedule approval, Harcourt or the applicable SPE will comply with said Project Schedule (including preparation of the Project Documents) and promptly, within fourteen (14) days of discovery, report to the Port any Material Modification or anticipated Material Modification or any changes in the Project Schedule.

5.4. Port's Creation of Legal Lot of Record. Upon approval of the Project Memorandum, the Port shall, within fourteen (14) days, make application and diligently pursue the creation of the legal lot of record for the Project, which shall then be the Parcel. It is anticipated that this process with the City will take a minimum of one-hundred and twenty (120) days. The cost of creation of the legal lot of record shall be included in the overall cost of the Project and paid by Harcourt unless rendered impracticable by any unmet obligation of the Port under this Agreement.

5.5. Harcourt's Parcel Acquisition. In the sixty (60) day period after both the Project Memorandum has been approved and the legal lot of record has been created, Harcourt or an SPE must exercise its executory right to either purchase or lease the Parcel and close within said sixty (60) day period.

5.6. Project Performance. Harcourt or an applicable SPE shall diligently perform its obligations under the terms of this Agreement according to the following standards:

(i) At its own cost, furnish all permit fees, impact fees, plans, engineering, supervision, labor, material, supplies, and equipment necessary for completion of each Project.

(ii) All construction hereunder, shall comply with, and be performed in accordance with any and all Legal Requirements and Environmental Standards.

(iii) At all times, the Project will be free and clear of all liens (other than in connection with approved Project Financing Plan and those contemplated by this Agreement).

(iv) It will have reviewed and considered all relevant Background Documents as part of its design process.

(v) All construction of Improvements hereunder shall comply with, and be performed in accordance with applicable portions of the Master Plan Documents and the Project Documents.

(vi) It agrees to diligently design, construct, and complete the Improvements in accordance with the requirements of the Master Development Schedule and the Project Documents and in a good and workmanlike manner and conforming to Project Memorandum.

(vii) For all activities reasonably attributable to the development of each Parcel, it will ensure that such activities on the Parcel comply with the applicable Contaminated Materials Management Plan and the applicable Environmental Covenant.

(viii) Once construction on a Project has been undertaken, it will continuously and diligently continue with the construction of Improvements until Completion of the Project as defined herein.

(ix) It will construct and pay for the Harcourt Improvements on each Parcel.

5.7. Coordination and Cooperation with City and Ecology. The Port and Harcourt shall reasonably cooperate with each other, the City (subject to the City's agreement) and Ecology (subject to Ecology's agreement) to coordinate the design and construction of Improvements on the Project, including the design and construction of the City Infrastructure Improvements and compliance with the applicable consent decree and MTCA.

5.8. Port Cooperation in Each Project. The Port shall reasonably cooperate with Harcourt in the prosecution and completion of the Projects contemplated herein. Provided, however, the Port's agreement to reasonably cooperate shall not in any way limit the Port's rights contained in this Agreement to (i) act in its sole discretion where such a right is granted, (ii) enforce all the terms and conditions of this Agreement, (iii) declare a default, and (iv) terminate this Agreement. The Port agrees that so long as there has been no Event of Default by Harcourt or the SPE (if used) under this Agreement, it will not take actions inconsistent with this Agreement with regard to any Project. However, nothing herein shall prevent the Port from (i) non-defamatory evaluation, investigation, or discussions regarding the performance of Harcourt, (ii) declining to waive any term, condition or requirement of this Agreement, (iii) declining to

incur liability or out-of-pocket costs or expenses, or (iv) require the Port to violate any applicable law or regulation.

5.8.1. Construction License. The Port will reasonably grant a temporary Construction License for Property within the Master Development Area to allow Harcourt to (i) access a Parcel, and (ii) temporarily stage material and equipment on adjacent property necessary to undertake a Project. The Construction License shall be in substantially the form attached hereto as Exhibit 5.8.1.

5.8.2. Interim Parking License. The Port will reasonably grant an Interim Parking License for Property within the Master Development Area to allow Harcourt to develop a Parcel where the permanent parking is anticipated to be developed at a later time.

5.9. Project Access by Port. The Port and its consultants will be provided reasonable access to the Project during construction to monitor compliance with this Agreement.

5.10. Conditions Precedent to Commencement of Construction. The following conditions shall have been satisfied before commencing construction on a Parcel:

5.10.1. Compliance with Agreement. Harcourt shall be in material compliance with this Agreement, including, without limitation, all contracting requirements and receipt of all necessary permits for construction.

5.10.2. Approval. Harcourt shall have obtained Port approval of the Project Documents in accordance with the approval process set forth in this Agreement.

5.11. Governmental Approvals and Permits. Harcourt shall apply, at its sole cost, to the appropriate Governmental Authorities or third parties for, and shall diligently pursue and obtain, all permits, licenses, permissions, consents or approvals required in connection with the construction of the Improvements. The Port will cooperate with Harcourt and the SPE (if used) to obtain all such permits, licenses, permissions, consents and approvals, but without liability or out-of-pocket cost or expense to the Port.

5.11.1. The Commencement of Construction. Harcourt or the applicable SPE shall obtain all necessary City permits and commence construction by the Commencement of Construction Date.

5.11.2 Completion of Construction. Once construction commences, Harcourt or the applicable SPE shall diligently undertake the construction to completion.

5.12. Preparation of Site; Utilities. Except when otherwise required as part of the Port's Remediation obligations, the Port shall not be responsible for and Harcourt shall be responsible for any demolition or site preparation in connection with the Project or any Subsurface Industrial Historic Infrastructure on the Parcel. Likewise, Harcourt shall not be

responsible for any demolition or site preparation in connection with the installation of City Infrastructure. The Port will reasonably cooperate, at no expense to the Port, in providing utility connections to the Parcel. Consistent with the Master Plan Documents, Harcourt shall make arrangements for necessary utility services directly with utility service providers (including private providers and the City). Any impacts fees, costs of installation, connection, relocation or upgrade shall be paid by Harcourt, including, but not limited to, water, sanitary sewer, storm water, natural gas, streetlights, traffic lights, electric utilities, telecommunications, and fire hydrants.

6. SPECIAL PROVISIONS FOR THE GRANARY BUILDING PROJECT AND THE BUILDING TWO PROJECT.

6.1. Granary Building Project. The first Project that Harcourt will undertake consistent with this Agreement is the repurposing of the existing Granary Building to a mixed use residential, office and/or retail building ("Granary Building Project"). The purchase price of the Granary Building and the real property underlying the Granary Building (approximately .63 acres) as depicted in Exhibit A (the "Granary Parcel") is Two Hundred Thousand Dollars (\$200,000). The purchase shall be completed using the forms and procedure set forth in this Agreement. Harcourt shall comply with the Master Development Schedule with regard to the Granary Building Project.

6.1.1. Harcourt Payment of Purchase Price for the Granary Building. Within fourteen (14) days of the execution of this Agreement, Harcourt or the applicable SPE will pay as consideration to the Port, a payment of the purchase price of the Granary Building and the real property underlying the Granary Building of Two Hundred Thousand Dollars (\$200,000). Except for the inability to purchase the Granary Building due to the Port's failure to create a legal lot of record or the Port's failure to timely complete its Remediation obligations on the associated Parcel, the payment shall be non-refundable and fully earned when paid to the Port.

6.1.2. Special Granary Parcel Rescission Right. Except in the event of Force Majeure, or failure of the Port to timely complete its Remediation obligations on the associated Parcel, or failure of the City to timely provide associated City Infrastructure, or for any exception stated in this Agreement, if Harcourt fails to commence construction of the Granary Project by the Construction Start Date as set forth in the Project Schedule, then the Port shall have the right and option to rescind the sale of the Granary Parcel by providing written notice to Harcourt that it has elected to rescind the purchase, within thirty (30) days after the scheduled start date ("Special Granary Parcel Rescission Right"). Unless said notice has been received, the Port waives the Special Granary Parcel Rescission Right and Harcourt may continue the Granary Building Project. The Port and Harcourt recognize that because of the overall importance of the Granary Building Project to the success of the development contemplated in this Agreement, failure of Harcourt to commence construction of the Granary Project by the Construction Start Date, without good cause, as set forth in the Project Schedule, will result in damage to the Port which is impossible to adequately quantify. Therefore, subject to either party's rights to invoke the Dispute Resolution processes set out herein, the Port and Harcourt have agreed that the

Port shall pay Harcourt Ten Dollars (\$10) as consideration for the repurchase of the Granary Parcel. The Port and Harcourt agree that the purchase price paid by the Port (i) is adequate consideration for the repurchase of the Granary Parcel, (ii) that the difference between the amount paid by Harcourt to the Port and Ten Dollars (\$10) is reasonable, and (iii) the amount of the payment has been a negotiated portion of the economics of this Agreement. To the extent not inconsistent with this Special Granary Parcel Rescission Right, the terms of Section 7 below shall apply.

6.1.3. No Market Condition Extension of Schedule for Granary Building Project. Because of the overall importance of the Granary Building Project to the success of the development contemplated in this Agreement, there will be no extension for Market Conditions. Therefore, the provisions of Section 4.1.2 shall not apply to the Granary Building Project.

6.1.4. Termination of this Agreement Upon Exercise of Special Granary Parcel Rescission Right. In addition to all other rights herein, if the Port exercises its right to rescind the Granary Parcel, it may terminate this Agreement. Harcourt must receive notice of such termination within thirty (30) days of the exercise of the Special Granary Parcel Rescission Right. If the Port does not issue notice to terminate under this Section 6, within the required timeframe, then this Agreement shall proceed with full force and effect.

6.2. Building Two Project. The second Project that Harcourt will undertake is a building (other than the Granary Building Project) within the Master Development Area (the "Building Two Project"). The Building Two Project may coincide with the development of the Granary Building Project or be developed immediately after Substantial Completion of the Granary Building Project. Harcourt shall comply with the Master Development Schedule with regard to the Building Two Project.

6.2.1. No Market Condition Extension of Schedule for Building Two Project. Because of the overall importance of the Building Two Project to the success of the development contemplated in this Agreement, there will be no extension for Market Conditions. Therefore, the provisions of Section 4.1.2 shall not apply to the Building Two Project.

6.2.2. Termination of this Agreement Upon Exercise of Building Two Parcel Rescission Right. In addition to all other rights herein, if the Port elects to exercise its right to rescind the Transfer of the Building Two Project Parcel (pursuant to Section 7), the Port may terminate this Agreement.

7. PORT'S PROJECT PARCEL RESCISSION OPTION FOR OTHER THAN THE GRANARY BUILDING PROJECT.

7.1. Rescission Option if Harcourt or SPE Fail to Start Construction. For other than the Granary Building Project, if Harcourt or the applicable SPE fails to commence construction of a Project by the Construction Start Date, as set forth in the Project

Schedule (or as modified pursuant to this Agreement), then the Port shall have the right and option to rescind the sale of the Parcel or cancel the Lease (the "Rescission Option") by refunding the purchase price paid or any rent prepaid by Harcourt for the Parcel under the Sale Agreement. Notwithstanding the foregoing, the Rescission Option shall terminate if (i) Harcourt or the applicable SPE commences construction before the Port gives Harcourt written notice exercising the Rescission Option, or (ii) Harcourt has not received written notice from the Port exercising the Rescission Option within sixty (60) days after the Construction Start Date. This Rescission Option will be set forth in the Deed or contained in the Lease.

7.1.1. Closing on Rescission Option – Owned Parcel. The closing of a repurchase due to a rescission of a Parcel purchased by Harcourt or an SPE shall be not later than sixty (60) days following the Port's exercise of the Rescission Option on a business day selected by the Port on not less than fifteen (15) days' written notice to Harcourt or the SPE (if used). The parties shall comply with the exemption to real estate excise tax stated in WAC 458-61A-209; provided, however, Harcourt shall pay the excise tax on the rescission if the Transfer is not exempt. The Deed will be in the same form as used to convey the Parcel to Harcourt or the SPE (if used). Upon such re-conveyance to the Port, no encumbrances shall exist on title other than those that existed when title transferred to Harcourt or the SPE (if used), those consented to by the Port in writing (except any Lender security interest, which shall not be a permitted encumbrance) and those that were recorded as part of the Closing of the acquisition of the Parcel. Harcourt shall be responsible for obtaining the release of any Lender security interest. If the Port exercises the Rescission Option, Harcourt shall be released from further obligations under this Agreement for the Parcel, except those obligations that by their terms expressly survive termination. If Harcourt has commenced construction prior to the Port's exercise of the Rescission Option, the Rescission Option shall terminate. At Harcourt's request, the Port shall provide written confirmation to a Lender that construction has commenced such that it satisfies any condition of a Lender to advance funds under a construction loan.

7.1.2. Rescission Option – Leased Parcel. The Rescission Option for a leased parcel shall be executed in accordance with the Lease.

7.2. Port's Right to Utilize Rescission Parcel. After a rescission occurs, the Port may utilize, sell, lease or otherwise dispose of the Parcel subject to compliance with the Master Plan Documents as they now exist or are hereinafter amended. This right is in addition to any other rights or remedies set forth in this Agreement.

8. PARCEL TRANSFER BY LEASE OR SALE.

8.1. Sale by Deed. Should Harcourt or an SPE elect to purchase a Parcel, subject to the terms of this Agreement, the Port will Transfer a Parcel to Harcourt via a Deed substantially equivalent to the form attached hereto as Exhibit 8.1. The price for such purchase will be established pursuant to this Agreement. The parties shall utilize a purchase and sale agreement in substantially the form attached hereto as Exhibit 8.1(a).

8.1.1. Real Estate Excise Tax. Harcourt shall be responsible for the payment of Washington State Real Estate Excise Tax.

8.1.2. Title Insurance. The Port shall provide a standard ALTA title insurance policy insuring the title in the amount of the purchase price. Harcourt may elect to require additional endorsements or coverage at Harcourt's cost.

8.2. Lease. Should Harcourt or an SPE elect to lease a Parcel, subject to the terms of this Agreement, the Port will lease the Parcel to Harcourt via a Lease in a form substantially equivalent to the form Lease attached hereto as Exhibit 8.2. The Lease will be for an initial term of fifty (50) years with options to extend to eighty (80) years (the maximum term allowed under law) and contain (i) an option to prepay the entire Lease payment, and (ii) an option to purchase the Parcel for the Land Valuation with the adjustment over time as provided herein.

8.2.1. Lease Rate. The initial lease rental rate shall be the adjusted Land Valuation multiplied by the Port's then standard rate of return for leased property, plus applicable Washington State Leasehold Excise Tax. The Lease will provide for commercially reasonable increases in the rental rate over the term of the Lease.

8.2.2. Harcourt's Pledge of Lessee's Interest. Subject to reasonable approval by the Port, Harcourt may mortgage the Lessee's interest in the Lease as security for a Lender to the extent the Lender is providing capital for the Project.

8.3. Timing of Sale or Lease. The timing of the sale or lease shall be set forth in the Project Schedule.

9. **PROPERTY - CONDITION AND RESPONSIBILITY.**

9.1. Environmental Condition. Portions of the Property within the Master Development Area are within the Pulp/Tissue Mill RAU and the Chlor-Alkali RAU of the Georgia-Pacific West Site. The Pulp/Tissue Mill RAU Consent Decree is attached hereto as part of Exhibit C. The Port has already developed the remedial investigation (the "RI") for the entire Georgia-Pacific West Site, which is included on Exhibit C. The Port is currently developing the feasibility study (the "FS") for the Chlor-Alkali RAU. There may be other unknown and/or unanticipated conditions found in, on or under the Property. An Environmental Indemnification and Easement Agreement attached hereto as Exhibit D shall (i) control the allocation of liability between the Port and Harcourt, (ii) limit the environmental liabilities of Harcourt and any parcel-specific Single Purpose Entity based on the Port's Remediation obligations, and (iii) is a negotiated portion of the economics of this transaction allocating the potential economic loss arising from environmental liability.

9.1.1. Port's Liability. The Port is responsible for installation of the remedy required in the applicable consent decree and for any long-term monitoring or maintenance required in the applicable consent decree. In this regard, the Port will retain the easement in all Deeds or Leases and as set forth in the Environmental Indemnification

and Easement Agreement attached hereto as Exhibit D. If hazardous materials are discovered that result in a reopening or amendment of the applicable consent decree (either voluntarily or by court order), the Port will be responsible for any additional Remediation required in the reopened or amended applicable consent decree. Harcourt or the applicable SPE will reasonably cooperate with the Port by granting access to any Parcel to accomplish any Remediation required herein without claim for business interruption or other consequential damages.

9.1.2. Harcourt's Liability. Harcourt and the applicable SPE are responsible for compliance with the applicable Contaminated Materials Management Plan and the applicable Environmental Covenant.

9.1.3. Harcourt or SPE Added to Consent Decree. Upon the request of Harcourt or a parcel-specific SPE, in either entity's sole discretion, the Port shall exercise its best efforts to obtain an amendment to either or both consent decrees, adding Harcourt or the SPE as a party to such decree.

9.2. Chlor-Alkali RAU Consent Decree. Once the Chlor-Alkali RAU Consent Decree is entered in Whatcom County Superior Court, it will be appended to this Agreement as part of Exhibit F.

9.3. Subsurface Historic Industrial Infrastructure. As a Brownfield site, Property within the Master Development Area contains Subsurface Industrial Historic Infrastructures dating from the historic uses. The Background Documents provide information concerning this issue. The Port makes no representation or warranty concerning the Subsurface Historic Industrial Infrastructure. Harcourt or the applicable SPE is responsible through Substantial Completion for managing Subsurface Historic Industrial Infrastructure in the course of its development.

9.4. Geotechnical Condition. The geotechnical conditions of the Master Development Area are the subject of information provided in the Background Documents. The Background Documents provide information concerning this issue. Harcourt has reviewed this report and will conduct such other geotechnical studies as it deems appropriate prior to Project development, and is not relying on any representations from the Port concerning geotechnical conditions or the accuracy of this report. Harcourt or the applicable SPE is responsible through Substantial Completion for Parcel development consistent with the geotechnical conditions and is assuming the risk on any geological conditions.

9.5. City Infrastructure Improvements and Street Dedications. The Port has no duty or obligation under this Agreement to construct or install City Infrastructure. Subject to the right of the City to have and maintain a public right of way, the parties anticipate that any Parcel will extend to the centerline of adjacent local streets (as opposed to arterial streets). The City may require the dedication of a right of way for these local streets. Specific issues related to streets contained herein will be addressed in the Project

Memorandum. The Parcel cost shall include the property underlying the rights of way for local streets, but does not include property under the arterial streets.

9.6. Condition of the Property-No Representation. Except as expressly provided herein and in the exhibits attached hereto, the Port makes no warranties or representations as to the condition of the Property or the suitability of the soil conditions or any other conditions of the Property for any improvements to be constructed by Harcourt. Without limiting the foregoing, and except as expressly provided in this Agreement, the Property is transferred or leased "AS IS AND WITH ALL FAULTS." Harcourt agrees that it has not relied on representations or warranties made by the Port as to the physical or environmental condition of the Property or its suitability for any Improvements to be constructed by Harcourt, except as provided within this Agreement and to the extent that the Port conducts its obligation to Remediate the Property.

10. PROJECT OWNERSHIP.

10.1. Assignment of Project by Harcourt to Single Purpose Entity. Any time after approval of a Project Memorandum, as provided in and subject to the terms and conditions of this Agreement, Harcourt may Transfer the Project referenced in the Project Memorandum to a Single Purpose Entity.

10.2. Organization of Single Purpose Entity. The organizational documents must state that the purpose of the Single Purpose Entity is limited exclusively to ownership and operation of the Project(s) subject to this Agreement, and that its purpose clause may not be changed without the prior written approval of the Port, which approval shall not be unreasonably withheld. Prior to Substantial Completion of the Project, unless prior approval is granted by the Port, which approval shall not be unreasonably withheld, the Single Purpose Entity must be (i) wholly owned by Harcourt, and (ii) substantially controlled and managed by Harcourt. Any further Transfer of an ownership interest in the Single Purpose Entity will require a Transfer Notification to the Port. Harcourt will remain responsible for the performance of all the terms and conditions of this Agreement.

10.3. Single Purpose Entity. The Transfer shall be subject to the terms and conditions of this Agreement and the Single Purpose Entity shall be bound by the Project Memorandum. After Transfer, the Single Purpose Entity shall (i) comply with all applicable terms and conditions of this Agreement related to the Project, and (ii) be entitled to purchase or lease the Parcel for the Project as provided herein.

10.4. Transfer of Project and Parcel After Substantial Completion. After Substantial Completion, Harcourt (or the Single Purpose Entity) may sell, Transfer, or lease the Project upon thirty (30) days' prior written notice of its intent to do so to the Port ("Transfer Notification"). However, any Transfer of a leasehold interest shall be subject to the terms of the Lease between the Port and Harcourt (or the SPE, if applicable).

11. PROPERTY VALUATION.

11.1. Agreed Valuation. The Port and Harcourt have obtained two appraisals of the Property using a set of assumptions agreed to by both the Port and Harcourt. These appraisals are attached hereto as Exhibit 11.1. The Port and Harcourt agree that given all applicable considerations (including those factors listed in Section 11.1.1), and including market risk, that a Land Valuation of Twenty Dollars (\$20) per square foot (subject to annual adjustment as provided herein), shall be used for the initial nineteen (19) acres in the Master Development Area for all property transactions (lease or sale) between the Port and Harcourt in the initial nineteen (19) acres of the Master Development Area.

11.1.1. Factors Considered in Land Valuation. In arriving at a Land Valuation, the following factors were considered:

- (i) The anticipated finished condition of the City Infrastructure.
- (ii) The anticipated and unanticipated cost of compliance by Harcourt or the applicable SPE with the consent decree, the Environmental Covenant and the CMMP, and elimination of associated environmental stigma.
- (iii) The prepayment or credit for some customary impact fees by the Port.
- (iv) The effect of entitlements that have been placed on the Property in the Master Plan Documents.
- (v) The information contained in the Background Documents.
- (vi) The value to the citizens, including economic development and increased tax revenues of Whatcom County in incentivizing Harcourt to build out the projects within the Master development Area.
- (vii) The anticipated and unanticipated extraordinary foundation costs for construction on the Property.
- (viii) The anticipated and unanticipated geotechnical conditions.
- (ix) The anticipated and unanticipated subsurface Historic Industrial Infrastructure.

11.2. Annual Land Valuation Increase. The Land Valuation shall automatically be increased by three percent (3%) per year (as compared to the previous year) on each annual anniversary date of the Effective Date of this Agreement. The revised value shall be used for all Property transfers completed within the following twelve (12) month period.

11.3. Land Valuation Negotiated Economics. The Land Valuation is part of the overall economics of the transaction contemplated herein and is a material inducement for Harcourt to invest the capital necessary to complete the development contemplated

herein, according to the master Development Schedule, and recognizes the overall value to the Port and the citizens of Whatcom County of development within the Waterfront District.

11.4. Impact on Land Valuation Caused by Harcourt Projects. It is anticipated that the Land Valuation within the Master Development Area will increase in excess of the three percent (3%) automatic increase noted above as a result of Harcourt undertaking or completing Projects. The Port and Harcourt intend that this Project related Land Valuation increase will inure to the benefit of Harcourt and not the Port. This allocation of increased Land Valuation is part of the overall economics of the transaction contemplated herein, and is a material inducement for Harcourt to invest the capital necessary to complete the development contemplated herein according to the Master Development Schedule and recognizes the overall value to the Port and the citizens of Whatcom County of development within the Waterfront District.

11.4.1. Increase in Land Valuation. Without limiting the foregoing, any increase in the Land Valuation or profit realized by Harcourt shall not be the basis of any claim or request by the Port to re-negotiate the terms of this Agreement or to withhold or condition any consent to which the Port is obligated to reasonably provide or undertake any action to which the Port is obligated to undertake pursuant to this Agreement.

11.4.2. Increase in Development Costs. Without limiting the foregoing, any increase in developments costs, including, but not limited to, the factors set forth in Section 11.1.1 shall not be the basis of any claim or request by Harcourt to re-negotiate the terms of this Agreement or seek a delay in its performance under this Agreement. The agreed Land Valuation reflects Harcourt's agreement to undertake the business risks inherent in developing this Property.

12. PORT TRANSFER BY SALE AGREEMENT, REAL ESTATE CONTRACT, OR LEASE.

12.1. Harcourt's Election Concerning Method of Acquiring Interest in a Parcel. Harcourt may, at its sole discretion and subject to the terms of this Agreement, acquire (or an SPE may acquire) an interest in a Parcel by outright purchase, purchase using a real estate contract, as provided in RCW 53.08.091, or lease.

12.2. Port Real Estate Contract. Subject to applicable law (including RCW 53.08.091), and, at Harcourt's election, the Port will Transfer a Parcel to Harcourt (or its Single Purpose Entity) using a real estate sale contract with four percent (4%) of the purchase price paid at Closing and four percent (4%) of the purchase price to be paid annually from the date of Closing until paid in full within twenty-five (25) years from the date of Closing. The unpaid balance shall bear interest at the one year LIBOR rate, plus two percent (2%) as published by the Wall Street Journal for the date of Closing, per annum, and neither the unpaid balance nor the interest shall incur a prepayment penalty. The Port's vendor's interest in the real estate sale contract cannot be subordinated to any other debt.

12.3. Port Lease. Subject to applicable law, and, at Harcourt's election, the Port will lease a Parcel to Harcourt (or its Single Purpose Entity) for a term not to exceed fifty (50) years from the effective date of said Lease, with options to extend the Lease for an additional thirty (30) years. The Lease rate will be determined at the effective date of the Lease by using the adjusted Land Valuation multiplied by the then current rate of return in effect for Port real estate.

13. PROJECT FINANCING.

13.1. Financing Plan. Harcourt will submit the Financing Plan as an attachment to the Project Memorandum. Thereafter, Harcourt shall make available to the Port financial information concerning the Project and the Lender as reasonably requested by the Port for the Port's reasonable review and comment.

13.1.1. Limitation on Lenders. Only Lenders that advance funds for the Project are permitted to have a security interest and/or mortgage in the Project and only to the extent of the actual funds advanced for the Project in accordance with the Project budget.

13.2. Port Takeover Rights. Subject to approval by the Lender, under such terms as the Lender and the Port deem appropriate, and at the sole discretion of the Port, the Port may succeed to all rights and obligations of Harcourt or an SPE in the event of a default in an obligation to the Lender.

14. RIGHTS OF FIRST OFFER ("ROFO").

14.1. Right of First Offer. The Right of First Offer is a right exclusive to Harcourt that is triggered by an Event of Default by Harcourt, as set forth in Section 15.1 of this Agreement. Rights of Harcourt to exclusively develop within the Master Development Area automatically become a ROFO right upon the happening of an Event of Default. This automatic conversion, without notice, has been specifically negotiated between the Port and Harcourt as an essential term of this Agreement, in order to (i) allow the development in the Master Development Area to move forward notwithstanding an Event of Default, and (ii) allow Harcourt to continue to participate in the development notwithstanding such Event of Default. This section describes the process for notification and election. This Right of First Offer in no way limits termination rights of the Port or Harcourt as provided by this Agreement.

14.2. ROFO Notice and Election Process. This section describes the process for notification and election of a desire to exercise the right to purchase or lease a Parcel subject to a ROFO. The process for Harcourt to exercise its Right of First Offer shall be initiated by a notice from the Port to Harcourt (the "ROFO Notice"). The ROFO Notice shall contain, at a minimum (i) the proposed purchase or lease price at which the Port proposes to sell or lease the Parcel, a description of the proposed Project and Project timeline, or (ii) in the case of a Port owned Project, the value ascribed to the Parcel, a

description of the proposed Project, and Project timeline. The Port need not have a specific buyer or tenant identified. Rather, the Port may provide the ROFO Notice of its intent to market a Parcel at a particular price, which will be the price at which the ROFO may be exercised.

14.2.1. Harcourt's Election-Process. Upon receipt of the ROFO Notice, Harcourt will, within thirty (30) days, notify the Port in writing (the "ROFO Election") (i) of its election to purchase or lease the Parcel (as the case may be, based upon the ROFO Notice of the Port) and commercially adequate assurances reasonably acceptable to the Port that it can comply with the timeline for purchase and development.

14.2.2. Harcourt's Election-Purchase Requirements. Upon Harcourt's election to purchase or lease the Parcel, Harcourt will (i) submit the information required in Section 5.1 related to Projects, and (ii) complete the purchase or lease within sixty (60) days of said ROFO Election. Failure to submit the information required in Section 5.1 within sixty (60) days shall be treated as if no ROFO Election was received and all rights of Harcourt to a Right of First Offer to any Parcel within the Master Development Area shall terminate. If Harcourt, for any reason or no reason fails to complete the purchase or lease of the Parcel pursuant to the timeline that is the subject of the ROFO Notice, then all rights of Harcourt to a ROFO to any Parcel in the Master Development Area shall terminate.

14.2.3. Harcourt's Non-Election. Failure to provide the written ROFO Election to the Port within the thirty (30) day period (see above in Section 14.2.1) shall be deemed an irrevocable and automatic waiver of any right of Harcourt to so lease or purchase the Parcel that was subject to the ROFO Notice, and the irrevocable right of the Port, free and clear of any right, title or interest of Harcourt to (i) sell or lease the Parcel for at or above the purchase price contained in the ROFO Notice, or (ii) itself undertake the Project described in the ROFO Notice Parcel without regard to whether the proposed purchase or lease occurs. However, failure to provide the Election to the Port within the thirty (30) day period shall not be deemed a waiver of any ROFO for the balance of the Property in the Master Development Area.

14.2.4. Port's Right Upon Harcourt's Failure to Provide Election. In the event that Harcourt does not elect to purchase or lease the Parcel offered in the ROFO, the Port shall be free to market the Parcel or construct a Project itself. However, the Port cannot sell or lease the Parcel for less than the price contained in the original ROFO Notice or permit a Project of more than twenty percent (20%) less floor area. The Port shall have the right to market the Parcel for a period of ninety (90) days. If the Port fails to secure a binding agreement from a buyer or tenant subject to commercially reasonable contingencies and contingency periods within ninety (90) days of the date of the ROFO Notice, then the Port's rights shall terminate with regard to the ROFO Notice and all of Harcourt's right, title, and interest under this Section 14 shall be automatically reinstated as to that Parcel. The Port may issue a new ROFO Notice for a Parcel anytime after one (1) year from the date of the ROFO Notice.

15. DEFAULT, REMEDIES UPON DEFAULT, AND TERMINATION.

15.1. Event of Default-Harcourt. An Event of Default is defined as a non-Force Majeure event and shall occur upon Harcourt's failure to keep, observe, or perform any of its respective duties or obligations under this Agreement, which Event of Default shall be a default hereunder, including, without limitation, (i) failure of Harcourt to meet all deadlines or comply with the Master Development Schedule, (ii) failure of Harcourt or an SPE to comply with any Project Schedule, (iii) the willful making by Harcourt of an assignment for the benefit of creditors, contrary to the terms of this Agreement, or filing a petition in bankruptcy or reorganization under any bankruptcy or insolvency law or filing a petition to effect a composition or extension of time to pay its debts, (iv) the appointment of a receiver or trustee of the property of Harcourt, which appointment is not vacated or stayed within sixty (60) days, (v) the filing of a petition in bankruptcy against Harcourt or for its reorganization under any bankruptcy or insolvency law that is not dismissed or stayed by the court within sixty (60) days after such filing, (vi) any Transfer by Harcourt that occurs in violation of this Agreement, (vii) the willful failure by Harcourt or a transferee to re-convey the Property to the Port if and when required to do so, (viii) any violation of the geographic or Key Person restrictions contained herein, (ix) other than specified above, any material default by the Port or Harcourt in the performance of any other obligations hereunder including failure to complete any consent decree obligation by the Port that inures to the detriment of Harcourt, (x) failure of Harcourt to maintain required insurance.

15.2. Event of Default-Port. An Event of Default is defined as a non-Force Majeure event and shall occur upon the Port's failure to keep, observe, or perform any of its respective duties or obligations under this Agreement, which Event of Default shall be a default hereunder, including, without limitation (i) failure of the Port to meet all deadlines or comply with the Master Development Schedule, (ii) any Transfer by the Port that occurs in violation of this Agreement, (iii) failure by the Port to maintain required insurance, or (iv) any failure by the Port to comply with all terms and conditions of this Agreement and/or to perform any Port obligation as required.

15.3. Automatic Default. An automatic default of this Agreement shall occur without notice or other action upon the occurrence of an Event of Default by Harcourt as set forth in paragraph 15.1 subparts (i) through (vi). All other defaults by the Port or Harcourt shall require a notice of default.

15.4. Notice of Default Process. Except for those Events of Default which are automatic defaults as set forth in Section 15.3, upon any Event of Default or any other material breach of any other term or condition of this Agreement, the non-defaulting party shall notify the other party in writing of the defaulting party's purported breach, failure or act described as an Event of Default and if such breach. If the failure or act is not cured within ninety (90) days from receipt of such notice, a termination may occur. Provided, however, if such failure cannot be reasonably cured within ninety (90) days and the

defaulting party is diligently pursuing a cure, the period to cure will be extended to a total of one hundred eighty (180) days.

15.5. Remedies Upon Default. If an Event of Default occurs, the non-defaulting party shall have all cumulative rights and remedies under law or in equity. However neither party shall be entitled to an award of damages for a breach. The non-defaulting party shall be entitled to terminate this Agreement or obtain specific performance of each and every obligation under this Agreement without any requirement to prove or establish that it does not have an adequate remedy at law. The defaulting party hereby waives the requirement of any such proof and acknowledges that the non-defaulting party would not have an adequate remedy at law for an Event of Default hereunder. The non-defaulting party shall be entitled to restrain, by injunction, the actual or threatened commission or attempt of a default and to obtain a judgment or order specifically prohibiting a violation or breach of this Agreement without, in either case, being required to prove or establish that the non-defaulting party does not have an adequate remedy at law. The defaulting party hereby waives the requirement of any such proof and acknowledges that the non-defaulting party would not have an adequate remedy at law for the occurrence of a default hereunder. The non-defaulting party shall be entitled to draw upon or foreclose all or any part of the bonds or security provided under this Agreement or commence an action for equitable or other relief. These remedies are cumulative and in addition to all other remedies provided herein and under law or equity.

15.6. Special Remedy Upon Default – Automatic Modification of this Agreement – Harcourt Rights in Master Development Area. Upon the occurrence of an automatic default, as defined in Section 15.3 or an uncured Event of Default (without regard to whether the act or omission which created the Event of Default is later cured) and thereafter during any time this Agreement remains in effect, the rights to Harcourt to acquire property within the Master Development Area for a Project shall no longer be exclusive. Rather, this Agreement shall be automatically modified to provide that all rights of Harcourt are deemed Rights of First Offer. This automatic change to the Agreement is separate from and in addition to all other remedies at law or equity. It has been specifically negotiated between the Port and Harcourt to allow the development to move forward despite Harcourt's default and such continued development is recognized to be in the best interest of the Port and Harcourt.

15.7. Termination. Upon the occurrence of an automatic default, as defined in Section 15.3 or an uncured Event of Default, the non-defaulting party may terminate this Agreement with respect to any undeveloped Property that has not yet been leased or sold to Harcourt or an SPE, by providing sixty (60) days' written notice of termination using the notice provisions contained in this Agreement. This right of termination is separate from and in addition to all other remedies at law or equity.

15.7.1. Special Termination Right - Harcourt Master Development Documents. In the event of a termination due to an uncured Event of Default by Harcourt, Harcourt shall deliver to the Port, without delay and at no cost to the Port, all Harcourt Master Development Documents. Without limiting the foregoing, the termination shall not

terminate any agreement with regard to a particular Project that (i) has been transferred to an SPE in accordance with this Agreement, or (ii) for which construction has commenced.

16. MISCELLANEOUS PROVISIONS.

16.1. Non-Discrimination. In the implementation of this Agreement, including construction of all Improvements and any leasing of the Projects, neither party shall discriminate against any person or entity by reason of race, color, creed, national origin, age, handicap, marital status, sex or religion.

16.2. Reasonable Cooperation and Approvals by the Port. The Port's obligations to "reasonably cooperate" as set forth in this Agreement are only to the extent permitted by applicable law and do not convey or guaranty the performance, action or approval of any other government. Approval by the Port of any item pursuant to this Agreement shall not constitute a representation or warranty by the Port that such item complies with Legal Requirements or the Master Plan Documents, and the Port assumes no liability with respect thereto. Approval by the Port of any item pursuant to this Agreement shall not constitute or guarantee issuance of any permit, license, permission, consent or approval required by any Governmental Authority or third party, and the Port assumes no liability with respect thereto. Notwithstanding any provision of this Agreement to the contrary, the Port is under no obligation or duty to supervise the design or construction of the Improvements. Other than with regard to satisfaction of the Port's Remediation obligations, the Port's approval of the Project Memorandum and associated Project Documents shall not constitute any representation or warranty, express or implied, as to the adequacy of the design or any obligation on the Port to ensure that work or materials are in compliance with the Project plans or any building requirements imposed by a Governmental Authority. Other than with regard to satisfaction of the Port's Remediation obligations, the Port is under no obligation or duty, and disclaims any responsibility, to pay for the cost of construction of the Improvements, the cost of which shall at all times remain the sole liability of Harcourt.

16.3. Indemnification by Harcourt. To the extent permitted by law, Harcourt shall indemnify, defend, and hold the Port, its commissioners, officers, and employees (collectively, "Port Indemnitees") harmless from and against all claims, liability, loss, damage, cost, or expense (including reasonable attorneys' fees, court costs, and amounts paid in settlements and judgment) arising out of or relating to (i) Harcourt's performance of express obligations of this Agreement reasonably attributable to Harcourt, (ii) Harcourt's activity conducted on the Property before purchase or lease thereof, and (iii) Harcourt's construction of the Improvements, including any act or omission of Harcourt or its members, agents, employees, representatives, contractors, subcontractors, successors, assigns or invitees, on or with respect to the Property. The Port shall not be entitled to such indemnification as described in (i), (ii), and (iii), to the extent and in proportion that such claim, liability, loss, damage, cost or expense is caused by the negligence, bad faith, reckless or willful misconduct of the Port, its employees or agents, including, but not limited to, any negligence, bad faith, reckless or willful misconduct of the Port, its employees or agents during completion of the Port's Remediation obligations. Harcourt

shall not be liable for any indirect, special or consequential damages (including lost profits) arising out of this Agreement or Harcourt's performance hereunder. This indemnification shall survive expiration or termination of this Agreement for a period of three (3) years thereafter. To the degree that the indemnification under (i) or (ii) conflicts with the Environmental Indemnification and Environmental Easement Agreement executed for a Project, the latter shall take precedence.

16.4. Indemnification by Port. To the extent permitted by law, the Port shall indemnify, defend, and hold Harcourt, its affiliates, directors, officers, employees, subcontractors and agents (collectively, "Harcourt Indemnitees") harmless from and against all direct claims, liabilities, losses, damages, costs, or expenses (including reasonable attorneys' fees, court costs, and amounts paid in settlements and judgment) arising out of or relating to (i) the Port's performance of express obligations under this Agreement reasonably attributable to the Port, (ii) the Port's performance of any activity associated with the Port's Remediation obligations, including any act or omission of the Port, its employees or agents in executing the work to be performed under the consent decree. Harcourt shall not be entitled to such indemnification as described in (i) and (ii) to the extent and in proportion that such claim, liability, loss, damage, cost or expense is caused by the negligence, bad faith, reckless or willful misconduct of Harcourt, its employees or agents. The Port shall not be liable for any indirect, special or consequential damages (including lost profits) arising out of this Agreement or the Port's performance hereunder. This indemnification shall survive expiration or termination of this Agreement for a period of three (3) years thereafter. To the degree that the indemnification under (i) or (ii) conflicts with the Environmental Indemnification and Environmental Easement Agreement executed for a Project, the latter shall take precedence.

16.5. Permits. Harcourt acknowledges that the Port has not made any representation or warranty with respect to Harcourt's ability to obtain any permit or approval, or to meet any other requirements for development of a Project. Nothing in this Agreement is intended or shall be construed to require that the City exercise its discretionary authority under its regulatory ordinances to further the Project nor binds the City to do so. Harcourt understands that the City will process applications for permits and approvals in accordance with its normal processes.

16.6. Indemnity from Liens. The parties shall indemnify and hold harmless each other against all mechanics', materialmens', and laborers' liens and all costs, expenses and liabilities arising from and relating to each other's respective obligations under this Agreement. Nothing contained in this Agreement shall be construed as the consent or request of the Port, express or implied, for the performance of any labor or services or for the furnishing of any materials or equipment to a Project (or any part thereof). Notice is hereby given that the Port will not be liable for any labor, services, materials or equipment furnished or to be furnished to Harcourt, or anyone holding an interest in the property (or any part thereof) through or under Harcourt.

16.7. Insurance. Harcourt shall maintain and keep in force insurance covering all aspects of the construction activity on the Project, including, but not limited to, the following requirements if commercially available, or, in the alternative, maintain insurance in accord with terms reasonably required by a Lender. A certified copy of the endorsement page from each policy must be provided to the Port. Failure of Harcourt to maintain the required insurance shall be a default of this Agreement.

16.7.1. Builders All Risk Comprehensive Coverage. Harcourt or the applicable SPE shall keep, or shall require its general contractor to keep, all Project components insured for builders all risk comprehensive coverage, including earthquake, fire, and flood and to include amounts sufficient to prevent Harcourt from becoming a co-insurer under the terms of the applicable policies, but in any event in an amount not less than one hundred percent (100%) of the then full "Replacement Cost," being the cost of replacing the Project components, and all fixtures, equipment, improvements, and betterments thereto.

16.7.2. Commercial General Liability. Harcourt and each SPE shall carry, and shall require its construction contractor to carry, commercial general liability insurance providing coverage against claims for bodily injury, death or property damage in connection with the Project with broad form liability and property damage endorsement, such insurance to afford minimum protection, during the term of the construction phase, and written for combined single limits of liability of no less than Five Million Dollars (\$5,000,000), per occurrence, said amount to be adjusted from time to time with coverage deemed customary under like conditions.

16.7.3. Property Insurance. Upon completion of the construction of the Improvements, Harcourt or the applicable SPE shall carry property insurance covering the Project,, including earthquake if required by the institutional Lender, flood, boiler and machinery insurance, in an amount equal to at least one hundred percent (100%) of the replacement cost of all Improvements. Such insurance shall contain coverage against loss or damage by perils no less broad than the current edition of the ISO Special Form, 1985 Edition. Harcourt shall be responsible for payment of any deductibles under said insurance policies and any costs of restoration resulting from any uninsured or underinsured losses.

16.7.4. Insurance Policies. Insurance policies required herein shall be issued by companies authorized to do business in the State of Washington with the following qualifications:

- (i) The companies must be rated no less than "A," as to general policyholders rating and no less than "VII" as to financial category in accordance with the latest edition of Best's Key Rating Guide, published by A.M. Best Company, Incorporated.
- (ii) The policies shall name the Port as an additional insured for liability purposes.

(iii) The policies shall be issued as primary policies.

(iv) Each such policy or certificate of insurance mentioned and required in this section shall have attached thereto (a) an endorsement that such policy shall not be canceled without at least thirty (30) days' prior written notice to Harcourt and the Port; (b) an endorsement to the effect that the insurance as to any one insured shall not be invalidated by any act or neglect of any other insured; (c) an endorsement pursuant to which the insurance carrier waives all rights of subrogation against the parties hereto; and (d) an endorsement pursuant to which this insurance is primary and noncontributory.

(v) The certificates of insurance and insurance policies shall be furnished to Harcourt and the Port prior to Commencement of Construction under this Agreement. The certificate(s) shall clearly indicate the insurance and the type, amount and classification, as required for strict compliance with this section.

(vi) The parties agree that cancellation or lapse of any policies required by this Agreement may constitute an Event of Default under this Agreement, provided that such cancellation or lapse was made without the material knowledge of Harcourt and that Harcourt made no effort to resolve a cancellation or lapse of any policy. In addition to any other legal remedies, the Port, after written notice to Harcourt, may obtain such insurance and pay such premiums and may elect (if not reimbursed by Harcourt within a reasonable period of time) to assert a claim for payment from Harcourt, together with costs and attorneys' fees.

16.8. Total or Partial Destruction. If the Improvements are totally or partially destroyed at any time during the course of construction by Harcourt or an SPE (other than as a result of Force Majeure) prior to Substantial Completion, Harcourt or an SPE shall reconstruct or repair the damage and continue to pursue the Project to completion consistent with the terms of this Agreement, to the extent of available insurance, together with any additional funds that Harcourt elects to use for such purpose. Such reconstruction or repair shall commence as expeditiously as possible following such destruction, with delays resulting therefrom being treated as a Force Majeure event. If, due to the lack or insufficiency of available insurance or other funds, Harcourt or an SPE is unable to continue to develop the Project, then in all events Harcourt or an SPE shall at its cost promptly remove the damaged Improvements, secure the Parcel, clear the debris and generally make the Parcel as safe and attractive as practical given the circumstances. If Harcourt or an SPE is unable or unwilling to restart construction of the Project in accordance with this Agreement for a period of twelve (12) months or longer after the date of the casualty, and if the Parcel has not been sold to a third party by Harcourt or an SPE (with the proper approvals required hereunder), who will construct the Project to completion within a reasonable time after Closing, then the Port shall have the right to purchase the Parcel using the Rescission Option contained in this Agreement. The parties acknowledge that the foregoing is a discretionary right and not an obligation, and that this right is granted in order to address the Port's concern that the Parcel not continue in the ownership of a party that is either unable or unwilling to develop the Parcel for an unreasonable length of time.

16.9. Right to Assign or Otherwise Transfer Parcel. Prior to Substantial Completion and during the term of this Agreement, any Transfer of any Parcel shall be made expressly subject to the terms, covenants, and conditions of this Agreement and each SPE shall be bound by the applicable terms of this Agreement as they relate to the Parcel. Except as expressly provided herein, neither this Agreement nor any rights or responsibilities herein may be transferred, assigned or pledged.

16.9.1. Transfer of Parcel – Transferee Bound. In any event, any transferee (and all successor transferees) shall succeed to all rights and obligations of the parties under this Agreement, unless released by the non-transferring party, including any unperformed obligations of the transferring party as of the date of such Transfer. No Transfer of a Parcel by Harcourt, or any successor, shall release Harcourt, or such successor, from any such unperformed obligations without the written consent and release of the Port.

16.9.2. Port Purchase Right. Except as provided herein, if Harcourt Transfers a Parcel or any rights under this Agreement during the term of this Agreement without the prior written consent of the Port, then the Port or its designee shall have an option to purchase the Parcel for the same price as paid by such unpermitted transferee provided that no development pursuant to this Agreement has occurred on the Parcel. Such option shall continue for a period of one hundred twenty (120) days after the Port receives written notice from Harcourt of (or otherwise discovers) the unpermitted Transfer and closes within sixty (60) days after exercise of the option. Such transferee shall be obliged to sell the Parcel to the Port (or its designee) on the same terms and conditions as those upon which the transferee purchased the Parcel. This right is in addition to the right to claim an Event of Default.

16.10. Failure to Adhere to the Master Development Schedule. Harcourt and the Port recognize that (i) meeting or exceeding the development set forth in the Master Development Schedule is the principal and primary performance required of Harcourt, and (ii) that failure of Harcourt for any reason or no reason (except for Force Majeure or other exceptions in this Agreement) to adhere to the Master Development Schedule will cause irreparable harm to the Port that is not subject to quantification as money damages.

16.11. Exclusive Remedy For Reasonableness Determinations. Notwithstanding the foregoing, if a party is entitled to reasonably withhold its consent, the sole and exclusive remedy where such consent was unreasonably withheld or is the basis of an allegation of an Event of Default, is to bring a declaratory judgment action in Whatcom County Superior Court or arbitration to determine that the consent should have been provided under a reasonableness determination. Such action shall be determined by a judge alone or arbitrator and such determination shall be binding on all arbitrators or courts of competent jurisdiction. No damages or other remedies will be permitted, although the prevailing party shall be awarded its attorneys' fees in the action.

16.12. Representations and Warranties. Each party hereby represents and warrants that (i) it is duly organized and exists in good standing under Washington law, (ii) it has all necessary rights, title, interest, power, and authority to enter into this Agreement and perform in accordance with its terms and provisions, (iii) the individuals signing this Agreement on its behalf have the authority to bind and to enter into this transaction, and (iv) it has taken all requisite action to legally authorize the execution, delivery, and performance of this Agreement.

16.13. Incorporation Into Other Contracts. In every contract for performance under this Agreement, the parties shall reference this Agreement and make every such contract subject to compliance with the terms and conditions of this Agreement.

16.14. Executory Contract. This Agreement constitutes an executory contract within the meaning of 11 U.S. Code § 365 and is not a contract that runs with the land or confers any property rights.

16.15. Estoppel Certificates and Financial Information. The Port and Harcourt shall, at any time and from time to time, within fifteen (15) days after written request by the other, execute, acknowledge, and deliver, to the party requesting same or to any existing or prospective Lender, assignee or subtenant designated by Harcourt, a certificate stating that (i) this Agreement is in full force and effect and has not been modified, supplemented or amended in any way, or if there have been modifications, identifying such modifications; and if this Agreement is not in force and effect, the certificate shall so state, and (ii) to its knowledge, all conditions under this Agreement have been satisfied by the Port or Harcourt, as the case may be, and that no defenses or offsets exist against the enforcement of this Agreement by the other party, or, to the extent untrue, the certificate shall so state. The party to whom any such certificate shall be issued may rely on the matters therein set forth and thereafter the party issuing the same shall be estopped from denying the veracity or accuracy of the same.

16.15.1. Financial Information. Harcourt shall, at the request of the Port, from time-to-time provide current financial information about the Single Purpose Entity(ies), Harcourt, and any guarantor. The Port shall, at the request of Harcourt, from time to time, provide the then current Port's annual report prepared in accordance with applicable Government Accounting Standards Board ("GASB") requirements.

16.16. No Third Party Beneficiaries. This Agreement has no third party beneficiaries.

16.17. Modification. This Agreement may not be amended or rescinded in any manner except by an instrument in writing signed by a duly authorized representative of each party hereto in the same manner as such party has authorized this Agreement.

16.18. Good Faith and Reasonableness. The parties intend that the obligations of good faith and fair dealing apply to this Agreement generally and that no negative inference be drawn by the absence of an explicit obligation to be reasonable in any


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portion of this Agreement. The obligation to be reasonable shall only be negated if arbitrariness is explicitly permitted, such as in the case of a party being allowed to make a decision in its "sole judgment" or "sole discretion."

16.19. Provisions Surviving Termination. All provisions of this Agreement, including, but not limited to, those related to indemnification, requiring performance past the termination of this Agreement shall survive the termination of this Agreement as separate obligations until fully performed.

16.20. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest and assigns of each of the parties hereto except that there shall be no Transfer of any interest by Harcourt except pursuant to the express terms of this Agreement. Any reference in this Agreement to a specifically named party shall be deemed to apply to any successor, heir, administrator, executor or assign of such party who has acquired its interest in compliance with the terms of this Agreement, or under law.

16.21. Notices. All notices, which may be or are required to be given pursuant to this Agreement shall be in writing and delivered to the parties at the following addresses:

To the Port: Attn: _____
1801 Roeder Avenue
Post Office Box 1677
Bellingham, WA 98227
(360) 676-2500

To Harcourt: Attn: _____

() _____

To Key Persons: Attn: _____

() _____

Any such notices shall be either (i) sent by certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) days after deposit, postage prepaid in the U.S. mail, (ii) sent by a nationally recognized overnight courier, in which case notice shall be deemed delivered when actually delivered pursuant to the records of such courier, or (iii) sent by email transmission to the party and its counsel, receipt of which has been confirmed by telephone, and by regular mail, in which case notice shall be deemed delivered on the day of such confirmed receipt, or (iv) hand delivered, in which case notice shall be deemed delivered when actually delivered. The above addresses and phone numbers may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice. Copies

of notices are for informational purposes only, and a failure to give or receive copies of any notice shall not be deemed a failure to give notice. The Key Persons shall provide one address as provided for in the Notice provision of this Agreement for notification to all Key Persons.

16.22. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

16.23. Waiver. No waiver by any party of any provision of this Agreement or any breach thereof shall be of any force or effect unless in writing by the party granting the waiver; and no such waiver shall be construed to be a continuing waiver. The waiver by one party of the performance of any covenant, condition, or promise shall not invalidate this Agreement nor shall it be considered a waiver by such party of any other covenant, condition, or promise hereunder. The waiver by either or both parties of the time for performing any act shall not constitute a waiver of the time for performing any other act or an identical act required to be performed at a later time.

16.24. Rights and Remedies Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise or failure to exercise one or more of such rights or remedies by either party shall not preclude the exercise by it, at the same time or different times, of any right or remedy for the same default or any other default by the other party.

16.25. Applicable Law; Jurisdiction. This Agreement shall be interpreted under and pursuant to the laws of the State of Washington without regard to choice of law provisions. In the event any action is brought to enforce any of the provisions of this Agreement, the parties agree to be subject to the sole jurisdiction and venue in Whatcom County Superior Court.

16.26. Dispute Resolution. In the event of any dispute, a party shall notify the other party of the dispute with as much detail as possible. The parties shall use good faith efforts to resolve the dispute within thirty (30) days after receipt of a dispute notice. If the parties are unable to resolve the dispute, or agree upon the appropriate corrective action to be taken, within such thirty (30) days, then either party may pursue any course of action available to them. Pending resolution of the dispute, both parties shall continue without delay to carry out all of their respective responsibilities under this Agreement. Except as specifically provided herein, any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, shall first be subject to mediation, and if necessary, be determined by arbitration in Seattle, Washington before one arbitrator. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures Streamlined Arbitration Rules and Procedures. Judgment on the award may be entered in any court having

jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from the Whatcom County Superior Court.

16.26.1. Mediation. Either party may commence mediation by providing to JAMS and the other party, a written request for mediation, setting forth the subject of the dispute and the relief requested. The parties will cooperate with JAMS and with one another in selecting a mediator from the JAMS panel of neutrals with experience in development projects of the magnitude contemplated in this Agreement and in scheduling the mediation proceedings. The parties agree that they will participate in the mediation in good faith and that they will share equally in its costs. Either party may initiate arbitration with respect to the matters submitted to mediation by filing a written demand for arbitration at any time following the initial mediation session or at any time following forty-five (45) days from the date of filing the written request for mediation, whichever occurs first ("Earliest Initiation Date"). The mediation may continue after the commencement of arbitration if the parties so desire. All applicable statutes of limitation and defenses based upon the passage of time shall be tolled until fifteen (15) days after the Earliest Initiation Date. The parties will take such action, if any, required to effectuate such tolling.

16.26.2. Arbitration. If arbitration, then the parties will cooperate with JAMS and with one another in selecting an arbitrator from the JAMS panel of neutrals with experience in development projects of the magnitude contemplated in this Agreement and in scheduling the arbitration proceedings. In any arbitration arising out of or related to this Agreement, the arbitrator shall award to the prevailing party, if any, the costs and attorneys' fees reasonably incurred by the prevailing party in connection with the arbitration. If the arbitrator determines a party to be the prevailing party under circumstances where the prevailing party won on some but not all of the claims and counterclaims, the arbitrator may award the prevailing party an appropriate percentage of the costs and attorneys' fees reasonably incurred by the prevailing party in connection with the arbitration.

16.26.3. Savings Clause. To the extent required to ensure the enforceability of any award, judgment or ruling, the Arbitrator may modify the arbitration procedures contained herein.

16.27. No Joint Venture and No Fiduciary Duties. Nothing contained in this Agreement shall create any partnership, joint venture or other employment arrangement between the Port and Harcourt. The parties intend that the rights, obligations, and covenants in this Agreement and the collateral instruments shall be exclusively enforceable by the Port and Harcourt, their successors and assigns. No term or provision of this Agreement shall be for the benefit of any person, firm, organization or corporation not a party hereto, and no such other person, firm, organization or corporation shall have any right or cause of action hereunder, except as may be otherwise expressly provided herein. Moreover, neither the Port nor Harcourt have any fiduciary duties to the other.

16.28. Calculation of Time. All periods of time referred to herein shall include Saturdays, Sundays, and legal holidays in the State of Washington, except that if the last

day of any period falls on any Saturday, Sunday, or legal holiday in the State of Washington, the period shall be extended to include the next day which is not a Saturday, Sunday, or legal holiday in the State of Washington.

16.29. Time of the Essence. In all matters under this Agreement, the parties agree that time is of the essence.

16.30. Attorneys' Fees. In the event any proceeding is instituted to interpret or enforce any provision or resolve any dispute under this Agreement, including, without limitation, any action in which a declaration of rights is sought or an action for rescission, each party shall bear their own costs and attorneys' fees.

16.31. Force Majeure. Whenever performance of an action is prescribed in this Agreement, neither party shall be liable for a failure or delay in the performance of any of its obligations under this Agreement, and the period of time for performance shall be extended by the number of days that such performance is actually delayed due to acts of war, acts of terrorism, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, casualties, acts of God, acts of the public enemy, epidemics, quarantine restrictions, or governmental restrictions or priority. Such events are called "Force Majeure". For any Force Majeure event that will cause Commencement of Construction or Substantial Completion of a Project by the Completion Date to be delayed more than sixty (60) days, Harcourt will inform the Port about the cause and nature of such delay and the progress in achieving such Substantial Completion.

16.32. Fair Construction; Severability. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the context may require. The parties hereby acknowledge and agree that each was properly represented by counsel and this Agreement was negotiated and drafted at arms' length so that the judicial rule of construction to the effect that any ambiguities are to be construed against the drafting party shall be inapplicable in the interpretation of this Agreement. The provisions of this Agreement shall be construed as a whole according to their common meaning and consistent with the other provisions contained herein in order to achieve the objectives and purposes of this Agreement. If any term, provision, covenant, clause, sentence or any other portion of the terms and conditions of this Agreement or the application thereof to any person or circumstances shall apply, to any extent, become invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect, unless rights and obligations of the parties have been materially altered or abridged by such invalidation or unenforceability.

16.32.1. Subsequent Agreements. In any conflict between this Agreement and any subsequent security agreement, deed of trust, real estate contract, purchase and sale agreement or lease executed between Harcourt and the Port, the terms and conditions of the subsequent agreement shall control. Otherwise the terms of this Agreement shall apply.

16.33. Key Persons and Harcourt Geographic Development Limitation. Until the Granary Building Project and the Building Two Project have reached Substantial Completion, the Key Persons (or any of them) or Harcourt shall not engage in, participate in directly or indirectly or through any subsidiary, joint venture or partnership, fund or pledge any of its assets as security for or advise on the development (including new construction or rehabilitation) of any mixed use, residential or office development project within Whatcom County, Washington (the "Geographic Development Limitation"). Any violation of this provision by either the Key Persons (or any of them) or Harcourt shall be a breach of this Agreement. In the case of a Key Person that has ceased being a Key Person prior to Substantial Completion of the Granary Building Project and the Building Two Project, this provision shall apply until Substantial Completion of the Granary Building Project and the Building Two Project has been reached. Thereafter, the Harcourt Geographic Development Limitation shall no longer have any cause or effect and shall cease to exist in its entirety.

16.33.3. No Personal Liability of Key Persons. Other than the remedies provided in this Section 16.33, the Key Persons shall have no personal liability under this Agreement.

16.34. Harcourt Authorized to Do Business in the State of Washington. During the term of this Agreement and until such time as the Property within the Master Development Area is developed, Harcourt shall have a principal place of business in Whatcom County, Washington and shall obtain and keep current all such documentation and licenses as are required under Washington State law in order to legally to transact business in the State of Washington pursuant to Chapter 23B.15 RCW.

16.35. Entire Agreement. This Agreement, the Project Documents, any documents attached as exhibits, and any documents executed pursuant to the Agreement constitute the entire Agreement between the parties as to the subject matter hereof and supersede all prior discussions and understandings between them with reference to such subject matter. This Agreement supersedes and incorporates all prior written and oral understanding of the parties, including, but not limited to, the Term Sheet of April 29, 2014. It is the intent of the parties that this Agreement should be construed according to its fair meaning and without reference to any extrinsic documents or statements.

Attachment "E"

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

PORT OF BELLINGHAM , a Washington municipal corporation	HARCOURT BELLINGHAM LLC , a Washington limited liability company
By: <u>[Signature]</u> Name: <u>Rob Fix</u> Its: <u>Executive Director</u>	By: <u>[Signature]</u> Name: <u>PATRICK POWELL</u> Its: <u>DIRECTOR</u>
	By: _____ Name: _____ Its: _____
	By: _____ Name: _____ Its: _____

F:\PORT OF BELLINGHAM\Waterfront District\Master Development Agreement\MDA\MDA March 4, 2015\MDA April 15, 2015 (CLEAN).docx

EXHIBIT A

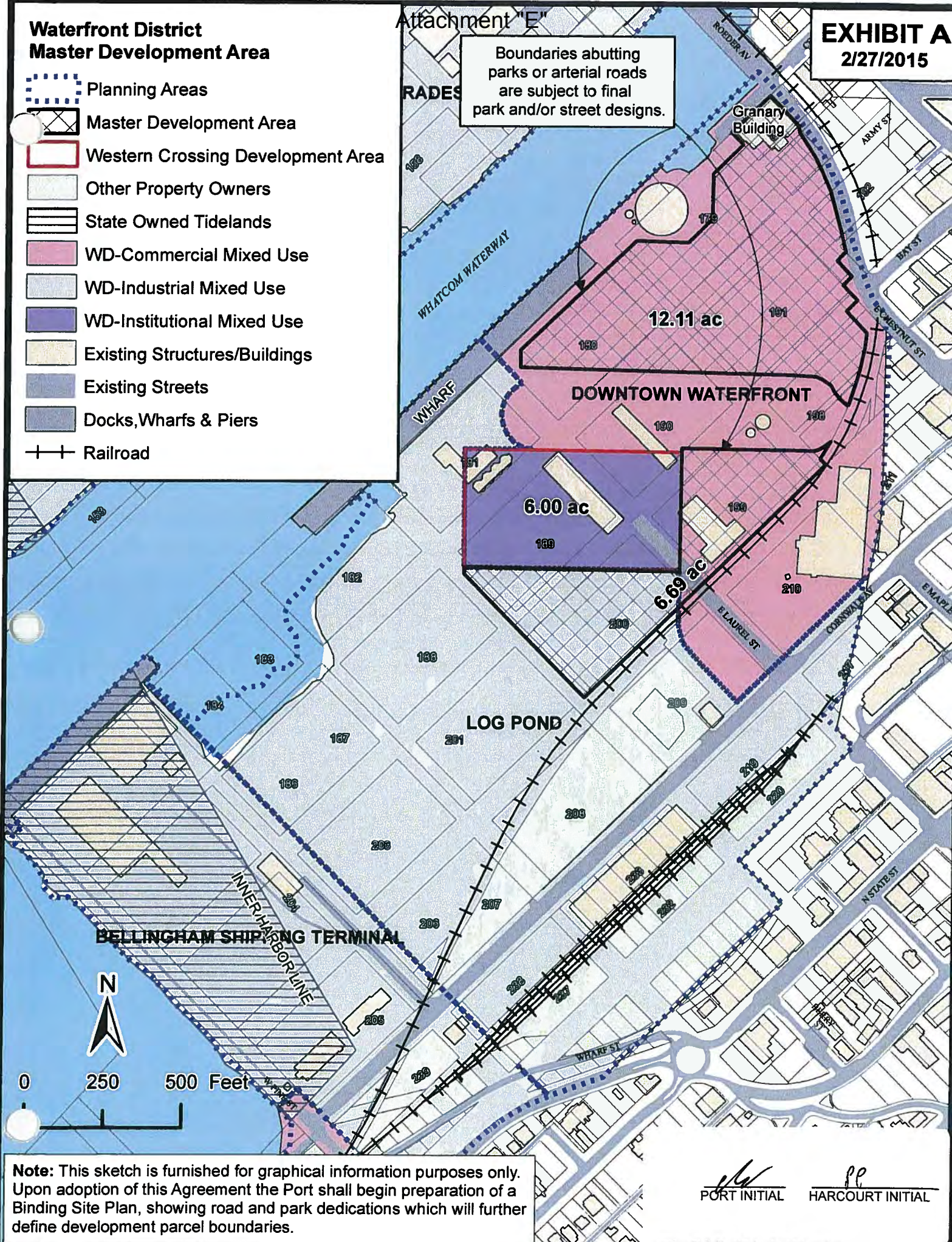
Waterfront District Master Development Area

- Planning Areas
- Master Development Area
- Western Crossing Development Area
- Other Property Owners
- State Owned Tidelands
- WD-Commercial Mixed Use
- WD-Industrial Mixed Use
- WD-Institutional Mixed Use
- Existing Structures/Buildings
- Existing Streets
- Docks, Wharfs & Piers
- Railroad

Attachment "E"

Boundaries abutting parks or arterial roads are subject to final park and/or street designs.

EXHIBIT A
2/27/2015

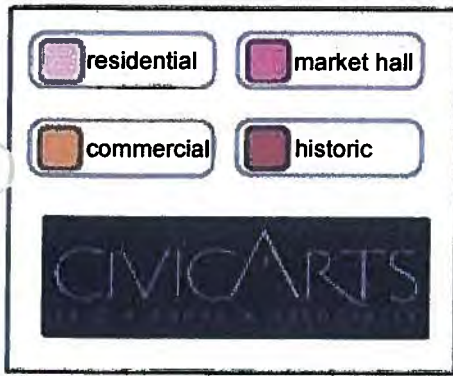


Note: This sketch is furnished for graphical information purposes only. Upon adoption of this Agreement the Port shall begin preparation of a Binding Site Plan, showing road and park dedications which will further define development parcel boundaries.

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EXHIBIT B



 Western Crossing Development Area



Note: This sketch is furnished for graphical information purposes only. Upon adoption of this Agreement the Port shall prepare a Binding Site Plan, showing road and park dedications which will further define development parcel boundaries.

EXHIBIT C

- * Please contact the Port of Bellingham at 360.676.2500 to obtain a copy of the DVD containing Exhibit C documents.

EXHIBIT C
LIST OF BACKGROUND DOCUMENTS
INCLUDED IN DVD

MASTER PLAN DOCUMENTS

- Waterfront District Sub-Area Plan (December, 2013)
- Waterfront District Design Standards and Development Regulations (December, 2013)
- Waterfront District Development Agreement between Port and City of Bellingham (December, 2013)
- Waterfront District Planned Action Ordinance (December, 2013)
- Waterfront District Interlocal Agreement for Facilities between Port and City of Bellingham (December, 2013)

BACKGROUND DOCUMENTS

Geotechnical Documents

- Draft Preliminary Geotechnical and Foundation Considerations for the Waterfront District (GeoEngineers June 2011).

Historic Resource Documents

- Final Salvage-Reuse Plan for the Bellingham Waterfront District Redevelopment Project (ICF International March, 2014).
- Granary Building – Historic American Building Survey/Historic American Engineering Record (HABS/HAER) (ICF International, December, 2013).
- Board Mill Building - Historic American Building Survey/Historic American Engineering Record (HABS/HAER) (ICF International, July, 2013).
- Waterfront District Adaptive Reuse Assessment (Johnson Architecture + Planning LLC, December 2009). (See Appendix A of February 10 EIS Addendum)
- Index to Georgia-Pacific Engineering Documents for Structures and Infrastructure.

Model Toxics Control Act (MTCA) Documents

- Final Consent Decree with Exhibits for Georgia Pacific West Site, Pulp/Tissue Mill Remedial Action Unit (December 22, 2014). Includes Model Environmental Restrictive Covenant and Contaminated Materials Management Plan
- Remedial Investigation for Georgia Pacific West Site (Aspect Consulting, August 2013 Final) – Sections 1-9.
- Remedial Investigation for Georgia Pacific West Site (Aspect Consulting, August 2013 Final) – Appendices A- H.
- Feasibility Study, Pulp/Tissue Mill Remedial Action Unit, Vol. 2a of RI/FS, Georgia Pacific West Site (Aspect Consulting, October 27, 2014-Final).


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Attachment "E"

- Cleanup Action Plan, Pulp/Tissue Mill Remedial Action Unit, Georgia Pacific West Site (Washington State Department of Ecology, October 30, 2014-Final)
- Draft Engineering Design Report for Whatcom Waterway Cleanup in Phase 1 Areas (AnchorQEA, February 2013).

State Environmental Policy Act (SEPA) Documents

- New Whatcom Redevelopment Project Draft Environmental Impact Statement, Vol I & II (Port of Bellingham, January 2008).
- New Whatcom Redevelopment Project Supplemental DEIS (Port of Bellingham, October 2008).
- The Waterfront District (formerly known as New Whatcom) Redevelopment Project EIS Addendum (Port of Bellingham, February 2010).
- The Waterfront District Redevelopment Project (formerly known as New Whatcom) Final Environmental Impact Statement (Port of Bellingham, July 2010).
- The Waterfront District EIS Addendum (Port of Bellingham, December 2012).

City of Bellingham Documents

- Waterfront District Permitting Handbook (City of Bellingham Planning & Community Development, 2014).
- City of Bellingham Waterfront District Utility Master Plan Phase 1, District Infrastructure Assessment (Puttman Infrastructure, September 2014)

Note: DVD with all documents listed above included as part of this Exhibit

- * Please contact the Port of Bellingham at 360.676.2500 to obtain a copy of the DVD containing Exhibit C documents.


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EXHIBIT D

**EXHIBIT D
FORM OF
ENVIRONMENTAL INDEMNIFICATION
AND
ENVIRONMENTAL EASEMENT AGREEMENT**

After Recording Return to:

Chmelik Sitkin & Davis P.S.
1500 Railroad Ave.
Bellingham, WA 98225

GRANTOR:

GRANTEE:

BRIEF LEGAL DESCRIPTION:

TAX PARCEL ID#

REFERENCE NOS. OF
DOCS SIGNED/REL.

**ENVIRONMENTAL INDEMNIFICATION
AND
ENVIRONMENTAL EASEMENT AGREEMENT**

THIS ENVIRONMENTAL INDEMNIFICATION AND EASEMENT AGREEMENT (the "**Agreement**") is made and entered into this _____ day of _____, 20____ by and between the Port of Bellingham, a Washington municipal corporation (the "**Port**"), Harcourt Bellingham LLC, a Washington limited liability company ("**Harcourt**") and _____ (the "**Project Owner**").

WHEREAS, the Port and Harcourt have entered into that certain Master Development Agreement dated _____ (the "**MDA**") to develop properties within the Waterfront District in an area designated as the Master Development Area.

WHEREAS, under the terms and conditions of the MDA it is anticipated that Harcourt would form single purpose entities ("**SPE**") to develop various projects. It was further anticipated that these SPEs will either purchase or lease parcels within the Master Development Area from the Port and thereby become a "Project Owner."

Attachment "E"

WHEREAS, the Project Owner will acquire an interest (either lease or purchase) in the property legally described in Exhibit A attached hereto (the "Parcel").

WHEREAS, the Project Owner intends to develop a project consistent with the Project Memorandum approved by the Port as required in the MDA (the "Project Memorandum").

WHEREAS, portions of the Waterfront District, including the Master Development Area, are within an environmental cleanup site designated by the Washington State Department of Ecology ("Ecology") as the Georgia-Pacific West Site (the "Site"). Ecology has determined that the Site requires remedial action pursuant to the Model Toxics Control Act ("MTCA"). Ecology has divided the Site into two remedial action units designated the Pulp/Tissue Mill RAU and the Chlor-Alkali RAU.

WHEREAS, the Port and Ecology have entered into that certain _____ Consent Decree dated _____, 201_, which was filed in Whatcom County Superior Court Cause No. _____ (the "Consent Decree").

WHEREAS, the Project Owner and Harcourt understand that the Parcel is and will be subject to (i) that certain Contaminated Materials Management Plan as appended to the Consent Decree and (ii) that certain Environmental Covenant required pursuant to the Consent Decree.

WHEREAS, the parties desire to enter into this Agreement to allocate the responsibility relating to the Consent Decree, including the Environmental Covenant and the Contaminated Materials Management Plan on the Parcel.

WHEREAS, the parties desire to grant to the Port a non-exclusive easement over and across the Parcel for the purpose of performing actions required by the Consent Decree.

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein the parties agree as follows:

1. **Consent Decree – Harcourt and Project Owner Responsibility.** Harcourt and Project Owner represent and warrant that they have reviewed the Consent Decree, Contaminated Materials Management Plan, and Environmental Covenant. Harcourt and Project Owner agree to comply with the terms of the Contaminated Materials Management Plan, and the Environmental Covenant on the Parcel. Harcourt and Project Owner are responsible, at their sole cost, for (i) complying with the Contaminated Materials Management Plan; and (ii) complying with the Environmental Covenant on the Parcel.
2. **Indemnification of the Port by Harcourt and Owner.** To the extent permitted by law, Harcourt and the Project Owner shall defend, indemnify and hold harmless the Port, its commissioners and employees from any liability, demand, damage, cost or fee arising from liability for failure to comply with the terms and conditions of Contaminated Materials Management Plan or the Environmental Covenant.
3. **Consent Decree – Port Responsibility.** The Port is responsible, at its sole cost, for installation of the remedy required in the applicable Consent Decree on the Parcel and for all

long term monitoring and maintenance required in the applicable Consent Decree as it now exists or is hereinafter modified on the Parcel. Harcourt and Project Owner shall not be responsible for the cost of conducting remedial activities required under the applicable Consent Decree on the Parcel except to the extent that Harcourt and the Project Owner are required to comply with that certain Contaminated Materials Management Plan as appended to the Consent Decree and that certain Environmental Covenant required pursuant to the Consent Decree.

4. Indemnification of Harcourt and Project Owner by the Port. To the extent permitted by law, the Port shall defend, indemnify and hold harmless Harcourt and Project Owner, their respective owners, members, managers, officers, and employees from any liability, demand, damage, cost or fee or liability (i) arising from a failure of the Port to comply with the terms and conditions of the Consent Decree as it now exists or is hereinafter amended or (ii) arising from personal injury or property damage which occurs while the Port and/or its contractors are on the Parcel performing actions required by the Consent Decree, including but not limited to, the placement, access, maintenance, and collecting samples from monitoring wells. This defense, indemnification and hold harmless does not apply to any liability, demand, damage, cost or fee (i) arising from a failure of anyone to comply with the Contaminated Materials Management Plan, or the Environmental Covenant or (ii) the economic impact described in this paragraph .

4.1. Harcourt and/or Project Owner's Lenders. This defense, indemnification and hold harmless will automatically be extended to the lenders of funds necessary to construct the Project and the Port will reasonably attorn to the application of this defense, indemnification and hold harmless to the lenders.

5. Perpetual Non-Exclusive Easement for Access and Maintenance Required by Consent Decree. Harcourt and Project Owner hereby grant a perpetual and non-exclusive easement (the "Environmental Easement") to the Port to come onto the Parcel for the purpose of performing actions required by the Consent Decree, including but not limited to, the placement, access, maintenance, and collecting samples from monitoring wells.

5.1. Monitoring Wells. The Port shall reasonably consult with Harcourt and Project Owner prior to scheduling and conducting monitoring well activities such that the monitoring well activities will not materially interfere with Harcourt or Project Owner's business activities on the Parcel. The Port will provide copies of the results of monitoring well sampling within thirty (30) days of a request for the same made by Harcourt or Project Owner.

5.2. Installation of Additional Remedial Action Required by the Applicable Consent Decree. Ecology reserves the right to seek court permission to reopen the Consent Decree and thereby require the Port to perform additional remedial actions. This Environmental Easement includes the right to enter upon the Parcel for the purpose of performing additional remedial action required by Ecology and reflected in a change to the Consent Decree. The Port shall reasonably consult with Harcourt and Project Owner prior to scheduling, designing, and conducting such additional remedial action so that (i) the activities will not materially interfere with Harcourt or Project Owner's business activities at the Parcel and/or (ii) any economic impact to the Project Owner from a material interference is reasonably compensated. In the event that the Port and the Project Owner cannot agree on "reasonable compensation" either party may seek a determination of the reasonable amount of compensation from a judge of the Whatcom County Superior Court.

Attachment "E"

5.3. **No Liens.** The Port shall keep the Parcel free and clear of all liens, encumbrances, and charges whatsoever and shall not allow any mechanics' or materialman's or other liens to be placed upon the Parcel associated with the monitoring wells or installation of additional remedial action. If such a lien is placed or recorded, the Port shall cause it to be discharged of record, at its own expense, within ten (10) days of Harcourt or Project Owner's demand.

6. **Adequate Consideration.** Each party represents that the reciprocal indemnifications above and the Environmental Easement provide adequate consideration for this Agreement.

7. **Binding Effect.** This Agreement shall be binding on successors and assignees. It is the parties' intent that the Agreement and its terms shall run with the land and be binding on all current and future owners of any portion of, or interest in, the Parcel.

8. **Modification.** This Agreement may not be amended or rescinded in any manner except by an instrument in writing signed by a duly authorized representative of each party hereto in the same manner as such party has authorized this Agreement.

9. **Notices.** All notices, which may be or are required to be given pursuant to this Agreement shall be in writing and delivered to the parties at the following addresses:

To the Port:

To Harcourt:

To Project Owner:

Any such notices shall be either (i) sent by certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) days after deposit, postage prepaid in the U.S. mail, (ii) sent by a nationally recognized overnight courier, in which case notice shall be deemed delivered when actually delivered pursuant to the records of such courier, or (iii) sent by email transmission to the party and its counsel, receipt of which has been confirmed by telephone, and by regular mail, in which case notice shall be deemed delivered on the day of such confirmed receipt, or (iv) hand delivered, in which case notice shall be deemed delivered when actually delivered. The above addresses and phone numbers may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice. Copies of notices are for informational purposes only, and a failure to give or receive copies of any notice shall not be deemed a failure to give notice.

10. **Execution in Counterparts.** This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so


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HARCOURT INITIAL

Attachment "E"

executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

11. **Waiver.** No waiver by any party of any provision of this Agreement or any breach thereof shall be of any force or effect unless in writing by the party granting the waiver and no such waiver shall be construed to be a continuing waiver. The waiver by one party of the performance of any covenant, condition, or promise shall not invalidate this Agreement nor shall it be considered a waiver by such party of any other covenant, condition, or promise hereunder. The waiver by either or both parties of the time for performing any act shall not constitute a waiver of the time for performing any other act or an identical act required to be performed at a later time.

12. **Applicable Law and Jurisdiction.** This Agreement shall be interpreted under and pursuant to the laws of the State of Washington without regard to choice of law provisions. In the event any action is brought to enforce any of the provisions of this Agreement, the parties agree to be subject to the sole jurisdiction and venue in Whatcom County Superior Court.

13. **Attorneys' Fees.** In the event any proceeding is instituted to interpret or enforce any provision or resolve any dispute under this Agreement, including, without limitation, any action in which a declaration of rights is sought or an action for rescission, each party shall bear their own costs and attorney fees.

14. **Captions.** The captions of this Agreement are for convenience and reference only and in no way define, limit, or describe the scope or intent of this Agreement.

15. **Severability.** In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

16. **Additional Acts.** Except as otherwise provided herein, in addition to the acts and deeds recited herein and contemplated to be performed, executed, and/or delivered by the parties, each party hereby agrees to perform, execute, and/or deliver, or cause to be performed, executed, and/or delivered, any and all such further acts, deeds, and assurances as may reasonably required to consummate the transactions contemplated hereunder.

17. **Neutral Authorship.** Each of the provisions of this Agreement has been reviewed and negotiated, and represents the combined work product of both parties hereto. No presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the party preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Agreement.

18. **Entire Agreement.** The entire agreement between the parties hereto is contained in this Agreement; and this Agreement supersedes all of their previous understandings and agreements, written and oral, with respect to this transaction. Neither the Port nor Harcourt shall be liable to the other for any representations made by any person concerning the terms of this Agreement except to the extent that the same are expressed in this Agreement.

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

PORT OF BELLINGHAM

HARCOURT BELLINGHAM LLC

By:
Its:

By:
Its:

[PROJECT OWNER]

By:
Its:

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HARCOURT INITIAL

Attachment "E"

EXHIBIT "A"
LEGAL DESCRIPTION OF PARCEL



PORT INITIAL



HARCOURT INITIAL

EXHIBIT E

EXHIBIT F

EXHIBIT F
CHLOR-ALKALI RAU CONSENT DECREE

CHLOR-ALKALI RAU CONSENT DECREE

[to be added after execution]



PORT INITIAL



HARCOURT INITIAL

EXHIBIT 3.2

EXHIBIT 3.2
HARCOURT BELLINGHAM LLC OWNERSHIP STRUCTURE

HARCOURT BELLINGHAM LLC OWNERSHIP STRUCTURE

Name and Address	Status
Patrick J. Doherty c/o Harcourt Developments Ltd. 18/19 Harcourt Street Dublin 2, Ireland.	Member/Manager
Patrick J. Power c/o Harcourt Developments Ltd. 18/19 Harcourt Street Dublin 2, Ireland.	Member/Manager
Conal V. Harvey c/o Harcourt Developments Ltd. 18/19 Harcourt Street Dublin 2, Ireland.	Member/Manager



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HARCOURT INITIAL

EXHIBIT 3.3

EXHIBIT 3.3
FORM OF HARCOURT PROJECT GUARANTY

HARCOURT PROJECT GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (the "Agreement") is made this ____ day of _____, 20____, by and between the Port of Bellingham, a Washington municipal corporation (the "Port"), Harcourt Bellingham LLC, a Washington limited liability company ("Harcourt") and _____ (the "Project Owner").

WHEREAS, pursuant to that certain Master Development Agreement entered into by and between the Port and Harcourt dated _____, 2015 (the "Master Development Agreement"), Harcourt has created the Project Owner to development of [*Insert Project Description*] (the "Project") on the parcel legally described on Exhibit "A."

WHEREAS, pursuant to the terms of the Master Development Agreement, Harcourt has agreed to guaranty the full and complete performance of the Project Owner in all agreements between the Port and the Project Owner for the development of the Project.

WHEREAS, the development of the Project by the Project Owner is of substantial benefit to Harcourt and therefore the covenants, promises, and agreements contained in this Agreement are of substantial benefit to Harcourt.

NOW, THEREFORE, in consideration of the covenants, promises, and agreements contained in this Agreement, the parties agree as follows:

1. **Guaranty.** Harcourt hereby irrevocably guarantees the full and faithful performance of the Project Owner regarding the development of the Project and all applicable covenants, promises, and agreements contained in the Master Development Agreement pertaining to the Project (the "Guaranty").

2. **Relationship between the Port and Harcourt.** Harcourt expressly waives notice of acceptance of this Guaranty and diligence of collecting any sums due under the Project, or the taking of any action with reference to any default under the Project or to any liability under this Guaranty.

2.1. The Port has no duty to disclose to Harcourt any information it receives regarding the financial status of the Project Owner or the Project, whether or not such information indicates that the risk of Harcourt under this Guaranty has been or may be increased. Harcourt assumes full responsibility for being informed of the Project Owner's financial condition, the Project Owner's performance under the Project, and the Project Owner's use and operation of the Project.

2.2. Harcourt hereby subordinates all of its claims for payment of liens securing indebtedness of the Project Owner to Harcourt, if any, to the Port's right to receive from the Project Owner of all sums due under the Project.

Attachment "E"

2.3. The obligations of Harcourt under this Guaranty are independent of the obligations of the Project Owner, and the Port may directly enforce its rights under this Guaranty without first proceeding against or joining the Project Owner, and without applying or enforcing any security for the Project.

2.4. Harcourt agrees to indemnify the Port for all costs and expenses, including court costs and attorneys' fees, incurred or paid by the Port in enforcing this Guaranty and/or the Project.

3. **Relationship between the Port and Project Owner.** The Port may, from time-to-time, and without notice to Harcourt, (i) release any security that the Port may have for the obligations of the Project Owner, accept security therefore or (ii) compromise or settle any amount due or owing, or claimed to be owing by the Project Owner to the Port. Any such action by the Port or any other action, which the Port may take or omit to take in connection with the Project, shall not affect this guaranty or Harcourt's obligations in any way.

4. **Time Limit for Guaranty.** This Guaranty shall be effective upon execution and shall terminate upon the Project Owner and Harcourt's full performance of all covenants, promises, and agreements under the Master Development Agreement.

5. **Consideration.** The parties recognize that this Agreement is a material condition of the Master Development Agreement and is therefore supported by adequate consideration.

6. **Modification.** This Agreement may not be amended or rescinded in any manner except by an instrument in writing signed by a duly authorized representative of each party hereto in the same manner as such party has authorized this Agreement.

7. **Notices.** All notices, which may be or are required to be given pursuant to this Agreement shall be in writing and delivered to the parties at the following addresses:

To the Port:

To Harcourt:

To Project Owner:

Any such notices shall be either (i) sent by certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) days after deposit, postage prepaid in the U.S. mail, (ii) sent by a nationally recognized overnight courier, in which case notice shall be deemed delivered when actually delivered pursuant to the records of such courier, or (iii) sent by email transmission to the party and its counsel, receipt of which has been confirmed by telephone, and by regular mail, in which case notice shall be deemed delivered on the day of such confirmed receipt, or (iv) hand delivered, in which case notice shall be deemed delivered when actually delivered. The above addresses and phone numbers may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective

Attachment "E"

until actual receipt of such notice. Copies of notices are for informational purposes only, and a failure to give or receive copies of any notice shall not be deemed a failure to give notice.

8. **Execution in Counterparts.** This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

9. **Waiver.** No waiver by any party of any provision of this Agreement or any breach thereof shall be of any force or effect unless in writing by the party granting the waiver and no such waiver shall be construed to be a continuing waiver. The waiver by one party of the performance of any covenant, condition, or promise shall not invalidate this Agreement nor shall it be considered a waiver by such party of any other covenant, condition, or promise hereunder. The waiver by either or both parties of the time for performing any act shall not constitute a waiver of the time for performing any other act or an identical act required to be performed at a later time.

10. **Applicable Law and Jurisdiction.** This Agreement shall be interpreted under and pursuant to the laws of the State of Washington without regard to choice of law provisions. In the event any action is brought to enforce any of the provisions of this Agreement, the parties agree to be subject to the sole jurisdiction and venue in Whatcom County Superior Court.

11. **Attorneys' Fees.** In the event any proceeding is instituted to interpret or enforce any provision or resolve any dispute under this Agreement, including, without limitation, any action in which a declaration of rights is sought or an action for rescission, each party shall bear their own costs and attorney fees.

12. **Captions.** The captions of this Agreement are for convenience and reference only and in no way define, limit, or describe the scope or intent of this Agreement.

13. **Severability.** In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

14. **Additional Acts.** Except as otherwise provided herein, in addition to the acts and deeds recited herein and contemplated to be performed, executed, and/or delivered by the parties, the parties hereby agree to perform, execute, and/or deliver, or cause to be performed, executed, and/or delivered, any and all such further acts, deeds and assurances that may be reasonably required to consummate the transactions contemplated hereunder.

15. **Neutral Authorship.** Each of the provisions of this Agreement has been reviewed and negotiated, and represents the combined work product of both parties hereto. No presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the party preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Agreement.

Attachment "E"

16. **Time of Performance.** Time is specifically declared to be of the essence of this Agreement and of all acts required to be done and performed by the parties hereto.

17. **Project Owner Consent.** The Project Owner hereby consents to the Guaranty of the Project by Harcourt as provided herein.

18. **Successors and Assigns.** This guaranty shall insure to the benefit of any person or persons, entity or entities that, at any time, may be entitled to the benefits of or any obligation to perform the duties of the Project Owner under the Project and shall be binding upon the heirs, administrators, successors and assigns of Harcourt.

19. **Entire Agreement.** The entire agreement between the parties hereto is contained in this Agreement; and this Agreement supersedes all of their previous understandings and agreements, written and oral, with respect to this transaction. Neither the Port nor Harcourt shall be liable to the other for any representations made by any person concerning the terms of this Agreement except to the extent that the same are expressed in this Agreement.

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

PORT OF BELLINGHAM

HARCOURT BELLINGHAM LLC

By:
Its:

By:
Its:

[Insert Project Owner Name]

By:
Its:

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HARCOURT INITIAL

Attachment "E"

EXHIBIT "A"
LEGAL DESCRIPTION OF PARCEL

EXHIBIT 4.1

WATERFRONT DISTRICT MASTER DEVELOPMENT SCHEDULE (EXHIBIT 4.1)

Activity/ Date	Year Ending:	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Master Development Agreement (MDA) Signed ¹		X																							
Site Preparation, Cleanup and Binding Site Plan approval ²																									
Phase 1 Infrastructure: Granary and Bloedel Ave, Waterway Park ³		-----																							
Granary Building (45,000 SF) ⁴		----	=====																						
Second Development Project (minimum size- 40,000 SF) ⁵		---	-- ==	=																					
Third Development Project ⁶							-----	---				****	****												
Additional Development Projects to reach Cumulative 500,000 SF ⁷																	****	****							
Additional Development Projects to reach Cumulative 1 million SF ⁸																	****	****							
Interlocal Agreement for Facilities expires if 1 million SF has not been constructed S of Waterway																									X

* This Waterfront District Master Development Schedule will be modified each time additional acreage is added to the Master Development Area.

Timeline Symbols	
Planning/ Permit Submittal	-----
Permit Review/Approval	=====
Project Construction	
Potential Extension	****

Waterfront District Development Schedule Milestones:

1. Master Development Agreement will be signed in **March, 2015**.
2. Environmental Cleanup will be completed by the end of **2016**. (if delayed, Master Development Schedule extension provisions in MDA Section 4.1.4 will apply)
3. Phase 1 City Infrastructure will be installed by the end of **2017**. (if delayed, Master Development Schedule extension provisions in MDA Section 4.1.3 will apply)
4. A complete building permit application for the Granary Building will be submitted to the City within 6 months of MDA approval. Construction of the Granary Building will begin within 90 days after issuance of building permits and will be completed within 36 months of building permit issuance.
5. A complete building permit for a second building will be submitted within 12 months of MDA approval and construction will of the second building will be completed within 48 month of building permit issuance.
6. The schedule for design, permitting and construction of the third building project will be jointly determined by the Port and Harcourt after the second building is under construction. Construction should commence shortly after the completion of the second development project and be completed within 36 months.
7. Additional development projects to increase cumulative square footage to 500,000 SF will occur by **the end of 2029**, with a 24 month extension available. Substantial completion on 500,000 SF Floor Area will occur by the end of **2029**, unless an extension is granted under MDA Section 4.1.
8. Additional development projects to increase cumulative Floor Area to 1,000,000 SF will occur by **the end of 2034**, with a 24 month extension available under Section 4.1 of MDA. Substantial completion on 1,000,000 SF Floor Area will occur by the end of **2034**, unless an extension is granted under MDA Section 4.1. A further extension may be approved to reflect the prevailing conditions at the time subject to the agreement of all parties bound by the MDA and the infrastructure Agreement for Facilities.

NOTE: The Infrastructure Agreement for Facilities will expire at end of 2038 if a cumulative building square footage south of the Whatcom Waterway has not reached 1.0 million square feet. Section C.4.2.A of the Infrastructure Agreement requires a total of 1.4 MSF to trigger the design and construction of the Commercial Street Bridge, and that sufficient vacant land must remain to allow construction of 2.0 million square feet at full build-out. Progress toward this infrastructure trigger will be monitored over time.

EXHIBIT 4.4

MEMORANDUM OF UNDERSTANDING
BY AND BETWEEN
WESTERN WASHINGTON UNIVERSITY, THE PORT OF BELLINGHAM
AND WESTERN CROSSING DEVELOPMENT

THIS MEMORANDUM OF UNDERSTANDING (the "MOU") is made and entered into by and between Western Washington University, a Washington higher education institution (the "University"), the Port of Bellingham, a Washington municipal corporation (the "Port") and Western Crossing Development Corporation, a Washington non-profit corporation ("Crossing Development").

WHEREAS, in 2005 the Port acquired the Bellingham waterfront properties of Georgia-Pacific Corporation which has been branded as the Waterfront District.

WHEREAS, since 2008, the University and the Port have been working together to facilitate the creation of University facilities at the Waterfront District, recognizing the synergy that can be created by expansion of the University campus there and the successful development of the rest of the Waterfront District.

WHEREAS, on October 7, 2009 the University and the Port created Crossing Development with a board of directors composed of two representatives of the University, two representatives of the Port, and one representative appointed by the four University and Port representatives. Created as a non-profit corporation under the Interlocal Cooperation Act (Ch. 39.34 RCW) and the Washington Nonprofit Corporation Act (Ch. 24.03 RCW), Crossing Development is a governmental instrumentality of the University and the Port.

WHEREAS, in November of 2012 the Port and the City of Bellingham completed work on a set of comprehensive planning documents including a draft sub-area plan, a draft development agreement, a draft planned action ordinance, and a draft facilities agreement (the "Master Plan Documents"). The Master Plan Documents have been submitted to the City of Bellingham for land use regulatory review and approval. In this regard, the Master Plan Documents include an area designated for "institutional mixed use" anticipating the presence of the University at the Waterfront District. Once approved these documents form the basis of the Waterfront District Master Plan (the "Master Plan"). A map depicting the Waterfront District, including the initial development opportunity area and the institutional mixed use area are attached as Exhibit "A." and Exhibit "B"

WHEREAS, within the institutional mixed use area, the Port and the University anticipate that an approximately 6 acre area will be developed for University use.

WHEREAS, the area designated for institutional mixed use is within the Department of Ecology designated Georgia-Pacific West Site and is therefore the subject of a Department of Ecology supervised remedial action which may include a combination of physical remediation and the imposition of

MEMORANDUM OF UNDERSTANDING
FOR CROSSING DEVELOPMENT
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institutional controls which are required pursuant to the terms of various agreed orders and/or a consent decree (the "Remediation").

WHEREAS, the Port has determined that the presence of the University at the Waterfront District will result in economic and community development within the Port.

WHEREAS, the University owns approximately 24.09 acres of real property and improvements located on the southeast corner of Hannegan Road and Bakerview Road in Whatcom County (the "Hannegan Property").

NOW, THEREFORE, pursuant to Chapter 39.34 RCW and RCW 53.08.245 the University, the Port and Crossing Development desire to set forth their mutual understanding concerning the desire to facilitate the creation of University facilities at the Waterfront District.

1. Hannegan Property. Within thirty (30) days of the execution of this Agreement, the University shall provide notice to the current tenants terminating the lease on the Hannegan Property no later than ninety (90) days following the notice date. Within one hundred twenty (120) days of the execution of this Agreement, the University shall transfer the Hannegan Property to Crossing Development using a statutory warranty deed subject to those exceptions agreed to by the University and the Port. The University will provide a standard ALTA title insurance policy insuring the title in an amount agreed to by the University and the Port subject to those exceptions agreed to by the University and the Port. As soon as reasonably practicable, the property shall be marketed by Crossing Development for sale, sold at a price and on terms approved by four (4) of the five (5) Crossing Development board of directors members, and the net proceeds credited (after sale and closing costs) to the University's capital account. The proceeds from the sale (including interest earned on the proceeds) shall be preserved (i.e., not spent) unless such expenditure is approved by a vote of 4 of the 5 board members of Crossing Development.

2. Port Property. Within thirty (30) days after the approval and execution of the Master Plan Documents by the Port and the City of Bellingham and City approval of a binding site plan creating the parcel, the Port will transfer the approximately 6 acres of property within the institutional mixed use area of the Waterfront District to Crossing Development using a statutory warranty deed subject to those exceptions agreed to by the University and the Port and with such necessary easements or development rights as the Port and the University may agree (the "Port Property"). The Port and the University will agree on the value of the Port Property at the time of transfer and that agreed value will be credited to the Port's capital account. The determination of value will be informed by an appraisal and other factors that bear upon value to the Port, including the presence of the University at the Waterfront District, will be considered in arriving at the true and full value of the Port Property which will be credited to the Port's capital account upon transfer into Crossing Development. The Port will provide a standard ALTA title insurance policy insuring the title in the agreed amount subject to those exceptions agreed to by the University and the Port.

3. Operating Expenses for Hannegan and Port Property. The Port and the University shall continue to pay the operating costs (insurance and ordinary maintenance) for their respective properties held by Crossing Development, which costs will not be credited to the capital accounts.

MEMORANDUM OF UNDERSTANDING
FOR CROSSING DEVELOPMENT
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4. Strategy of Crossing Development to Facilitate University Presence. Crossing Development will pursue a strategy to facilitate the University's presence at the Waterfront District. The strategy will include the following.

- Create a separate capital account in the accounting records of Crossing Development for the University and the Port such that the relative contributions can be tracked and accounted for in all transactions.
- Over the near term, it is anticipated that the University may lease space in the 10.8 acre initial development opportunity area of the Waterfront District.
- Over the longer term, Crossing Development will pursue a development project on the Port Property deeded to Crossing Development within the institutional mixed use area in the Waterfront District.
- Seek appropriate arrangements with the University and a developer for the development of University facilities on the Port Property within the institutional mixed use area of the Waterfront District with the ultimate goal of the University's acquisition of the development (the "University Development").
- Work to facilitate development with timing consistent with the timing in the Master Plan Documents.
- Incorporate the requirements set forth in the Master Plan Documents into any development, including the obligation to make payments in lieu of taxes.
- At the appropriate point in the development process, transfer the development to the University.
- Create such additional agreements for consideration by the Port and the University as may be necessary to accomplish the strategy set forth herein.

5. University Development Plan. In order to facilitate the anticipated development, provide guidance to Crossing Development and support the strategy noted above, the University will complete and approve a development plan for the University Development no later than December 31, 2015. This University Development Plan and the Master Plan Documents will be used to pursue the University Development which is anticipated to occur in the two-phased near and long term approach noted above.

6. Staff Assistance from the University and the Port. The University and the Port will provide staff resources and expertise, as each party determines that it can make available, at no cost to Crossing Development to assist in the pursuit of the development. The University and the Port will budget for these expenditures within their overall operating budgets. Out of pocket costs by either the University or the Port may be considered by the Crossing Development board of directors for reimbursement or credit to the party's capital account.

MEMORANDUM OF UNDERSTANDING
FOR CROSSING DEVELOPMENT
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7. Capital Accounts – Tracking Contributions and Allocation of Profits or Losses of Crossing Development. Crossing Development will account for the contribution of property and/or cash by the University and the Port by maintaining a capital account for each entity. The value of the University's and the Port's contribution of property or cash shall be reflected in their respective capital accounts. Profits or losses will be credited to these capital accounts until such time as each party's balance equals the other. After the capital account balances are equal, the profits and losses shall be split equally.

8. Environmental Remediation. The Port is responsible for the cost of and conducting the Remediation required under the applicable agreed orders and consent decree for the Georgia-Pacific West Site including the institutional mixed use area. The costs of the Remediation of the Georgia-Pacific West Site shall not be credited to the Port's capital account. Neither the University nor Crossing Development shall be responsible for the cost of and/or conducting the Remediation of the Georgia-Pacific West Site. Crossing Development will comply with any institutional controls on the Port Property required by the terms of the agreed orders or consent decree. The Port shall be responsible for any costs occasioned by a change to the consent decree.

9. Termination. The University and the Port recognize that the success of Crossing Development is dependent on both parties' continuing commitment to move forward to completion of a successful project beneficial to both parties. In the event of a termination, the University and the Port acknowledge that (i) the University and the Port will receive distributions equal to their respective capital accounts and then (ii) the profits or losses will be split equally. The University, the Port and Crossing Development recognize that there are significant factors beyond their control which may affect the timing and ability to complete the anticipated development. Therefore, it is necessary to develop an exit strategy for the University and the Port.

9.1. Distribution on Termination. Any termination shall result in the University and the Port receiving their respective share of the Crossing Development assets as provided herein. The value may include a return of funds or real or personal property contributed by that party.

9.2. Events That May Be the Basis for Termination. The University and the Port each reserve the right to terminate their participation in Crossing Development for good cause. The parties recognize that among others, the following events may constitute good cause for termination:

- In the unlikely event that the plan as substantially envisioned in the Master Plan Documents is not approved by the Port and the City of Bellingham.
- The Port elects to put the Port Property to an industrial use.
- The failure of the railroad to relocate such that the University determines that the Port Property is not suitable for the University's intended use.
- The pace of development is such that Crossing Development is unable to deliver a development project and the Port determines that the development momentum would be harmed.

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- The University determines that the pace of development is too slow to meet its needs. • Infrastructure is not delivered in a timely fashion.
- The programmatic needs of the University or the Port change such that the development is no longer beneficial.
- The legislature takes action which precludes the development.
- If financial considerations make it impossible for either party to execute development plans.

9.3. Termination Timing. Either the University or the Port may terminate all agreements between the University, the Port, and Crossing Development upon one year's written notice delivered on or before March 31st of any given year with termination occurring on March 31st one year later (the "Termination Notice"). A Termination Notice delivered anytime prior to March 31st will have the effect of beginning the one year period on the next March 31st with termination one year later. Provided, that no Termination Notice may be delivered or shall be deemed effective during the twenty-four (24) months period following the transfer of the Hannegan Property to Crossing Development.

9.4. Termination In the Event of Failure to Approve a Master Plan. Notwithstanding the provisions of Section 9.2, in the event that the Master Plan is not approved by the City and the Port, either the University or the Port may terminate this Agreement on thirty (30) days written notice.

9.5. Meet and Confer. Prior to providing a Termination Notice the University and the Port shall meet and confer concerning the reasons for termination.

10. True and Full Value Determination. The University and the Port have each independently analyzed all of the components of the transactions contemplated in this MOU and have each independently concluded that the transactions contemplated herein represent "true and full value" as that term is defined in RCW 43.09.210, relevant case law and attorney general opinion.

11. Use of this MOU – Further Agreements. Once approved by the University, the Port and Crossing Development, the understandings expressed in this MOU will be used to create and the parties will strive to execute in a timely manner such agreements as may be necessary to achieve the development of the Port Property for University use as contemplated herein.

[SIGNATURE PAGE FOLLOWING]

ADOPTED by each Party in an open public meeting on the date noted.

WESTERN WASHINGTON UNIVERSITY

Bruce Shepard

Dated: 7/10/13

By: Bruce Shepard
University President

PORT OF BELLINGHAM

Robert J. Fox

Dated: 6/18/13

By: Robert J. Fox
Executive Director

CROSSING DEVELOPMENT CORPORATION

Robert J. Fox

Dated: 6/18/13

By: Robert J. Fox
President

F:\PORT BELLINGHAM\Hwy 1\HATCOM SUBAREA\Western Crossings - 2013 Transaction\Crossing MOU 061203

**MEMORANDUM OF UNDERSTANDING
FOR CROSSING DEVELOPMENT
CORPORATION - 6**

Port
PORT INITIAL

P.P.
HARCOURT INITIAL

STATE OF WASHINGTON:

ss

COUNTY OF WHATCOM :

ON THIS 10th day of July, 2013, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Bruce Shepard known to me to be the **President of WESTERN WASHINGTON UNIVERSITY**, and acknowledged the said instrument to be the free and voluntary act and deed of said university, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Barbara A. Stoneberg
Name (Print) Barbara A. Stoneberg
NOTARY PUBLIC, in and for the State
of Washington, residing at Bellingham
My Commission expires: 2-24-16

STATE OF WASHINGTON:

ss

COUNTY OF WHATCOM :

ON THIS 16th day of June, 2013, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared **ROB FIX**, known to me to be the **Executive Director of the PORT OF BELLINGHAM**, 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 that he was authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Diane M. McClain
Name (Print) Diane M. McClain
NOTARY PUBLIC, in and for the State
of Washington, residing at Bellingham
My Commission expires: 09-07-14

MEMORANDUM OF UNDERSTANDING
FOR CROSSING DEVELOPMENT
CORPORATION - 7

PP
PORT INITIAL

P.P.
HARCOURT INITIAL

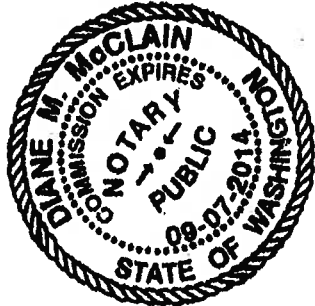
STATE OF WASHINGTON:

SS

COUNTY OF WHATCOM :

ON THIS 16th day of June, 2013, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Rob Fy known to me to be the **President** of **CROSSING DEVELOPMENT CORPORATION** 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 that he was authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.

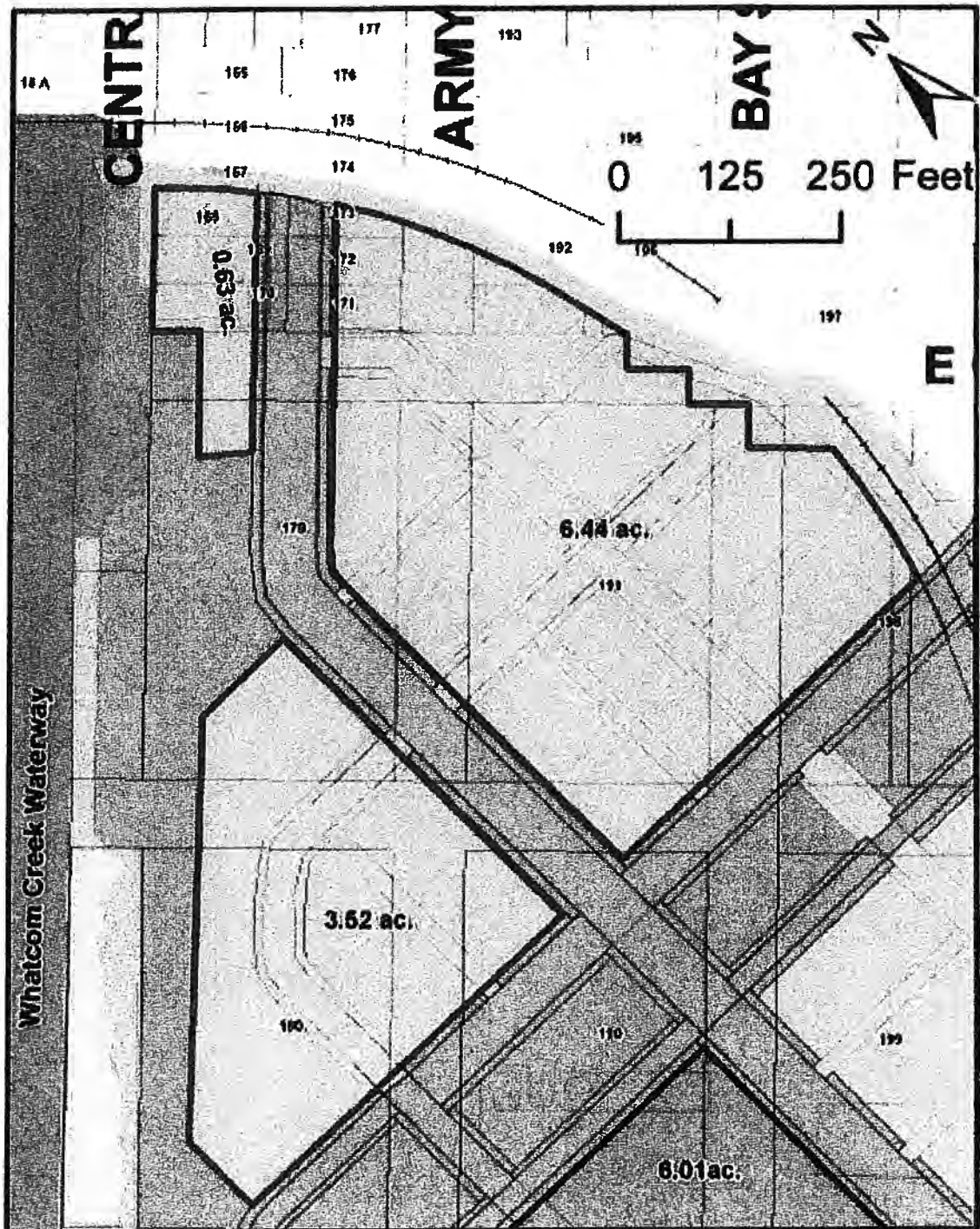


Diane M. McClain
Name (Print) Diane M. McClain
NOTARY PUBLIC, in and for the State
of Washington, residing at Bellingham
My Commission expires: 09-07-14

MEMORANDUM OF UNDERSTANDING
FOR CROSSING DEVELOPMENT
CORPORATION - 8

PP PORT INITIAL PP HARCOURT INITIAL

Exhibit A: Initial Development Offering

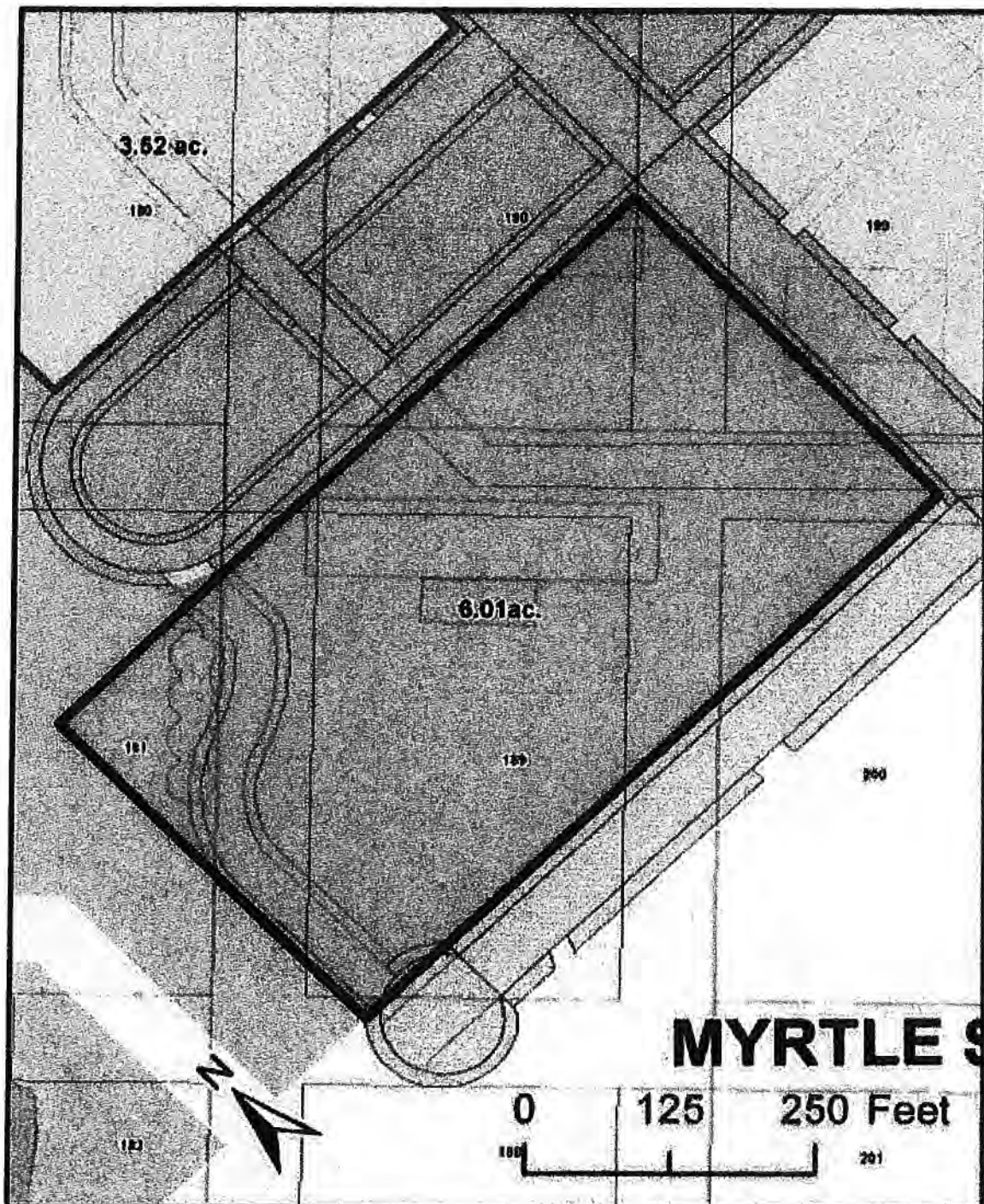


MEMORANDUM OF UNDERSTANDING
FOR CROSSING DEVELOPMENT
CORPORATION - 9

[Signature]
PORT INITIAL

[Signature]
HARCOURT INITIAL

Exhibit B: Institutional Mixed Use Area



MEMORANDUM OF UNDERSTANDING
FOR CROSSING DEVELOPMENT
CORPORATION - 10

[Signature]
PORT INITIAL

[Signature]
HARCOURT INITIAL

EXHIBIT 5.8.1

**EXHIBIT 5.8.1
FORM OF
CONSTRUCTION LICENSE**

CONSTRUCTION LICENSE

THIS CONSTRUCTION LICENSE (the "License") is made this ____ day of _____, 20____, by and between the Port of Bellingham, a Washington municipal corporation (the "Port") and _____, a Washington _____ ("Project Owner").

WHEREAS, the Port owns certain real property within the Waterfront District as further depicted on Exhibit "A" hereto (the "Port Property");

WHEREAS, Project Owner [*owns/leases*] from the Port and is developing certain real property adjacent to the Port's property as further described on Exhibit "B" hereto (the "Project Property"); and

WHEREAS, Project Owner requires use of a portion of the Port Property (the "License Area") for temporary staging of material, equipment and portable offices during development on the Project Property (the "Authorized Uses").

WHEREAS, the Port and the Washington State Department of Ecology ("Ecology") have entered into that certain Pulp/Tissue Mill RAU Consent Decree dated December 22, 2014, which was filed in Whatcom County Superior Court Cause No. 14-2-02700-8 (the "Consent Decree").

[OR]

WHEREAS, the Port and Washington State Department of Ecology ("Ecology") have entered into that certain Chlor-Alkali RAU I RAU Consent Decree dated _____, 2015 which was filed in Whatcom County Superior Court Cause No. _____ (the "Consent Decree").

WHEREAS, the Project Owner understands that the License Area is and will be subject to (i) that certain Contaminated Materials Management Plan as appended to the Consent Decree and (ii) that certain Environmental Covenant required pursuant to the Consent Decree.

NOW, THEREFORE, the Port and Project Owner agree as follows:

1. **Grant of License.** The Port hereby grants a temporary non-exclusive license to Project Owner, to allow Project Owner, at its cost, to utilize the License Area as depicted in Exhibit "C" for the Authorized Uses and for no other use.

1.1. **No Interest in Real Property.** This License shall not be deemed to transfer any interest in the underlying Port Property. Rather, it grants a permission to Project Owner to use the Port's Property under the terms and conditions and for the purposes set forth herein.

2. **License Fee.** This License is provided in conjunction with the development of the

Attachment "E"

project on the Project Property which is of substantial benefit to the Port and considered by the Port and the Project Owner in the [purchase/leases] of the Project Property. Therefore, this License is supported by adequate consideration.

2.1. **Leasehold Excise Tax.** Project Owner shall be responsible for payment of any applicable Washington state leasehold excise tax due as a result of this License.

3. **Duration of License.** This License shall remain in full force and effect until (i) abandoned in writing by Project Owner, or (ii) the Project has been substantial complete which is defined as the issuance of a temporary or permanent certificate of occupancy, (iii) it is terminated, upon thirty (30) days written notice, by the Port due to Project Owner's breach of any of the terms of this License or (iv) one (1) year from the date of this License whichever occurs first.

3.1. **Extension of License Term.** The Port will reasonably extent the duration of this License to accommodate the completion of the Project. The extension may include a change in the size of the License Area.

4. **Project Owner's Obligations.** Project Owner agrees to (i) only allow use of the License Area for the Authorized Uses, (ii) keep the License Area in a neat and clean condition and to keep said area clear of all trash and debris except as reasonably required for the Authorized Uses, (iii) comply with the Environmental Covenant and the Contaminated Materials Management Plan on the License Area, (iv) conform to and abide by all rules, codes, laws, and regulations in connection with the use of the License Area and not to permit the Port's Property to be used in violation of any lawful rule, code, law, regulation, or other authority and (v) keep the Port's Property free and clear of all liens and charges whatsoever arising from Project Owner's use of the Port's Property.

5. **Improvements.** Project Owner shall not make or install any improvements or fixtures on the Port's Property without the Port's prior written consent, which shall be granted or withheld in the Port's sole discretion.

6. **Signs.** No signs shall be installed or placed on the Port's Property without the express written permission of the Port.

7. **Project Owner's Indemnification of the Port.** Project Owner will indemnify, save, defend, and hold the Port harmless from any claim of personal injury or property damage resulting from the use of the License Area by the Project Owner, its employees, its contractors, its suppliers, its subcontractors and all their respective employees.

8. **Insurance.** Project Owner shall, prior to utilizing the License Area and during the entire term of this License, procure and maintain a comprehensive general liability policy covering all claims for personal injury (including death) and property damage (including all real and personal property located on the License Area arising from Property Owner's activities. The limits of liability shall be not less than One Million Dollars (\$1,000,000) for each occurrence and in the aggregate. The foregoing insurance policy shall name the Port as an additional insured. The Project Owner shall provide certificates of insurance and, if requested, copies of any policy to the Port. Receipt of such certificate or policy by Port does not constitute approval by Port of the terms of such policy. Furthermore, the policy of insurance required herein shall: (i) be written as a primary policy; (ii) expressly provide that such insurance may not be materially changed,

Attachment "E"

amended or canceled with respect to Port except upon forty-five (45) days' prior written notice from the insurance company to the Port and (iii) contain an express waiver of any right of subrogation by the insurance company against the Port, its commissioners, employees, or agents.

8.1. **Contractor Insurance.** Prior to and during any period where the Project Owner allows its contractors to utilize the License Area each such contractor shall obtain and maintain the insurance noted in paragraph 8 above and shall name the Port as an additional insured under the contractor's policy.

9. **Loss or Damage of Personal Property.** The Port shall not be responsible to the Project Owner or its contractors or suppliers for any property loss or damage done to property on the License Area occasioned by reason of any fire, storm or other casualty whatsoever. It shall be the Project Owner's responsibility to provide its own protection against casualty losses of whatsoever kind or nature, regardless of whether or not such loss is occasioned by the acts or omissions of the Port, the Project Owner, a third party, or act of nature.

10. **Environmental Indemnification.** Project Owner shall defend (with legal counsel suitable to Port), indemnify, and hold Port harmless from any and all claims, demands, judgments, orders or damages resulting from (i) failure to comply with the Environmental Covenant recorded against the License Area, (ii) failure to comply with the Contaminated Materials Management Plan on the License Area or (iii) the release of Hazardous Substances on the License Area caused in whole or in part by the activity of the Project Owner, its contractors or any other person or entity on the License Area during the term of this License. The term "Hazardous Substances," as used herein, shall mean any substance heretofore or hereafter designated as hazardous under the Resource Conservation and Recovery Act, 42 USC Sec. 6901 et seq.; the Federal Water Pollution Control Act, 33 USC Sec. 1257 et seq.; the Clean Air Act, 42 USC Sec. 2001 et seq.; the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 USC Sec. 9601 et seq.; or the Hazardous Waste Cleanup-Model Toxics Control Act, RCW 70.105D, all as amended and subject to all regulations promulgated thereunder.

11. **Successors and Assigns.** This License is granted for the benefit of Project Owner and shall not be assigned.

12. **No Third Party Beneficiaries.** This License has no third party beneficiaries.

13. **Modification.** This License may not be amended or rescinded in any manner except by an instrument in writing signed by a duly authorized representative of each party hereto in the same manner as such party has authorized this License.

14. **Notices.** All notices, which may be or are required to be given pursuant to this License shall be in writing and delivered to the parties at the following addresses:

Attachment "E"

To the Port:

To Project Owner:

Any such notices shall be either (i) sent by certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) days after deposit, postage prepaid in the U.S. mail, (ii) sent by a nationally recognized overnight courier, in which case notice shall be deemed delivered when actually delivered pursuant to the records of such courier, or (iii) sent by email transmission to the party and its counsel, receipt of which has been confirmed by telephone, and by regular mail, in which case notice shall be deemed delivered on the day of such confirmed receipt, or (iv) hand delivered, in which case notice shall be deemed delivered when actually delivered.

15. **Execution in Counterparts.** This License may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same License.

16. **Waiver.** No waiver by any party of any provision of this License or any breach thereof shall be of any force or effect unless in writing by the party granting the waiver and no such waiver shall be construed to be a continuing waiver. The waiver by one party of the performance of any covenant, condition, or promise shall not invalidate this License nor shall it be considered a waiver by such party of any other covenant, condition, or promise hereunder. The waiver by either or both parties of the time for performing any act shall not constitute a waiver of the time for performing any other act or an identical act required to be performed at a later time.

17. **Applicable Law and Jurisdiction.** This License shall be interpreted under and pursuant to the laws of the State of Washington without regard to choice of law provisions. In the event any action is brought to enforce any of the provisions of this License, the parties agree to be subject to the sole jurisdiction and venue in Whatcom County Superior Court.

18. **Attorneys' Fees.** In the event any proceeding is instituted to interpret or enforce any provision or resolve any dispute under this License, including, without limitation, any action in which a declaration of rights is sought or an action for rescission, each party shall bear their own costs and attorney fees.

19. **Severability.** In case any one or more of the provisions contained in this License shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this License shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

Attachment "E"

20. **Entire Agreement.** The entire agreement between the parties with respect to the subject matter herein is contained in this License; this supersedes all of their previous understandings and agreements, written and oral, with respect to the subject matter herein.

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

PORT OF BELLINGHAM

By:
Its:

By:
Its:

F:\PORT OF BELLINGHAM\Waterfront District\Master Development Agreement\MDA\Draft Exhibits\March Exhibits\Construction License_122814.doc

 P.P.

Attachment "E"

EXHIBIT "A"
PORT PROPERTY

Attachment "E"

EXHIBIT "B"
PROJECT PROPERTY

 P.P.

Attachment "E"

EXHIBIT "C"
LICENSE AREA

EXHIBIT 8.1

**EXHIBIT 8.1
FORM OF DEED**

DEED

Filed for Record at the request of:
CHMELIK SITKIN & DAVIS P.S.
1500 Railroad Avenue
Bellingham, WA 98225
(360) 671-1796

GRANTOR(S): PORT OF BELLINGHAM

GRANTEE(S):

LEGAL DESCRIPTION:

TAX PARCEL ID#:

REFERENCE NOS. OF
DOCS SIGNED/REL.:

STATUTORY WARRANTY DEED

The Grantor, the PORT OF BELLINGHAM, a Washington municipal corporation, for and in consideration of _____, in hand paid, sells and conveys to Ten Dollars (\$10.00) and other good and valuable consideration, in hand paid, conveys to Grantee, _____, a Washington _____ company, the following described real estate, situated in the County of Whatcom, State of Washington (the "Property"):

[INSERT LEGAL DESCRIPTION]

The Property is conveyed subject to:

1. The terms and conditions of that certain Contaminated Materials Management Plan as appended to the Consent Decree dated _____, 201_ filed in Whatcom County Superior Court cause number: _____; and,


PORT INITIAL


HARCOURT INITIAL

Attachment "E"

2. The Environmental Covenant dated _____, 201____ recorded under Whatcom County Auditor file number _____; and,

3. That certain Environmental Indemnification and Environment Easement Agreement of an even dated herewith by and between the Grantor, the Grantee and Harcourt Bellingham LLC, a Washington limited liability company.

4. The rights of the Grantor as contained in that certain Master Development Agreement dated _____, 2015 by and between the Grantor and Harcourt Bellingham LLC and which Grantee acknowledges having reviewed.

Dated this _____ day of _____, 201____.

GRANTOR:

PORT OF BELLINGHAM

By:
Its:

GRANTEE:

By:
Its:

STATE OF WASHINGTON)
COUNTY OF WHATCOM) :ss

On this _____ day of _____, 201____, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, known to me to be the _____ of the PORT OF BELLINGHAM, a Washington municipal corporation, 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 that they were authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

Name (Print) _____

PORT INITIAL

HARCOURT INITIAL

Attachment "E"

NOTARY PUBLIC, in and for the State
of Washington, residing at _____
My Commission expires: _____

STATE OF WASHINGTON)

:ss


COUNTY OF WHATCOM)

On this _____ day of _____, 201____, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, known to me to be the _____ of the _____, a _____, 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 that they were authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

Name (Print) _____
NOTARY PUBLIC, in and for the State
of Washington, residing at _____
My Commission expires: _____

F:\PORT OF BELLINGHAM\Waterfront District\Master Development Agreement(MDA)\Draft Exhibits\Marsh Exhibits\Deed 122814.docx


PORT INITIAL

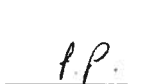

HARCOURT INITIAL

EXHIBIT 8.1(a)

EXHIBIT 8.1(a)
FORM OF
REAL PROPERTY SALE AGREEMENT

REAL PROPERTY SALE AGREEMENT

THIS REAL PROPERTY SALE AGREEMENT (the "Agreement") is made and entered into this _____ day of _____ by and between the Port of Bellingham, a Washington municipal corporation ("Seller") and _____ a Washington _____ ("Buyer").

WHEREAS, the Seller and Harcourt Bellingham LLC have entered into that certain Master Development Agreement dated _____ (the "MDA") to develop properties within the Waterfront District in an area designated as the Master Development Area.

WHEREAS, under the terms and conditions of the MDA it is anticipated that Harcourt would form single purpose entities ("SPE") to develop various projects. It was further anticipated that these SPEs will either purchase or lease parcels within the Master Development Area from the Seller to develop a project subject to the terms and conditions of the MDA.

WHEREAS, the Seller is the owner of the certain real property within the Master Development Area legally described as follows (the "Parcel"):

[INSERT LEGAL DESCRIPTION]

WHEREAS, Buyer is an SPE created by Harcourt Bellingham LLC and intends to construct a project pursuant to the project memorandum approved pursuant to the MDA (the "Project").

WHEREAS, the Port and the Washington State Department of Ecology ("Ecology") have entered into that certain Pulp/Tissue Mill RAU Consent Decree dated December 22, 2014, which was filed in Whatcom County Superior Court Cause No. 14-2-02700-8 (the "Consent Decree").

[OR]

WHEREAS, the Port and Washington State Department of Ecology ("Ecology") have entered into that certain Chlor-Alkali RAU I RAU Consent Decree dated _____, 2015 which was filed in Whatcom County Superior Court Cause No. _____ (the "Consent Decree").



PORT INITIAL



HARCOURT INITIAL

Attachment "E"

WHEREAS, the Buyer understands that the Parcel is and will be subject to (i) that certain Contaminated Materials Management Plan as appended to the Consent Decree and (ii) that certain Environmental Covenant required pursuant to the Consent Decree.

WHEREAS, Seller desires to sell and Buyer desires to purchase the Parcel pursuant to the terms and conditions herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Purchase of Property.** Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, subject to the terms and conditions set forth herein, the Parcel.

2. **Purchase Price.** The purchase price for the Parcel shall be _____ dollars (\$_____) the ("Purchase Price"), all of which shall be paid in cash at Closing.

3. **Title.** Title examination will be conducted as follows:

3.1 Title Commitment. Seller shall, within ten (10) days after the date of this Agreement, furnish to Buyer a commitment ("Title Commitment") for a standard ALTA title insurance policy insuring title in the amount of the Purchase Price, issued by _____ (the "Escrow Agent"), committing the Escrow Holder to insure title free and clear of liens, deeds of trust, charges, defects, or encumbrances other than the "Permitted Exceptions."

3.2 Permitted Exceptions. The following exceptions are Permitted Exceptions:

a. Rights reserved in federal patents or state deeds, building or use restrictions general to the district, existing easements not inconsistent with Buyer's intended use, and building or zoning regulations or provisions; and

b. The terms and conditions of that certain Contaminated Materials Management Plan as appended to the Consent Decree dated _____, 201__ filed in Whatcom County Superior Court cause number: _____; and,

c. The Environmental Covenant dated _____, 201__ recorded under Whatcom County Auditor file number _____; and,

d. That certain Environmental Indemnification and Environmental Easement Agreement which will be executed at Closing and recorded against the Parcel by and between the Grantor, the Grantee and Harcourt Bellingham LLC, a Washington limited liability company.


PORT INITIAL


HARCOURT INITIAL

3.3 **Buyer's Objections.** Buyer will make any objections it may have with regard to the Title Commitment and any schedules thereto within ten (10) days of receipt of the Title Commitment. Buyer's failure to make Objections within such time period will constitute a waiver of Objections with respect to matters disclosed in the Title Commitment and the schedules thereto. Any specific matter shown in the Title Commitment and the schedules thereto and not objected to by Buyer shall be included as a "Permitted Exception" hereunder.

3.4 **Seller's Response to Objections.** In the event Buyer objects to any exceptions or defects set forth in the Title Commitment and the schedules thereto, Seller shall have five (5) days from delivery of Buyer's notice to notify Buyer, in writing, that (i) Seller will cause the disapproved exceptions to be removed from the policy of title insurance to be issued in favor of Buyer on or before Closing; or (ii) that Seller will not eliminate the disapproved exceptions.

3.5 **Buyer's Right to Terminate.** If Seller (i) notifies Buyer, in writing, that Seller will not eliminate the objected to exceptions on or before Closing, or (ii) Seller does not notify Buyer, in writing, that Seller will cause the objected to exceptions to be eliminated on or before Closing, then this Agreement shall terminate, and neither Buyer nor Seller shall have any further rights, duties, or obligations hereunder, unless within three (3) days of the earlier of (i) the expiration of said five (5) day period, or (ii) the date that Seller notifies Buyer that Seller will not eliminate the objected to exceptions, Buyer waives its objections and elects to proceed with Closing subject to the objected to exceptions. The title exceptions approved as provided herein shall be included as Permitted Exceptions. Objections to be discharged by Seller may be paid out of the purchase money received at date of Closing.

4. **Conveyance of Title.** Title shall be conveyed by Statutory Warranty Deed, the form of which is attached hereto as Exhibit "A" (the "Deed").

5. **Condition of Property.** *Subject to the obligations of the Seller in the Environmental Indemnification and Environmental Easement Agreement, the Parcel and any improvements located thereon are being sold and conveyed by Buyer "as-is" and "with all faults" and subject to any physical or environmental condition (including the presence of Hazardous Substances) which may exist on, in, under, about, emanating from, or connected with the Parcel, without any representation or warranty by Seller. The Buyer represents and warrants that (i) it is purchasing the Parcel consistent with the terms and conditions of the MDA, (ii) that Buyer has examined the MDA and exhibits attached thereto, (iii) Buyer has examined the Consent Decree and exhibits attached thereto, (iv) that the Buyer is accepting the Parcel subject to the Environmental Indemnification and Environmental Easement Agreement, (v) Buyer is accepting the Parcel "as-is" and "with all faults" and subject to any physical or environmental condition, including the presence of Hazardous Substance, which may exist on, in, under, about, emanating from, or connected with the Parcel and (vi) Buyer is accepting the Parcel without any representation or warranty by Seller except as to title. The provisions of this paragraph 5, including the representation and warranty of the Buyer, are part of the economics of the transaction contemplated herein and this paragraph 5 shall survive Closing and shall not merge into the Deed.*

6. **Release – Property Condition.** *For and in part consideration of the transaction contemplated herein the Buyer does hereby forever release and discharge the Seller, its commissioners and employees from any claim, demand, damages or cause of action arising from or related to the condition of the Parcel or any improvements located thereon, including but not limited to the environmental conditions on the Parcel and Hazardous Substances on, in or emanating from the Parcel. This release shall not apply to any claims against Seller arising from the breach of the Environmental Indemnification and Environmental Easement Agreement. The provisions of this paragraph 6 are part of the economics of the transaction contemplated herein and this paragraph 6 shall survive Closing and shall not merge into the Deed. This release shall be binding on the successor and assigns of the Buyer and noted in any subsequent deed transferring title to the Parcel.*

7. **Project.** *The Buyer represents and warrants that it will timely construct the Project in accordance with the MDA and the project memorandum approved pursuant to the MDA. The provisions of this paragraph 7 are part of the economics of the transaction contemplated herein and this paragraph 7 shall survive Closing and shall not merge into the Deed.*

8 **Escrow Instructions.** Upon execution of this Agreement, the parties hereto shall deposit an executed counterpart of this Agreement with the Escrow Agent and this Agreement shall serve as the instructions to Escrow Agent for consummation of the purchase and sale contemplated hereby. Seller and Buyer agree to execute such additional and supplemental escrow instructions as may be appropriate to enable the Escrow Agent to comply with the terms of this Agreement; provided, however, that in the event of any conflict between the provisions of this Agreement and any supplemental escrow instructions, the terms of this Agreement shall control.

9. **Closing.** The Closing hereunder (the "Closing") shall be held and delivery of all items to be made at the Closing under the terms of this Agreement shall be made at the offices of Escrow Agent on or before _____ (the "Closing Date") or such other date as Buyer and Seller may mutually agree in writing. All documents shall be deemed delivered on the date the Deed is recorded and possession of the Parcel shall be delivered to Buyer on the Closing Date.

10. **Documents To Be Delivered By Seller For Closing.** On or prior to the Closing Date, Seller shall deposit with Escrow Holder, the following:

- a. The Deed duly executed and acknowledged by Seller.
- b. A duly executed real estate excise tax affidavit.
- c. A duly executed Environmental Indemnification and Environmental Easement Agreement.
- d. A standard ALTA form of owner's policy of title insurance.

Attachment "E"

e. Such other instruments as are reasonably required by Escrow Holder or otherwise required to close the escrow and consummate the purchase of the Parcel in accordance with the terms hereof.

11. **Documents to Be Delivered by Buyer for Closing.** On or before the Closing Date, Buyer shall deposit with Escrow Holder the following:

- a. The Purchase Price in cash (less the applicable earnest money).
- b. Duly executed real estate excise tax affidavit.
- c. A duly executed Environmental Indemnification and Environmental Easement Agreement.

d. Such other instruments as are reasonably required by Escrow Holder or otherwise required to close the escrow and consummate the purchase of the Parcel in accordance with the terms hereof.

12. **Costs and Expenses Paid at Closing.** Seller shall pay the premium for a standard ALTA policy of title insurance with liability in the amount of the Purchase Price. Seller shall pay all real estate excise taxes, if any, occasioned by this transaction. Buyer shall pay for all recording fees for the recording of the statutory warranty deed. The Buyer and Seller will share equally the cost of the escrow fee and the recording fees for the Environmental Indemnification and Environmental Easement Agreement.

13. **Proration.** If applicable, all revenues and all expenses of the Parcel, including but not limited to, water, sewer, and utility charges, amounts payable under the Agreement, annual permits and/or inspection fees (calculated on the basis of the respective periods covered thereby), and any other expenses normal to the ownership, use operation and maintenance of the Parcel shall be prorated as of 12:01 a.m. on the Closing Date.

14. **Waiver of Disclosure Statement.** To the extent permitted by Chapter 64.06 RCW Buyer waives receipt of the disclosure statement.

15. **Brokers And Finders.** Each party represents to the other that no broker or finder has been involved in this transaction. In the event of a claim for broker's fee, finder's fee, commission, or other similar compensation in connection herewith, the party that incurred such a fee or obligation shall be solely responsible for the payment thereof.

16. **Modification.** This Agreement may not be amended or rescinded in any manner except by an instrument in writing signed by a duly authorized representative of each party hereto in the same manner as such party has authorized this Agreement.

17. **Notices.** All notices, which may be or are required to be given pursuant to this Agreement shall be in writing and delivered to the parties at the following addresses:

To the Seller:

To the Buyer:

Any such notices shall be either (i) sent by certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) days after deposit, postage prepaid in the U.S. mail, (ii) sent by a nationally recognized overnight courier, in which case notice shall be deemed delivered when actually delivered pursuant to the records of such courier, or (iii) sent by email transmission to the party and its counsel, receipt of which has been confirmed by telephone, and by regular mail, in which case notice shall be deemed delivered on the day of such confirmed receipt, or (iv) hand delivered, in which case notice shall be deemed delivered when actually delivered. The above addresses and phone numbers may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice. Copies of notices are for informational purposes only, and a failure to give or receive copies of any notice shall not be deemed a failure to give notice.

18. **Execution In Counterparts.** This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

19. **Waiver.** No waiver by any party of any provision of this Agreement or any breach thereof shall be of any force or effect unless in writing by the party granting the waiver and no such waiver shall be construed to be a continuing waiver. The waiver by one party of the performance of any covenant, condition, or promise shall not invalidate this Agreement nor shall it be considered a waiver by such party of any other covenant, condition, or promise hereunder. The waiver by either or both parties of the time for performing any act shall not constitute a waiver of the time for performing any other act or an identical act required to be performed at a later time.

20. **Applicable Law and Jurisdiction.** This Agreement shall be interpreted under and pursuant to the laws of the State of Washington without regard to choice of law provisions. In the event any action is brought to enforce any of the provisions of this Agreement, the parties agree to be subject to the sole jurisdiction and venue in Whatcom County Superior Court.

21. **Attorneys' Fees.** In the event any proceeding is instituted to interpret or enforce any provision or resolve any dispute under this Agreement, including, without limitation, any action in which a declaration of rights is sought or an action for rescission, each party shall bear their own costs and attorney fees.


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Attachment "E"

22. **Captions.** The captions of this Agreement are for convenience and reference only and in no way define, limit, or describe the scope or intent of this Agreement.

23. **Severability.** In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

24. **Additional Acts.** Except as otherwise provided herein, in addition to the acts and deeds recited herein and contemplated to be performed, executed, and/or delivered by Seller or Buyer, Seller and Buyer hereby agree to perform, execute, and/or deliver, or cause to be performed, executed, and/or delivered, at the Closing Date any and all such further acts, deeds and assurances as Buyer or Seller, as the case may be, may reasonably require to (i) evidence and vest in the Buyer the ownership of and title to the Parcel, and (ii) consummate the transactions contemplated hereunder. Time is specifically declared to be of the essence of this Agreement and of all acts required to be done and performed by the parties hereto.

25. **Neutral Authorship.** Each of the provisions of this Agreement has been reviewed and negotiated, and represents the combined work product of both parties hereto. No presumption or other rules of construction which would interpret the provisions of this Agreement in favor of or against the party preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Agreement.

26. **Survivability.** The representations and warranties contained in paragraph 5, the release contained in paragraph 6 and the representation and warranty contained in paragraph 7 shall survive Closing, shall not merge into the Deed and may be separately enforced or asserted as a defense to a claim as the case may be.

27. **Entire Agreement.** The entire agreement between the parties hereto is contained in this Agreement and this Agreement supersedes all of their previous understandings and agreements, written and oral, with respect to this transaction. Neither the Seller nor the Buyer shall be liable to the other for any representations made by any person concerning the Parcel or regarding the terms of this Agreement except to the extent that the same are expressed in this Agreement.

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

THIS AGREEMENT CONTAINS REPRESENTATIONS AND WARRANTIES CONCERNING THE PARCEL AND A RELEASE OF CLAIMS BY THE BUYER TO THE SELLER
--

PORT OF BELLINGHAM


PORT INITIAL


HARCOURT INITIAL

Attachment "E"

By: _____

Its: _____

F:\PORT OF BELLINGHAM\Waterfront District\Master Development Agreement\MDA\Draft Exhibits\March Exhibits\Sale Agreement_123014.doc

By: _____

Its: _____


PORT INITIAL


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Attachment "E"

EXHIBIT "A"
DEED



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EXHIBIT 8.2

EXHIBIT 8.2
WATERFRONT DISTRICT LAND LEASE

THIS WATERFRONT DISTRICT LAND LEASE (the "Lease") is made and entered into this _____ day of _____ 20____, by and between the **PORT OF BELLINGHAM**, a Washington municipal corporation (hereinafter referred to as "Lessor") and _____, a Washington _____ (hereinafter referred to as "Lessee").

ARTICLE I
Summary of Lease Terms and Definitions

Lessor: Port of Bellingham
Lessor's Address: _____

Lessee: _____
Lessee's Address: _____

Premises: _____ square feet

Use of Premises: _____

Exhibits: Exhibit "A" - Description of Premises
Exhibit "B" - Map of Premises
Exhibit "C" - Contaminated Materials Management Plan
Exhibit "D" - Environmental Covenant
Exhibit "E" - Environmental Indemnification and Environmental
Easement Agreement
Exhibit "F" - Purchase and Sale Agreement

Commencement Date: _____

Term: Commencing upon the Commencement Date and expiring on the
"Termination Date" _____ (____) years.

Renewals: _____ options of _____ years.

Initial Base Rent: \$_____ per year payable monthly in 12 equal installments.

Initial Amount of Rental Bond or Blocked Account: \$_____

Name and Address of Surety or Bank: _____

ARTICLE II
Premises, Term, and Renewals

2.1 **PREMISES:** Lessor, in consideration of the rents hereinafter reserved and of the covenants and conditions herein set forth to be performed by Lessee, does hereby demise and let unto Lessee, all of the real property described in Exhibits "A" and "B" above (the "Premises") consisting of _____ square feet.

2.2 **TERM:** The term of this Lease ("Term") shall be for ____ (____) years beginning _____, 20____ ("Commencement Date"). If Lessee takes possession before the Commencement Date, Lessee shall pay the pro rata rent for the period prior to the Commencement Date.

2.3 **RENEWAL:** Subject to the terms and conditions herein, Lessee shall have the right to extend the Lease for ____ (____) consecutive period of _____ (____) years by giving written notice of such intention to Lessor at least three hundred sixty-five (365) days prior to the expiration of the initial Term. Lessee shall not be entitled to renew this Lease unless the Lease is in good standing at the time of renewal and the Lessee is not in default under the terms of this Lease or any other lease or agreement with the Lessor. The terms and conditions of any renewal shall be the same as set forth in this Lease, except that Lessor shall have the right to update this Lease to be consistent with the terms and conditions then existing in the Lessor's standard Harbor Land Lease Agreement. If Lessee does not exercise its right to extend the Term as stated in this section it shall reimburse Lessor within ten (10) days after written request for the costs and attorneys' fees incurred by Lessor in performing Lessor's obligations and administering, overseeing and enforcing Lessee's obligations relating to the termination of the Lease.

ARTICLE III
Rent and Rental Renegotiation

3.1 **RENT:** The term "Rent," as used herein, includes Base Rent, applicable Washington State leasehold excise tax, and other fees and charges assessed herein. Except as expressly provided elsewhere herein, Rent shall be paid without the requirement that Lessor provide prior notice or demand, and shall not be subject to any counterclaim, setoff, deduction, defense or abatement.

3.1.1 **Base Rent Calculation.** Where this Lease provides for adjustment to the Base Rent the following formula shall be used:

The per square foot value ("PSFV") of the square feet of the Premises x _____ percent

3.1.2 **Base Rent For First Five (5) Year Period of the Initial Term.** As annual Base Rent for the first five (5) year period of the initial term of this Lease Lessee shall pay:

Attachment "E"

\$ _____ x the square footage of the Premises x _____ % return on investment
(ROI) = \$ _____ annual rent ÷ 12 = \$ _____ monthly rent,
plus Washington State leasehold tax.

3.1.3 Base Rent Adjustment. For the balance of the initial term and any Renewal Term, Base Rent shall be subject to adjustment every five (5) years (hereinafter referred to as the "Adjustment Date"). The parties agree to renegotiate the amount of Base Rent payable to Lessor, and to agree on the amount at least ninety (90) days prior to the commencement of each succeeding five (5) year period based the formula set forth in Section 3.1.1 and (i) the then fair market value of the Premises (land only), without regard to Lessee's improvements and (ii) the ROI then being used by the Lessor. (hereinafter "Renegotiation Deadline"). In no event will the Base Rent payable by Lessee be less than such Base Rent for the preceding lease year. If the parties cannot agree on the adjustment to the Base Rent before the Renegotiation Deadline, then the Base Rent shall be determined according to Section ____ "Arbitration" herein.

3.1.4 Late Fees. If any sums payable by Lessee to Lessor under this Lease are not received by the fifth (5th) day of each month, Lessee shall pay Lessor in addition to the amount equal to the greater of \$100 or five percent (5%) of the delinquent amount. In addition, all delinquent sums payable by Lessee to Lessor and not paid within five (5) days of the due date shall, at Lessor's option, be charged interest at the rate of one percent (1%) per month. Interest on all delinquent amounts shall be calculated from the original due date to the date of payment

3.1.5 Notwithstanding anything else contained herein, Lessee may, in its sole option, prepay the entire Base Rent for the Term and any Renewal. After Lessee has paid all of the Base Rent, where under the terms of this Lease any party is obligated to pay Rent during the Term of this Lease such obligation shall be construed to require only the payment of additional Rent and such other sums as may be required under the provisions of this Lease.

3.2 ABATED RENT: If this Lease provides for a postponement of any monthly rental payments, a period of free Rent or other Rent concession, such postponed Rent or free Rent is called the "Abated Rent." Lessee shall be credited with having paid all of the Abated Rent on the expiration of the term of this Lease only if Lessee has fully, faithfully, and punctually performed all of Lessee's obligations hereunder, including the payment of all Rent (other than the Abated Rent) and all other monetary obligations and the surrender of the Premises in the condition required by this Lease. Lessee acknowledges that its right to receive credit for the Abated Rent is absolutely conditioned upon Lessee's full, faithful and punctual performance of its obligations under this Lease. If Lessee defaults and does not cure within any applicable grace period, the Abated Rent shall immediately become due and payable in full and this Lease shall be enforced as if there were no such Rent abatement or other Rent concession. In such case, Abated Rent shall be calculated based on the full initial rent payable under this Lease, plus interest thereon at the rate of twelve percent (12%) per annum from the date each monthly rental payment was postponed.

ARTICLE IV

Use of Premises, Condition of Property, Improvements, Removal of Property, Maintenance, Utilities, and Off Street Parking


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4.1 **LESSEE'S USE OF PREMISES:** Lessee shall use the Premises for development of the Premises for _____ and for no other purpose (the "Authorized Use").

4.1.1 Lessee shall be in default under this Lease if it: (i) ceases conducting the Authorized Use for any period of time exceeding _____ days; or (ii) conducts any other business or activity on the Premises other than the Authorized Use without first obtaining a validly executed lease modification.

4.1.2 Notwithstanding the foregoing described use, the Premises shall not be used to store, distribute or otherwise handle flammable or dangerous materials, excepting only those which are necessary to conduct the Authorized Use. At the request of Lessor, Lessee shall provide a list of all flammable or dangerous materials stored or used on the Premises.

4.2 **CONDITION OF PROPERTY:** Lessee accepts the Premises, including all Existing Improvements thereon, "as is" without further liability for maintenance or repair on the part of the Lessor, and is not relying on any representations of Lessor as to the condition, suitability, zoning restrictions, or usability, except as specifically noted herein. Lessee further agrees to keep the Premises and all improvements thereon continually in good condition throughout the term of the Lease. Lessee shall not allow any portion of the Premises to remain in a damaged, unworkable or other condition, which compromises the condition of any portion of the Premises. Lessee further agrees to maintain the exterior appearance of all improvements on the Premises during the term of the Lease in as good of condition as they exist on the Commencement Date of the Lease.

4.2.1. **Environmental Condition.** The Lessor and the Washington State Department of Ecology ("Ecology") have entered into that certain _____ Consent Decree dated _____, 20____, which was filed in Whatcom County Superior Court Cause No. _____ (the "Consent Decree"). The Premises is and will be subject to (i) that certain Contaminated Materials Management Plan as appended to the Consent Decree and (ii) that certain Environmental Covenant required pursuant to the Consent Decree. This lease is granted subject to the conditions and restrictions in the Contaminated Materials Management Plan attached hereto as Exhibit "C" and the Environmental Covenant attached hereto as Exhibit "D." Lessee shall conduct all activities on the premises in compliance with the Contaminated Materials Management Plan and the Environmental Covenant.

4.3 **IMPROVEMENTS:** The Lessee shall abide by the following terms with regard to improvements:

4.3.1 **Existing Improvements.** On the Commencement Date, the following improvements are located on the Premises: _____. These improvements are the property of _____.

4.3.2 **New Improvements.** All improvements by Lessee shall conform to the requirements of the Americans With Disabilities Act, 42 USC 12111 et seq.

4.3.3 **Completion Schedule for Major Improvements by Lessee.** The Premises shall not be used to store, distribute or otherwise handle flammable or dangerous materials. Lessee shall comply with the following requirements:

- a. _____;
- b. To commence construction of approved Tenant Improvements no later than _____ (____) days after the date of execution of this Lease; and
- c. To substantially complete construction of approved Tenant Improvements within _____ (____) year of the date of initiation of this Lease.

4.3.4 **Unauthorized Improvements.** Any Tenant Improvements made on the Premises without Lessor's prior written consent or which are not in conformance with the plans submitted to and approved by the Lessor ("Unauthorized Improvements") shall immediately become the property of Lessor, unless Lessor elects otherwise. Regardless of the ownership of Unauthorized Improvements, Lessor may, at its option, require Lessee to sever, remove, and dispose of them, charge Lessee rent for the use of them, or both.

4.4 **REMOVAL OF PERSONAL PROPERTY AND TENANT IMPROVEMENTS:** Prior to the conclusion of the Lease, at Lessor's option, Lessee shall remove the following from the Premises:

- a. All equipment;
- b. All personal property;
- c. All Tenant Improvements that are not designated fixtures; and
- d. The following Existing Improvements: _____.

4.4.1 If any of the foregoing items are not removed from the Premises by the conclusion of the Lease or when Lessor has the right of re-entry, then Lessor may, at its sole option, elect any or all of the following remedies:

- a. To remove any or all of the items and to dispose of them without liability to Lessee. Lessor shall not be required to mitigate its damages, to dispose of the items in a commercially reasonable manner, or to make any effort whatsoever to obtain payment for such items. Lessee agrees to pay Lessor's costs and damages associated with Lessee's failure to remove such items, including, but not limited to, the following: storage, demolition, removal, transportation, and lost rent (collectively "Disposal Costs"); provided, however, that any net proceeds recovered by Lessor in excess of its Disposal Costs will be deducted from Lessee's financial obligation set forth herein. Lessee's financial obligations herein shall survive the termination of this Lease.
- b. To have the title to any or all of such items revert to Lessor.
- c. To commence suit against Lessee for damages or for specific performance.

4.4.2 The foregoing remedies are cumulative and Lessor shall not be required to elect its remedies.

4.5 **MAINTENANCE OF FACILITIES:** Maintenance and repair of the Premises and all improvements thereon is the sole responsibility of Lessee including, but not limited to, maintenance and repair of any damage to the Premises from unforeseen or unexpected events. Without limiting the generality of the foregoing, Lessee shall keep and maintain any improvements on the Premises in as good of condition as they existed on the commencement of this Lease, reasonable wear and tear excepted.

4.6 **UTILITIES:** Lessee will arrange and pay for all utility connections and services and distribution of such utilities within its leased Premises. At the conclusion of this Lease, Lessee shall arrange for such utility services to be terminated and for the final bill to be sent to Lessee. Lessee shall be liable for all utility charges that accrue if it fails to so terminate services.

4.7 **OFF STREET PARKING:** Lessee agrees to provide space for the parking of vehicles in the number necessary to comply with applicable laws, regulations, and Port policies and otherwise to accommodate its normal business requirements on the Premises included within this Lease. Lessee is not relying on any public streets, right of ways or other properties not included in this Lease for the parking of said vehicles.

ARTICLE V

Insurance and Financial Security

5.1 **CASUALTY LOSS OF LESSEE:** The parties hereto agree that the Lessor shall not be responsible to the Lessee for any property loss or damage done to the Lessee's property, whether real, personal or mixed, occasioned by reason of any fire, storm or other casualty whatsoever. It shall be the Lessee's responsibility to provide its own protection against casualty losses of whatsoever kind or nature, regardless of whether or not such loss is occasioned by the acts or omissions of the Lessor, Lessee, third party, or act of nature.

5.2 **INSURANCE:** Lessee shall procure and maintain a comprehensive general liability policy covering all claims for personal injury (including death) and property damage (including all real and personal property located on the Premises) arising on the Premises or arising out of Lessee's operations. The limits of liability shall be not less than One Million Dollars (\$1,000,000) for each occurrence and in the aggregate unless the Lessor requests a lesser liability limit. Lessor may impose changes in the limits of liability (i) at the same time as revaluation of the annual Rent; (ii) as a condition of approval of assignment or sublease of this Lease; (iii) upon any breach of the Environmental Liability provision herein; (iv) upon a material change in the condition of any improvements; or, (v) upon a change in the Authorized Use. If the liability limits are changed, Lessee shall obtain new or modified insurance coverage within thirty (30) days after changes in the limits of liability are required by Lessor. The liability policies shall contain a cross-liability provision such that the policy will be construed as if separate policies were issued to Lessee and to Lessor.

5.2.1 The foregoing insurance policy shall name Lessor as an additional insured. Lessee shall provide certificates of insurance and, if requested, copies of any policy to Lessor. Receipt of such certificate or policy by Lessor does not constitute approval by Lessor of the terms of such policy. Furthermore, the policy of insurance required herein shall: (i) be written as a primary policy; (ii) expressly provide that such insurance may not be materially changed, amended or canceled with respect to Lessor except upon forty-five (45) days' prior written notice from the insurance company to Lessor; (iii) contain an express waiver of any right of subrogation by the insurance company against Lessor and Lessor's elected officials, employees, or agents; (iv) expressly provide that the insurance proceeds of any loss will be payable notwithstanding any act or negligence of Lessee which might otherwise result in a forfeiture of said insurance; and (v) in regard to physical property damage coverage, expressly provide that all proceeds shall be paid jointly to Lessor and Lessee.

5.2.2 If Lessee fails to procure and maintain the insurance described above, Lessor shall have the right, but not the obligation, to procure and maintain substitute insurance and to pay the premiums. Lessee shall pay to Lessor upon demand the full amount paid by Lessor.

5.2.3 The Lessee believes and states that the insurance obligation herein does not exceed that which the Lessee would otherwise normally place upon itself and obtain in order to operate its business in a prudent manner.

5.3 **FINANCIAL SECURITY:** In compliance with the requirements of state law, Lessee agrees that it will secure the performance of the rental portion of this Lease by procuring and maintaining, during the term of this Lease, a corporate surety bond, or by providing other financial security satisfactory to Lessor (herein referred to as the "Bond") in an amount not less than _____ percent (____%) of the sum of annual Rent, plus state leasehold tax. The Bond shall be in a form and issued by a surety company acceptable to Lessor and shall comply with the requirements of Washington law. Lessee shall obtain such Bond and forward evidence thereof to Lessor within fourteen (14) days of execution of this Lease, but in no event later than the Commencement Date of this Lease. Failure to comply with this requirement shall be grounds for termination of this Lease without notice by Lessor. Such Bond shall be kept always in effect during the term of this Lease; failure to comply with this requirement shall render Lessee in default. The Bond shall be increased annually to reflect any adjustments in annual Rent.

5.3.1 Upon any default by Lessee in its obligations under this Lease, Lessor may collect on the Bond to offset the liability of Lessee to Lessor. Collection on the Bond shall not relieve Lessee of liability, shall not limit any of Lessor's other remedies, and shall not reinstate or cure the default or prevent termination of the Lease because of the default.

ARTICLE VI

Environmental Liability

6.1. **EXISTING ENVIRONMENTAL ISSUES:** Lessee acknowledges that Lessor and the Washington State Department of Ecology have entered into the Consent Decree. Lessor and Lessee have executed that certain Environmental Indemnification and Environmental Easement

Attachment "E"

Agreement dated _____ which is attached hereto as Exhibit "E." This Lease is subject to the terms and conditions of Exhibit E.

6.2 ENVIRONMENTAL INDEMNIFICATION: Lessee shall defend (with legal counsel suitable to Lessor), indemnify, and hold Lessor harmless from any and all claims, demands, judgments, orders or damages resulting from Hazardous Substances on the Premises caused in whole or in part by the activity of the Lessee, its agents, subtenants, or any other person or entity on the Premises during any period of time that Lessee has occupied all or a portion of the Premises during the term of this Lease or any previous lease or agreement. It is the intent of the parties that Lessee shall be responsible and shall defend and hold Lessor harmless from any Hazardous Substances that have or may occur on the Premises since Lessee first occupied the Premises through this Lease or any previous lease or agreement with Lessor. The term "Hazardous Substances," as used herein, shall mean any substance heretofore or hereafter designated as hazardous under the Resource Conservation and Recovery Act, 42 USC Sec. 6901 et seq.; the Federal Water Pollution Control Act, 33 USC Sec. 1257 et seq.; the Clean Air Act, 42 USC Sec. 2001 et seq.; the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 USC Sec. 9601 et seq.; or the Hazardous Waste Cleanup-Model Toxics Control Act, RCW 70.105D, all as amended and subject to all regulations promulgated thereunder.

6.2.1 Lessee's defense and indemnity obligations under this article are unconditional, shall not be discharged or satisfied by Lessor's re-entry of the Premises or exercise of any other remedy for Lessee's default under this Lease, shall continue in effect after any assignment or sublease of this Lease, and shall continue in effect after the expiration or earlier termination of this Lease.

6.2.2 Although Lessee shall not be liable for any Hazardous Substances that existed on the Premises prior to the inception of this Lease, Lessee shall be responsible for the costs of any environmental investigations or remediation arising from the development or use of the Premises by Lessee, and Lessee hereby releases the Lessor from any contribution claim for those costs. By way of example only, if the Lessee excavates soil on the Premises which contains Hazardous Substances, then the Lessee will be responsible for the cost associated with disposing of those soils.

6.3 NOTIFICATION AND REPORTING: Lessee shall immediately notify Lessor if Lessee becomes aware of any of the following:

- a. A release or threatened release of Hazardous Substances in, on, under or above the Premises, any adjoining property, or any other property subject to use by Lessee in conjunction with its use of the Premises;
- b. Any problem or liability related to or derived from the presence of any Hazardous Substance in, on, under or above the Premises, any adjoining property or any other property subject to use by Lessee in conjunction with its use of the Premises;

Attachment "E"

- c. Any actual or alleged violation of any federal, state, or local statute, ordinance, rule, regulation, or other law pertaining to Hazardous Substances with respect to the Premises, any adjoining property or any other property subject to use by Lessee in conjunction with its use of the Premises; or
- d. Any lien or action with respect to any of the foregoing.

6.3.1 Lessee shall, at Lessor's request, provide Lessor with copies of any and all reports, studies or audits which pertain to environmental issues concerning the Premises, and which are or were prepared by or for Lessee and submitted to any federal, state or local authorities pursuant to any federal, state or local permit, license or law. These permits include, but are not limited to, any National Pollution Discharge and Elimination System permit, any Army Corps of Engineers permit, any State Hydraulics permit, any State Water Quality certification, or any Substantial Development permit.

ARTICLE VII **Option to Purchase**

7.1 **LESSEE'S EXCLUSIVE OPTION TO PURCHASE:** Lessor hereby grants to Lessee the sole and exclusive option to purchase (the "Option") the Premises at any time during the initial or any Renewal Term of this Lease (the "Option Period") on the terms and conditions provided herein and subject to the Environmental Indemnification and Environmental Easement Agreement.

7.1.1 The sale of the Premises shall close pursuant to the terms and conditions set forth in the Real Property Sale Agreement (hereinafter the "PSA") attached hereto as Exhibit "F."

7.2 **PURCHASE PRICE:** The Purchase Price for the Premises shall be _____ dollars (\$_____) [**INSERT CURRENT LAND VALUATION CALCULATION**] per square foot plus three percent (3%) per year on each anniversary date of execution of this Lease.

7.3 **TERM OF OPTION:** The Option shall automatically expire upon the expiration of this Lease.

7.4 **EXERCISE OF OPTION:** If Lessee elects to exercise the Option hereunder, it shall notify Lessor by sending written notice to Lessor in accordance with the notice provision herein. The parties shall then finalize the PSA, with all necessary and applicable terms, within ____ days of Lessee's exercise of the Option.

7.4.1 The closing date will be within _____ days from the date Lessee exercises the Option. Upon mutual execution of the PSA, the parties shall then deliver such executed PSA to the closing agent identified in the PSA.

ARTICLE VIII **Miscellaneous Provisions**


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8.1 **LESSEE WILL OBTAIN PERMITS:** Lessee agrees to obtain and comply with all necessary permits for any leasehold improvement. If Lessee fails to obtain and comply with such permits, then Lessee accepts full responsibility for any and all costs incurred by Lessor, including actual attorneys' fees. In this way, Lessee agrees to be solely responsible for all damages, costs, and expenses incurred as a result of Lessee's failure to fully comply with any necessary permit process and requirements.

8.2 **LIENS:** Lessee agrees to keep the Premises described herein free and clear of all liens and charges whatsoever. Lessee shall not allow any mechanics' and materialmen's, or other liens to be placed upon the leased Premises. If such a lien is placed or recorded, Lessee shall cause it to be discharged of record, at its own expense, within ten (10) days of Lessor's demand. Failure to comply with Lessor's demand within ten (10) days shall be a default under the terms of this Lease.

8.3 **INDEMNIFICATION AND HOLD HARMLESS:** The Lessee agrees that it will defend (with legal counsel acceptable to Lessor), indemnify and hold harmless the Lessor, its officers, employees and agents from any and all demands, claims, judgments or liability for loss or damage arising as a result of accidents, injuries or other occurrences on the Premises or on Lessor's property, occasioned by either the negligent or willful conduct of the Lessee, its agents, or any person or entity holding under the Lessee, or any person or entity on the Premises or on the Lessor's property as a result of Lessee's activity, regardless of who the injured party may be.

8.4 **LAWS AND REGULATIONS:** Lessee agrees to conform to and abide by all lawful rules, codes, laws, regulations and Port policies in connection with its use of the Premises and the construction of improvements and operation of Lessee's business thereon and not to permit said Premises to be used in violation of any lawful rule, code, law, regulation, Port policy, or other authority.

8.4.1 Lessee's obligations herein shall include, but in no way be limited to, the obligation to comply with all state and federal environmental laws and regulations. The Lessee covenants and agrees that it will indemnify and hold harmless the Lessor from any fine, penalty, or damage which may be imposed by any lawful authority, which may arise as a result of the Lessee's failure to comply with the obligations of this paragraph.

8.5 **WASTE AND REFUSE:** Lessee agrees not to allow conditions of waste and refuse to exist on the Premises and to keep the Premises in a neat, clean, and orderly condition and to be responsible for all damages caused to the Premises by Lessee, its agents or any third party on the Premises.

8.6 **TAXES AND ASSESSMENTS:** Lessee agrees to pay all taxes assessed against the leasehold interest and a pro rata share of any assessments made against the Premises for installation of public utility systems, based upon a reasonable overall sharing program among all properties within the assessment area.

8.7 **SIGNS:** No signs shall be installed without the prior written permission of Lessor.

8.8 **EQUAL OPPORTUNITY:** Lessee agrees that in the conduct of activities on the Premises, it will be an equal opportunity employer in accordance with Title VII of the Civil Rights Act of 1964, 42 USC §2000 et seq. and shall comply with all requirements of the ADA.

8.9 **LITIGATION:** In the event Lessor shall be made a party to any litigation commenced by or against Lessee (other than actions commenced by Lessee or Lessor concerning the interpretation or enforcement of any of the terms and conditions of this Lease), then Lessee agrees to pay all costs, expert witness fees, and attorneys' fees, including all customary charges incurred by Lessor in connection with such litigation. However, if Lessor is made a party defendant and Lessee undertakes the defense of the action on behalf of Lessor, then no obligation for costs and attorneys' fees will be chargeable against Lessee by Lessor for costs arising out of such undertaking. Lessee also agrees to pay all costs and attorneys' fees incurred by Lessor in enforcing any of the covenants, agreements, terms and provisions of this Lease.

8.10 **ASSIGNMENT OF LEASE:** Lessee shall not assign, rent or sublease any portions of this Lease or any extension thereof, without the prior written consent of Lessor, and no rights hereunder in or to said Premises shall pass by operation of law or other judicial process or through insolvency proceedings. Otherwise, the rights and obligations hereof shall extend to and be binding upon their respective successors, representatives and assigns, as the case may be. Lessee shall furnish Lessor with copies of all such subassignment, sublease, or rental documents. For the purposes of this Lease, any change of ownership including sale, liquidation or other disposition of some or all of the corporate stock will be considered an assignment. Should the Lessor consent to an assignment made by the Lessee for the purposes of obtaining a loan or other consideration from a third party, then the Lessor's consent shall be made in accordance with the consent to assignment document used by Lessor for these specific assignments. A copy of this consent form shall be provided by Lessor upon request of Lessee.

8.10.1 If Lessor refuses to consent to an assignment, Lessee's sole remedy shall be the right to bring a declaratory action to determine whether Lessor was entitled to refuse such assignment under the terms of this Lease.

8.10.2 No consent by Lessor to any assignment or sublease shall be a waiver of the requirement to obtain such consent with respect to any other or later assignment or sublease. Acceptance of Rent or other performance by Lessor following an assignment or sublease, whether or not Lessor has knowledge of such assignment or sublease, shall not constitute consent to the same nor a waiver of the requirement to obtain consent to the same.

8.10.3 A minimum handling and transfer fee ("Transfer Fee Deposit") of Three Hundred Dollars (\$300.00) shall be payable by Lessee to Lessor if Lessee requests the Lessor's consent to a proposed assignment (including an assignment to a creditor for security purposes), sublease or modification of this Lease. The Lessor reserves the right to increase the Transfer Fee Deposit up to Five Hundred Dollars (\$500.00) if, in Lessor's sole judgment, the transaction will necessitate the expenditure of substantial time and expense on the part of Lessor. Such Transfer Fee Deposit shall be submitted to the Lessor at the same time that Lessee requests the Lessor's consent to the proposed sublease, assignment or modification. If the Lessor's reasonable and customary attorneys' fees exceed the Transfer Fee Deposit, then Lessee agrees to reimburse the Lessor for such additional reasonable and customary attorneys' fees.

Lessee's failure to remit this additional amount within sixty (60) days of the mailing of the notice of such charges shall constitute a default under this Lease. Notwithstanding anything to the contrary herein, the Lessee shall not be obligated to reimburse the Lessor in any case where an assignment, sublease, or modification is not accomplished due to total refusal on the part of Lessor to grant its consent to the request.

8.10.4 If, pursuant to any assignment or sublease, Lessee receives rent, either initially or over the term of the assignment or sublease, in excess of the Rent called for hereunder, or in the case of a sublease, a portion of the Premises in excess of such Rent fairly allocable to such portion, after appropriate adjustments to assure that all other payments called for hereunder are appropriately taken into account, Lessee shall pay to Lessor, as additional rent expenses hereunder, fifty percent (50%) of the excess of each such payment of Rent received by Lessee after its receipt.

8.10.5 If this Lease is assigned, or if the underlying beneficial interest of Lessee is transferred, or if the Premises or any part thereof is sublet or occupied by anybody other than Lessee, Lessor may collect Rent from the assignee, subtenant or occupant and apply the net amount collected to the Rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Lessee from the further performance by Lessee of covenants on the part of Lessee herein contained. No assignment or subletting shall affect the continuing primary liability of Lessee (which, following assignment, shall be joint and several with the assignee), and Lessee shall not be released from performing any of the terms, covenants, and conditions of this Lease.

8.10.6 Notwithstanding any assignment or sublease, or any indulgences, waivers or extensions of time granted by Lessor to any assignee or sublessee or failure of Lessor to take action against any assignee or sublease, Lessee hereby agrees that Lessor may, at its option, and upon not less than three (3) days' notice to Lessee, proceed against Lessee without having taken action against or joined such assignee or sublessee, except that Lessee shall have the benefit of any indulgences, waivers, and extensions of time granted to any such assignee or sublessee.

8.11 **REIMBURSEMENT FOR EXPENSES:** Should the Lessee seek to assign this lease to any creditor as security for a loan or forbearance from such creditor, or attempt to otherwise assign, sublease, or modify this agreement between the parties during the term of this lease or any renewal thereof, then the Lessee agrees to reimburse the Lessor for all customary and reasonable attorney fees paid by the Lessor for the review and opinion of such attorney acting on the request. A failure to reimburse the Lessor within sixty (60) days of the mailing of notice of such charges shall constitute a default under the terms of this lease. Notwithstanding anything to the contrary herein, the Lessee shall not be obligated to reimburse the Lessor in any case where an assignment, sublease, or modification is not accomplished due to total refusal on the part of the Lessor to grant its consent to the request.

8.12 **TERMINATION:** Upon termination of this Lease or any extension thereof, whether by expiration of the stated term or sooner termination thereon, as herein provided, Lessee shall surrender to Lessor the Premises peaceably and quietly. Lessee shall restore the Premises to

the condition existing at the time of initiation of this Lease, except for: (i) normal wear and tear, and (ii) any improvements, which Lessor permits to remain on the Premises.

8.13 DEFAULT, CROSS DEFAULT, AND REMEDIES: Failure to pay Rent or any other monetary obligations by the first (1st) day of each month shall constitute a default under the terms of this Lease. If Lessee is in default in the payment of Rent or other monetary obligations occurs then, at Lessor's sole option, upon three (3) days' written notice, this Lease may be terminated and Lessor may enter upon and take possession of the Premises. Without limiting the generality of the foregoing, Lessee expressly authorizes Lessor to obtain a prejudgment writ of restitution in the event of default by Lessee. This remedy is in addition to and is not exclusive of any other remedies provided either by this Lease or by law.

8.13.1 If Lessee shall fail to perform any term or condition of this Lease, other than the payment of Rent or other monetary obligations, then Lessor, upon providing Lessee thirty (30) days' written notice of such default, may terminate this Lease and enter upon and take possession of the Premises. This remedy is in addition to and is not exclusive of any other remedies provided either by this Lease or by law.

8.13.2 If within any one (1) year period, Lessor serves upon the Lessee three (3) notices requiring Lessee either to: (i) comply with the terms of this Lease or to vacate the Premises or (ii) pay Rent or vacate (collectively referred to herein as "Default Notices"), then Lessee shall, upon a subsequent violation of any term of this Lease by the Lessee (including failure to pay Rent), be deemed to be in unlawful detainer, and Lessor may, in addition to any other remedies it may have, immediately terminate the Lease and/or commence an unlawful detainer action without further notice to Lessee.

8.13.3 The following shall also constitute a default under the terms of this Lease: A default by Lessee under any other agreement or lease with the Lessor; insolvency of Lessee; an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; the filing of an involuntary petition of bankruptcy and failure of Lessee to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest; and failure of Lessee to secure a discharge of the attachment or release of the levy of execution within ten (10) days.

8.13.4 A default under this Lease shall constitute a default under any other lease or agreement, which Lessee has with Lessor (hereinafter such other agreements shall be referred to as "Collateral Agreements"). Likewise, any material breach or default under a Collateral Agreement shall be deemed a material breach or default under the terms of this Lease. If a Collateral Agreement is terminated for a material breach or default of Lessee, then Lessor shall, without limiting any other remedies it may have, be entitled to terminate this Lease upon five (5) days' written notice to Lessee.

8.13.5 In addition to the foregoing remedies specified in this article, Lessor may exercise any remedies or rights under the laws of the State of Washington. Under no circumstances shall Lessor be held liable in damages or otherwise by reason of any lawful re-entry or eviction. Lessor shall not, by any re-entry or other act, be deemed to have accepted

Attachment "E"

any surrender by Lessee of the Premises or be deemed to have otherwise terminated this Lease or to have relieved Lessee of any obligation hereunder.

8.13.6 Lessor shall be under no obligation to observe or perform any covenant of this Lease after the date of any material default by Lessee unless and until Lessee cures such default.

8.13.7 A fee of Five Hundred Dollars (\$500.00) shall be assessed to Lessee for each Default Notice issued to Lessee to defray the costs associated with preparing, issuing, and serving such notice. This fee shall be payable on the first (1st) day of the month following the issuance of the notice.

8.14 **NON WAIVER:** Neither the acceptance of Rent nor any other act or omission of Lessor after a default by Lessee shall operate as a waiver of any past or future default by Lessee, or to deprive Lessor of its right to terminate this Lease, or be construed to prevent Lessor from promptly exercising any other right or remedy it has under this Lease. Any waiver by Lessor shall be in writing and signed by Lessor in order to be binding on Lessor.

8.15 **NOTICES:** Any notice, demand, request, consent, approval or communication that either party desires or is required to give to the other party shall be in writing addressed to the other party at the addresses as follows:

TO LESSOR: Port of Bellingham

TO LESSEE: Harcourt Bellingham LLC

or such address as may have been specified by notifying the other party of the change of address. Notice shall be deemed served on the date of actual delivery or the first attempted delivery as shown on the return receipt if mailed with the United States Postal Service by certified mail, return receipt requested.

8.16 **AGENT FOR SERVICE:** Lessee agrees that if Lessee is in unlawful detainer, pursuant to Chapter 59.12 RCW, and Lessor is unable to serve Lessee with the unlawful detainer pleadings after one service attempt, then Lessor shall be deemed to have complied with the service requirements of Chapter 59.12 RCW if it mails such pleadings via certified mail to the address set forth in the notice section of this Lease and posts such pleadings in a conspicuous location on the Premises. Service shall be deemed complete on the third (3rd) day following the day of posting or day of mailing, whichever is later.

8.17 **SECURITY:** Lessee specifically acknowledges that Lessor has no duty to provide security for any portion of the Premises or surrounding areas. Lessee assumes sole responsibility and liability for the security of itself, its employees, customers, and invitees, and their respective property in or about the Premises. Lessee agrees that to the extent Lessor

elects to provide any security, Lessor is not warranting the effectiveness of any such security personnel, services, procedures or equipment and that Lessee is not relying and shall not hereafter rely on such security personnel, services, procedures or equipment. Lessor shall not be responsible or liable in any manner for failure of any such security personnel, services, procedures or equipment to prevent or control, or apprehend anyone suspected of personal injury or property damage in, on or around the Premises.

8.18 QUIET ENJOYMENT: Lessor acknowledges that it has ownership of the Premises and that it has the legal authority to lease the Premises to Lessee. Lessor covenants that Lessee shall have quiet enjoyment of the Premises during the term of this Lease so long as the terms are complied with by Lessee and subject to Lessor's right of entry onto the Premises as set forth herein.

8.18.1 The Lessor reserves the right to grant easements and other land uses on the Premises to others when the easement or other land uses applied for will not unduly interfere with the use to which the Lessee is putting the Premises, or interfere unduly with the approved plan of development for the Premises. No easement or other land uses shall be granted to third parties, until damages to the leaseholder have been dealt with appropriately, or waiver signed by the Lessee.

8.18.2 Lessee understands that various federal agencies, including the Department of Homeland Security and U.S. Coast Guard, have the authority to restrict access to certain areas on property owned by Lessor in order to counter a terrorist or other threat. Such restrictions could impact Lessee's ability to access the Premises for an indefinite period of time. Since such restrictions on access are outside the control of Lessor, Lessee agrees that such interruptions shall not be deemed a violation of this Lease or the Covenant of Quiet Enjoyment.

8.19 LESSOR MAY ENTER PREMISES: It is agreed that the duly authorized officers or agents of Lessor may enter to view said Premises at any time, and if the business or normal function of Lessor should at any time require that it enter upon the Premises to perform any work or make any improvements, it may do so, but not in such manner as to materially injure Lessee with its normal and usual operation.

8.19.1 The Lessor reserves the right to grant easements and other land uses on the Premises to others when the easement or other land uses applied for will not unduly interfere with the use to which the Lessee is putting the Premises, or interfere unduly with the approved plan of development of the Premises.

8.20 TIME: It is mutually agreed and understood that time is of the essence of this Lease and that a waiver of any default of Lessee shall not be construed as a waiver of any other default.

8.21 INTERPRETATION: This Lease has been submitted to the scrutiny of the parties hereto and their counsel, if desired. In any dispute between the parties, the language of this Lease shall, in all cases, be construed as a whole according to its fair meaning and not for or against either the Lessor or the Lessee. If any provision is found to be ambiguous, the language shall not be construed against either the Lessor or Lessee solely on the basis of which party drafted the provision. If any word, clause, sentence, or combination thereof for any

reason is declared by a court of law or equity to be invalid or unenforceable against one party or the other, then such finding shall in no way affect the remaining provisions of this Lease.

8.22 **HOLDING OVER**: If the Lessee remains in possession of said Premises after the date of expiration of this Lease without Lessor's prior written consent, such holding over shall constitute and be construed as tenancy at sufferance only, at a monthly rent equal to one hundred fifty percent (150%) of the Base Rent owed during the final month of the Term of this Lease and otherwise upon the terms and conditions in this Lease. If Lessee holds over with Lessor's prior written consent, then until such time as a new written Lease is executed by the parties hereto, Lessee shall continue to make payments to Lessor on a month-to-month basis as provided for in this Lease. Such holdover tenancy may be terminated by either party at the end of any such monthly period by sending written notice not less than five (5) days before the end of such period. Such holdover tenancy shall be subject to all terms and conditions contained herein.

8.23 **SURVIVAL**: All obligations of the Lessee, as provided for in the Lease, shall not cease upon the termination of this Lease and shall continue as obligations until fully performed. All clauses of this Lease, which require performance beyond the termination date, shall survive the termination date of this Lease.

8.24 **GOVERNING LAW**: This Lease and the right of the parties hereto, shall be governed by and construed in accordance with the laws of the State of Washington, and the parties agree that in any such action jurisdiction and venue shall lie exclusively in Whatcom County, Washington.

8.25 **ESTOPPEL CERTIFICATES**: At Lessee's request, Lessor agrees to execute and deliver to Lessee or its lender(s), a customary estoppel certificate in a form acceptable to the Lessor which sets forth the following information: (i) the terms and conditions of this Lease, (ii) the status of the Rent payments under the Lease; and (iii) Lessor's knowledge of any breaches or anticipated breaches of the Lease. Lessor shall have no obligation to execute an estoppel certificate, which requests any information other than as set forth above. Lessee agrees to reimburse the Lessor for all attorneys' fees paid by Lessor for the review and opinion of such attorney acting on the request for such estoppel certificate and in negotiating acceptable language in the estoppel certificate. A failure to reimburse Lessor within sixty (60) days of the mailing of notice of such charges shall constitute a default under the terms of this Lease.

8.26 **ATTORNMEN**: In the event the Premises are sold, Lessee shall attorn to the purchaser upon the sale provided that the purchaser expressly agrees in writing that, so long as Lessee is not in default under the Lease, Lessee's possession and occupancy of the Premises will not be disturbed and that such purchaser will perform all obligations of Lessor under the Lease.

8.27 **ENTIRE AGREEMENT**: This Lease contains all of the understandings between the parties. Each party represents that no promises, representations or commitments have been made by the other as a basis for this Lease, which have not been reduced to writing herein. No oral promises or representations shall be binding upon either party, whether made in the past or to be made in the future, unless such promises or representations are reduced to writing in the

Attachment "E"

form of a modification to this Lease executed with all necessary legal formalities by the Commission of the Port of Bellingham.

8.28 **VALIDATION**: IN WITNESS WHEREOF, Lessor has caused this instrument to be executed by the Port of Bellingham, and this instrument has been signed and executed by Lessee, the day and year first above written.

LESSEE:

HARCOURT BELLINGHAM LLC

LESSOR:

PORT OF BELLINGHAM

By:
Its:

By:
Its:

F:\PORT OF BELLINGHAM\Waterfront District\Master Development Agreement\MDA\Draft Exhibits\March Exhibits\Lease_122914.doc



PORT INITIAL



HARCOURT INITIAL

Attachment "E"

EXHIBIT "A"
DESCRIPTION OF PREMISES


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HARCOURT INITIAL

Attachment "E"

EXHIBIT "B"
MAP OF PREMISES



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EXHIBIT "C"
CONTAMINATED MATERIALS MANAGEMENT PLAN



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EXHIBIT "D"
ENVIRONMENTAL COVENANT



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EXHIBIT "E"
ENVIRONMENTAL INDEMNIFICATION AND ENVIRONMENTAL EASEMENT AGREEMENT



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EXHIBIT "F"
PURCHASE AND SALE AGREEMENT



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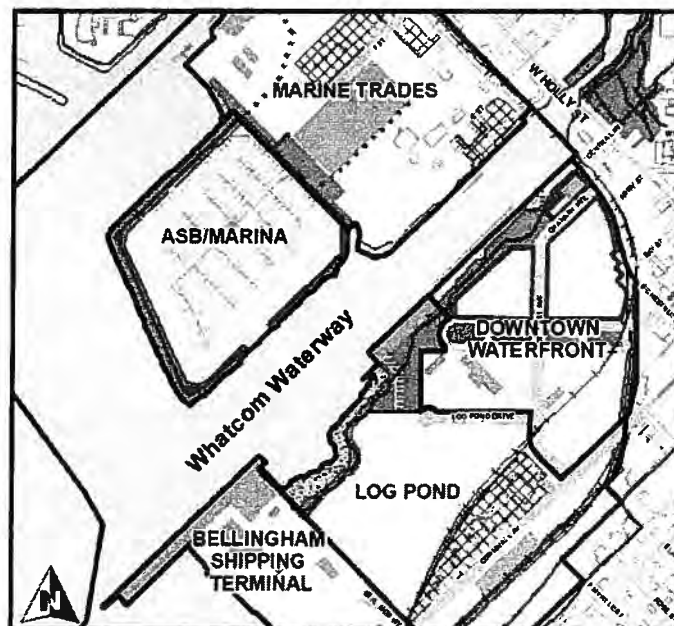
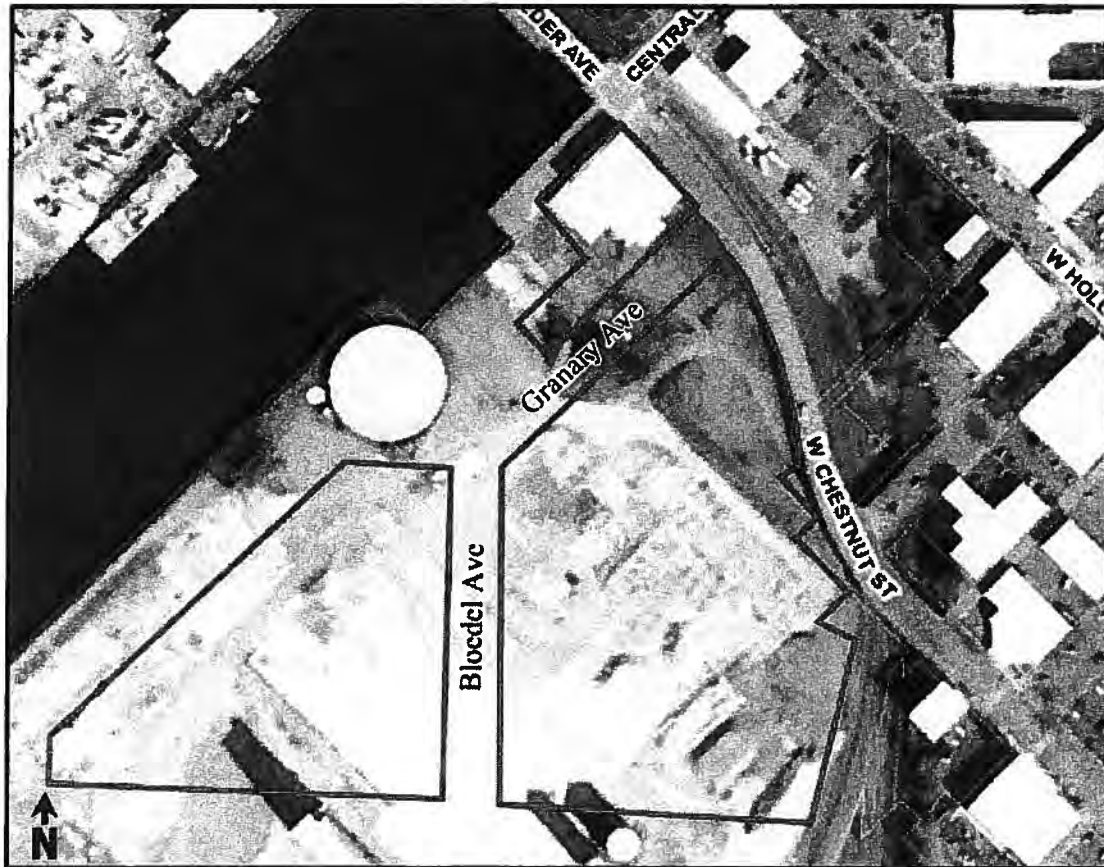
HARCOURT INITIAL

EXHIBIT 11.1

EXHIBIT 11.1
APPRAISAL OF WATERFRONT INITIAL DEVELOPMENT

APPRAISAL OF WATERFRONT INITIAL DEVELOPMENT

Attachment "E"
Appraisal of
Waterfront Initial Development
Granary Avenue
Bellingham, Washington



APPRAISAL

of

Waterfront Initial Development
Granary Ave
Bellingham, WA

As of:

May 23, 2014

Authorized by:

Shirley McFearin
Director of Real Estate
Port of Bellingham
Bellingham, WA

Prepared by:

Kenneth Barnes, MAI CRE
Allison Roselle, MAI
Tatiana Butler, Appraiser

MCKEE & SCHALKA

REAL ESTATE APPRAISAL SERVICES & CONSULTANTS, INC.

1200 6th Avenue, Suite 1805, Seattle, Washington 98101
Tel: 206.343.8908 | www.msreal.com | Fax: 206.386.5777

Reference No. 34228

May 30, 2014

Shirley McFearin
Managing Broker
Director of Real Estate/ Port of Bellingham
1801 Roeder Avenue / P.O. Box 1677
Bellingham, WA 98227-1677

Name:	Waterfront Initial Development
Description:	10.8 acres of vacant mixed use land in the new Waterfront District
Address:	Granary Ave
Municipality:	Bellingham, WA
Whatcom County Parcel No.:	Portions of 53139
McKee & Schalka Reference No.:	34228

Dear Ms. McFearin:

We have prepared the attached appraisal report for the subject property. The letter authorizing this report is included in the Addenda. The subject is a 10.8 acre mixed use development site in the new Waterfront District in Bellingham. It is divided into three separate parcels ranging in size from 0.78 acres to 5.5 acres. All of the properties will be planned and improved together by a single developer. The property is currently vacant and unimproved save for a non-contributing older granary building that may be retained by the buyer. This is an appraisal of the fee simple interest in the subject property. The definition of Market Value used in this appraisal is found in the Appraisal Description of the attached report.

The accompanying appraisal has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. It is also subject to the Assumptions, Certification & Limiting Conditions contained in this report, as well as specific assumptions contained herein.

Mr. Kenneth Barnes, MAI, CRE and Tatiana Butler have personally inspected the subject property. Allison Roselle, MAI previously visited the site in 2013. We have all substantially participated in the analysis of this appraisal. As a result of our investigation and analysis, our conclusions are:

Attachment "E"

Transmittal Letter
Waterfront Initial Development, Bellingham, WA
McKee & Schalka Reference No.: 34228
May 30, 2014
Page 2

<u>Description</u>	<u>Effective Valuation Date</u>	<u>Value Conclusion</u>
Fee Simple Interest		
As Is Market Value - Eastern & Western Sites	May 23, 2014	\$40/sf
As Is Market Value - Granary Site	May 23, 2014	\$25/sf

We note that the value above for the Eastern and Western Sites is for a purchase of both sites at once. If a 2 acre or smaller parcel is sold off we would make a size adjustment upwards so the base value would be \$33/sf, plus the value of the impact fees calculated based upon the square footage or units that the smaller site could accommodate.

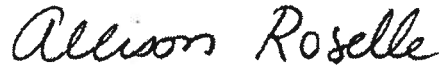
The value estimates are commensurate with an exposure time of about one year.

Respectfully submitted,



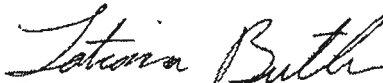
Kenneth Barnes, MAI, CRE

WA-State Certified General Real Estate Appraiser (1100578)



Allison Roselle, Appraiser

WA- State Certified General Real Estate Appraiser (1102038))



Tatiana Butler

WA State-Registered Appraiser Trainee (1001757)

McKee & Schalka

Real Estate Appraisal Services & Consultants, Inc.

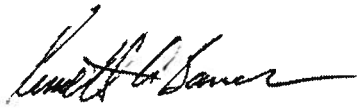
Attachment "E"

Waterfront Initial Development, Bellingham, WA, May 30, 2014


Certification

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

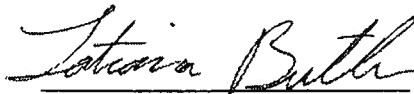
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. We previously appraised sites immediately adjoining this property in 2013.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Kenneth Barnes, MAI, CRE and Tatiana Butler have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Kenneth Barnes, MAI, CRE and Allison Roselle, MAI have completed the requirements of the continuing education program of the Appraisal Institute.
- As of the date of this report, Tatiana Butler has completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute



Kenneth Barnes, MAI, CRE
WA State-Certified General Real Estate Appraiser (1100578)



Allison Roselle
WA State-Certified General Real Estate Appraiser (1102038)



Tatiana Butler
WA State-Registered Appraiser Trainee (1001757)

General Assumptions, Limiting Conditions, Disclosure and Use Restriction

The attached report may only be used or reviewed in its entirety. No individual pages, portions, analyses or conclusions may be separated from the complete report or verbally disseminated without transmittal of the entire report. This appraisal is intended for use only by the client and intended users specifically identified in the report, and may not be transferred to any other party without the specific written permission of McKee & Schalka, Inc. Certain aspects of the report (including analysis methodology, spreadsheets, textual formatting and content) are considered the exclusive intellectual property of McKee & Schalka, Inc. All rights are reserved.

The following General Assumptions and Limiting Conditions are supplemented by additional specific assumptions and limiting conditions identified in the report.

It is assumed that there have been no substantial changes to the property between the date of our inspection and the date of the report.

It is assumed that there are no hidden or unapparent conditions of the property, subsoil, structures, or environment (including asbestos, formaldehyde, radon, soil contamination, structural conditions, legal compliance including zoning and Americans With Disabilities Act compliance, title or legal conditions, mineral or other valuable conditions or rights, or unknown soils, hydrological, or environmental factors) that render it more or less valuable. We have no expertise in any of these areas, and we specifically counsel the client to perform additional investigation by qualified experts. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.

The liability of McKee & Schalka, Inc. and its employees is limited to the client only.

The value conclusions are the result of integration of the entire appraisal process, including multiple methodologies, approaches and analyses. Any specific errors or omissions may or may not change the value conclusions.

The appraiser is not required to give further consultation, testimony or attendance in court by reason of this appraisal unless arrangements have been previously made.

The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

The forecasts, projections and estimates contained in this report are based on current market conditions, anticipated short-term supply and demand factors, and a stable economy. These forecasts are, therefore, subject to changes with future conditions. The analyses and conclusions are valid only as of the date of transmittal of the report.

The appraiser has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.

No responsibility is assumed for the legal description or for matters including legal or title considerations. The property is appraised free and clear of any or all liens or encumbrances, unless otherwise stated. Title to the property is assumed to be good and marketable.

Responsible ownership and competent management are assumed.

The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately or in conjunction with any other appraisal.

RESTRICTION UPON DISCLOSURE & USE:

This appraisal is intended for use only by the client and intended users specifically identified in the report, and may not be transmitted or communicated to any other party without the specific written permission of McKee & Schalka, Inc. Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which (s)he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.

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Attachment "E"

Waterfront Initial Development, Bellingham, WA, May 30, 2014

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Summary of Important Conclusions

Name of Subject Property:	Waterfront Initial Development
Address:	Granary Ave
Municipality:	Bellingham, WA
Whatcom County Parcel Number:	Sections of 53139
Property Description:	Waterfront Mixed Use land located in the new Waterfront District. The property is divided into three separate development parcels by planned city streets.
Size:	10.8 acres (470,448 sf)
Current Status:	The property is currently vacant and owned by the Port of Bellingham. The Port is evaluating the subject for potential sale to a private developer. Negotiations between the Port and Harcourt Developments Limited for the subject land are currently underway, though pricing and timing of a sale are unknown at this point.
Appraisers:	Kenneth Barnes, MAI, CRE Allison Roselle, MAI Tatiana Butler, Appraiser
McKee & Schalka Reference No:	34228
Effective Date of Appraisal:	May 23, 2014
Date of Report Preparation:	May 30, 2014
Property Rights Appraised:	Fee Simple Interest
Purpose and Use of Appraisal:	Estimate market value to assist with future decisions regarding the subject
Signed Certification:	Attached
Assumptions and Limitations:	Attached
Highest and Best Use:	Redevelopment of the site with mixed-use commercial and residential in line with the zoning.
Zoning:	Waterfront Mixed Use per City of Bellingham

Market Value - Fee Simple Interest - Eastern & Western Sites:	\$40/sf
Market Value - Fee Simple Interest - Granary Site:	\$25/sf

Comments

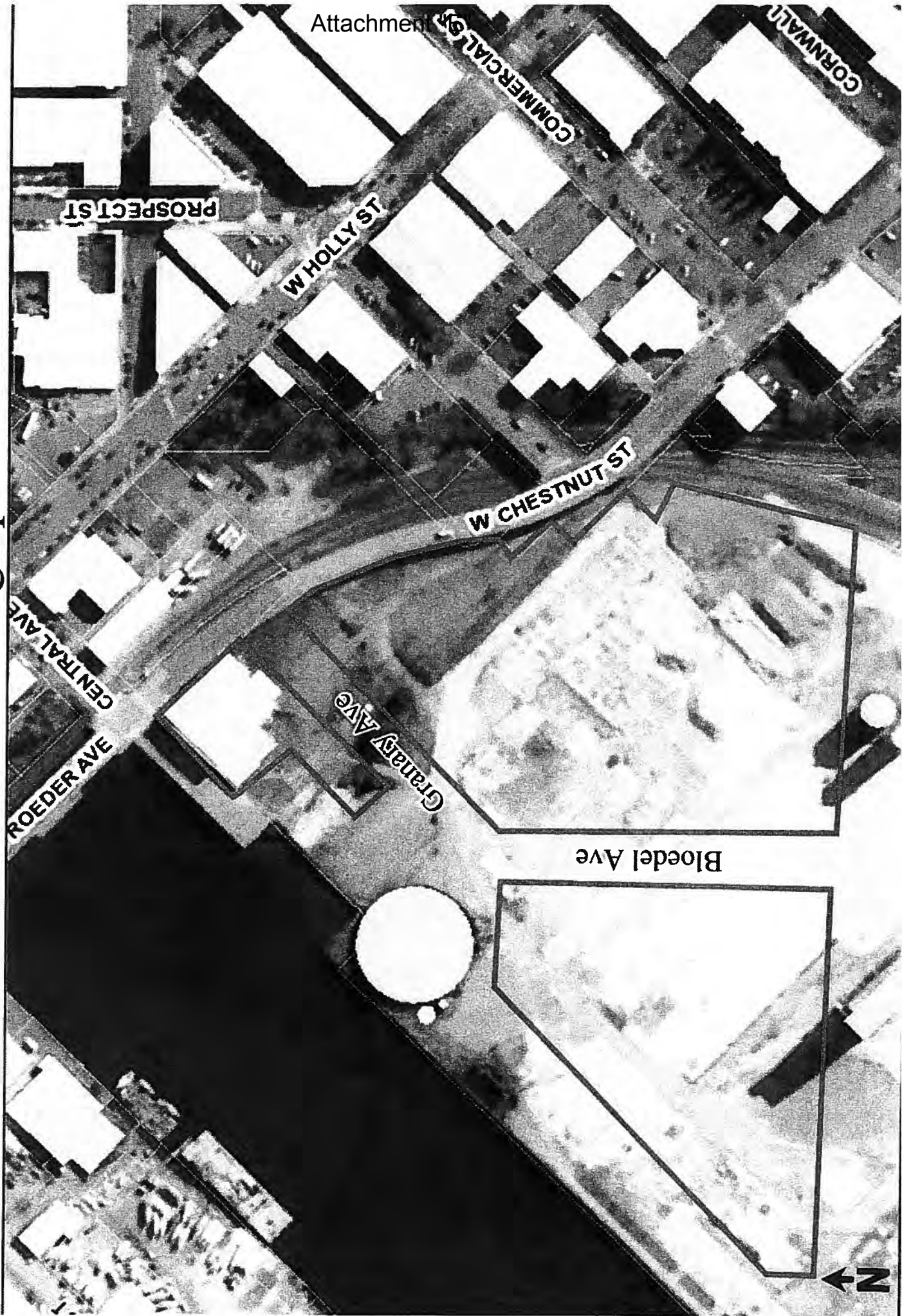
The subject consists of three development sites totaling 10.8 acres on the Bellingham waterfront in the newly designated Waterfront Mixed-Use District. The area was formerly used as the Georgia Pacific paper mill but is the subject of a citywide planning effort to redevelop the waterfront with a mix of uses, including multi-family residential, office, retail, institutional and industrial uses. The subject represents the first phase of development and is located at the north end of the district. It is presently owned by the Port of Bellingham, and negotiations to sell it to a developer are underway. The property is known to be contaminated by its former

use as a paper mill, but the Port is responsible for the environmental clean-up of the property, and will retain this responsibility following a sale.

Given the subject's prime location on the downtown waterfront and current market conditions, we have concluded that the highest and best use is development with residential or mixed-use improvements. Given the size of the property, development is likely to occur in phases. We note that a portion of the subject is improved with an old granary building. This parcel is within the Shoreline Master Plan (SMP) area and is subject to stricter zoning regulations than the rest of the property. Because of these regulations and the site's small size, it is likely that retaining the existing improvement on this portion of the subject is the highest and best use. The improvements are seen as contributing minimal value but more importantly, maintain the value of the underlying land.

We have used the Sale Comparison Approach to valuation. The sale comparisons include several local Bellingham comparisons as well as similar waterfront locations from around the Puget Sound Region.

Aerial Photograph



Subject Photographs



View of the current entrance to the site from Central Ave. This roadway will be replaced with a waterfront park. The Granary building is visible to the right of the frame.



This shows the Granary building looking north. This building is not considered to have contributory value to the property, although it may be retained and remodeled.



This is a view looking northwest to the Granary site from the Eastern site. W Chestnut Street is visible to the right of the frame. Current development plans call for an elevated roadway to extend from W Chestnut down past the Granary building. This road will be called Granary Ave. It forms the northern boundary of the Eastern site.



View of the the southeastern side of the Eastern site. This is the largest of the three subject sites at roughly 5.46 acres. The tile tanks form the southern boundary of this section of the subject. These are expected to be retained as a feature of the parkland that surrounds the subject.



This shows the majority of the Eastern site. The elevated W Chestnut St, visible to the upper left of the frame, can be used to illustrate the expected elevation of the roads which will bisect the subject. These will decesend roughly 30 ft down from the existing road. Port authorities expect a this area to accommodate at least one floor of below grade parking.



This shows the Western parcel. Like the Granary parcel, it is also located along the Watcome Waterway. This parcel is not subject to the Shoreline Master Plan however.



View of the Western site facing south.



View from the Western site facing northeast to the Granary Site. Bloedel Ave will run along the right of the frame and connect up to Granary Ave. The Watcom Waterway is located out of the frame to the left.



This shows the future beach area adjacent to the Granary site. It is not part of the subject.

Appraisal Description

Identity of Property

The subject property consists of 10.8 acres of vacant mixed use land within the proposed Waterfront District in Bellingham, WA. It is divided into three sites by planned public roads. The proposed Granary Ave E separates the Eastern and Granary sites. The proposed Bloedel Ave will separate the Western and Eastern sites. Please see the exhibits throughout this report for our understanding of the subject boundaries. There is no address in place for these parcels as of yet.

Legal Description

Our understanding of the subject property boundaries is represented on the "Aerial Photograph" exhibit at the beginning of this section as well as the "Site Map" exhibit at the beginning of the Property Description section. The sites are currently associated with the Whatcom county parcel 53139; at the time of sale, we expect a lot line adjustment to create three new parcels for the subject.

Easements and Other Restrictions

We have not been provided with a title report for the subject property and assume that there are no easements or other restrictions which encumber the property to a degree that the value would be impaired.

Purpose of Appraisal

The purpose of this appraisal is to estimate the Market Value of the subject property. The following definition of Market Value is found under Advisory Opinion 22 (AO-22) in The Uniform Standards of Professional Appraisal Practice, 2014-2015 Edition, Page A-75:

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

- (1) Buyer and seller are typically motivated;*
- (2) Both parties are well informed or well advised and acting in what they consider their own best interests;*
- (3) A reasonable time is allowed for exposure in the open market;*

- (4) *Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and*
- (5) *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

This definition is consistent with Code of Federal Regulations, Title 12, Part 34, Subpart C, 34.42(g), August 24, 1990.

Client and Intended User

The client and intended user of this appraisal is the Port of Bellingham.

Intended Use of Appraisal

The intended use of this appraisal is to assist the intended users with decisions regarding the subject property.

Property Interest Appraised

The subject is currently vacant, and this report addresses the fee simple interest in the property.

Unavailability of Information

We have not been provided with an environmental report, a hydrologic, or soils report. We are not experts in these areas, and generally rely on the technical reports of qualified personnel. We specifically assume that there are no unapparent conditions which affect the value or utility of the property.

Assumptions and Limiting Conditions

This appraisal is subject to the Assumptions and Limiting Conditions found at the beginning of this report, as well as the assumptions in this section. The appraisal is also subject to any extraordinary assumptions and/or hypothetical conditions named herein. We note that the use of extraordinary assumptions and/or hypothetical conditions might have affected the appraiser's opinions or conclusions.

We assume that all provisions of the Interlocal Agreement for Facilities dated 12.18.13 will be implemented. Specifically, it is assumed that the City of Bellingham will construct Whatcom Waterway Park, the first phase of the Commercial Street Green Park, Granary and Bloedel Avenues through the site, and interim Laurel Street to Cornwall Avenue, plus associated utilities over the next several years in conjunction with site development.

Scope of Work

The scope of this appraisal assignment is consistent with the Client Agreement. In the course of this appraisal assignment, we inspected the subject in the company of Sylvia Goodwin, the Port of Bellingham's Planning and Development Director, and with Terry Ilahi, the Port's Real Estate Analyst/Representative. We discussed the existing condition of the site, as well as the plans for improvement following environmental remediation and ongoing plans and negotiations with Harcourt Developers to improve the site. We also consulted knowledgeable, active brokers in the market regarding recent activity in the surrounding land markets.

Our research of the subject included a review of a variety of documents, including assessor's records and public records about the Master Plan for the Waterfront District, the Bellingham zoning code, Waterfront District Planned Action Ordinance, among others. We also visited the subject neighborhood and researched trends and public announcements about the subject and the neighborhood. We surveyed several properties that are considered to be comparable to the subject, including waterfront commercial and mixed use sites throughout the region and local Bellingham properties. We valued the subject using the Sale Comparison Approach, using relevant transactions of comparable vacant or redevelopment sites. Overall, the scope of the research and analysis associated with this appraisal is considered to be adequate to support the value conclusions.

Competency

We are competent to appraise the subject property. We have considerable experience in the valuation of similar waterfront development sites in the Puget Sound Region and experience working in Bellingham, specifically in the Waterfront District. Please refer to the Scope of Work, the Appraisers' Qualifications and Experience data in the Addenda, and the research and presentation embodied in this report for verification of our competency.

Ownership of Property

The current owner of the subject property is the Port of Bellingham.

History of Property and Current Status

The subject has not transferred in the last three years. We are not aware of any listings, options, or direct indications of value for the subject property, although we are aware that the Port is currently in sale negotiations with Harcourt Developments Limited. At this time, no details of pricing or timing are available.

Exposure Time

The value conclusions in this report are as of the effective dates of this appraisal, and assume that a "reasonable exposure time" has preceded those effective dates. Thus the value

conclusions are consistent with expected transaction on the effective date of the appraisal after prior exposure.

We conclude that the subject land would be marketable if available for sale.

First and foremost, the subject represents a unique property of which there is very little supply. The waterfront access and view potential, proximity to downtown Bellingham, and planned governmental investment in the immediate area would all increase the marketability of the subject. Furthermore, there is clear evidence of demand for the subject land. On May 15, 2013, the Port brought its first Waterfront District site, the subject, to the marketplace to attract developers. The Port issued a Request for Proposals (RFP) for the subject with a mid-July deadline. The Request for Information (RFI) went out before the RFP and received nine responses, three of which wanted the property with the existing granary building and six wanted the vacant pieces. The Port received strong proposals from three development groups; Williams/Dame & Associates, Uniting Creatives/Four Pillars, and Harcourt Developers Limited. At this time, negotiations are primarily underway with Harcourt Developers, which reportedly plans to develop the property to the maximum extent allowed by the zoning. This recent activity on the site definitively exhibits demand for the subject.

Additional indications come from several recent development site sales in Bellingham as well as throughout the region, particularly for apartment development. The local Bellingham sales and listings reflect exposure time upward of a year and half; however, these sites are all inferior to the land at the waterfront in the area, and we would expect a shorter marketing time for land in the Waterfront District.

After consideration of all of these factors, it is our conclusion that a reasonable average exposure time for the subject property would be about one year, and the value conclusions of this report are consistent with that period.

Date of Value Estimate

May 23, 2014

Date of Appraisal Preparation

May 30, 2014

Neighborhood Map



Neighborhood Description

Western Washington

The subject is located in Western Washington, north of the Seattle Metropolitan Area near the Canadian border. The Seattle Metropolitan Area is the central focus of economic activity for the entire Western Washington region and is the largest metropolitan area in the state. The Seattle Metropolitan Area encompasses all of the urbanized areas within King County and is located in the middle of a five-county area often referred to as the Central Puget Sound Region. The Seattle Metropolitan Area boundaries extend from Everett in the north to Tacoma in the south with Puget Sound to the West and the Cascade Mountains to the east.

Regional Overview

We have included a description of Whatcom County in the addenda of this appraisal. Essentially, both the population and the economic base of the county are expanding. The economy of the area is impacted by the status of the Canadian economy and the relationship of the two countries' currencies. Overall, growth and development are expected to continue along the I-5 corridor over the long-term.

The subject property is located within the City of Bellingham, a little under two hours north of Seattle, and about thirty minutes south of the Canadian/U.S. Border. The City of Bellingham is also the largest city and largest commercial and retailing center in Whatcom County. The subject is located about two miles west of Interstate-5, which is the primary north/south route for vehicular traffic both within western Whatcom County and for traffic passing through Whatcom County. Seattle is located 90 miles south of Bellingham via Interstate-5, and downtown Vancouver, British Columbia is 55 miles north of Bellingham via Interstate-5 and connecting Canadian freeways.

Whatcom County & Bellingham Population and Employment Trends

The city of Bellingham is the most densely populated and largest population center in the county. The Whatcom County Census Tract Map provides information on the population of the areas surrounding the subject. The population in the subject's census tract increased from 6,876 in 2000 to 9,737 in 2010, a change of over 40% in ten years. The census tract immediately to the east of the subject's saw an increase of over 55% in that time, and the tract to the south increased by 25%. The total population in Whatcom County increased from 127,780 in 1990 to 166,814 in 2000 (State of Washington estimate), and then to 201,140 in 2010. This represents an increase of 20.6% over the past decade. The 2013 Population Estimates released by The US Census Bureau reflect continued growth, with the most recent estimate of 206,353 people as of 2013. We expect the population of Whatcom County as a whole to continue to grow gradually and we expect the population in and around Bellingham in particular to continue to grow as well.

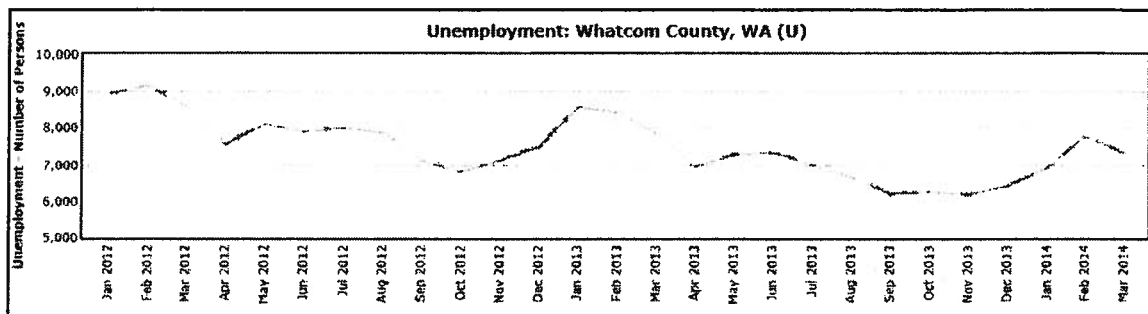
Census data indicate that from 2000 to 2010, Bellingham grew in line with the county as a whole. The 2013 population estimate of 82,310 was up about 2% from the 2010 census figure of 80,885. The population within Bellingham represents approximately 40% of the entire Whatcom County population, and is the largest city in the county. The subject's census tract is among the fastest-growing in the entire county. Generally, areas on the outskirts of Bellingham's city center, particularly to the north and east, have seen rapid population growth in the last decade. Smaller municipalities within Whatcom County have also experienced significant growth over the ten year period, including Blaine, Everson, Ferndale, Lynden, Nooksack, and Sumas. Ultimately, Whatcom County is growing at a higher rate than Washington State as a whole. Additional population growth details are found within the Whatcom County Area Description, located within the Addenda.

The six largest employers in Whatcom County are government related. Western Washington University is the largest employer with 2,235 employees. St. Joseph Hospital is the second largest employer with 1,757 employees. The Bellingham School District and Whatcom County hold the 3rd and 4th rank with 1,651 and 930 employees respectively. The Ferndale School District and City of Bellingham hold the 5th and 6th rank with 910 and 858 employees.

Since hitting a low of just 4.20% in 2007, the unemployment rate in Whatcom County increased over the course of the recession, and now appears to be decreasing slowly, although it is not yet at pre-recession levels. Data provided by the Bureau of Labor Statistics reflects a current unemployment rate in Bellingham of 7.1%, as compared to the Washington State rate at 6.3%. Please see the table below which shows average employment statistics in Whatcom County since 2005. The main thing to note about this table is that total employment has been relatively constant since 2010, with no growth.

Whatcom County Employment & Unemployment

<u>Year</u>	<u>Total Employment</u>	<u>Total Unemployment</u>	<u>Unemployment Rate</u>
2005	97,710	5,160	5.02%
2006	98,540	4,660	4.51%
2007	101,320	4,440	4.20%
2008	103,750	5,430	5.00%
2009	100,508	8,642	7.90%
2010	97,250	9,380	8.80%
2011	95,270	8,670	8.30%
2012	97,412	7,948	7.54%
2013	96,572	7,136	6.90%



Development Trends

Over the last few years, several industrial parks have been developed along Interstate-5 at Ferndale and north of Ferndale towards Blaine. A number of small to medium sized manufacturing facilities have been constructed, many of these being branches of Canadian firms. The effects of the U.S./Canada Free Trade Agreement have resulted in economic development along this corridor between Bellingham and Canada.

A significant proposed development that is currently in active development in Whatcom County is the new multi-modal marine terminal that is proposed by SSA Marine and will be part of the Cherry Point industrial complex. Development had been proposed and the major development permit and shorelines substantial development permits were in place, particularly to allow the dock to be constructed. We are aware that recent rulings by Whatcom County will require new permits to be acquired that will reflect the greater scale of the improvements currently proposed. Progress is presently stalled as BNSF and SSA review the required environmental study and its costs. Once these are signed off on, the review process is expected to take between one and two years.

The large scale improvements that are currently proposed were submitted to the county on February 28, 2011 by SSA Marine, which is one of the two or three largest seaport builders and operators in the world. It filed permit applications with the County to build a huge bulk-commodity shipping port. The dimensions of the port, called Gateway Pacific Terminal, are:

- Capacity for shipping 48 million tons of coal per year, along with another 8 million tons of closed storage commodities such as wheat and potash
- A rail system to accommodate 125-car coal trains, expanding to 150-car trains over time
- A wharf measuring 2,980 feet, to berth three "cape size" vessels, the largest class of general freighters afloat, displacing up to 250,000 tons
- A conveyor system to move coal 1,250 feet, from landside storage areas directly to the holds of the ships

According to published reports, anywhere from nearly half up to two thirds of the 1,091 acre site will remain permanently natural and serve as a buffer.

Also in recent years, major retail chains and retail developers have sought out land adjacent to I-5 for new shopping center facilities. A major commercial project known as Pioneer Plaza was planned for the southeast quadrant of I-5 and Main St in Ferndale. This is a 1,100,000 development proposed on 98-acres. The plans call for retail, office, residential, entertainment and recreational facilities. There is a 65,000 sf supermarket in the site plan drawings in addition to a cinema, restaurant pads, and 100,000 sf of office space, a post office, community center, hotel, conference center, 40-assisted living units and other anchor retail sites. The shopping center would have excellent freeway visibility and good access. It is our understanding that this project is on hold indefinitely. The proposed development was previously listed on the market for sale at the end of 2008. While the development status is unclear, the project does not appear to be moving forward at this time, though it may arise at some point in the future.

Waterfront Initial Development

Whatcom County Growth and Land Statistics

Whatcom County Forecast Growth by 2022					
City	New Population	New Retail Jobs	New Ind'l Jobs	New Comm'l Jobs	Househol
Bellingham	29,781	6,524	4,923	15,691	2.28
Blaine	1,554	222	276	806	2.17
Everson	1,263	28	175	0	2.80
Ferndale	5,727	467	478	781	2.66
Lynden	6,267	651	465	1,300	2.51
Nooksack	916	19	7	4	2.88
Sumas	509	17	84	22	2.39
Columbia Valley	2,009	70	1	29	3.23
Point Riberts	411	69	19	50	2.15
Birch Bay	2,297	49	18	275	2.28
Whatcom County Totals & Averages:	50,734	8,116	6,446	18,958	2.41

Forecast Demand for Developable Land									
City	Residential (Acres)				Commercial (Acres)				In
	2007	2012	2017	2022	2007	2012	2017	2022	
Bellingham	984.0	1,814.0	2,635.0	3,438.0	114.9	234.7	359.2	489.2	60.6
Blaine	71.0	133.0	194.0	251.0	7.2	14.5	22.2	30.2	2.8
Everson	38.0	75.0	115.0	158.0	9.7	0.2	0.6	1.1	3.5
Ferndale	216.0	399.0	579.0	755.0	9.7	19.9	30.4	41.5	5.3
Lynden	251.0	462.0	671.0	876.0	14.8	30.2	46.2	62.9	6.3
Nooksack	25.0	50.0	79.0	112.0	0.2	0.5	0.7	1.0	0.1
Sumas	18.0	36.0	54.0	75.0	0.3	0.6	1.0	1.3	0.7
Columbia Valley	62.0	116.0	169.0	218.0	2.6	3.1	3.6	4.1	0.0
Point Riberts	19.0	36.0	52.0	67.0	1.0	2.2	3.3	4.5	0.3
Birch Bay	100.0	188.0	273.0	353.0	2.2	4.4	6.6	9.0	0.3
Whatcom County Totals:	1,784	3,309	4,821	6,303	163	310	474	645	80
Bellingham Total by 2022:	8,871	<i>Residential Acres</i>				1,198	<i>Commercial Acres</i>		510 <i>In</i>

*Data from Whatcom County Population and Economic Forecasts 2002-2022.

Central Business District Neighborhood

The Central Business District (CBD) is Bellingham's core downtown area and is situated along the central waterfront. It is the dominant commercial, civic, and financial center of the community, and has supported a variety of land uses over time. The CBD includes a collection of smaller neighborhoods, each with distinct features. The Old Town area is heavily influenced by the presence of the Port of Bellingham and the Commercial Core Area is one of the prime retail locations in the city. We note that in the late 1980s, many major retailers left the downtown area for the Bellis Fair regional mall. The subject is situated along the waterfront. There are many city and county office buildings in this area, along with the Post Office and Public Library. Additionally, this area is well-served by the Whatcom Transportation Authority, which provides high-frequency bus service to the neighborhood.

Waterfront District Planning

The City of Bellingham and the Port of Bellingham are collaborating to guide redevelopment of 237 acres of Bellingham's downtown waterfront. The long-term vision for this former mill site is a new mixed-use neighborhood, featuring residential, commercial, light industrial and institutional uses, as well as parks, trails and a healthy shoreline. Since 2005, community members and dedicated advisory groups have helped shape proposed plans for this area. The Port solicited a number of development proposals in July 2013, and has recently begun a negotiation process with Harcourt Developments Ltd for the transaction of the three subject parcels. This will be a four month process with a deadline of June 8th according to the Whatcom Business Alliance where both parties will further research the other and determine the feasibility of the proposed development. The proposed development is for eleven acres which include the 100-year old Granary Building. This area would be the first section to be developed out of district. The current plans for the district include a mix of retail, office and residential buildings, as well as a 'community learning center' for Western Washington University. The subject sites would include residential, office, and retail uses in this first phase of development.

Goals of the Master development plan include economic redevelopment, providing better connections between downtown and the port, and improving public access to the waterfront. The current vision for the redevelopment is for office, retail, hotel and residential. According to Lydia Bennett, the Director of Business Development for the Port, the port has been shopping the parcels to developers because officials want the private sector to have a say in how the land will be developed. "We need to have market realities put in," she said (Puget Sound Business Journal, May 17, 2013). Harcourt Developments Ltd. had originally proposed a development plan for the entire site, however this was not approved, resulting in negotiations for just this first development phase which is ongoing presently.

One of the goals within the larger waterfront plan is to increase public waterfront access. The redevelopment project will provide several new waterfront access opportunities through the creation of new parks and trails. These public amenities will be developed gradually in phases as the site develops. They will connect the waterfront with downtown Bellingham and will feature areas to walk, play, and experience the waterfront. A multi-modal system of streets,

walkways, bike paths, trails, and transit routes in the Waterfront District will be phased in with the parks and trails over time to encourage preferred patterns of development.

The following timeline for waterfront redevelopment as it applies to public access and parkland is provided on the Port's website and quoted as follows:

1. In 2013, the City of Bellingham is designing and developing a temporary trail around the former treatment lagoon to provide people with early waterfront access. The City Parks Department also is undertaking design of the Cornwall Beach Master Plan in 2013.
2. From 2011 to 2015, environmental cleanup actions and some demolition will be performed to support upland development in the Downtown Waterfront Area.
3. From 2012 to 2015, streets and infrastructure will be installed to support development and public access in the Downtown Waterfront Area.
4. From 2015 to 2018, initial development in the Downtown Waterfront Area will start to occur.

According to the Interlocal Agreement for Facilities within the Waterfront District, the port is the designated lead party for conducting environmental remediation actions of the Georgia Pacific West Site, Whatcom Waterway Site and Cornwall Avenue Landfill site.

We have reviewed the 2013 Final Waterfront District Sub Area Plan. Reportedly over half of the project area will be utilized for infrastructure and public open space. This includes the four acres of existing public open space, 33 acres of new park land, 60 acres for streets, utilities and railroad rights of way and 29 acres for a marina. The remaining 111 acres will be developed for industrial, retail, residential, commercial and institutional use. Among other things, the 2013 Final Waterfront District Sub Area Plan outlines the planned development character. The Sub Area Plan defines five unique areas, each with a distinct character, within the Waterfront District. These five areas are Marine Trades with ASB/Marina, Downtown Waterfront, Log Pond, Bellingham Shipping Terminal, and Cornwall Beach.

The Marine Trades Area is a 58-acre part of the District characterized by a working waterfront that will support a new Clean Ocean Marina which adaptively reuses the wastewater treatment lagoon from the paper mill. The main focus of development in this area is to accommodate jobs revolving around marine trades such as fishing, boat building, boat repair, marine haul-out facilities, marine product manufacturing and supplies, research and development.

The Downtown Waterfront Area, in which the subject is located, is a 37-acre part of the District that will mainly serve the population of the area with a mix of housing, office, and institutional uses in a high density configuration centered around the Commercial Street Green open space and Bloedel Avenue. The institutional or business campus will be along the southern edge of this area (outside of the subject area). This area's waterfront will have an urban character with minimum building heights and pedestrian oriented uses encouraged along the waterfront promenade.

The Log Pond Area includes 52 acres and will be an Industrial Mixed-use area to be utilized for transportation, construction or light industrial uses through the end of the planning period for the Waterfront District Sub-area Plan. Preferred land uses in the area also include light manufacturing and assembly, high technology, and research and development. The Port is working with Burlington Northern to obtain permission to install a rail spur to serve this area in the future. The shoreline and beach along the Log Pond will be restored for habitat and public enjoyment, accessible via a waterfront pedestrian and bicycle trail and by non-motorized vessels.

The other two areas, the Cornwall Beach and Shipping Terminal areas, will have similar uses as other areas within the district. The Cornwall Beach area will have residential, office, and a small amount of goods and services uses at a lower density than the Downtown Waterfront Area. The Shipping Terminal area will be maintained for shipping, port, and industrial related opportunities.

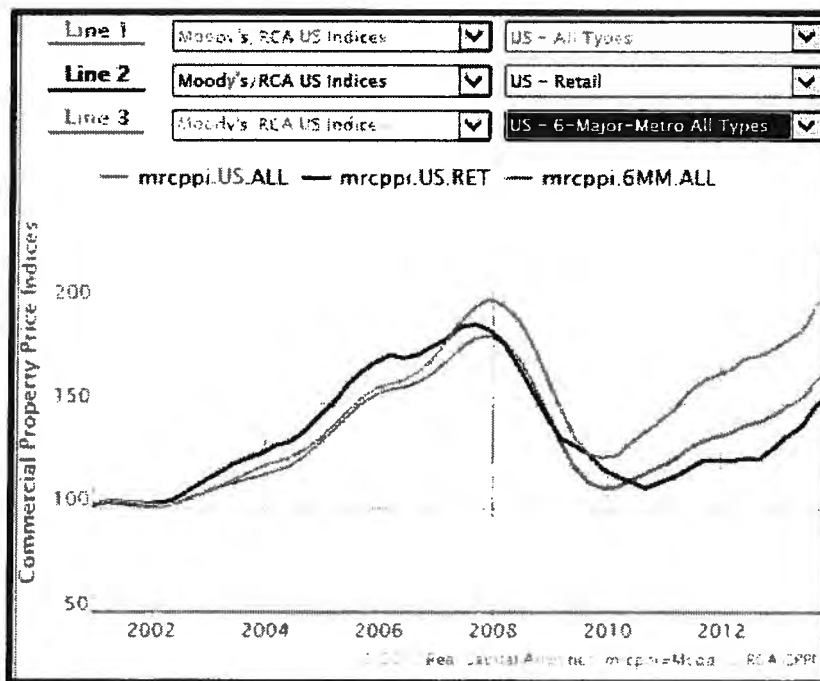
Conclusion

The eventual redevelopment of the waterfront will have a positive impact on Bellingham, increasing the city's appeal regionwide and bringing focus within the immediate community back downtown and to the waterfront.

Market Analysis

National & Regional Overview

Economic indicators show that the pace of recovery appears to be accelerating. The GDP increased by 2.6% in the fourth quarter of 2013, and by .1% in the first quarter of 2014. This represents a relatively sharp uptick from the first half of 2013. While there was some concern that the combined effects of the government shutdown, sharp cuts to federal spending, and easing of the Federal Reserve's bond buyback program would severely weaken the economy, recent indicators have shown that the recovery remains resilient, and the economic outlook for 2014 is for continued growth. Additionally, demand for high quality investment properties has risen substantially. As competition for the best investments pushed down rates of return, there is increasing evidence that investors are moving up the risk spectrum and turning their attention to "value add" properties with good prospects. This trend is highly positive for the commercial real estate industry, and is expected to continue in the near to medium term.

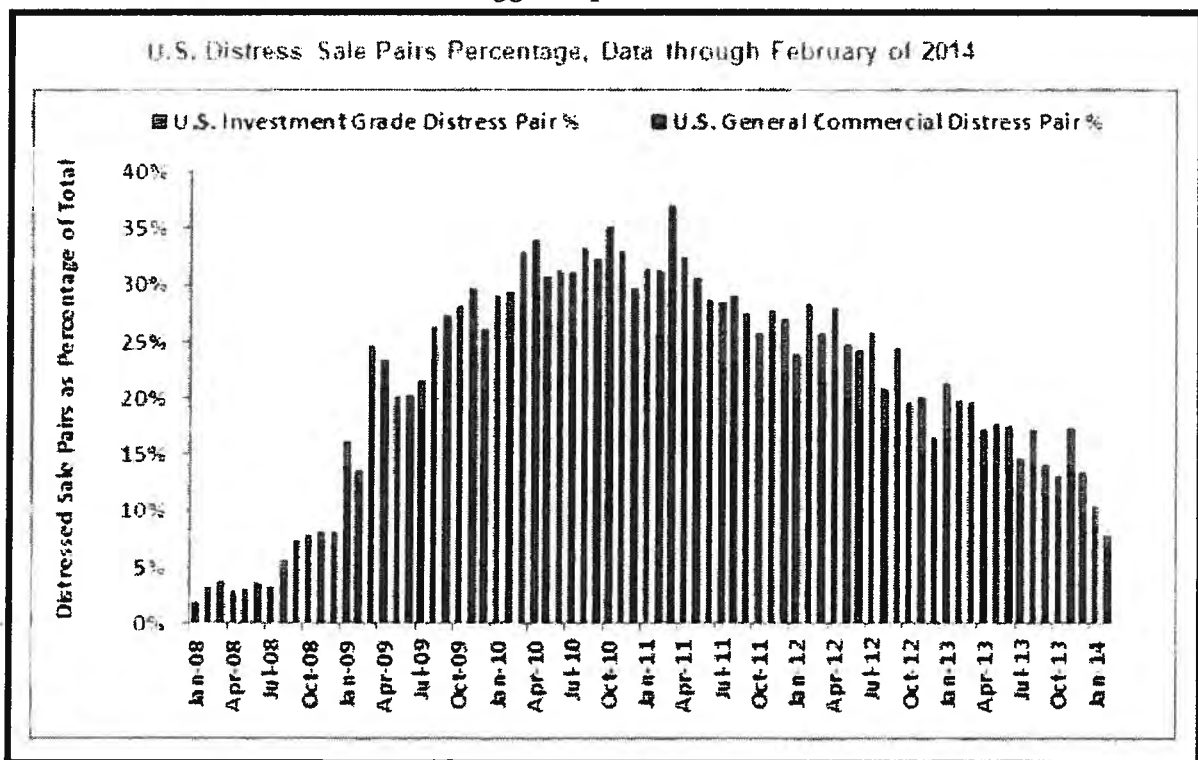


The Moody's/RCA Commercial Property Price Index (CPPI) was updated in April 2014 and reflects results through February 2014. They report that the national-all property composite index increased in February by .9%. This improvement was driven by rising apartment and core commercial prices. Over the last 12 months, the core commercial sector has seen price gains of 18.6%, which has exceeded gains in the apartment sector which has shown gains of 12.5%. The industrial sector has also been increasing, although not as quickly as retail and central business district office prices. Generally the price increases in non-major markets have closely reflected the price increases in major markets over the last three month period. The national all-property index has now recovered to 85% of its post-crisis loss.

At this time, the apartment prices in major markets are showing prices over 20% above their pre-crisis peak. This market is showing the strongest recovery currently. Suburban offices are showing the weakest recovery rates at this time, with prices 30% below peak. All of the other sectors have recovered over 40% of their peak-to-trough loss.

The latest results from the NCREIF Transactions Based Index (TBI) indicate that prices decreased -1.52% in the fourth quarter of the year, following a robust 4.37% gain in the third quarter of the year. Results for the West Region are slightly more positive, showing a decrease of -1.4% in the fourth quarter which follows a gain of 4.54% in the third quarter.

The CoStar Commercial Repeat-Sale Indices (CCRSI) was updated April 2014, with sales through February 2014. Along with the (equal weighted) US General Commercial Index and US Investment Grade Index, CoStar now provides the US Composite Index as a Value Weighted and Equal Weighted measure. The most recent update indicates the US General Commercial index is up 3.5% from the previous quarter, and the US Investment Grade index is up 4% from last quarter. Compared to one year ago, these indices have increased 15.7% and 15%, respectively. Over the last month, the US General Commercial index increased 1.8%, which is an increase over the prior January rate. On a value-weighted basis, the US Composite Index increased by 1.2% over the past quarter, and 1.1% over the last month. On an equal-weighted basis that is not as influenced by large transactions, this index increased 3.5% over the past quarter. The most recent CoStar report notes that this month's results continue a trend of broad recovery in the commercial real estate markets. Even the low-end properties are reportedly gaining momentum. In particular, the industrial and office sectors have been experiencing the strongest absorption gains over the last year. In general, absorption, rents, sales activity and pricing have seen broad gains across all markets and property types, and the percentage of distress properties has continued to fall rapidly. Vacancy rates have also fallen across the board. All of these factors suggest a positive outlook.



Waterfront Initial Development

Bellingham Commercial Vacancy Statistics

Whatcom County Real Estate Research Report Vacancy Statistics

Area	Office				Commercial			
	Vacant SF	Total SF	Vacancy %	Vacant SF	Total SF	Vacancy %	Vacant SF	
Airport	4,356	88,622	4.92%	0	128,244	0.00%	24,000	
Barkley Village	45,068	692,150	6.51%	6,582	381,484	1.73%	0	
Bellis Fair Mall	0	0	0.00%	0	754,234	0.00%	0	
Bennett - Marine Drive	47,186	106,690	44.23%	2,500	115,348	2.17%	26,532	
Cordata	29,300	727,500	4.03%	20,500	589,000	3.48%	40,000	
Downtown	95,037	1,400,725	6.78%	138,037	1,531,659	9.01%	0	
Fairhaven Core	5,573	148,911	3.74%	18,021	358,103	5.03%	0	
Fairhaven Waterfront	0	20,914	0.00%	800	78,135	1.02%	0	
Fountain District	6,445	66,194	9.74%	23,528	171,819	13.69%	0	
Hannegan Corridor	0	0	0.00%	0	128,714	0.00%	50,956	
Iowa/Fraser	6,600	302,980	2.18%	12,365	202,800	6.10%	64,200	
James Street	0	19,698	0.00%	0	113,915	0.00%	0	
Kline/ Kelly Corridor	1,000	5,000	20.00%	4,000	10,000	40.00%	42,500	
Lakeway/ Lincoln Corridor	21,658	136,822	15.83%	8,650	269,874	3.21%	0	
Meridian Corridor	23,298	206,125	11.30%	71,666	1,594,557	4.49%	24,786	
Northwest/Birchwood	500	216,232	0.23%	21,415	311,310	6.88%	0	
Ohio Street	0	82,743	0.00%	23,258	510,612	4.55%	3,734	
Old Town	700	56,273	1.24%	6,113	214,959	2.84%	0	
Orchard St	26,983	51,059	52.85%	14,400	351,262	4.10%	2,100	
Pacific Highway	3,445	63,904	5.39%	720	147,640	0.49%	8,000	
Samish Way/Sehome Village	23,004	64,663	35.58%	21,635	280,762	7.71%	0	
Squalicum Harbor	67,112	406,599	16.51%	1,035	104,806	0.99%	5,795	
St Joseph Hospital	12,715	786,813	1.62%	0	0	0.00%	0	
Sunset Square	0	27,046	0.00%	34,521	754,322	4.58%	0	
Waterfront District	0	110,522	0.00%	0	70,839	0.00%	31,880	
West Bakerview	10,500	142,499	7.37%	21,800	365,352	5.97%	0	
Totals:	430,480	5,930,684	7.26%	451,546	9,539,750	4.73%	324,483	

Whatcom County Real Estate Market

In order to gauge vacancy rates in the subject's area, we have used the 2013 *Whatcom County Real Estate Research Report* published by the Whatcom County Real Estate Research Committee with the cooperation of the Western Washington University College of Business and Economics. Please see the *Bellingham Commercial Vacancy Statistics* table within this section for visualization of the annual data published by the committee.

The total office vacancy rate in the Whatcom County area was 7.26% which is up from 6.32% in 2012, and down from 9.7% a year prior. Total retail vacancy however has declined substantially and currently sits at 4.73% as compared with 6.22% in 2012 and 7.4% in 2011. The industrial vacancy percentages have also dropped substantially and are currently at 3.59% compared to 8.77% in 2012. Industrial vacancy percentages were at 5.5% in 2011. All in all, the report estimates a total of roughly 1.2 million square feet of vacant office, retail, and industrial space within the Bellingham market, indicating 4.9% market vacancy among commercial properties. This is down from the estimate of 6.8% in 2012 and 7.5% in 2011.

The subject property is specifically located within what the report defines as the Central Business District (CBD). We have reviewed the various sections of the report based on potential uses of the subject land.

The Waterfront District, where the subject is located, is expected to have some multifamily housing, either in the form of apartments or condominiums. In the current market, apartments would be more likely. There are very few multifamily buildings in the CBD, evidenced by the sample size within the market report. Of the 9 buildings surveyed, a 0% vacancy rate was reported. This vacancy rate is consistent with the rate reported in 2012. In total, 5,656 apartments in Whatcom County were surveyed and together reported a vacancy rate of 2.9% which is a sizable drop from 2012's rate of 8.58%. Buildings of 20 units or more are reporting even stronger numbers. The report provides the following table of data since 2012.

**APARTMENT RENTS & VACANCY RATES BY
NO. OF BEDROOMS, WHATCOM COUNTY, MARCH 2013 AND SEPTEMBER 2012**
(Buildings of 20 units or more)

MARCH 2013

	All	Studio	1 Bedr.	2/1 bath	2/2 bath	3/2 bath
Market Vacancy (%)	1.8%	2.2%	1.3%	2.6%	0.9%	4.1%
Average Rent(\$)	\$805	\$651	\$717	\$808	\$882	\$1039
Avg. Rent per NRSF	\$0.998	\$1.461	\$1.141	\$0.926	\$0.942	\$0.908
Building Surveyed	29	6	26	24	16	12
Units Surveyed	3,432	134	1,192	948	875	170

SEPTEMBER 2012

	All	Studio	1 Bedr.	2/1 bath	2/2 bath	3/2 bath
Market Vacancy (%)	1.7%	1.3%	0.8%	2.8%	1.6%	1.8%
Average Rent(\$)	\$801	\$655	\$715	\$806	\$858	\$981
Avg. Rent per NRSF	\$0.986	\$1.638	\$1.143	\$0.930	\$0.916	\$0.856
Building Surveyed	30	5	26	26	15	14
Units Surveyed	3,658	79	1,188	1,172	882	282

Any new development on the waterfront will likely be very attractive to potential tenants, and we would expect it to compete well within the larger submarket at vacancy less than the county average.

Please see the exhibit included in this section for a break down by submarket of office, commercial, and industrial square footage and vacancy for the county. Each use type is expected in some amount in the Waterfront District, although only office and commercial are expected at the subject site. We have briefly discussed these two markets.

Office uses are also anticipated in the Waterfront District. This area would likely standard office, perhaps some marine related uses, and some extension of Western Washington University. The total square footage of office space in Whatcom County is 5,930,684 sf, and the 2013 vacancy rate was 7.26%. The subject's CBD submarket contains 1,400,725 sf or about 24% of all the office space in Whatcom County. The 2013 vacancy rate for this area was 6.78%, superior to the overall county average and suggesting that new office space near the waterfront would compete well within the county overall. The new construction and expected views would be competitive with more central downtown locations.

Retail uses total 9,539,750 sf within the County and the 2013 vacancy rate was reportedly 4.73%. The CBD submarket includes 1,531,426 or about 16% of the county total, and this submarket has a reported vacancy rate of 9.01%.

The Whatcom County Population and Economic Forecasts predict rising demand for developable land in the County over the next ten years. Between 2012 and 2022, demand for residential land is expected to rise to over 6,000 acres county-wide, with over 3,000 of those acres in Bellingham alone. This represents an increase of nearly 90% over ten years. Demand

for commercial land is expected to more than double in that same timeframe. Please see the "Whatcom County Growth and Land Statistics" exhibit earlier in this section for more detail. These increases will largely be fueled by population growth, and much of the new development will likely continue to occur near the periphery of the city. Demand for commercial land, including multifamily, is therefore likely to pick up as economic conditions improve and especially with the pressure of continued population growth.

Current Development

There are several developments underway in Bellingham, proving that multi-family residential development is feasible and desirable in the area. The following projects have been proposed in Bellingham and are in various stages of planning. Building permits have not yet been issued.

- 147 rental townhouse units, June Road
- 175 apartment units, Lincoln Road
- 154 units, Telegraph Road
- 50 low income units as Phase 1 of Catholic Community Housing, Phase 1, W Bakerview Rd
- 42 low income units as Phase 1, Catholic Housing Services, Cornwall Rd
- 10 townhouses, Fountain Street

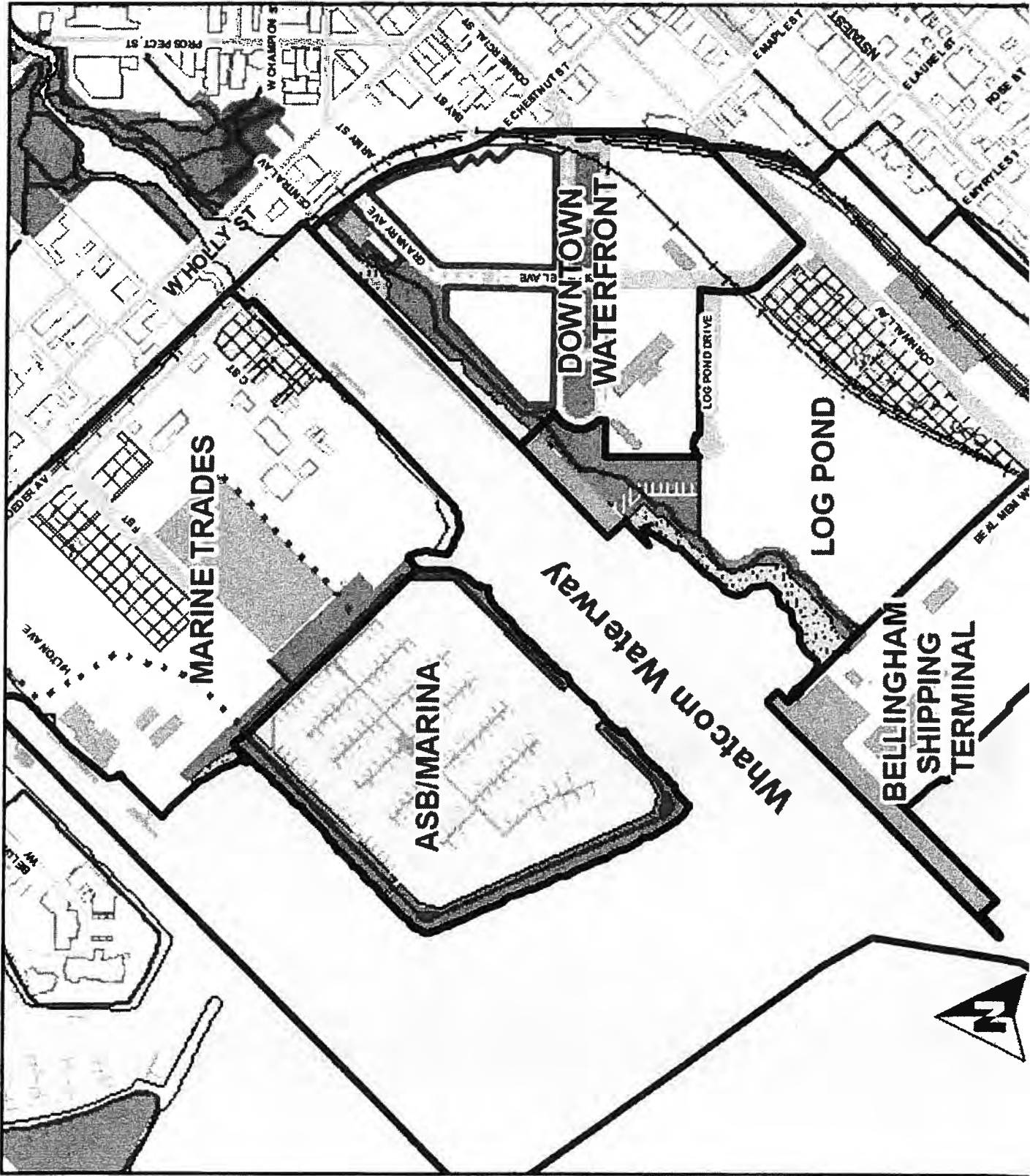
In Barkley Village, east of I-5 in a more suburban setting, there is a 100 unit "luxury" project nearing completion. Called the Cornerstone Building, the \$15.6 million development has two parking levels, 10,000 square feet of retail and office space, as well as four stories of apartment units. The site was originally planned as two 18-story condominium towers.

The new construction reflects the strength of the local apartment market. Rents have reportedly started increasing slightly since the March 2013 Whatcom County report, but it is not clear that rents will support substantial new construction for large projects outside of the downtown core and Barkley Village. The subject's proposed development represents one of the biggest development projects in Bellingham history and a lengthy absorption time would be expected over the course of a multi-phased development for the whole 10.8 acre property.

Conclusion

The subject property is located within Bellingham's downtown neighborhood with waterfront access and views. This area is slated for phased redevelopment from its historic industrial use to a vibrant commercial area containing a variety of uses, such as multifamily, industrial, office, and retail. The area has good access from Downtown and should compete favorably within this submarket and the county as a whole for commercial uses. Current vacancy rates suggest that the most likely uses at this time would be apartments and office with some small amount of supportive retail. As the regional and local economies continue to improve and the City of Bellingham continues its pattern of growth, the subject land will be well-placed within the nexus of planned development in the area.

Site Map



Property Description

Please refer to the "Site Map" which show the subject property boundaries.

Land Area and Shape

The subject measures 10.8 acres and is composed of three separate sites, all irregular in shape. The Granary site is the smallest, measuring about 34,000 sf or 0.78 acres. The Western Site is southwest of the Granary and measures 4.59 acres or about 200,000 sf. The Eastern Site measures 5.42 acres or about 236,000 sf.

Streets and Access

The subject sites will be accessed via proposed routes through the waterfront district, including Commercial Street, Granary Ave, and Bloedel Ave. The property has approximately 990 feet of frontage facing west to the waterfront, and approximately 1,700 feet of frontage on both sides of Granary Ave and Commercial Street. The eastern two sites have a total of 648 feet of frontage on W Chestnut St. All are corner sites.

Soil Conditions

We have not been provided with a soils report. We specifically assume the soils will be adequate to support any allowed improvements throughout their useful life. It is our understanding that any soil removed for development could stay on site or be disposed of in a typical landfill.

Topography

The area is generally flat with slight rolling terrain. The two easternmost sites have the most variation in gradient. Although the subject is mostly flat, it is significantly lower than the existing street grid, so when the grid is extended, it is our understanding that the roads will be structured streets retained by concrete.

Hydrology and Flood Hazard

According to FEMA Flood Map 53073C1213D dated January 16, 2004, the subject is located in "Zone X," which is outside of the 500-year floodplain, indicating limited flood hazard. We have not reviewed a hydrologic report for the subject.

Environmental Conditions

The property is subject to known environmental contamination due to its former use as a paper mill. According to the Interlocal Agreement, the Port is the designated lead party for conducting remedial actions, and will retain this responsibility following a sale. We understand that the site can be developed by a private party, but there is a soil cap in place. If the cap is pierced, the developer is responsible for notifying the Department of Ecology, resealing the cap, and disposing of any soils properly.

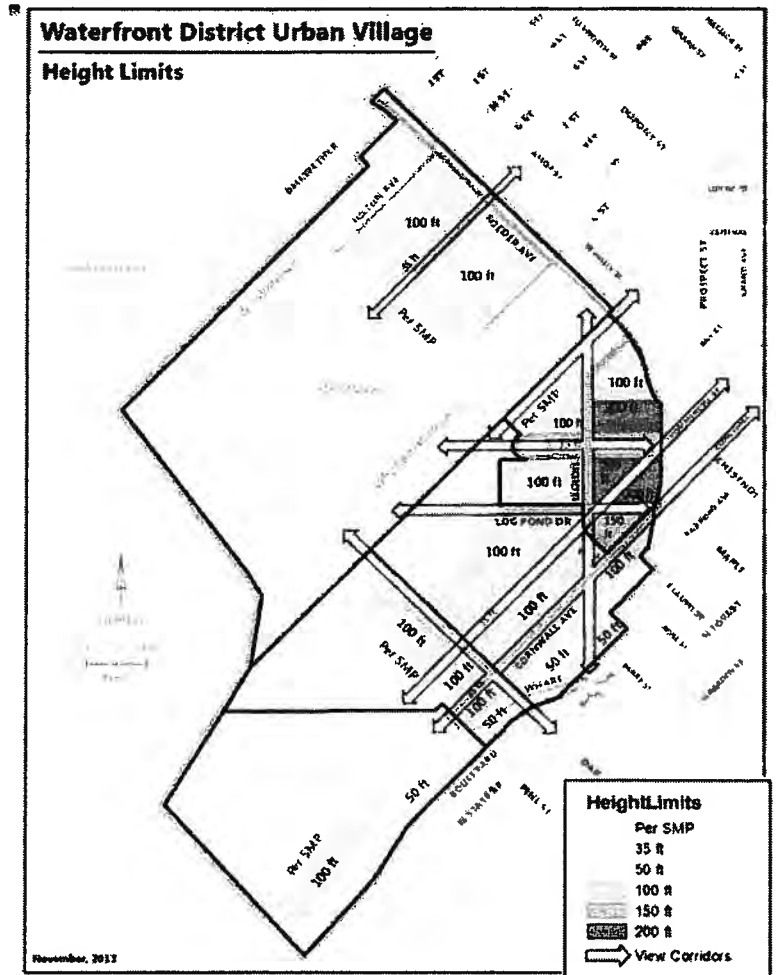
Utilities

It is assumed that utilities will be available to the sites.

Zoning**Waterfront Mixed Use District**

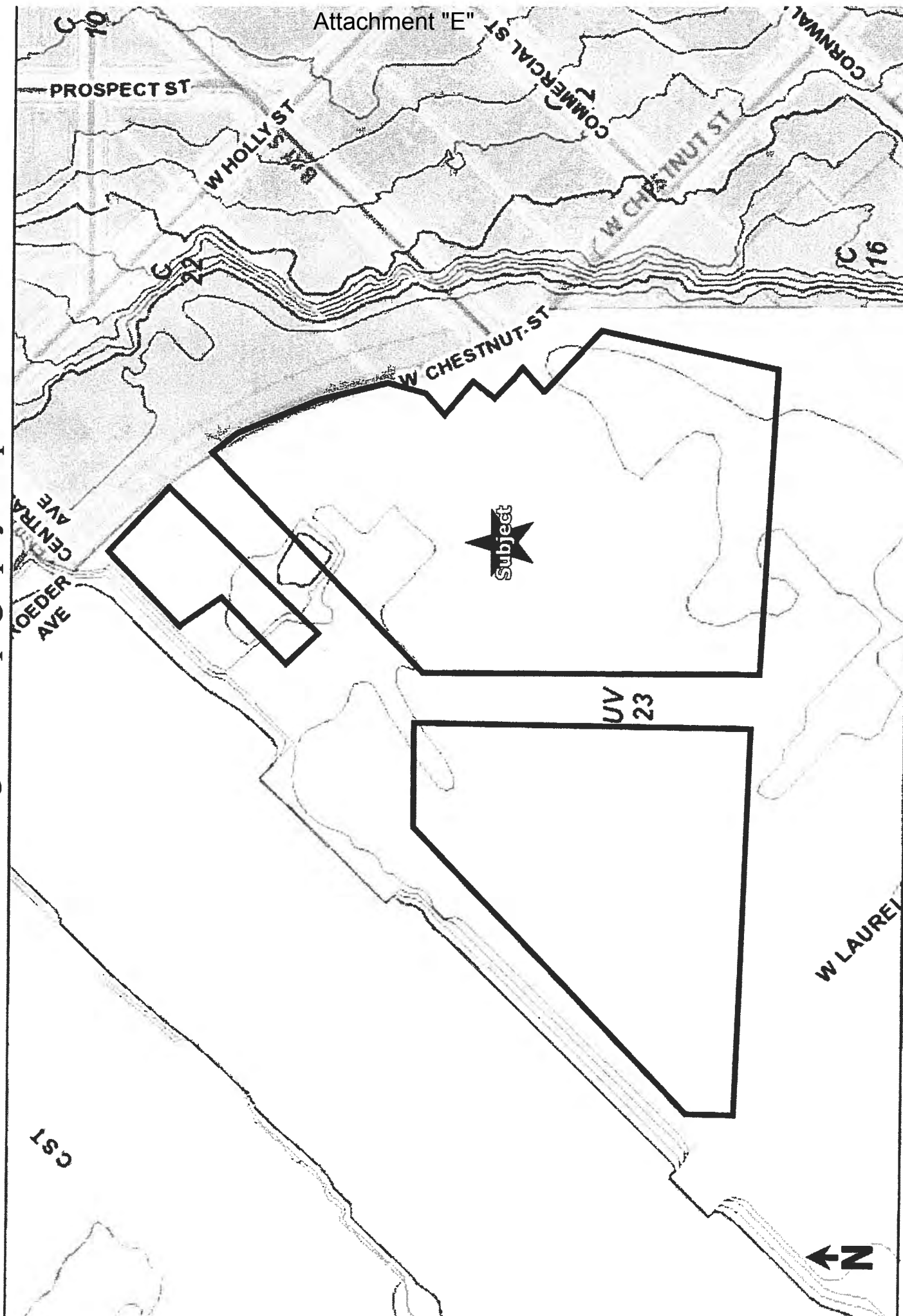
The subject is located within the Downtown Waterfront Commercial Mixed Use zone in the City of Bellingham. A broad range of uses is allowed in this zone including a hotels, residential uses, commercial recreation, restaurants and bars, offices, retail sales, services, medical services, institutional uses such as schools, community centers, clubs, and theaters, and primary use parking facilities. We note that hotel and residential uses cannot occupy the ground floor fronting Granary or Bloedel Avenues.

The subject is located north of Commercial Street and has frontage on Bloedel Avenue and Granary Avenue. Only a small portion of it (one of three parcels) is located within the Shoreline Master Plan (SMP) area. This part of the property is improved with an historic building that will be preserved as part of the planned development.



First we will discuss the zoning regulations outside the SMP. On the southeast section of the site, 200' height limits are allowed. The rest of the site is subject to a 100' height limit. The map included here shows which part of the site is subject to which height limit (as well as the boundary of the SMP). The base maximum FAR east of Bloedel is 3 with a maximum FAR achievable of 5 via floor area transfer and bonuses. West of Bloedel, closer to the water, the base FAR is 2 with a maximum possible of 4. Transfer of FAR can be between development properties that are part of a single development plan provided that the designs for sending and receiving between properties are reviewed at the same time and that the property owner(s) executes a covenant with the city that is recorded in the deeds reflecting the changes in development potential. Floor area bonus options include LEED or Living Building certification,

Zoning and Topography Map



public plazas and open spaces, affordable housing, or by taking part in the Lake Whatcom Watershed Property Acquisition Program.

There is no minimum lot size, width or depth; furthermore, there are no minimum required setbacks in this zone.

Parking requirements vary by use. Residential units will require 0.5 – 1.0 parking spaces/ unit depending on the number of bedrooms. Commercial and institutional uses will require 1 space per 500 sf of gross floor area.

Design standards for this new district are consistent with design standards in similar waterfront neighborhoods throughout the region. The standards intend to reinforce pedestrian activity, orientation of ground floor activity, and a lively street scene. Buildings are meant to be at the sidewalk edge with main entrances facing the street. Surface parking is meant to not impact streets, be located near the rear or side of buildings and drive-through lanes will be allowed but only along the side or rear of buildings. Otherwise, buildings are meant to have varied walls to avoid a monotonous landscape and include some public open space at ground level.

Overall, the zoning is fairly permissive and some of the densest allowed in the Whatcom County. It will provide for substantial new development of the waterfront.

2013 Shoreline Master Plan

Bellingham's Master Plan for the Waterfront District has been planned in accordance with the state's SMP. The following paragraph notes the most important points within the SMP as it relates to land use. The SMP establishes policy that preference be given to uses that are unique to or dependent upon a shoreline location. Consistent with this policy, these guidelines use the terms "water-dependent," "water-related," and "water-enjoyment," when discussing appropriate uses for various shoreline areas. Shoreline areas, being a limited ecological and economic resource, are the setting for competing uses and ecological protection and restoration activities. Some areas must be reserved for protecting and restoring ecological functions to control damage to the environment and public health. Shoreline, particularly harbor areas, should be used for water-dependent and associated water-related uses. The state requires that when planning for shoreline development such as in Bellingham, public access to the waterfront must be incorporated into the plan. When development occurs within areas affected by the SMP, communication and review with state agencies is required.

The new SMP chapter was accepted into the Bellingham Municipal Code February 13, 2013. This was the first update to Bellingham's shoreline program since 1989. An amendment to the SMP was passed in December 2013 creating an Exception Use Area and prohibiting residential uses within the waterfront mixed-use zone. The subject's area within the SMP does not fall in this exception area.

The small portion of the subject site west of Granary Avenue is located within the Shoreline Master Plan area within the Waterfront District Shoreline Mixed Use zone. The Shoreline Mixed Use zone has no setback requirements for water dependent uses, though they range

from 25'-200' for water related and water enjoyment uses. The buffer required in these areas is from 25-50'. The maximum height for structures has a base of 35' though this can be increased up to 50' based on view corridors or even higher if a variance is granted. This part of the subject is improved with an historic building that may be preserved to some degree in the development plan. It is assumed that this is a grandfathered building and will be allowed in the SMP area.

Waterfront District Planned Action Ordinance (PAO)

A Planned Action Ordinance (PAO) is an environmental review procedure adopted under the authority of SEPA to identify the impacts and mitigation for a proposed development project in advance to increase the certainty and predictability of environmental requirements during project permit review. During the extensive planning process of the Waterfront District, the Port completed an EIS that identifies the potential environmental impacts and mitigation measures required when the Waterfront District is fully developed. The PAO incorporates the mitigating conditions identified in the EIS and establishes environmental review procedures for development projects.

If a proposed project within the district is determined to be consistent with the PAO, The City can formally issue a determination of consistency identifying required mitigation and no separate SEPA review is required. This preliminary planning in place helps reduce risk to developers regarding environmental concerns with the site and eliminates some time and effort associated with planning and permitting projects. Our client at the Port of Bellingham estimates that the normal time get a SEPA review is 1-2 years in Bellingham. This project would likely be on the complex side of normal, suggesting a time savings of up to two years in the planning process. This provides an advantage over other waterfront sites in the region as well as other sites within Bellingham.

Waterfront District Impact Fees

We have referred to the Development Agreement between Port of Bellingham and the City of Bellingham to understand the impact fees that will be assessed on developments within the Waterfront District.

Transportation Impact Fees

The Waterfront District receives an impact fee credit for the number of PM peak hour vehicle trips generated by the former Georgia Pacific Mill and other historic industrial uses within the Waterfront District. This credit is retained by the Port and may be applied to projects within the District. The City will calculate remaining credit available by subtracting PM peak hour trips from existing uses, which total 1,077 historic peak trips. The credit is applied at the time of building permitting. The traffic impact fee credit will be used to offset the fees for commercial, office, institutional, and industrial development and will reduce development fees by \$1,907 per PM peak hour trip for commercial development. Normal fees will apply for residential development assuming similar rates as under the Urban Village zoning designation.

Park Impact Fees

Because the Port is transferring land to the City for parks and open space, a park impact fee credit will be granted. This credit is retained by the Port and may be applied to Projects within the Waterfront District by the Port. The credit is applied at the time of building permitting and will be provided to residential developments. The estimated savings from park impact fees is \$3,523 per residential unit.

Existing Improvements

The larger waterfront area is currently improved with a vacant paper mill that has not been in use since 2001. The existing buildings include an old granary building, board mill, chip bins, and an alcohol plant. There are also digester building tanks and ceramic tile tanks on the site. There is also associated paving and site improvements.

Some of these improvements are located on the subject land. In particular, the Granary Building is on the smallest parcel. It is uncertain whether developers will reuse this building or want it demolished, but the Port attributes no value to these improvements and offers to either leave them in place or demolish them at the request of the purchaser. The site improvements do not contribute significant value to the subject property and are not considered material in our valuation.

Functionality

The Waterfront District is well located within an easy distance of downtown Bellingham. The sites are large, and while irregular in shape, fully developable to the maximum extent allowed by the zoning. Potential development will have good views facing the water and downtown and good access following the planned construction of roads connecting this area to the downtown. Environmental clean-up of the site is the responsibility of the Port, and will remain the Port's responsibility following the sale, should additional clean-up be required. A developer would responsible for notifying Ecology, should the soil cap be pierced during development. Overall, the subject is fully functional as multiple development sites.

Highest and Best Use

"Highest & Best Use" is defined by the Appraisal Institute as:

The reasonably probable and legal use of vacant land or improved property that is physically possible, appropriately supported, and financially feasible and that results in the highest value.

The concept of Highest and Best Use is based on the most profitable and valuable use that is both probable and appropriately supported. The Highest and Best Use must meet four criteria: it must be legally permissible, physically possible, financially feasible, and maximally productive.

Highest & Best Use as if Vacant and Unimproved

Physically Possible

Please refer to the site description and exhibits throughout this report for an understanding of the physical composition of the subject property. The subject site is physically capable of supporting a wide range of commercial or residential structures. The 10.8 acres of the subject are divided into three separate development sites, all of which are large, flat sites that are suitable for development in line with the zoning. Overall, there do not appear to be any significant physical constraints that would limit substantial development on the site.

Legally Permissible

The subject is zoned Waterfront Mixed Use in the Waterfront District of Bellingham. Please see the property description for a detailed description of the zoning. A wide variety of uses are allowed in this district, including multi-family residential, office, retail, and institutional uses. The maximum FAR achievable can reach up to 5.0 with appropriate bonuses and maximum heights ranging from 100' to 200' are permitted. The smallest of the three sites is additionally subject to Shoreline Master Plan regulations.

Financially Feasible and Maximally Productive

The location of the subject in the Downtown Waterfront development area with easy access to the downtown Bellingham area seems to present a viable setting for a residential or mixed-use development. The subject has excellent views facing west toward the Bellingham Bay and the Whatcom Waterway, which would benefit residential development. Based on the characteristics of the subject and the surrounding planned new development of the entire Waterfront District, it appears that multi-family residential development would be the highest and best use of the site, with some retail or office space on the ground floor facing Commercial Street and Granary Ave.

The analysis of the downtown Bellingham apartment market has indicated a very tight rental market, with the apartment buildings downtown consistently exhibiting 0% vacancy. Based on this analysis, we conclude rental units would likely be viewed as very desirable.

The most recent, similar proposed development project in Bellingham is located just north of the Waterfront District in the Old Town neighborhood and is known as the Army Street project. The City of Bellingham owned this parcel of land and conveyed it to the Bellingham Public Development Authority in March 2010. The vision includes an 800 space parking garage below grade, a hotel, residences, and commercial and office space around a pedestrian plaza that would provide a walkway over the street and railroad tracks to the Waterfront District. Based on published drawings, the BPDA has proposed buildings up to ten stories and a relatively dense urban environment similar to what could be expected at the subject site. This development would be in direct competition with the Waterfront District and given the advantages of the Waterfront District in terms of water access, reduced impact fees, and pre-planning work by the Port, it is unlikely that the Army Street project will be built immediately. It does reflect a second opinion on the kind of development Bellingham is looking for in coming years.

Discussions with Port of Bellingham representatives reflect ongoing negotiations with Harcourt Developers, which the Port reports plans to build about 50% residential uses on the site and about 50% other commercial uses such as office and retail. The developer also plans on including substantial low income units in order to achieve the FAR bonuses and develop to the maximum extent allowed by the zoning. Given the relative strengths of the residential versus commercial market, this breakdown of proposed space seems unsupportable. All of the local land sales we identified as the most similar to the subject were purchased for multi-family development, further supporting our conclusion that a higher proportion of residential is likely for the subject property.

As discussed in the market analysis section of this report, most new construction in the area has been multi-family in nature, with the only recent example of large scale commercial development coming from Barkley Village, which is a suburban mixed-use project master planned by a single developer. The commercial space in this development includes some office, but not in the proportion proposed at the subject.

It is our conclusion that the highest and best use as if vacant and unimproved for the subject property is planning and construction in line with the goals of the new Waterfront District in Bellingham. The subject sites are within the Waterfront Mixed Use District, where maximum height regulations suggest a maximum building size of 10-20 floors, though we believe this height is unlikely given high building costs at higher levels. We would expect a mix of buildings, which would include first floor retail, office, and residential uses, but likely well over 50% residential with a possibility for condominium units, a hotel and office.

Land Sale Comparison Photographs



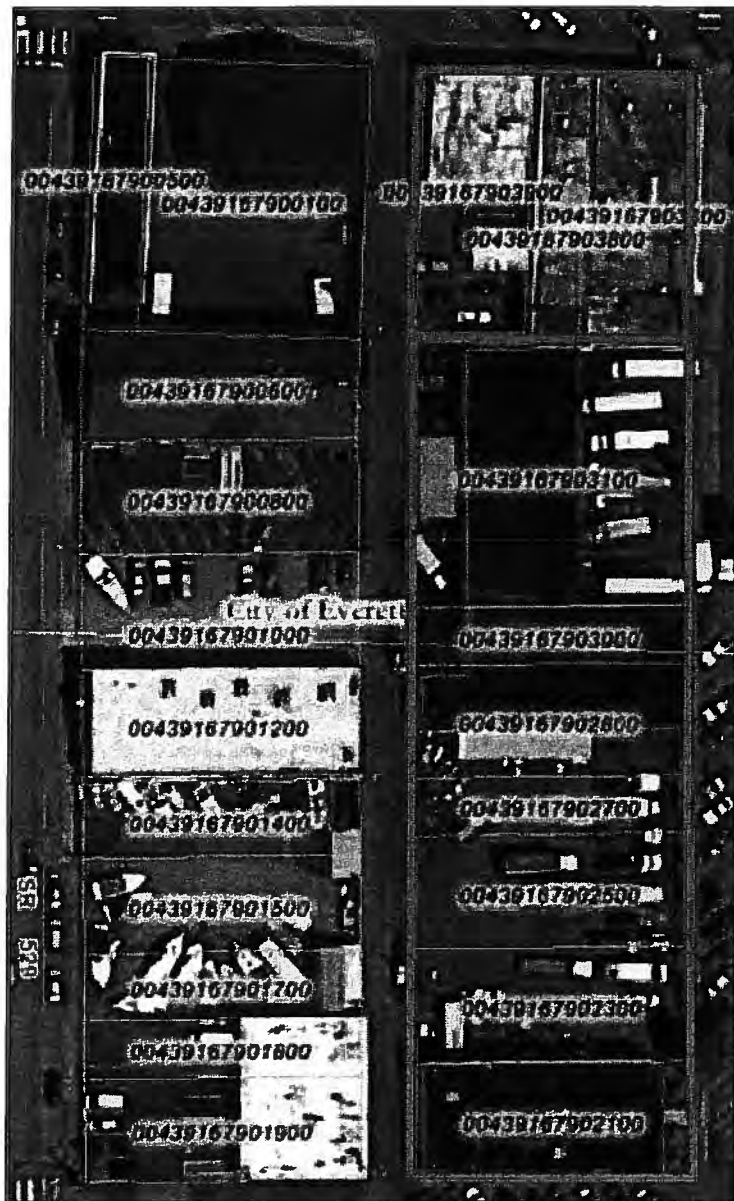
Regional Waterfront Sale 1

Indian Point
1901 Water St
Port Townshend, WA



Regional Waterfront Sale 2

Oak Street Property
201 W Front Street
Port Angeles, WA



Regional Waterfront Sale 3

Pagoda Village Site
Grand Ave bet Hewitt & Wall
Everett, WA



Regional Waterfront Sale 4

Eastside Mortgage Property
1231 Campbell Way
Bremerton, WA



Local Bellingham Sale 1

**D Street Site
1507 D Street
Bellingham, WA**



Local Bellingham Sale 2

**Downtown Fairhaven Site
13th & Harris
Bellingham, WA**



Local Bellingham Sale 3

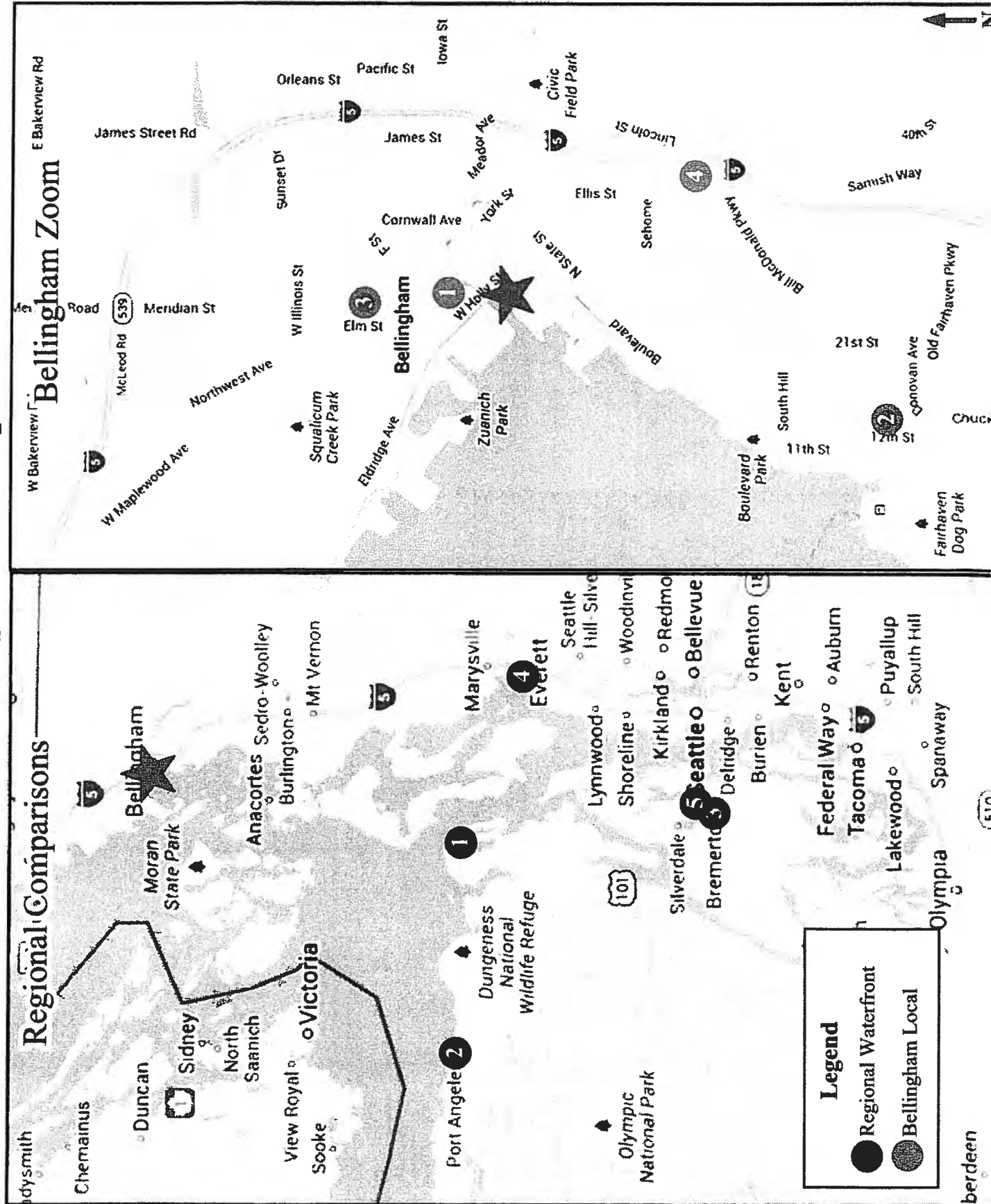
Peabody Parking Lots
2400 Peabody Street
Bellingham, WA



Local Bellingham Sale 4

Consolidation Ave Apt Site
3701 Consolidation Ave
Bellingham, WA

Sale Comparison Maps



Sale Comparison Approach

The Sale Comparison Approach uses analysis of sales of comparable properties to derive units of comparison that are then used to indicate value for the subject. Please refer to the "Sale Comparison Summary" figure which outlines the details of each of the sale comparisons. Photographs of each of these comparisons are located on earlier pages, as well as a map.

The subject is in a relatively unique situation in Bellingham on the waterfront. The zoning of the subject is also relatively special, and there have been no sales of comparable waterfront sites in the Bellingham area in the past few years. For this reason, we have considered recent sales of commercial properties throughout Bellingham as well as waterfront properties with similar zoning allowances throughout the region.

In the end, we have selected the eight most relevant sales relative to the subject in order to estimate value. Following our reconciliation, we will adjust the conclusion for the value benefit resulting from the lack of park and traffic impact fees for certain kinds of development at the subject. Factors considered for adjustment to the comparisons include location, size, plans/permits/improvements and zoning. Please see the "Sale Comparison Adjustment Grid" exhibit located in this section for further representation of our adjustments.

For market conditions, the 2009 sales requires upward adjustment, considering this time of uncertainty was in the depths of the recession. The late 2008 sale occurred after the initial big drop in the market in September 2008, and the buyer still chose to close at this price. Furthermore, the land market was slowing in 2008 sooner than the greater effects of the recession were felt, and overall, we believe that the decline since this sale has been mostly offset and no net adjustment for market conditions is warranted.

In our analysis, we have adjusted both the regional waterfront sales as well as the local Bellingham commercial sales relative to the subject. All of the comparisons require significant downward adjustment for size. Furthermore, the subject benefits from the pre-planning work performed by the Port and approved by the City and codified in the Planned Action Ordinance described in the site description. Essentially, this document reduces the amount of planning time by a year or two and eliminates risk, cost and holding time for a developer. We adjust all of the sales upward slightly to account for this advantage.

Regional Waterfront Sale Comparisons

Regional Waterfront Sale 1 is the November 2009 sale of a commercially zoned parcel of land along the Port Townsend waterfront. This parcel was listed in mid-2009 for \$2.2 million originally and was advertised as being a fully entitled lot with development approval from the City of Port Townsend. The property was listed for about six months before selling for just \$1,050,956, or about \$22/sf. The buyer is a Bellevue-based hotel developer. In a press release shortly after the sale, the owner noted he had no immediate development plans for the site but saw it as a good long term hold. The property remains vacant.

This sale is adjusted upward for location given the superior regional access and Bellingham location of the subject. Bellingham is a larger metro area relative to this and Sale 2. We make a downward adjustment for size given the very large area at the subject, which presents more risk associated with phased development and absorption relative to a smaller site. Finally, an upward adjustment for zoning is warranted given that this site has a maximum height limit of three stories.

Regional Waterfront Sale 2 is the November 2008 sale of a roughly 85,000 sf rectangular parcel near the waterfront in downtown Port Angeles. The property was on the market for just over a month before selling at \$1,300,000, or just over \$15/sf. According to public records, the buyer is Olympic Lodge, which also runs an existing hotel in Port Angeles. The sale of this property is a result of a long term effort by the City.

Comparison 2 requires similar adjustments as Comparison 1 though a larger upward adjustment for location is warranted. The Port Angeles zoning allows a maximum height of 45' in this zone.

Regional Waterfront Sale 3 is comprised of two transactions that consolidated a full half block in downtown Everett under single ownership in order to develop the Path Farmer's Market and Lobsang Dargey's mixed use project. We note that the buyer also bought a third parcel, but this is being independently developed as a hotel and is separated from the comparison parcels by a public alley and is not included in this analysis. According to Path America's website, the project to be built on this and the third parcel is described as follows:

"The Pagoda Village in Everett, an indoor venue with 60,000 square feet, will be an exciting and vibrant center that connects local agricultural businesses to the community and attracts both residents and visitors. In addition to the year-round market, the project will include 170 luxury apartments and a 110-unit Homewood Suites by Hilton hotel, both with spectacular views of the Puget Sound. The development will also have 15,000 square feet of commercial office space."

As we mentioned, the Homewood Suites site is not included in our analysis. Due to surrounding topography and existing buildings, the improvements will have good views facing west to the Puget Sound as well as good territorial views of downtown Everett.

The first transaction is the August 2012 sale of a 45,300 sf site, which was improved with several smaller commercial buildings that total 17,281 sf. The sale price for this property was \$3,743,592, which equates to \$83/sf of land area. The second part of the comparison is the September 2013 purchase of the neighboring 14,375 sf property, which sold for \$1,250,000 or \$87/sf of land area. The buyer applied for a demolition permit 5 days after closing, and demolition was confirmed by the city on October 1st 2012. Demolition costs were estimated at approximately \$10/sf of building area.

The comparison is located in Everett, which is much closer to the Puget Sound commercial hub of Seattle, and is thus superior to the subject's Bellingham location. We make a downward adjust for this and size. As discussed previously, a small upward adjustment for demolition is

appropriate. The site is zoned General Commercial (C1) in Everett. This zone has a maximum height limit of 50' and no setbacks. While this zone allows a broad range of uses, it permits less density, and so we make an upward adjustment relative to the subject.

Regional Waterfront Sale 4 is the September 2013 sale of a 23,958 sf waterfront parcel in Bremerton, north of the downtown area. This property is trapezoidal in shape with 120 feet of road frontage on Campbell Way and 72 feet along the water. It is about a block from the Warren Ave bridge, which connects south into downtown Bremerton. The road fronting section of the parcel is on the ridge which descends sharply to the waterfront edge. The listing broker reported that there was little interest in the parcel before it was purchased by a developer who planned on building 16 condo units. The listing broker also reported that the buyer is required to obtain numerous permits from the city to enable full development of the parcel due to waterfront setbacks, and constrained parking. They are apparently in talks with the city to set aside some of the road area for parking. Reportedly there were previous condo plans for the parcel which likely did contribute some value. The broker also reports that the seller discounted the property from the listing price of \$549,900 to the sale price of \$450,000 in order to obtain a quick closing by waiving the feasibility studies.

First we make a condition of sale adjustment that partly accounts for the nearly \$100,000 price reduction provided by the seller to entice the buyer to waive feasibility for a quick closing. Next, we make an upward adjustment to this sale for location. It is located apart from the Ferry, away from Downtown Bremerton. We make a small downward adjustment for contribution of planning in place at the time of sale. The Employment Center (EC) zoning in Bremerton allows a broad range of permitted uses. Maximum building height is 80' for residential uses and 60' for non-residential uses, with the predominant use dictating the height limit of mixed use buildings. In all, a small upward adjustment is warranted.

Local Bellingham Sale Comparisons

Local Bellingham Sale 1 is the first of our local Bellingham indications, all of which support a highest and best use apartments, and in the case of at least one (Downtown Fairhaven Sale), perhaps some ground floor retail. Sale 1 is a square shaped lot measuring 39,490 sf and currently cleared, vacant land. Due to surrounding topography, this site has good views facing toward Bellingham Bay and downtown, which would apply even on the first floor. The broker noted that the lot to the west has no height restrictions, and all interested potential purchasers mentioned this during marketing as the views towards the bay could be compromised. The property sold in June 2012 for \$676,000 or \$17.12/sf. The property was marketed about a year and a half and had several drops in listing price over that time. In the end, there were several offers around the sale price. Feasibility analysis suggests that the site will support 50 to 60 residential units.

We make an upward adjustment for location given the waterfront setting of the subject near downtown. This is more than offset by the downward adjustment for size. No other adjustment is warranted, except for the POA/reduced SEPA requirements applicable to the subject but not the comparisons.

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Local Bellingham Sale 2 is a rectangular parcel located in downtown Fairhaven, which sold in April 2013 for \$355,000 or \$30/sf based on its 11,850 sf. The property is currently paved and in use as free surface parking. This property is subject to the historic zoning overlay in Fairhaven, which would require additional review for any excavation work but appears to be fully buildable in line with the zoning. It was purchased by an investor from California with an unknown timeline for development.

Downtown Fairhaven is a very good location, which we consider of similar quality to the Bellingham waterfront and make no adjustment for location. The property has a four story height limit, requiring upward adjustment.

Local Bellingham Sale No. 3 is the December 2013 sale of several parcels at 2400 Peabody Street. This site had been on the market for almost two years. For over a year, this 17,500 sf site was marketed along with the neighboring commercial building. However, the lots were ultimately sold separately. At the beginning of the marketing, the seller received an offer for the whole property, which allocated \$290,000 to this rear parking lot area, but the deal fell through. Feasibility analysis suggests that this site could support 18 residential units. It sold at \$280,000 or \$16/sf.

This comparison is located downtown in Bellingham but does not benefit from view potential or corner orientation. It is a mediocre location for its proposed residential development and requires very significant upward adjustment relative to the subject. The zoning comes with an 85' height limit and therefore we make a nominal upward adjustment.

Local Bellingham Sale No. 4 is a current listing that has been on the market for a month. This 27,443 sf parcel is being marketed as a multi-family development site near WWU. It is zoned Commercial Core within the Samish Way Urban Village and is listed at \$659,900 or about \$24/sf. The seller noted that over the month on the market, there have been three inquiries but no offers. He says that he will likely opt to develop the property himself. Preliminary drawings show 32 units on four floors, but these rough sketches are allocated no value to the listing price. At this time there is a single family residence on the property in good repair and rented at \$850/month, which would help offset holding costs and any adjustment for demolition costs. The site would achieve no water views, but a development could have some Mt. Baker views, and its proximity to WWU is beneficial.

We have not explicitly adjusted this comparison since it is a listing and not a closed transaction. However, we have considered that this indication would require upward adjustment for location and downward for size. The zoning has no maximum density, a wide range of allowed uses, and a maximum height limit of 85', warranting just a slight upward adjustment. In general, this listing supports the indications provided by the primary sale comparisons.

Sale Comparison Conclusion -Eastern and Western Parcels

The first two comparisons are waterfront commercial sites, both of which are expected to be improved with hotel uses. While they are located farther afield from the subject than the last three comparisons, they represent similar waterfront communities in the Puget Sound Region,

and a hotel use is a likely use of some of the subject's waterfront district in the future. Regional waterfront sale comparisons 3 and 4 are indications of multi-family and mixed use sites with strong water views. Regional Waterfront comparison 3 in particular, has similar highest and best use characteristics.

The last three comparisons plus the listing are local Bellingham sales that all transacted relatively recently. The subject's situation on the waterfront is superior to all of the comparisons, though its size requires some significant downward adjustment. These sales exhibit what local developers are planning in the area but do not represent the broader appeal of the subject site to regional developers given its size, prestige, and potential.

In all, the sales present a range of indications after adjustment of about \$17/sf to \$53/sf. The subject's size suggests a value toward the lower end of the range, while its excellent waterfront location, slightly lower expected cost to build parking compared to a similar site that would require some below grade excavation, the permissive zoning, and government support suggest a higher value. In all, we conclude to a value of \$25/sf land area before consideration of the reduced impact fees that apply to the site.

During our conversations with Port representatives, the idea of selling the property in smaller pieces also came up. As evidenced by the analysis, the large site size greatly impacts the price/sf value conclusion. All of the comparisons are under two acres, reflecting the typical single-phase development that developers are taking on in the current market. Were the subject to transact in parcels of two acres or so, we would not apply the 25% downward adjustment for size, and therefore, our value conclusion reflects a base land value for smaller sites of about \$31 to \$33/sf. We would expect some small variation within the prices/sf of smaller sites within the larger subject area based on orientation with the roads, water, and larger development. Generally, we believe that the higher FAR allowance on the Eastern Parcel roughly offsets being closer to the water on the Western Parcel, thus these two sites would have the same unit value.

Sale Comparison Conclusion -Granary Parcel

The subject includes a roughly 34,000 sf parcel of land in the northwest corner of the property that is presently improved with an old granary building that has a roughly 19,000 sf footprint. The Port attributes no value to this improvement and has offered to demolish the building for the sale of the property or to leave it standing. This parcel falls within the Shoreline Master Plan area, requiring significant buffers, lower height limits, and stricter requirements for use. As the building stands, it is very close to the water and presents a unique building that could be reused. Given the zoning standards, it is likely that the building will be kept by the developer and renovated into a commercial use, such as a brewery and restaurant or possibly office space.

This waterfront site has the benefit of close water views and water access, but is less buildable due to the presence of the SMP overlay. At most, a building on this piece of land would be able to achieve a 50' height, and the floor plate would likely be very limited by shoreline setbacks. The inferior zoning relative to the Eastern and Western Sites requires a large downward adjustment, but the superior water access and proximity, as well as small size somewhat offset this. In the end, we conclude that the value of the granary site is \$25/sf land area.

Contribution of Reduced Impact Fees

To the base land value, we must consider the relative superiority of the subject site based on reduced impact fees charged to developers. These fees were previously discussed in the Site Description. In sum, residential developers will face no park impact fees (a savings of \$3,523/unit). In the case of commercial development, no traffic impact fees (a savings of \$1,907 per PM peak hour trip) will be charged up to the 1,077 trips assigned to the previous use as a paper mill.

In order to assess the value impact, we have made some assumptions on the most likely planned buildout at the subject. The Eastern and Western Sites are expected to eventually be built out to their full FAR potential. Given the potential FARs of 4 and 5 for the Western and Eastern Sites as well as their relative sizes, about 200,000 sf and 236,000 sf respectively, the maximum potential FAR for these properties is 1.98 million sf.

Discussions with Port of Bellingham representatives reveal that Harcourt plans to build about 50% residential uses on the site and about 50% other commercial uses such as office and retail. The developer also plans on including substantial low income units in order to achieve the FAR bonuses and develop to the maximum extent allowed by the zoning. Given the relative strengths of the commercial and residential markets, this break down of proposed space seems unlikely. All of the local land sales we identified as the most similar to the subject were purchased for multi-family development, further supporting our conclusion that a higher proportion of residential is likely for the subject property. We estimate that about 60% of the total development, or 1,188,000 sf will be multifamily residential. We estimate an average unit size of 900 sf, resulting in a total number of units of 1,320.

The savings in park impact fees for the residential units is equal to 1,320 units x \$3,523/unit or \$4,650,360.

We believe there will be a ground floor retail element, consisting mostly of restaurants, which would serve the surrounding population and park users. This would be equal to about 19,800 sf or 1% of potential FAR, which would accommodate about three restaurants plus a couple smaller retail users. The long term plans also call for a hotel on the property. For our analysis, we estimate a 180 room hotel, measuring roughly 120,000 sf or 6% of the potential FAR. We would expect two peak trips generated per 1,000 sf of retail and hotel, so these areas total another 280 trips. Our assumption that a hotel would have a similar traffic profile as standard retail suggests that the 139,800 sf retail/hotel area could be allocated differently based on desired sizes by the developer.

The remainder of the buildable area will be office space. This 33% of the potential FAR is equal to about 650,000 sf of office space. We estimate that office space would require three peak trips per 1,000 sf, suggesting a total number of peak trips of 1,950.

By our calculation, the non-residential development of the Eastern and Western Sites will generate far more peak hour trips than the remaining credit available from existing uses, which

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totals 1,077 historic peak trips. Thus, we cap this beneficial fee reduction at the maximum possible or $1,077 \times \$1,907$, which equals to **\$2,053,839**.

Together the park impact and traffic impact fee savings total **\$6,704,199**. These fees are paid at the time of permitting. We distribute this savings across the 436,000 square feet of the Eastern and Western Sites to arrive at an adjustment of \$15/sf, with the total value of the Eastern and Western sites then being \$40/sf, including the parking impact and traffic impact fee savings.

Thus, our final value conclusions are:

<u>Description</u>	<u>Effective Valuation Date</u>	<u>Value Conclusion</u>
Fee Simple Interest		
As Is Market Value - Eastern & Western Sites	May 23, 2014	\$40/sf
As Is Market Value - Granary Site	May 23, 2014	\$25/sf

We note that were the Eastern and Western Sites to be sold off in smaller parcels of about two acres or less, the value indication would be adjusted for the traffic and park impact fee benefits based on the proposed development on each parcel and whether the existing peak trip allotment has been used up yet.

ADDENDA

2013 Shoreline Master Plan Zoning Matrix
Whatcom County Area Description
Appraisers' Experience & Qualifications

2013 SHORELINE MASTER PLAN ZONING MATRIX

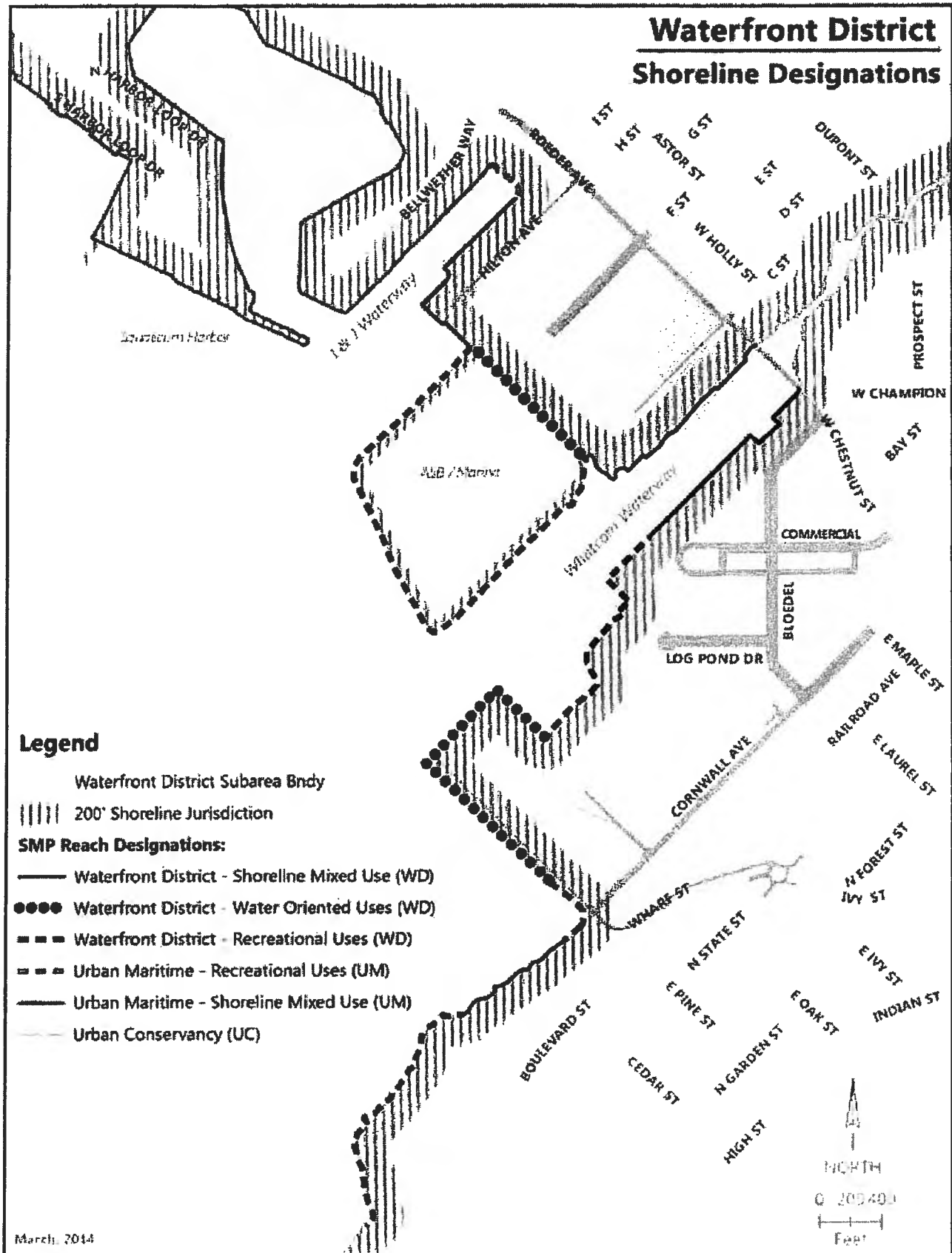
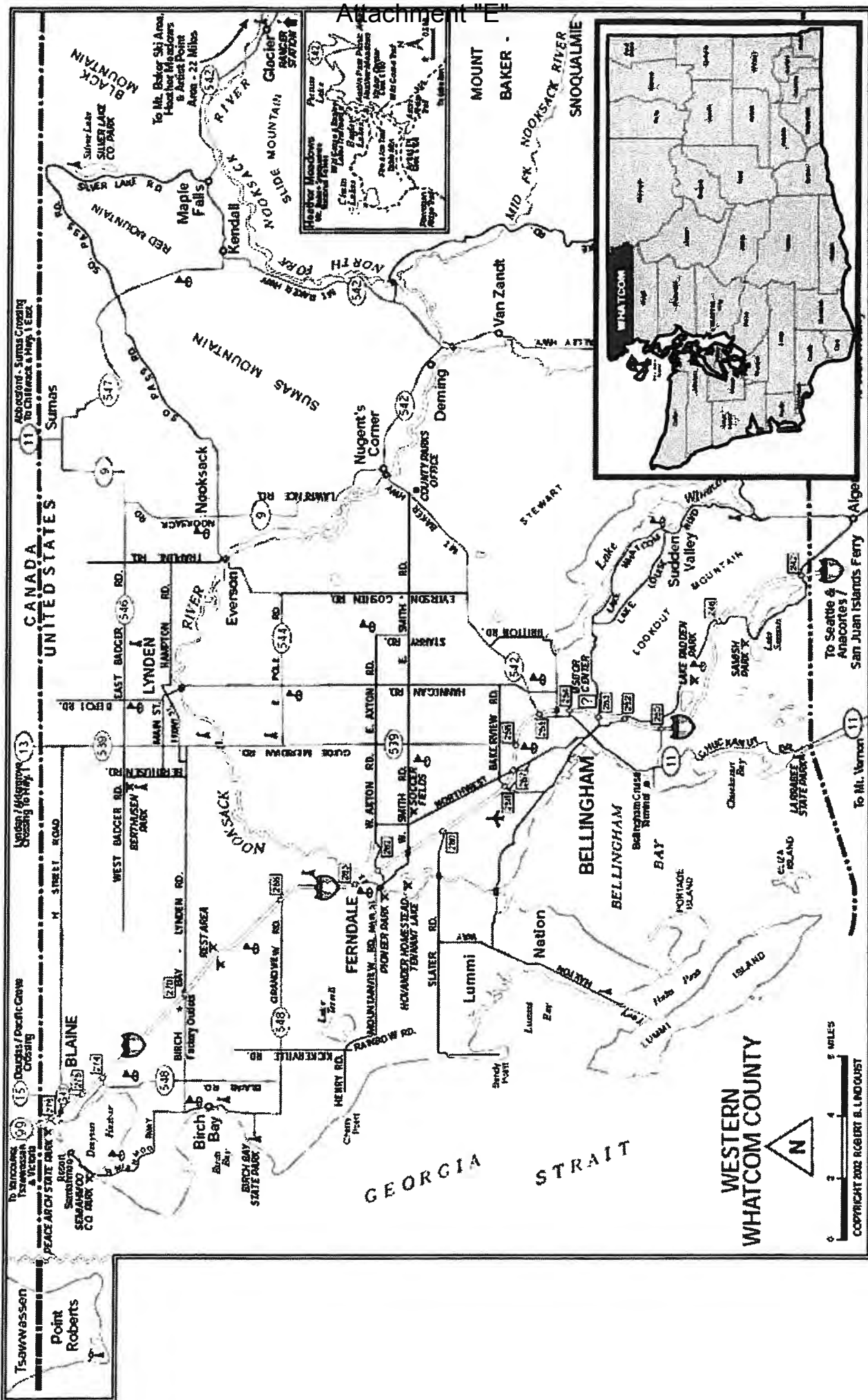


Figure 6

WHATCOM COUNTY AREA DESCRIPTION



Whatcom County Area Description

General Description

The subject property is located in Whatcom County, a northwestern county of the state of Washington. Whatcom County is bordered by British Columbia (Canada) to the north, the saltwater of the Straits of Georgia on the west, and Skagit County to the south. Generally, the eastern boundary is the crest of the Cascade Mountains. Major population centers lie along the saltwater bays and the Interstate-5 corridor in the western part of the county. Bellingham, the largest city, is located at the southwestern corner of the county on Bellingham Bay.

Whatcom County is accessible by Interstate-5, an interstate highway running from the Canadian border through the Western U.S. to the Mexican border. Interstate-5 runs north and south across the western portion of the county, skirting the east side of the Bellingham Central Business District, then running north to Ferndale and to Blaine. Blaine abuts the Canadian border, which is about 20 miles north of Bellingham.

The northwestern part of the county (from Bellingham north to the Canadian border) is relatively flat, with elevations ranging from sea level to a few hundred feet. The eastern two-thirds of the county is mostly wooded foothills and mountains, rising up to the mountain peaks of the north Cascade range. The terrain south of Bellingham is steep foothills. About one-third of all the land in the county is national forest.

The intensity of land use is greatest in Bellingham, with industry along the coast, a commercial core, and high-density residential radiating from the central city, generally becoming suburban toward the city limits. Over the past decade, however, retail, business park, and industrial uses have been developed close to or just beyond the city limits. The rural area in the flatlands to the north of the city is mainly agricultural, with resort and recreational uses clustered along some of the shoreline. As the foothills rise just east and south of the city, logging and recreation are the primary uses.

Bellingham

Bellingham, the county seat and largest city in the county, is located 88 miles north of Seattle and 55 miles south of downtown Vancouver, British Columbia. Bellingham is the principal retail and commercial center for Whatcom County. Roads in the area are laid in such a pattern as to funnel nearly all traffic going north or south across the county's Canadian border through the city of Bellingham. Bellingham Airport handles passenger jets, with flights daily to Seattle, Oregon, and California. A 900,000sf regional shopping center adjacent to the Interstate-5 freeway on the north edge of Bellingham (Bellis Fair Mall) opened in mid-1988. In October 1989, the Alaska Marine Highway System (Alaska Ferries) made Bellingham the "Lower 48" terminal

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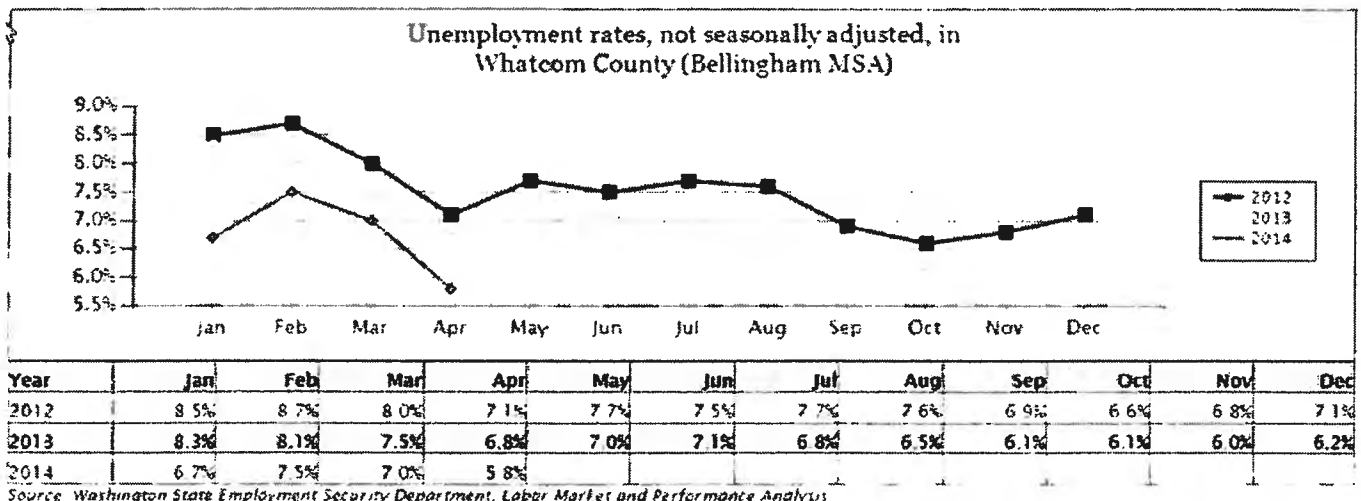
Whatcom County Employment Data

Civilian Labor Force and Unemployment Rate -Whatcom County					
Year	Period	Labor Force	No. of Employed	No. of Unemployed	Unemployment Rate
2014	April	102,590	96,630	5,960	5.8%

Historical Data for Unemployment Rate in Whatcom County			Current Employment Statistics (CES) in Bellingham MSA		
Year	Labor Force	Unemp. Rate %	Period	CES Industry Title	No. of Employed
2013	N/A	N/A	Mar-2014	Total Nonfarm	84,900
2012	108,520	7.3	Mar-2014	Total Private	67,800
2011	106,230	8.3	Mar-2014	Goods Producing	15,000
2010	107,354	9.0	Mar-2014	Natural resources & mining	6,100
2009	107,699	8.5	Mar-2014	Manufacturing	8,900
2008	109,180	5.0	Mar-2014	Service-Providing	69,900
2007	105,770	4.2	Mar-2014	Private Service Providing	52,800
2006	103,190	4.5	Mar-2014	Trade, Trans. & Utilities	15,600
2005	102,870	5.0	Mar-2014	Retail Trade	11,000
2004	99,660	5.8	Mar-2014	Financial Activities	3,300
2003	95,370	6.8	Mar-2014	Pro. and Business Services	7,700
2002	91,820	6.9	Mar-2014	Leisure and Hospitality	9,800
2001	87,720	6.5	Mar-2014	Government	17,100
2000	88,020	5.1	Mar-2014	Federal	1,300
1999	85,480	4.8	Mar-2014	State government	5,900
1998	81,320	5.0	Mar-2014	Local government	9,900
1997	79,840	5.5			
1996	79,310	6.5			
1995	78,810	7.0			
1990	68,190	5.1			

Sources:

Washington State Employment Security Department, Bureau of Labor & Statistics



Source: Washington State Employment Security Department, Labor Market and Performance Analysis

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site. Seattle had been the terminal site for decades. Bellingham was originally a wood products mill town and a large Georgia Pacific tissue mill on the downtown waterfront operated until 2007. Western Washington University is in Bellingham and is the county's largest employer with about 2,235 employees.

Whatcom County Municipalities Population

	1985	1990	1995	2000	2005	2010	2013
Whatcom County	116,000	127,780	148,300	166,814	180,800	201,140	205,800
Unincorporated	55,699	59,187	69,635	74,231	79,848	87,079	88,276
Incorporated	60,301	68,593	78,665	92,583	100,952	114,061	117,524
Bellingham	46,360	52,179	57,830	67,171	72,320	80,885	82,310
Blaine	2,420	2,489	3,125	3,770	4,240	4,684	4,785
Everson	1,100	1,490	1,800	2,035	2,080	2,481	2,550
Ferndale	4,600	5,398	6,830	8,758	9,750	11,415	12,290
Lynden	4,500	5,709	7,315	9,020	10,480	11,951	12,730
Sumas	736	744	940	978	1,112	1,338	1,410
Nooksack	585	584	825	863	970	1,307	1,449
State Total	4,384,100	4,866,673	5,429,900	5,894,121	6,256,400	6,724,540	6,882,400

Population and Employment

The table above summarizes the recent population history of the county. The following table shows the rate of population growth both in the county and in the state of Washington as a whole. The following information is from the Washington State office of Financial Management.

	Whatcom County	% Change	City of Bellingham	% Change	State of Washington	% Change
1980	106,701		45,794		4,132,353	
1990	127,780	19.80%	52,179	13.90%	4,866,663	17.80%
1995	148,300	16.10%	57,830	10.80%	5,429,900	11.60%
1996	152,800	3.00%	59,840	3.50%	5,516,800	1.60%
2000	166,814	3.42%	67,171	4.84%	5,803,400	0.80%
2001	170,600	2.27%	68,890	2.56%	5,974,900	2.96%
2002	172,200	0.94%	69,260	0.54%	6,041,700	1.12%
2003	174,500	1.34%	69,850	0.85%	6,098,300	0.93%
2004	177,300	1.60%	71,080	1.76%	6,167,800	1.14%
2005	180,800	1.97%	72,320	1.74%	6,256,400	1.44%
2006	184,300	1.94%	73,460	1.58%	6,375,600	1.91%
2007	188,300	2.17%	75,220	2.40%	6,488,000	1.76%
2008	191,000	1.43%	75,750	0.70%	6,587,600	1.54%
2009	193,100	1.10%	76,130	0.50%	6,668,200	1.22%
2010	201,140	4.16%	80,885	6.25%	6,724,540	0.84%
2011	202,100	0.48%	81,700	1.01%	6,767,900	0.64%
2012	203,500	0.69%	81,360	-.41%	6,817,770	0.73%
2013	205,800	1.13%	82,310	1.16%	6,882,400	0.94%

Whatcom County Major Employers

Commercial, Service & Education				
COMPANY	CITY	ZIP	BUSINESS TYPE	EMPLOYEES
Western Washington University	Bellingham	98225	Education	2235
St. Joseph Hospital	Bellingham	98225	Health Care	1757
Bellingham School District	Bellingham	98225	Education	1651
Whatcom County	Bellingham	98225	Government	930
Ferndale School District	Ferndale	98248	Education	910
City of Bellingham	Bellingham	98225	Government	858
Haggen	Bellingham	98225	Grocery	843
Sodexo Services	Bellingham	98225	Catering	648
Brown & Cole	Bellingham	98225	Grocery	634
T-Mobile	Bellingham	98226	Call Center	525
Fred Meyer	Bellingham	98225	Department Store/Grocery	441
Whatcom Community College	Bellingham	98226	Education	438
Lummi Indian Business Council	Bellingham	98248	Nonprofit	437
Everyday Staffing LLC	Bellingham	98225	Employment Agency	396
Mount Baker School District	Deming	98244	Education	389
Wal-Mart	Bellingham	98226	Department Store	350
Anvil Corp.	Bellingham	98225	Engineering Firm	345
Madrona Medical Group	Bellingham	98226	Health Care	340
Bellingham Technical College	Bellingham	98225	Education	337
Silver Reef Casino	Ferndale	98248	Casino	327
Blaine School District	Blaine	98230	Education	321
Olympic Health Management	Bellingham	98225	Health Care	321
Semiahmoo Resort	Blaine	98230	Hotels/Motels	250
Bellingham Cold Storage	Bellingham	98225	Food Storage	225
Premier Graphics	Bellingham	98226	Printers	225
Horizon Bank	Bellingham	98225	Bank	180
Peoples Bank	Bellingham	98225	Bank	177
Lowe's Home Improvement	Bellingham	98226	Building Supply	169
Whatcom Educational Credit Union	Bellingham	98225	Credit Union	160
Homestead Farms Golf Resort	Lynden	98264	Hotels/Motels	150
The Bellingham Herald	Bellingham	98225	Newspapers	150
DIS Corp.	Bellingham	98225	Software Developers	122
Home Depot	Bellingham	98226	Building Supply	100
Hardware Sales	Bellingham	98225	Building Supply	95
Best Western Lakeway Inn	Bellingham	98225	Hotels/Motels	90
Logos Bible Software	Bellingham	98225	Software Developers	85
Bellingham Athletic Club	Bellingham	98225	Health Clubs	80
Totally Chocolate	Blaine	98230	Promotional Companies	80
Moss Adams	Bellingham	98226	Accountants	63
Industrial Credit Union	Bellingham	98225	Credit Union	62
Bank of America	Bellingham	98225	Bank	60
Banner Bank	Bellingham	98225	Bank	58
US Bank	Bellingham	98225	Bank	58
Washington Mutual	Bellingham	98225	Bank	55
Whidbey Island Bank	Bellingham	98225	Bank	52
Bank Northwest	Bellingham	98225	Bank	50
Diehl Ford	Bellingham	98225	Auto Sales & Service	50
KeyBank	Bellingham	98225	Bank	50
Westside Building Supply	Lynden	98264	Building Supply	50

Contracting, Construction & Building				
COMPANY	CITY	ZIP	BUSINESS TYPE	EMPLOYEES
Diamond B Constructors	Bellingham	98225	General Contractor	350

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Haskell Corp.	Bellingham	98225 General Contractor	350
Homestead Northwest	Lynden	98264 Home Builder	200
Johnson Outdoors/Ocean Kayak	Ferndale	98248 Boat Building	140
Mills Electric	Bellingham	98225 Electrical Contractors	140
Strider Construction	Bellingham	98226 General Contractor	120
Wilder Construction	Bellingham	98226 General Contractor	100
Fairhaven Shipyards	Bellingham	98226 Boat Repair	80
Dawson Construction	Bellingham	98225 General Contractor	75
Matrix Service Co.	Bellingham	98226 General Contractor	75
Sea Sport Boats	Bellingham	98226 Boat Building	60
Aluminum Chambered Boats	Bellingham	98226 Boat Building	51
Colacurcio Brothers Construction	Blaine	98230 General Contractor	50
Express Electric	Bellingham	98225 Electrical Contractors	50
Faber Brothers Construction	Lynden	98264 General Contractor	50
IMCO General Construction	Bellingham	98226 General Contractor	50

Manufacturing				
COMPANY	CITY	ZIP	BUSINESS TYPE	EMPLOYEES
Alcoa Intalco Works	Ferndale	98248	Aluminum Ingots	800
British Petroleum (BP)	Ferndale	98248	Petroleum Refining	550
Heath Techna	Bellingham	98226	Aerospace	420
Alpha Technologies	Bellingham	98226	Battery & generator back-up systems	300
ConocoPhillips	Ferndale	98248	Petroleum Refining	268
Georgia-Pacific West	Bellingham	98225	Manufacture paper products	240
Yamato Engine Specialists	Bellingham	98226	Rebuilt Import Auto Engines	170
South Everson Lumber	Everson	98247	Lumber Processing	150
Teldon International	Blaine	98230	Digital Offset & Direct Mail Printing & Color Separations	150
Whatcom Farmers Co-Op	Lynden	98264	Fertilizer Blending	150
Canfor USA	Bellingham	98225	Lumber Processing	140
Grizzly Industrial	Bellingham	98226	Woodworking and Metal working Machinery and accessories	140
Mt. Baker Products	Bellingham	98225	Plywood	140
Samson Rope	Ferndale	98248	Marine & Fishing Rope, Cordage & Twine	125
Sauder Moldings	Ferndale	98248	Interior Mouldings	125
Cascade Dafo, Inc.	Ferndale	98248	Pediatric Orthoses	121
Cascade Prosthetics	Ferndale	98248	Prosthetics	121
Nature's Path	Blaine	98230	Cereal	120
Ershigs-Biloxi	Bellingham	98225	Fiberglass pipes & tanks	100
Homax Products, Inc.	Bellingham	98226	Home Improvement Kits & Products	100
MAAX Hydro Swirl Mfg.	Bellingham	98225	Bathtubs	100
Allsop, Inc.	Bellingham	98226	Computer, consumer electronic, home & garden accessories	90
Botanical Labs	Ferndale	98248	Herbal & Homeopathic Supplements	85
Korvan	Lynden	98264	Harvesting Equipment	85
IKO Pacific	Sumas	98247	Asphalt Shingles	80
Great Western Lumber	Everson	98247	Lumber Processing, Sawdust & Pulpwood	75
Hertco Kitchens, LLC	Ferndale	98248	Kitchen Cabinets	75
Boundary Bay Brewing Co.	Bellingham	98225	Ale & lager	70
Flora, Inc.	Lynden	98264	Teas, Oils & Herbal Supplements	70
Current Industries, Inc.	Bellingham	98225	Cable & wire harness & electromechanical assembly	65
Arrowac Fisheries, Inc.	Bellingham	98226	Fish Processing	60
Nielsen Bros., Inc.	Bellingham	98226	Logging	60
Northwest Podiatric Laboratory	Blaine	98230	Orthotic Footwear	60
Bellingham Marine Industries	Bellingham	98225	Concrete marine docks	55
Elenbaas Co., Inc.	Sumas	98295	Animal Feed	53
Fairhaven Group, Inc.	Bellingham	98225	Computer bags & backpacks	52
Barlean's Organic Oils, LLC	Ferndale	98248	Flax Oils & Appetite Suppressants	50
Blue Sea Systems	Bellingham	98226	Marine battery boxes, circuit breakers & connectors	50
Chemco, Inc.	Ferndale	98248	Cedar Siding, Shakes & Shingles & Ex. Lumber & Plywood	50
FishKing Processors, Inc.	Bellingham	98225	Fish Processing	50
WestFarm Foods	Lynden	98264	Powdered Milk	50

Attachment "E"

Immediately south of Whatcom County is Skagit County which had a 2013 estimated population of 118,600. The Mount Vernon/Burlington area, the main population concentration in Skagit County, is about 30 minutes south of Bellingham along Interstate-5. Snohomish and King Counties are located just south of Skagit County. Snohomish has a 2013 estimated population of 730,500 and King 1,981,900. The city of Everett in Snohomish County is one hour south of Bellingham along Interstate-5 and the city of Seattle in King County is 1½ hours south of Bellingham on Interstate-5.

Abutting Whatcom County to the north is the province of British Columbia, Canada. The suburbs of the city of Vancouver, B. C. extend southward to the Whatcom County border. The greater Vancouver metropolitan population as of 2013 is estimated at 2,451,779 with one-third of that number residing south of the Fraser River (within about 15 miles of the Whatcom County border).

Western Washington University is a large economic and cultural influence in the area, and it is the third largest university in Washington State with 14,950 students in the 2013-2014 academic year. The faculty count as of Fall 2013 was about 706. This is the largest employer in Whatcom County.

Whatcom County employment has been based historically on fishing, agricultural, timber, and other natural resource industries. Another source of jobs has been Western Washington University. In the 1950s and 1960s, two major oil refineries and an aluminum smelter established facilities in the county, taking advantage of deep water ocean access and relatively inexpensive electrical power. These refineries and the smelter are located at Cherry Point, four miles south of Birch Bay.

Please refer to the tables within this section that indicate major industries and employers within the county. Data for April 2014 indicates a current unemployment rate of 5.8% which represents a 1.5% drop from two year ago and a 1.2% drop from March 2014 figures. The unemployment rate has been as high as 7.5% in February 2014, but was closer to 6% in November and December of 2013. This non-adjusted rate remains below the Washington unemployment rate of 6.1%. This rate is lower than the 6.3% April 2014 national rate.

The Taxable Retail Sales table in this report shows the recent history of retail sales in the city of Bellingham and for Whatcom County as a whole. In addition, this report indicates the USD/CAD exchange rates for each year. One long term trend for this area is increased patronage from cross-border shopping, and the retail sector has been a major economic growth component over the past 20 years. This cross-border shopping varies with changes in the interest rate, and occasionally heightened border security.

Taxable retail sales in Whatcom County rose every quarter since 1998, until the third quarter of 2008, when they pulled back by 1.1%, then about 10% to 12% (year over year) for four consecutive quarters before settling at negative 1.2% in the final quarter of 2009. This pullback was significantly more pronounced within the City of Bellingham, which saw sales tumble over 5% in 2008, and 9.8% in 2009. Retail sales are up 1.6% from 2009 to 2010 in Whatcom County, but are up 4.4% in the more volatile Bellingham market. The recovery has strengthened over

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Taxable Sales

Bellingham**Whatcom County**Canada \$
in US Funds

% change from Yr Prior			% change from Yr Prior		Bellingham sales as % of County Total	(as of January of the year)
Between '03 and '04 the state switched from SIC codes to NAIC codes						
2004	\$1,795,814,981		\$2,604,947,669		68.9%	\$0.77
2005	\$1,925,885,723	7.2%	\$2,853,709,508	9.5%	67.5%	\$0.83
2006	\$2,056,571,755	6.8%	\$3,128,450,639	9.6%	65.7%	\$0.88
2007	\$2,153,523,750	4.7%	\$3,236,590,032	3.5%	66.5%	\$0.93
2008	\$2,042,629,436	-5.1%	\$3,159,006,607	-2.4%	64.7%	\$0.82
2009	\$1,843,043,183	-9.8%	\$2,860,207,856	-9.5%	64.4%	\$0.96
2010						
1st Qtr	\$417,809,295	2.6%	\$634,665,670	1.6%		
2nd Qtr	\$473,533,457	5.8%	\$716,003,421	1.0%		
3rd Qtr	\$505,473,819	2.7%	\$766,414,021	1.5%		
4th Qtr	\$526,949,626	6.3%	\$789,104,290	2.3%		
	\$1,923,766,197	4.4%	\$2,906,187,402	1.6%	66.2%	\$1.00
2011						
1st Qtr	\$446,444,967	6.9%	\$657,658,617	3.6%		
2nd Qtr	\$498,562,840	5.3%	\$742,635,728	3.7%		
3rd Qtr	\$531,252,000	5.1%	\$797,712,467	4.1%		
4th Qtr	\$550,025,053	4.4%	\$828,140,996	4.9%		
	\$2,026,284,860	5.3%	\$3,026,147,808	4.1%	67.0%	\$0.98
2012						
1st Qtr	\$474,253,829	6.2%	\$716,125,125	8.9%		
2nd Qtr	\$525,645,315	5.4%	\$792,140,146	6.7%		
3rd Qtr	\$578,607,134	8.9%	\$860,867,899	7.9%		
4th Qtr	\$593,750,920	7.9%	\$891,517,840	7.7%		
	\$2,172,257,198	7.2%	\$3,260,651,010	7.7%	66.6%	\$1.02
2013						
1st Qtr	\$501,902,131	5.8%	\$757,059,193	5.7%		
2nd Qtr	\$573,048,467	9.0%	\$853,193,248	7.7%		
3rd Qtr	\$603,494,343	4.3%	\$915,278,415	6.3%		
4th Qtr	\$604,141,759	1.8%	\$907,940,126	1.8%		
	\$2,282,586,700	5.1%	\$3,433,470,982	5.3%	66.5%	\$0.99

Dept of Revenue Research Dept., and Federal Reserve for exchange rates.

McKee & Schalka, Inc.

Attachment "E"

the past year, with sales up 4.1% in the County, and 5.3% in Bellingham. The recovery has continued with approximately 5% increase in sales in both Bellingham and Whatcom County over the past few years.

Overall, due to significant historical gains within the retail sector over the long term, we note that the recent retail pullback was a significant challenge for the local economy. However, retail conditions have improved over the past four years in conjunction with a stronger Canadian Dollar.

Recreation and Vacation Industry

Whatcom County has long been a vacation destination for Canadians from the Vancouver, B.C. area, and in the mid 1980s new high quality resort facilities were built on the Birch Point Peninsula at Blaine in the extreme northwest corner of the county along the salt water shoreline. The Resort at Semiahmoo was the initial development, with a resort and meeting hotel, marina, Arnold Palmer designed golf course, and private home sites along the shoreline and golf course.

The Resort at Semiahmoo has seen much expansion, with an addition of a second golf course, a 15,000 sf. meeting and conference area, and a wedding and reception venues. These additions at Semiahmoo have helped to create a beautifully multi-faceted resort and vacation spot. The resort ran into financial problems after the economy plummeted, but a new company purchased the hotel and recently renovated the property to the tune of \$7 million.

The Resort at Semiahmoo draws hotel guests and permanent residents from not only Whatcom County and Vancouver, B.C., but from Western Washington and beyond. A number of home owners at Semiahmoo moved up from California. The Resort at Semiahmoo has helped expose Whatcom County to many more people than in the past.

Outlook for Whatcom County

Growth in both employment opportunities and population in the Bellingham area should continue over the long term, and significant higher education/public sector employment within Whatcom County. However, as retailing is such a large factor in the Bellingham economy and because many of the retail dollars are Canadian, the rate of economic growth will depend not only on the local and U.S. economic developments, but also the Vancouver, B.C., economy and the U.S.-Canadian dollar exchange rate. Currently the Canadian exchange rate is pretty on par with that of the US. But at the same time, the US economy continues to expand mitigating this somewhat. Overall, we expect the retail sector to continue to improve.

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Whatcom County, Washington

EMPLOYMENT STATUS	Estimate	Percent
Population 16 years and over	159,366	159,366
In labor force	103,411	64.9%
Civilian labor force	103,247	64.8%
Employed	94,761	59.5%
Unemployed	8,486	5.3%
Armed Forces	164	0.1%
Not in labor force	55,955	35.1%
Civilian labor force	103,247	103,247
Percent Unemployed	(X)	8.2%
Females 16 years and over	81,117	81,117
In labor force	48,730	60.1%
Civilian labor force	48,716	60.1%
Employed	45,146	55.7%
Own children under 6 years	12,519	12,519
All parents in family in labor force	7,601	60.7%
Own children 6 to 17 years	27,710	27,710
All parents in family in labor force	18,582	67.1%
COMMUTING TO WORK		
Workers 16 years and over	92,557	92,557
Car, truck, or van -- drove alone	67,972	73.4%
Car, truck, or van -- carpooled	8,861	9.6%
Public transportation (excluding taxicab)	2,604	2.8%
Walked	4,197	4.5%
Other means	3,264	3.5%
Worked at home	5,659	6.1%
Mean travel time to work (minutes)	20.6	(X)
OCCUPATION		
Civilian employed population 16 years and over	94,761	94,761
Management, business, science, and arts occupations	31,454	33.2%
Service occupations	18,186	19.2%
Sales and office occupations	24,168	25.5%
Natural resources, construction, and maintenance occupations	9,857	10.4%
Production, transportation, and material moving occupations	11,096	11.7%
INDUSTRY		

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Civilian employed population 16 years and over	94,761	94,761
Agriculture, forestry, fishing and hunting, and mining	3,084	3.3%
Construction	6,582	6.9%
Manufacturing	9,715	10.3%
Wholesale trade	2,725	2.9%
Retail trade	12,767	13.5%
Transportation and warehousing, and utilities	3,970	4.2%
Information	1,857	2.0%
Finance and insurance, and real estate and rental and leasing	5,800	6.1%
Professional, scientific, and management, and administrative and	8,514	9.0%
Educational services, and health care and social assistance	20,347	21.5%
Arts, entertainment, and recreation, and accommodation and food	10,693	11.3%
Other services, except public administration	4,587	4.8%
Public administration	4,120	4.3%

Source: U.S. Census Bureau, 2006-2010 American Community Survey

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Whatcom County, Washington

CLASS OF WORKER		
Civilian employed population 16 years and over	94,761	94,761
Private wage and salary workers	71,846	75.8%
Government workers	15,027	15.9%
Self-employed in own not incorporated business workers	7,782	8.2%
Unpaid family workers	106	0.1%
INCOME AND BENEFITS (IN 2010 INFLATION-ADJUSTED)		
Total households	78,186	78,186
Less than \$10,000	6,260	8.0%
\$10,000 to \$14,999	4,671	6.0%
\$15,000 to \$24,999	8,694	11.1%
\$25,000 to \$34,999	8,762	11.2%
\$35,000 to \$49,999	11,310	14.5%
\$50,000 to \$74,999	15,398	19.7%
\$75,000 to \$99,999	10,683	13.7%
\$100,000 to \$149,999	8,337	10.7%
\$150,000 to \$199,999	2,156	2.8%
\$200,000 or more	1,915	2.4%
Median household income (dollars)	49,031	(X)
Mean household income (dollars)	62,066	(X)
With earnings	61,807	79.1%
Mean earnings (dollars)	59,855	(X)
With Social Security	20,118	25.7%
Mean Social Security income (dollars)	16,073	(X)
With retirement income	12,948	16.6%
Mean retirement income (dollars)	23,942	(X)
With Supplemental Security Income	3,257	4.2%
Mean Supplemental Security Income (dollars)	8,881	(X)
With cash public assistance income	2,880	3.7%
Mean cash public assistance income (dollars)	3,174	(X)
With Food Stamp/SNAP benefits in the past 12 months	7,846	10.0%
Families	47,698	47,698
Less than \$10,000	1,466	3.1%
\$10,000 to \$14,999	1,353	2.8%
\$15,000 to \$24,999	3,720	7.8%
\$25,000 to \$34,999	4,283	9.0%
\$35,000 to \$49,999	6,469	13.6%
\$50,000 to \$74,999	11,284	23.7%
\$75,000 to \$99,999	8,519	17.9%
\$100,000 to \$149,999	7,148	15.0%
\$150,000 to \$199,999	1,824	3.8%

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\$200,000 or more	1,632	3.4%
Median family income (dollars)	64,586	(X)
Mean family income (dollars)	75,941	(X)
Per capita income (dollars)	25,407	(X)
Nonfamily households	30,488	30,488
Median nonfamily income (dollars)	28,172	(X)
Mean nonfamily income (dollars)	38,203	(X)
Median earnings for workers (dollars)	24,780	(X)
Median earnings for male full-time, year-round workers (dollars)	47,109	(X)
Median earnings for female full-time, year-round workers (dollars)	34,690	(X)

Source: U.S. Census Bureau, 2006-2010 American Community Survey

APPRAISERS' EXPERIENCE & QUALIFICATIONS

Attachment "E"

McKEE & SCHALKA **REAL ESTATE APPRAISAL SERVICES & CONSULTANTS, INC.**

1200 Sixth Avenue, Suite 1805, Seattle, Washington 98101

Telephone (206) 343-8909 Fax (206) 386-5777

EXPERIENCE & QUALIFICATIONS

KENNETH A. BARNES, MAI, CRE

Mr. Barnes graduated from the University of Missouri - Columbia with a BS in Biochemistry in 1982. In 1988 Mr. Barnes received an MBA with a Finance concentration from the University of Chicago.

Mr. Barnes received the MAI (Member Appraisal Institute) designation in 1989. He also holds the CRE designation awarded by the Counselors of Real Estate. Mr. Barnes entered the real estate business in 1981, first as a principal acquiring and renovating small rental properties, and then as an appraiser in 1983 with Moore & Shryock in Columbia, Missouri. In 1984 Mr. Barnes moved to Chicago to join Real Estate Research Corporation. He joined Cushman & Wakefield in 1989 as a Senior Appraiser in Seattle. In 1990, Mr. Barnes was elected an officer of the company as a Director and Manager of the Seattle practice. In 1998 he left the company to travel and returned to CB Richard Ellis. After 18 months of corporate advisory work he joined first one, and then a second, startup in executive roles. Mr. Barnes returned to Cushman & Wakefield in 2001 as Director. Mr. Barnes joined McKee & Schalka as Principal in 2006.

Mr. Barnes has authored a number of articles in the Appraisal Journal and other real estate publications, and has been a guest speaker or panelist for real estate organizations including NAIOP, IREM and the Appraisal Institute.

Mr. Barnes is a Certified General Real Estate Appraiser (Washington State Certificate No. 1100578), and has completed the requirements of the continuing education program of the Appraisal Institute. In his appraisal experience, Mr. Barnes has appraised and analyzed a wide variety of commercial property types, and provided critical appraisal, consultation and litigation services to a diversified range of clients.

Attachment "E"

McKEE & SCHALKA
REAL ESTATE APPRAISAL SERVICES & CONSULTANTS, INC.

1200 Sixth Avenue, Suite 1805, Seattle, Washington 98101

Telephone (206) 343-8909 Fax (206) 386-5777

EXPERIENCE & QUALIFICATIONS

ALLISON ROSELLE, MAI

Ms. Roselle graduated from Vassar College with a Bachelor of the Arts Degree in Geography. She received her Master Degree in Urban Planning from New York University. Prior to joining McKee and Schalka, Ms. Roselle worked as a budget analyst for the City of New York.

In her several years of appraisal experience, Ms. Roselle has appraised a variety of property types, including retail, industrial, office, special purpose, and multi-family residential. Her appraisal experience has focused on King, Snohomish, Pierce and Kitsap Counties. Ms. Roselle also has experience with partial acquisition appraisals for public agency acquisition and worked on the appraisal of the underground interests to be acquired by Sound Transit for the Capitol Hill (downtown to UW) segment.

Ms. Roselle is a Certified General Real Estate Appraiser (Washington State Certificate No. 1102038) and received the MAI designation in May 2012.

Attachment "E"

McKEE & SCHALKA

REAL ESTATE APPRAISAL SERVICES & CONSULTANTS, INC.

1200 Sixth Avenue, Suite 1805, Seattle, Washington 98101

Telephone (206) 343-8909 Fax (206) 386-5777

EXPERIENCE & QUALIFICATIONS

TATIANA BUTLER

Ms. Tatiana Butler joined McKee & Schalka in the fall of 2013 as a prospective appraiser. In 2014, Tatiana became a State Registered Trainee (Washington State Certificate No. 1001757). Appraisal course work includes USPAP; most current 2014-2015 update course, Basic Appraisal Principles, and Basic Appraisal Procedures. Property types appraised include churches, fast food establishments, flex industrial properties and industrial warehouses, general office, medical and dental offices, community centers, automotive retail and dealerships, restaurants and miscellaneous retail properties, along with commercial and residential vacant land.

Ms. Butler graduated from Amherst College in 2010 with a Bachelors of Art degree in Biology, and a concentration in Fine Arts. Tatiana studied abroad in South Africa, traveling to Kruger National Park, Cape Town and numerous other national parks to study field biology and South African culture and ecology. During college she worked as a residential counselor, as well as a fisheries technician in Alaska and Montana.

Prior to joining the McKee & Schalka team, she worked for two non-profits in Washington DC, both focused on the environment and science literacy. Tatiana grew up in Nikiski, Alaska and loves all outdoors activities. In particular she is an avid backpacker and horseback rider and looks forward to developing her skiing skills further in the Cascades.

Attachment "E"

McAULIFFE & McMAHON

COLUMBIA VALUATION GROUP, INC. — SEATTLE

Real Estate Appraisers and Consultants

2402 Northwest 195th Place
Shoreline, Washington 98177
206-364-8556 (Fax)
206-364-8580

June 17, 2014

Ms. Shirley McFearin
Director of Real Estate
Port of Bellingham
1801 Roeder Avenue
P.O. Box 1677
Bellingham, Washington 98227

RE: 10.8 Acres of Waterfront Land
Bellingham Waterfront, West Corner of Cornwall and Chestnut
Bellingham, Washington 98227

CVG File No.: 14-113
Port of Bellingham Purchase Order No.: 44960

Dear Ms. McFearin:

At your request, we have prepared a narrative appraisal report of the above captioned property. The purpose of this appraisal is to provide an opinion of the As Is Value of the fee simple interest in the above-captioned property as of the date of inspection. This valuation is subject to a number of hypothetical conditions that are outlined in the report, including that the subject is assumed as vacant and that all environmental contamination issues have been remedied and the site is covered by a Consent Decree with the Department of Ecology; that the subject is served by an interior road network and all necessary utilities requisite for development; and that the permitting and development process will be expedited through the coordination of the Port and the City of Bellingham.

This report conforms with the Uniform Standards of Professional Appraisal Practice and with the guidelines of the Port of Bellingham. A copy of your letter of engagement is included in the addendum.

The real property interest appraised is the fee simple estate. The appraisal is subject to the general Certification, Assumptions, and Limiting Conditions as well as specific assumptions and limiting conditions contained in the report.

Attachment "E"

Ms. Shirley McFearin
June 17, 2014
Page 2

Based on the analyses contained in this report, our concluded opinion of value for the subject, as of May 21, 2014, is:

Fee Simple Estate – Bellingham Waterfront Development Land – May 21, 2014
NINE MILLION SEVEN HUNDRED THOUSAND DOLLARS
\$9,700,000

Respectfully submitted,

COLUMBIA VALUATION GROUP, INC. – SEATTLE



Kevin H. McAuliffe, MAI



John C. Bryan

A NARRATIVE APPRAISAL REPORT
& VALUATION ANALYSIS

10.8 Acres of Waterfront Land on Bellingham Bay
West Corner of Chestnut and Cornwall, Bellingham, Washington

PREPARED FOR:
Port of Bellingham
1801 Roeder Avenue
P.O. Box 1677
Bellingham, Washington 98227

As Is Date of Value: May 21, 2014

Columbia Valuation Group, Inc. – Seattle
2402 Northwest 195th Place
Shoreline, Washington 98177
206-364-8580

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ADDENDUM

- Exhibit I: Whatcom County Assessor Records
- Exhibit II: Client's List of Assumptions and Conditions
- Exhibit III: Letter of Engagement
- Exhibit IV: Appraisers' Qualifications

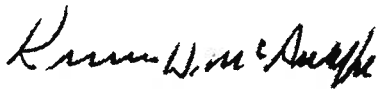
SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Location	Bellingham Waterfront West corner of Cornwall Avenue and East Chestnut Street Bellingham, Washington 98225
Property Description	Land along the Bellingham Bay waterfront.
Site Size	10.8 acres; retail lot sizes assumed at 1.08 acres each
Tax Parcel Number	Portion of 3802255220210002
Zoning	Commercial Mixed-Use
Highest and Best Use	Mixed-use development
Date of Value	May 21, 2014
Appraisers	Kevin H. McAuliffe, MAI John C. Bryan
VALUE CONCLUSIONS	
As Is Values as of May 21, 2014	
Retail Value of Economic Parcels (10)	\$1,670,000 each
Bulk Value	\$9,700,000

CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by our reported assumptions and limiting conditions, and are our personal, unbiased, impartial, professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representative.
- John Bryan inspected the subject property that is the subject of this report on May 21, 2014.
- No one provided significant real property appraisal assistance to the persons signing this report. We have performed no services, as appraisers or in any other capacity, regarding the subject property within the 3 years immediately preceding this appraisal.
- As of the date of this report, Kevin H. McAuliffe, MAI, has completed the requirements of the continuing education program of the Appraisal Institute and the State of Washington. John Bryan has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members. We are competent and qualified to perform the appraisal engagement.



6/17/2014

Kevin H. McAuliffe, MAI
Washington Certified General Appraiser
No. 1100752



6/17/2014

John C. Bryan, Appraiser
Washington Certified General Appraiser
No. 1101826

ASSUMPTIONS AND LIMITING CONDITIONS

1. That legal description furnished the appraisers is correct, and that no survey has been furnished.
2. That the title to the property is good and marketable, free and clear of liens; and, unless otherwise mentioned in this report, is appraised as if owned in fee simple title without encumbrances.
3. That responsible ownership and competent management exist for the property.
4. The appraisers are not responsible for the accuracy of opinions or information furnished by others and contained in this report. Nor are the appraisers responsible for the reliability of government data utilized herein. The appraisers have made a reasonable attempt to consider all available governmental regulations or restrictions, but assume no responsibility for future conditions that are not readily available or public knowledge at the time the appraisal is made.
5. The date of value to which the opinions expressed in this report apply is set forth in the letter of transmittal, the certification page, and in the body of the report within the Factual Description section. The appraisers assume no responsibility for economic or physical factors occurring at some later date which may affect the opinions herein stated.
6. That any sketches in this report are included to assist the reader in visualizing the property. The appraisers have not made a survey of the property, and assume no responsibility for accuracy of surveys or plans prepared by others.
7. That the values assigned to improvements, shown in this report, are in proportion to the contribution said improvements made to the value of the properties as a whole. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used or if used separately.
8. That neither all nor part of the contents of this report shall be conveyed to the public through advertising, public relations, news sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraisers or firm with which they are associated, or any reference to the Appraisal Institute.
9. That compensation for appraisal services is dependent only upon delivery of this report, and is not contingent upon values estimated, or approval of a loan.
10. That this report considers nothing of legal character, and the appraisers assume no responsibility for matters of legal nature.

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11. That testimony or attendance in court is not required by reason of this appraisal unless arrangements are previously made therefore.
12. That reasonable inspection has been made and the appraisers assume there are no hidden or unapparent conditions of the subject property, subsoil, or structures that would render it more or less valuable. The appraisers assume no responsibility for such conditions, nor for engineering that might be required to discover such factors.
13. The appraisers have completed a commercially reasonable investigation for the presence of toxic waste and hazardous materials. Although the results of this investigation do not indicate an environmental problem, a real estate appraiser is not an expert in this field. The appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment.

The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraisers' value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report.

No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

14. That information furnished by property owner, agent, or management is correct and complete.
15. That no part of this report may be reproduced without permission of the appraisers.
16. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
17. It is assumed that all applicable zoning and land use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
18. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from local, state, or national government or

Attachment "E"

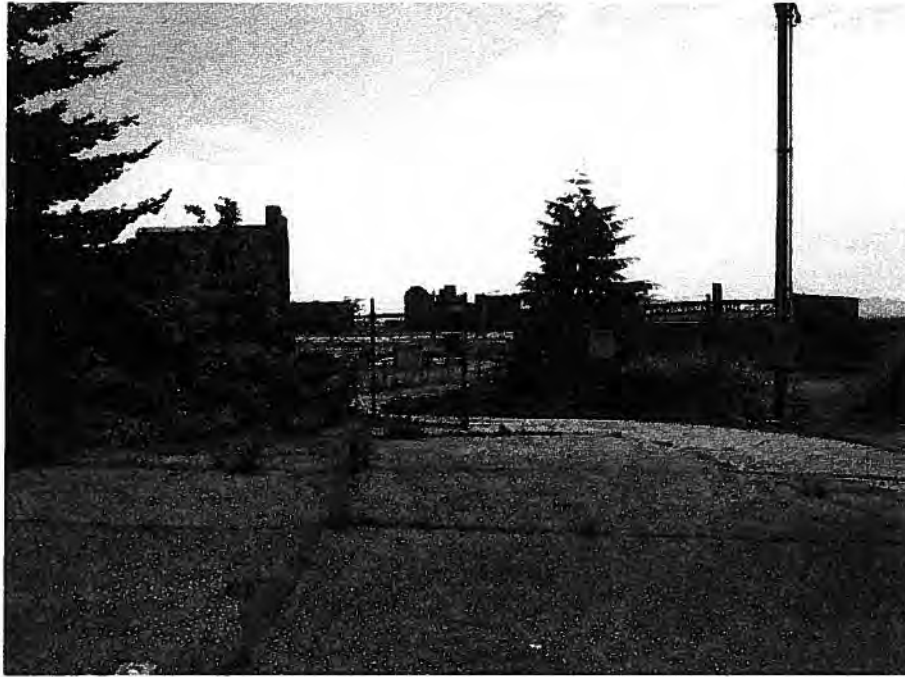
private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

19. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
20. Unless otherwise stated, this appraisal takes no account of the potential for a higher price that may result from buyers such as abutters who may gain special benefits from acquisition. Discovery of the identity, motivation, and purchasing power of parties in a position to gain special benefits requires information not publicly available, and is beyond the scope of this appraisal.
21. **Unavailable Information:** The following information was not available for review by the appraisers: 1) soils survey, 2) title report, or 3) environmental assessment. The site is assumed clean therefore an environmental assessment was not necessary. We assume that this information, although unavailable, does not indicate the presence of any detrimental factors that would impact the value of the property, and if it does, we reserve the right to amend our value conclusion.
22. **Hypothetical Conditions:** We have been asked to develop a value for the subject as of our date of inspection in May 2014, subject to the following hypothetical conditions. It is our understanding that all of these conditions will eventually be fulfilled but, for purposes of this analysis, the Client has requested that we make these assumptions as though they are currently in place. We note that these conditions have a significant effect on our conclusions of value.
 - 1) Any contamination on the site has been remediated and the site is in receipt of a Consent Decree. A soils management plan will still be required for all dirt excavated from the site and an environmental cap over contaminated areas will need to be maintained.
 - 2) The site is vacant and overlaid with a gravel base.
 - 3) The subject site is serviced by internal roads and utilities.
 - 4) The permitting process will be streamlined and both the Port and City of Bellingham will assist in facilitating the process.
 - 5) Impact credit fees totaling \$5,430 per residential development unit will be available to the developer.

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- 6) There is a building on the site known as the Granary Building. The property has been valued as vacant without deductions for the demolition of the structure or allocations for any interim or shell value it might offer.

SUBJECT PHOTOGRAPHS

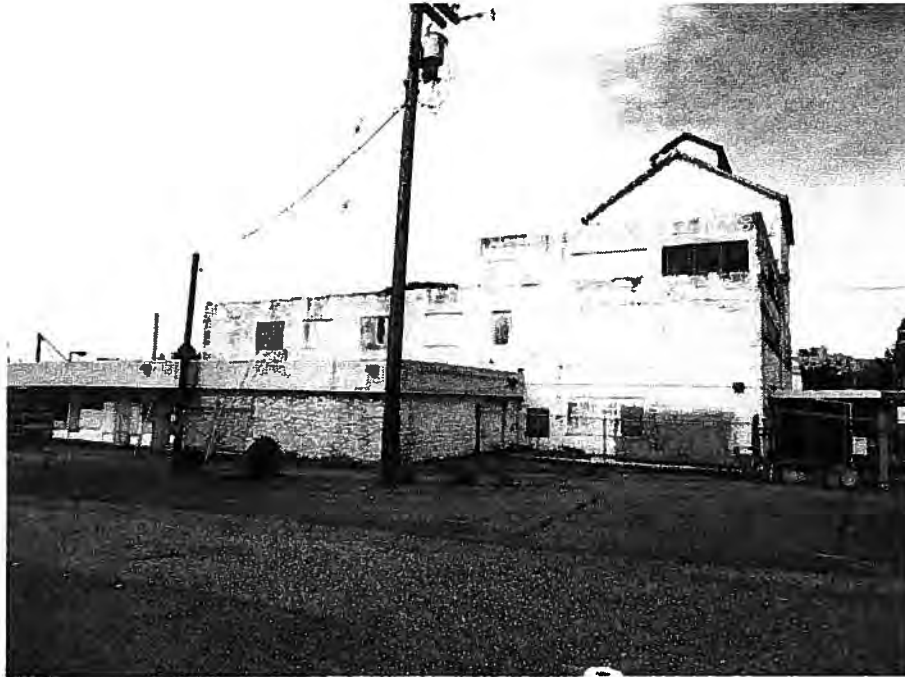


Looking West over Subject Site from Future Granary Avenue Corridor



Looking East along Future Granary Avenue Corridor

SUBJECT PHOTOGRAPHS



View of Granary Building Parcel

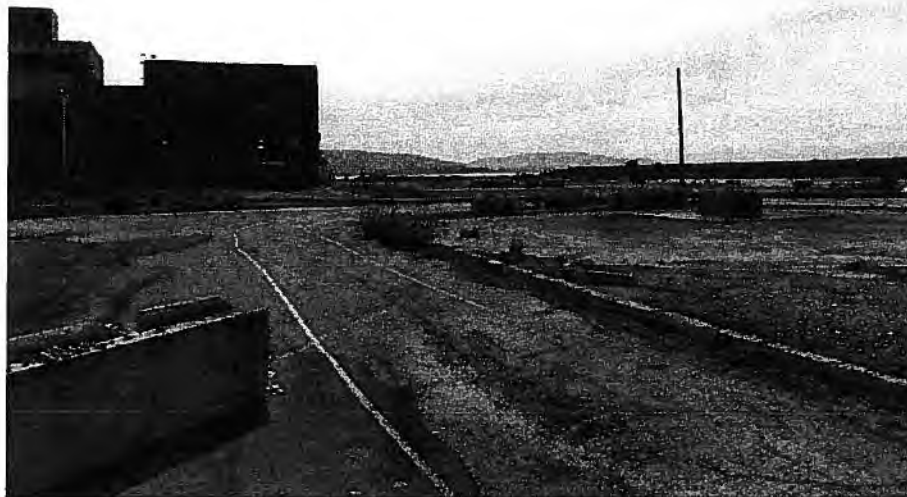


Looking Southeast over Subject Site

SUBJECT PHOTOGRAPHS



Looking Northwest over Subject Site



Representative Westerly View from Westernmost Area of Subject

NARRATIVE APPRAISAL REPORT

OSTENSIBLE OWNER OF RECORD AND PROPERTY HISTORY

No title report was available for review by the appraisers. According to Whatcom County Assessor records, the subject is owned by the Port of Bellingham.

LOCATION

The property is located on the Bellingham waterfront, west of the intersection of Bay Street and Chestnut Street. Access to the site is via Roeder Avenue, opposite the intersection with Central Avenue. There are no street addresses associated with the property, to our knowledge. The property is located in Whatcom County Census Tract Number 6.

PRESENT AND PROPOSED USE

The subject site consists of 10.8 acres of land located along the Bellingham Bay waterfront. The site is currently predominantly vacant. There is one building on the site, known as the Granary Building. We have not considered any effects on value from this building, either for interim use or the shell contributing value or the cost of demolishing the building as a deduction. This is a hypothetical condition of this analysis.

The site is divided into three tracts that are separated from one another by areas reserved for future city streets. The topography of the site is mostly level and the shapes of the tracts that comprise the property are irregularly shaped, both individually and collectively. Municipal utilities are either currently available to the site or will be made available in conjunction with redevelopment of the site. The site is adjacent to downtown Bellingham but geographically separated by railroad tracks and an elevated roadway. Access and exposure are both rated above average.

The site is zoned Commercial Mixed-Use and this designation is meant to accommodate a mix of uses including residential, commercial, recreational and public uses. A wide range of possible uses are legally permitted in this zone. Height limits range from 100 to 200 feet, depending on orientation toward the waterfront, and the base floor area ratio ranges from 2 to 3 with the potential to be increased by an additional factor of 2 by meeting certain performance standards.

This site has historically been known for its connection with the operations of Georgia Pacific's timber milling and processing. The Port of Bellingham purchased this property in 2005 and the transaction included a total of 137 acres of uplands and tidelands with the understanding that the Port of Bellingham would assume responsibility for the environmental cleanup of the site.

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The site is reportedly contaminated and the Port proposes to remediate the contamination of the site. This process will eventually culminate in the receipt of a Consent Decree from the Washington State Department of Ecology. Any subsequent purchasers of the property would be indemnified by this Decree, provided that they comply with other regulations and covenants that are part of this process. It is a hypothetical condition of this valuation that this process has already been completed and the Consent Decree is in place.

The Port has issued requests for proposals from developers interested in redeveloping the site and has received a number of proposals that they are currently in the process of evaluating. Once a developer or team of developers are selected, both the City and the Port will work with the developer(s) in order to expedite the permitting process and to provide all required infrastructure to serve the property. We do not know if there is a specific timeline for the selection of a developer or for the ultimate redevelopment of the property.

LEGAL DESCRIPTION

No title report was provided for review by the appraisers. A copy of the public records for the legal tax parcel where the subject is located is included in the Addenda and includes an abbreviated legal description of that parcel, of which the subject is only a portion. For purposes of identifying the subject, we refer to the Site Plan map at the end of the Site Description section of this report. Until this area is replatted, it is beyond the appraisers' ability to legally describe the subject property.

PURPOSE OF APPRAISAL

The purpose of the appraisal is to develop a value of the fee simple interest in the subject as of the effective date of value on May 21, 2014 and subject to a number of hypothetical conditions. This analysis develops a retail value for economic sized parcels and a bulk value for the property based on the sale of these economic sized parcels over time.

DISCLOSURE OF CLIENT AND INTENDED USER(S)

The term **client** is defined in *Uniform Standards of Professional Appraisal Practice*, 2014-15 edition as:

"The party or parties who engage, by employment or contract, an appraiser in a specific assignment."

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The term **Intended User(s)** is defined in *Uniform Standards of Professional Appraisal Practice*, 2014-2015 edition as:

"The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser on the basis of communication with the client at the time of the assignment."

This report is for use only by the Port of Bellingham (the client) and other users as authorized by the Client.

DISCLOSURE OF CLIENT'S INTENDED USE

The term **Intended Use** is defined in *Uniform Standards of Professional Appraisal Practice*, 2014-15 edition as:

"The use or uses of an appraiser's reported appraisal or appraisal review assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment."

This intended use of this report is to establish values for the purpose of negotiating the potential sale of the subject and for decision-making purposes. This report is not intended for any other use.

SCOPE OF APPRAISAL - EXTENT OF THE APPRAISAL PROCESS

The scope of the appraisal assignment included the following tasks:

- An inspection of the subject property was performed on May 21, 2014.
- The subject and the market where it is located were analyzed based on the Waterfront District Development Plans and associated documentation available from the City of Bellingham and the Port of Bellingham.
- A search for comparable sales was conducted using the Commercial Brokers' Multiple Listing Service, Costar Comparables and the Northwest Multiple Listing Service.
- All comparable sales were inspected and, to the greatest extent possible, confirmed with parties to the transaction.
- Market characteristics and trends were analyzed using U.S. Census data coupled with an abbreviated fundamental demand analysis based on this data.
- The property was valued using the sales comparison approach to develop a retail value for an economic lot size, estimated in this analysis at 1.08 acres. The As Is Value of the property was developed using a discounted cash flow analysis that models the

absorption of these parcels over a projected period of 10 years. As vacant land, no other approaches were applicable.

DEFINITION OF MARKET VALUE

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

- 1. Buyer and seller are typically motivated*
- 2. Both parties are well informed or well advised, and both acting in what they consider their own best interest*
- 3. A reasonable time is allowed for exposure in the open market*
- 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto*
- 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

(OCC, 12 CFR Part 34, Subpart C, 34.42)

DEFINITION OF BULK VALUE

The value of multiple units, subdivided lots, or properties in a portfolio as though sold to a single buyer in one transaction. Sometimes called bulk sale value.

The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

PROPERTY RIGHTS APPRAISED

The ownership interest appraised is fee simple estate.

The Fee Simple Estate *is absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the government powers of taxation, eminent domain, police power, and escheat.*

(The Dictionary of Real Estate Appraisal, 5th Ed. Chicago: Appraisal Institute, 2010)

REASONABLE EXPOSURE TIME/MARKETING PERIOD

The term "marketing period" is defined by the *Uniform Standards of Professional Appraisal Practice* (USPAP), 2014-15 Edition, as:

"an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal."

The term "exposure time" is defined by the *Uniform Standards of Professional Appraisal Practice*, 2014-15 Edition, as the

"estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market."

The market for multifamily development sites in Bellingham is quite strong presently, especially in areas that are well-located with respect to shopping and services and offer lifestyle amenities similar to those that will be available at the subject. Looking forward, we project a marketing period of less than a year. Looking backward, we project a similar exposure period of less than a year.

COMPETENCY

We are competent to appraise the subject property. We have appraised waterfront properties and other highly amenitized residential and mixed-use developments around the Puget Sound region. We have additionally valued other parts of the Bellingham waterfront, including a larger site of which the subject is part. Please refer to the Scope of the Appraisal, the Appraiser Qualifications at the end of the report, and the research and presentation of data throughout the report for verification of competency.

DATE OF INSPECTION

May 21, 2014

DATE OF VALUATION

May 21, 2014

DATE OF REPORT

June 17, 2014

REGIONAL OVERVIEW

Whatcom County is located in Washington State in the farthest northwest corner of the contiguous 48 United States. It is bordered to the west by the Strait of Georgia and the associated bays, harbors and waterways; to the north by the international border crossing with Canada and the Canadian province of British Columbia; to the south by Skagit County; and to the east by Okanogan County. The population of Whatcom County, as of Census 2010, was at 201,140. Bellingham is the county seat and principal city, with a population of 80,885. Lynden is the second-largest city in the county with 11,951 residents, and Ferndale is a close third with 11,415 residents.

The principal industries in the county are health care, education, government and retail sales. Oil and aluminum refining are significant industries as well, with two operating oil refineries west of Ferndale and Intalco aluminum operating a refining operation in that area. There is a substantial agricultural component to the economy as well, with the areas located east of the Interstate 5 corridor representing prime agricultural lands. Principal crops include blueberries, raspberries and strawberries as well as dairy operations, nut cultivation and vegetable row crops. Other industries include some logging and timber operations, boat building, fishing, gravel and mineral mining.

A large source of income to the county comes from Canadian visitors. There are more than 1.6 million Canadians living within an hour's drive of Bellingham. The volume of retail sales has historically been connected to the value of the Canadian dollar. Canadians are heavy investors in and owners of Whatcom County real estate, especially recreation properties and, in recent years, agricultural lands that have been made more affordable by the falling U.S. dollar.

POPULATION TRENDS

Year	County	% Change ⁺	Bellingham	% Change ⁺
Census 2000	163,500	N/Ap.	64,720	N/Ap.
Census 2010	201,140	2.30%	80,885	2.50%
2013	205,800	2.32%	82,310	1.76%
ANNUAL AVERAGE		1.99%		2.09%

⁺Annually

The service sector is the largest segment of the Whatcom economy, with government jobs, goods production, and retail trade the three largest components. With the exception of a slight contraction in the non-durable manufacturing sector and stagnancy in natural resources, the Washington Employment Security Department is forecasting growth across the entire employment spectrum between 2008 and 2012. The largest areas of growth are construction, wholesale trade, and federal governmental employment. The construction growth is attributable to the significant development that has occurred in recent years. The increase in wholesale trade is attributable to the strengthening of the Canadian dollar which makes

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domestic goods more affordable to Canadian buyers. Blaine is one of the largest border crossings in terms of border trade. The increase in federal governmental jobs is due to the increased security presence at the US-Canada border. Overall, employment trends are strong, although lagging anticipated population growth. This disparity can be attributed to immigrating retirees and a growing component of self-employed and telecommuting residents.

WHATCOM COUNTY'S LARGEST EMPLOYERS

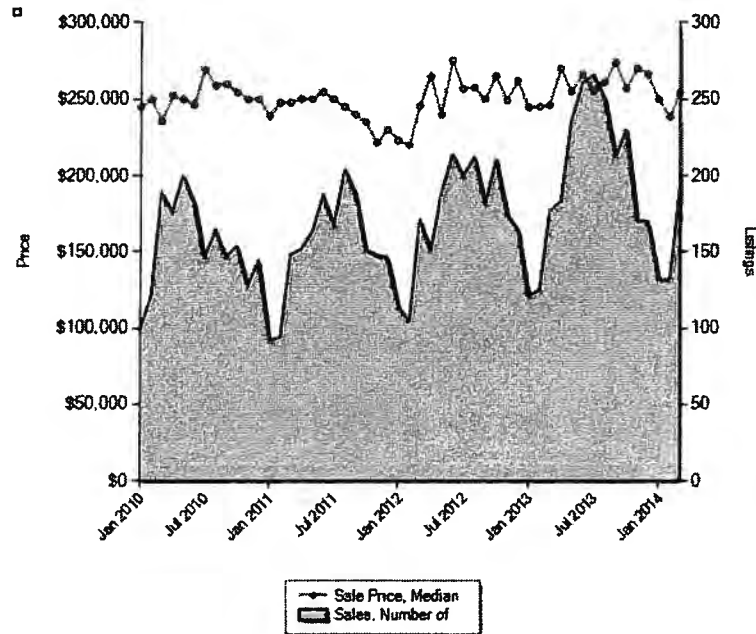
<u>Employer</u>	<u>Employees</u>
1 St. Joseph's Hospital/PeaceHealth Whatcom	2,753
2 Western Washington University	1,575
3 Bellingham School District	1,200
4 BP Cherry Point Refinery	1100
5 Heath Tecna Inc.	850
6 City of Bellingham	807
7 Whatcom County Government	805
8 Haggen, Incorporated	787
9 Lummi Tribal Office	700
10 Fred Meyer	660
11 Alcoa Intalco	625
12 Aarmark	620
13 Ferndale School District	600
14 Silver Reef Casino and Hotel	578
15 The Markets LLC	522
16 Matrix Service, Inc.	475
17 Whatcom Community College	440
18 Costco	400
18 Alpha Group	400
20 Sterling Health	362

Source: Western Washington College of Business and Economics (2013 is most current data)

The Bellingham MSA labor force, as of February 2014, was 104,280 and this is 80 fewer than in the work force a year prior in February 2013. The current unemployment rate is projected at 7.6 percent, which is down 0.5 percent from the rate a year prior. The projected median household income for 2013 was \$51,910, up 1.25 percent from the median a year prior.

The median sale price for homes in Whatcom County has been volatile over the past few years but generally in the range of \$250,000. The following chart shows total sales volume over the past 4 years on the right axis with median price on the left axis.

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Source: NWMLS

The volume of sales showed very slight improvement between 2010 and 2012 but volume increased substantially in 2013. The median price has failed to follow the uptick in volume and this presumably reflects the absorption of overhanging inventory. If sales volume continues to grow, a sustained increase in the median price is projected.

There have been 625 sales year to date in 2014, compared to 628 the year prior during the same period. There are currently 452 pending or contingent sales and 1,435 active listings. Based on the year to date rate of sales coupled with the pending sales, it appears that there is less than 6 months of inventory in the market and this is further reason to anticipate upward pressure on prices.

Bellingham is attractive because of affordable housing and less traffic, offering a small-town appeal that is fading from Seattle. Bellingham has the single largest concentration of housing in Whatcom County. Bellingham's housing stock accounts for about half of the county's total housing stock; however, the inflow of new residents seeking rural appeal fuel some subdivision development in the county and other cities in Whatcom County. Future demand will be fueled by overflow from the greater Seattle area, as well as the lower mainland of British Columbia, as these areas build to capacity and as investment and commerce between these two major regions grows.

The Bellingham area offers alternatives to Canadian companies wanting an operational base on the U.S. side of the border. Commercial and industrial real estate investors have historically looked to Whatcom County to purchase suitable sites, viewing it as a gateway location with skilled labor and free trade zones. In the past Canadian customers have accounted for up to 30 percent of Whatcom County's retail sales. In recent years, Canadian spending in Whatcom

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County waned due to the falling Canadian dollar, imposition of higher tariffs on liquor and cigarettes, more vigorous enforcement of import restrictions on other goods, and better competition from BC retailers. The resurgence of the Canadian dollar over the past 6 years has helped support retail sales throughout the county. During 2011 there were more southbound crossings than there had been since 2001 when tighter border security measures were put in place and resulted in a substantial drop in crossings. This is due in large part to the strength of the Canadian dollar which, as of April 2014, is trading below parity with the US dollar, at about \$0.91 US dollars per Canadian dollar. The exchange rate has receded from high points of recent years when the Canadian dollar was trading above parity but the current rate is still far stronger than prior to the recession of 2007-08. This rate attracted more Canadian buyers back to the U.S. after a drop-off in cross-border traffic following the events of September 2001.

Overall, trends have been stable to moderately declining for the Bellingham area and the wider Whatcom County market over the past few years. Despite a national housing slowdown, the real estate market in Whatcom County has remained more stable than many other regions of Western Washington. The most significant impact of the current economic slowdown has been on the residential land segment of the real estate market, with few lot sales and little interest in land available for residential development on the part of developers.

MARKET AREA DATA

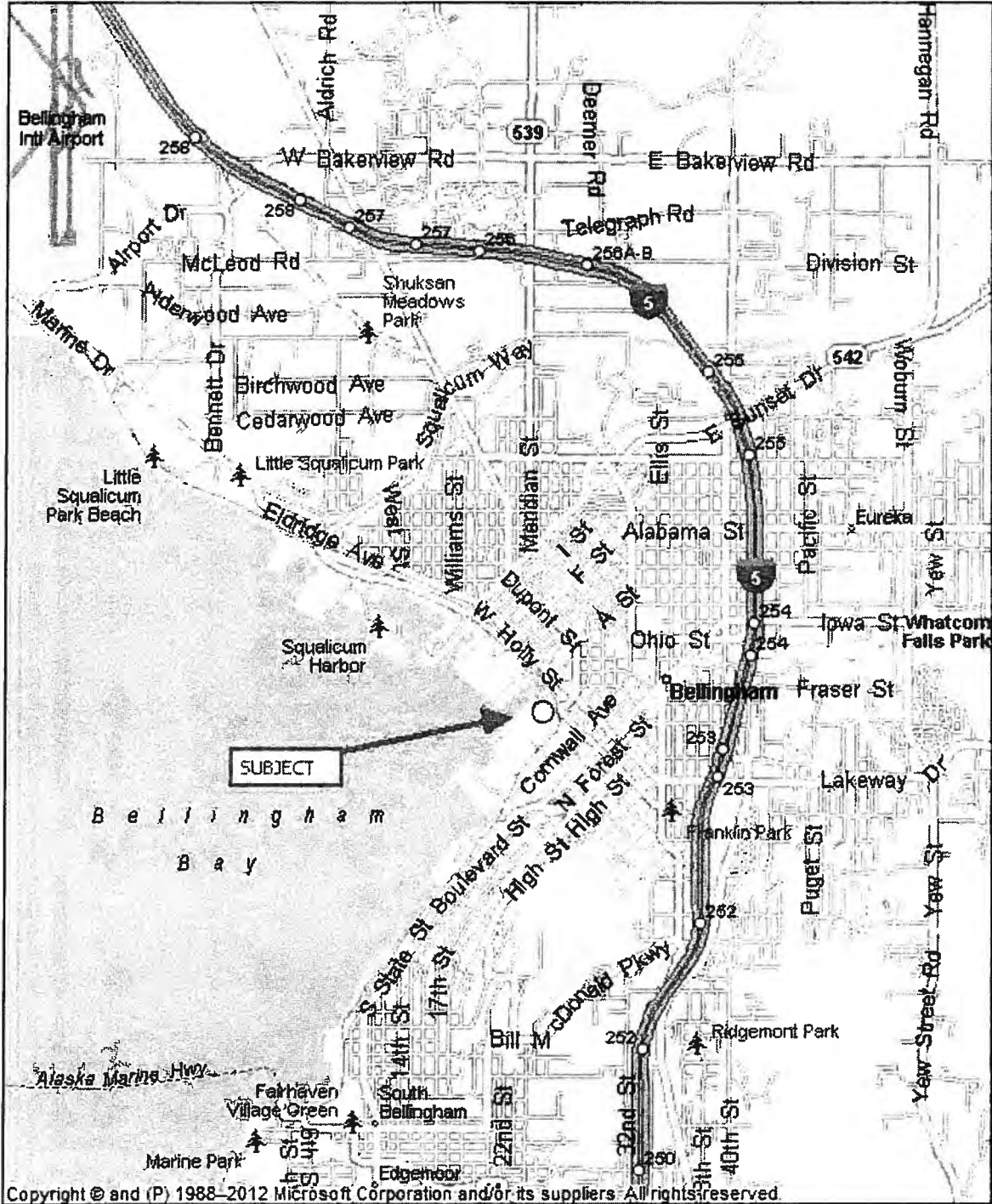
A market area can be defined as an area of complementary land uses. A market area's boundaries identify the area that influences the value of the subject property. The subject property is located along the Bellingham waterfront and has historically been known as the Georgia Pacific site. The market area has been identified with heavy industrial uses throughout most of Bellingham's history. In 2005, the Port of Bellingham finalized a purchase of the Georgia Pacific site, some 137+ acres, in exchange for the Port assuming responsibility for remediation of contamination by toxic chemicals associated with the GP's timber processing operations. At present, the Port has planned an ambitious redevelopment of the waterfront which will include mixed land uses, including residential, commercial and light industrial components along with civic uses, recreational areas and facilities to accommodate marine dependent commerce.

The market area is effectively the Bellingham waterfront. The geographic boundaries that define this market area are Bellingham Bay to the southwest, the bluff that rises above Cornwall Avenue and the railroad right of way to the southeast, Squalicum Way to the north and West Holly Street/Eldridge Avenue to the northeast.

The downtown commercial core is located to the immediate east of the subject and onramps for Interstate 5 are located approximately 1 mile to the east of the subject. Western Washington University is located on the bluff to the south of the subject's market area. As mentioned, the subject market area has historically been identified with heavy industry and marine dependent commercial uses. The New Whatcom waterfront plan aims to redevelop the Georgia Pacific site to a mix of residential and commercial uses as well as a number of civic and institutional uses, including an extension of Western Washington University, and recreational uses, including city parks and a public beach.

In conclusion, the subject market area is very well located with regard to the downtown area of Bellingham and the redevelopment of this market area is an ambitious long range plan that will eventually capitalize on the valuable amenity that is the Bellingham waterfront. Market trends at present are being affected by recessionary forces but this is a national phenomenon and not limited to this market area. The future of this area is projected to be positive and eventual developments in this area will likely be well-received by the market providing that the needs of the market are met.

MARKET AREA MAP



MARKET ANALYSIS

The subject property consists of 10.8 acres of land located along the Bellingham waterfront. This market area has historically been associated with heavy industrial uses. The Waterfront Development Plan proposes to redevelop these lands toward higher density residential and commercial uses. This land will represent new supply introduced to the downtown area of Bellingham and it is appropriate to consider a timeline for this new area to absorb because it likely exceeds the immediate needs of the market.

Based on our scaled measurements of the site taken from zoning maps and the provided site plans, it appears that approximately 40 percent of the site is subject to lower floor area ratios, between 2 and 4 depending on the incorporation of density bonuses, and 60 percent of the site subject to higher floor area ratios, between 3 and 5, also dependent on density bonuses. The chart following details how much of this area would be allocated toward each density.

<u>Site Specifics:</u>		
10.8 Acres =	470,448	Square Feet
40% @ FAR 2 to 4 =	188,179	Square Feet
60% @ FAR 3 to 5 =	282,269	Square Feet

The chart following shows approximately how much area could be developed on the subject based on three different floor area ratios and three different mix ratios of residential to commercial development. The Waterfront District Permitting Handbook shows that the minimum percentage of commercial use is 20 percent and the minimum percentage of residential use is 35 percent. We have not considered the potential for alternative types of use like institutional or industrial because these uses generally result in a lower land value per square foot than residential and commercial uses. Our model considers the residential component comprising between 40 and 60 percent of the potential developable area and the commercial component occupying the remainder.

For purposes of this analysis, we have assumed the efficiency of prospective residential and commercial buildings to be 85 percent. Equivalent residential units are calculated based on the assumption that the average unit is approximately 700 square feet per unit. The charts following show nine scenarios, ranging from the base to the maximum floor area ratios and with three unit mixes of residential to commercial space ranging from 40 percent to 60 percent.

The charts show that the various scenarios could deliver between approximately 600 and 1,600 residential units and between about 415,000 and 1,100,000 square feet of commercial area. This is a very wide range and the primary question is how much of this potential area could the Bellingham market absorb given typical growth trends inferred from historical data.

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Potential Development Area

	Base FAR	Mid FAR	Max FAR
FAR 2 to 4	2	3	4
Potential Square Footage	376,358	564,538	752,717
FAR 3 to 5	3	4	5
Potential Square Footage	846,806	1,129,075	1,411,344
Total Square Footage	1,223,165	1,693,613	2,164,061

Base Floor Area Ratio (2 to 3)

Residential %	40%	50%	60%
Residential Area (SF)	489,266	611,582	733,899
Equivalent Residential Units	594	743	891
Commercial %	60%	50%	40%
Gross Commercial Area (SF)	733,899	611,582	489,266
Rentable Commercial Area (SF)	623,814	519,845	415,876

Midrange Floor Area Ratio (3 to 4)

Residential %	40%	50%	60%
Residential Area (SF)	677,445	846,806	1,016,168
Equivalent Residential Units	823	1,028	1,234
Commercial %	60%	50%	40%
Commercial Area (SF)	1,016,168	846,806	677,445
Rentable Commercial Area (SF)	863,743	719,785	575,828

Maximum Floor Area Ratio (4 to 5)

Residential %	40%	50%	60%
Residential Area (SF)	865,624	1,082,030	1,298,436
Equivalent Residential Units	1,051	1,314	1,577
Commercial %	60%	50%	40%
Commercial Area (SF)	1,298,436	1,082,030	865,624
Rentable Commercial Area (SF)	1,103,671	919,726	735,781

Basic Demand

In order to project how long it would require for this new space to absorb, we performed an abbreviated fundamental demand analysis based on available data on the Bellingham market. This data is from the U.S. Census and American Community Surveys and the Whatcom County Real Estate Research Report.

Information taken from the U.S. Census and American Community Surveys is summarized on the following chart. This information includes numerous categories for projecting baseline demand for residential rental units.

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U.S. Census and American Community Survey Data

Year	2000	2005	2007	2010	2012
Bellingham Population	67,171	69,057	75,418	80,885	80,930
Occupied Housing Units	27,999	32,385	33,913	34,671	33,805
Renter-Occupied Units	14,512	17,383	17,464	18,833	18,186
Rental Percentage	52%	54%	51%	54%	54%
Rental Vacancy Rate	4.6%	4.0%	2.1%	4.7%	3.5%
Imputed Rental Units	15,212	18,107	17,839	19,762	18,846
Rental Units/Person	0.23	0.26	0.24	0.24	0.23
Population Growth Rate per year (2000 to 2010)	1.88%				
Population Growth Rate per year (2000 to 2012)	1.56%				
Population Growth Rate per year (2007 to 2012)	1.42%				

There is some variation among the data due to the different survey methods. The population growth rate between the two censuses was 1.88 percent, compounding annually. Since 2010, all indications are that population growth has tapered significantly. This is most likely attributable to the recession's effects in depressing birth rates and reducing in-migration. Looking forward, we project a return to higher growth rates but lagging the level between 2000 and 2010. We project a stabilized growth rate of 1.7 percent for purposes of the projections in this section.

The data show that the range of rental units per person in the city has ranged between 0.23 and 0.26 units. The data also show that vacancy rates have consistently been below 5 percent and often significantly below. Recent real estate reports indicate that vacancy rates are at very low levels although there are a number of developments currently under construction. Looking forward, due to the low vacancy rates and aging housing stock, we project that a strong demand cycle could support up to 0.29 residential units per person. The baseline scenario is forecast at 0.24 units, the approximate average among the data.

The Whatcom County Real Estate Report is issued annually and covers the Bellingham and Whatcom County markets. In 2010, the Whatcom County Real Estate Report had the most comprehensive survey of commercial space for the Bellingham market, indicating an inventory of 17,557,048 square feet of commercial and office space in the market. In other years of the report, the inventory has varied by up to 15 percent between years based on the quality of data reported and categorization of the types of space. The report from 2010 showed the highest inventory among numerous years of the report. The approximate vacancy rate for that year was 6.4 percent. The population in 2010, based on the U.S. Census, was 80,885. This equates to approximately 217 square feet of commercial space per person in the city. For purposes of this analysis, we project a low rate of 210 square feet of commercial space per person. At the upper end, we project a rate of 230 square feet of space per person. This upper limit considers the potential for a robust demand cycle and the displacement of aging structures by newer more competitive product.

Subject Competitive Position

Among the primary benefits to the waterfront properties are the following:

- The subject benefits from the waterfront amenity and proximity to downtown Bellingham and recreational areas.
- The infrastructure required for development will be largely paid for by the City and Port of Bellingham, including street and sidewalk construction and utility connections.
- Permitting will be expedited as part of the public-private partnership.
- Residential units will receive \$3,523 in impact fee credits for parks and up to \$1,907 in impact fee credits per P.M. trip generated toward commercial development.
- The development densities available to the waterfront properties are among the highest available in the City of Bellingham.

The primary detriments affecting the waterfront properties are the following:

- The waterfront properties have weak linkage traits both with nearby neighborhoods and regional transportation corridors. The location is geographically isolated from downtown Bellingham by railroad tracks and the elevated viaduct for Chestnut Street. Until a complete neighborhood evolves, any proposed developments will be pioneering.
- The areas to the north remain predominantly industrial with inconsistent development patterns and few signs of investment.
- Another factor affecting the waterfront properties is the likelihood that proposed developments will be required to use pilings in order to achieve adequate structural support. This will result in increased costs that are difficult to quantify without information about soil conditions and the associated costs for constructing this type of foundation.
- There are significant areas located farther to the southwest along the waterfront that could be redeveloped in the future and would compete directly with the subject.

On balance, we conclude that the waterfront properties have a very good competitive position and should compete favorably. The primary competition would be from the existing waterfront developments to the north, the Fairhaven waterfront to the southwest and the downtown area of Bellingham.

Subject Capture Projections

For prospective residential developments, it is worthwhile to note that over half of the households in Bellingham are renters (54%) and approximately 49 percent of those households pay at least 35 percent of their household income in gross rent. Approximately 36 percent of the rental units in the market lease for over \$1,000 per month in gross rent (includes utilities). This equates to approximately 6,550 units. A majority of any new units at the subject would be part of this market segment. At the lowest base development densities for the waterfront properties, the new units would increase the size of this market by over 10 percent. Assuming the waterfront parcels would capture a larger proportion of demand than their proportion of the market, new residential units could seek a baseline of about 9 percent of the market (0.1 / 1.1). At the upper end, we project that the capture rate could be 15 percent. This upper end considers the potential for fee-owned condominium sales of portions of the subject, which would not be reflected in the model using only rental units, as well as the potential for newer and higher density types of development like micro-apartments.

For commercial demand, the most recent Whatcom County Real Estate report indicated that there was a statistically insignificant amount of commercial vacancy in the waterfront districts of the Port and in Fairhaven. There has been very low vacancy reported in these areas among any of the WCRER surveys over numerous years. In the Downtown market, the reported vacancy rate for 2012 was 6.7 percent across all types of commercial space. In the 2013 WCRER, the commercial vacancy rate for all of Bellingham was reported at about 5.7 percent. This is a low enough level to accommodate frictional demand as well as supporting the introduction of new space in the market. The total square footage for reported in the 2013 report was approximately 15,500,000 square feet. At the lowest development densities, the subject would represent 2.7 to 4.0 percent of the total commercial space in the Bellingham market, based on this reported inventory. We note that, for the 2010 WCRER, the reported commercial space was larger by almost 2 million square feet.

Considering the very low vacancy rate in the waterfront districts and the relatively low vacancy rate in the Downtown market, we project that the commercial component at the subject could capture up to 20 percent of new commercial demand in the market. This projection considers that the waterfront properties could potentially attract a corporate headquarters or regional offices of a large corporation. At the low end, we project that capture would occur at only half of this rate, at 10 percent.

Projected Absorption Scenario

The chart on the following page shows our projected absorption scenario based on the upper and lower limits of the fundamental demand and the upper and lower limits of the projected capture rates.

Projected Absorption Scenarios

	1	2	3	4	5	6	7	8	9	10	TOTAL
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Population	83,709	85,132	86,580	88,051	89,548	91,071	92,619	94,193	95,795	97,423	15,113
Population Growth	1,399	1,423	1,447	1,472	1,497	1,522	1,548	1,575	1,601	1,629	4,383
Residential Demand (Units) - High	406	413	420	427	434	441	449	457	464	472	3,627
Residential Demand (Units) - Low	336	342	347	353	359	365	372	378	384	391	3,627
Commercial Demand (SF) - High	335,825	341,534	347,340	353,245	359,250	365,357	371,568	377,885	384,309	390,842	3,627,154
Commercial Demand (SF) - Low	293,847	298,842	303,922	309,089	314,344	319,687	325,122	330,649	336,270	341,987	3,173,760
Subject Capture - Residential (High)	61	62	63	64	65	66	67	68	70	71	657
Subject Capture - Residential (Low)	30	31	31	32	32	33	33	34	35	35	326
Subject Capture - Commercial (High)	67,165	68,307	69,468	70,649	71,850	73,071	74,314	75,577	76,862	78,168	725,431
Subject Capture - Commercial (Low)	29,385	29,884	30,392	30,909	31,434	31,969	32,512	33,065	33,627	34,199	317,376

Assumptions:

Forecast Stabilized Population Growth Rate	1.70%
High Forecast Residential Rental Unit Demand (Units/Person)	0.29
Low Forecast Residential Rental Unit Demand (Units/Person)	0.24
High Forecast Commercial Space Demand (SF/Person)	240
Low Forecast Commercial Space Demand (SF/Person)	210
Residential Capture Rate (High)	15%
Residential Capture Rate (Low)	9%
Commercial Capture Rate (High)	20%
Commercial Capture Rate (Low)	10%

This scenario has obvious limitations due to the number of projections required. Without detailed plans for use mixes and densities, our estimate of fundamental demand relies on broad measures related only to population growth. The model does not consider the relationship of commercial space demand to basic industries, job creation, and employment multiplier effects or disposable income. Numerous factors could affect our projections but they function as a useful guideline for projecting likely absorption scenarios.

The scenario shows that the waterfront properties might expect to capture between 326 and 657 residential units of fundamental demand for residential rental units. Referring back to the projected density charts at the start of this section, this demand would equate to the base density level with the residential component comprising between 40 and 50 percent of the overall development.

For the commercial component, the scenarios show that the waterfront properties might expect to capture between about 320,000 and 725,000 square feet of fundamental demand for commercial space. This is a very wide range but the approximate mid-point would be about 525,000 square feet of space. Referring back to the projected density charts at the start of this section, this demand would equate to the base density level with the commercial component would comprising about 50 percent of the overall development.

Among the most important indications from this model is that there is very little fundamental support for developing the property to the maximum allowable densities. Development to the highest densities would most likely result in a significant oversupply of space to the market and potentially damage other submarkets in the city by attracting tenants away from those areas. On a longer development timeline, the higher densities could start to contribute value but this is speculative. This additional value would be realized as a result of entrepreneurial efforts in devising a compelling and consistently competitive development scheme rather than any intrinsic element attributable to the land. Therefore our absorption projections are for a 10 year timeline.

Based on these indications, we project that there is limited contributory value to the impact fee credits available to the subject beyond the base allowable density. This will be discussed further in the valuation section of this report.

There are a number of scenarios that could hasten the absorption of the land. Among these scenarios is the possibility of a corporate or regional headquarters location that would absorb a large part of the property and provide an immediate source of demand for any surplus parcels. Another possibility is micro-housing developments, which are an increasingly popular type of development in the Seattle metropolitan area. The proximity to Western Washington University would most likely support the market for this housing type. Also possible are artisan craft spaces or small-scale marine trade facilities, both of which are development options that could find a market niche at the subject.

Conclusion

The market position of the waterfront properties should be good to very good, based on the amenity value of the location proximate to the waterfront, the infrastructure and public spaces that will be developed and the facilitation of any proposed developments by the City and Port of Bellingham.

Based on our analyses and projected absorption scenario, we project that there is fundamental demand to support the equivalent of 600 to 650 residential units and 500,000 to 600,000 square feet of commercial space over the next 10 years. Our projected absorption scenario most closely parallels a use mix of 50 percent residential to 50 percent commercial. While there is significant additional density available for development, there is limited evidence of fundamental demand to support these increased densities. Achieving higher densities would protract the absorption timeline and might not result in a significantly higher value to the underlying land than development to the lower densities with a faster absorption.

SITE DESCRIPTION

Photographs of the subject property appear in the front of this report and a color aerial of the parcels that comprise the subject are included at the end of this section. A site map of the subject that was provided by the Port of Bellingham is located at the end of this section.

LOCATION

The property is located on the Bellingham waterfront, west of the intersection of Bay Street and Chestnut Street. Access to the site is via Roeder Avenue, opposite the intersection with Central Avenue. There are no street addresses associated with the property, to our knowledge. The property is located in Whatcom County Census Tract Number 6.

SHAPE AND AREA

The site contains 10.8 acres total, divided into three tracts containing 0.6 acres, 3.5 acres and 6.4 acres, separated by the road right of way for Granary Avenue, which is assumed will be constructed in conjunction with the proposed development of the subject. The three tracts are individually and collectively irregular in shape.

EASEMENTS

There was no title report provided for this assignment. The subject will be re-platted with streets and utility corridors and any easements or encumbrances will most likely be relocated as part of this process.

TOPOGRAPHY AND SOILS

The topography of the site ranges from level to lightly rolling. The site will be made predominantly level prior to sale. There were no soil surveys or geotechnical reports provided for this assignment. Based on other developments performed by the Port of Bellingham, prospective developments will most likely need to utilize pilings in order to support foundations of future developments.

UTILITIES

All utilities necessary for development will be routed through the subject as part of the future development of the area.

ENVIRONMENTAL CONCERNS

No environmental assessment was provided for this appraisal but the wider area is known to have contamination issues as a result of the industrial history of the area. Remediation of these conditions will be performed in conjunction with the redevelopment of this area. It is a hypothetical assumption of this report that the subject has a Consent Decree in place that will insulate prospective developers from any environmental liability issues.

ACCESS AND EXPOSURE

The property will be served by an internal road network. The main access point to the subject parcels will be from Roeder Avenue, on the south side of the Granary Building that is currently located on the 0.6 acre parcel outlined on the provided site map. The site is currently somewhat geographically isolated from the city street system but there will be a street system installed as part of the proposed redevelopment. The site is highly visible from numerous vantage points around the city and traffic on Roeder Avenue/Chestnut Street. Exposure is rated above average. In terms of accessibility, the site is located adjacent to the downtown area and access will be average to above average.

SITE AMENITIES AND OUTSIDE INFLUENCES

The subject will be located on the Bellingham waterfront, an area that is proposed for redevelopment with mixed residential, commercial and some light industrial uses along with civic uses including an extension of Western Washington University as well as city parks and beaches. Good to excellent quality views should be available to most of the site.

SITE IMPROVEMENTS

Once the redevelopment of the area is complete, there will internal streets with curb and gutters, utilities and stormwater sewers.

ZONING

The site is part of the Waterfront District Urban Village planning area and is specifically zoned Commercial Mixed Use. This zoning designation is meant to accommodate a mix of uses including residential, commercial, recreational and public uses. A wide range of possible uses are legally permitted in this zone.

Height limits are 100 feet in the areas closest to the waterfront and 200 feet along the easternmost portion of the site. In the areas closest to the waterfront, the base floor area ratio is 2 with potential to be increased to 4 by meeting certain requirements to receive bonuses, including meeting LEED standards, providing affordable housing and/or providing public

Attachment "E"

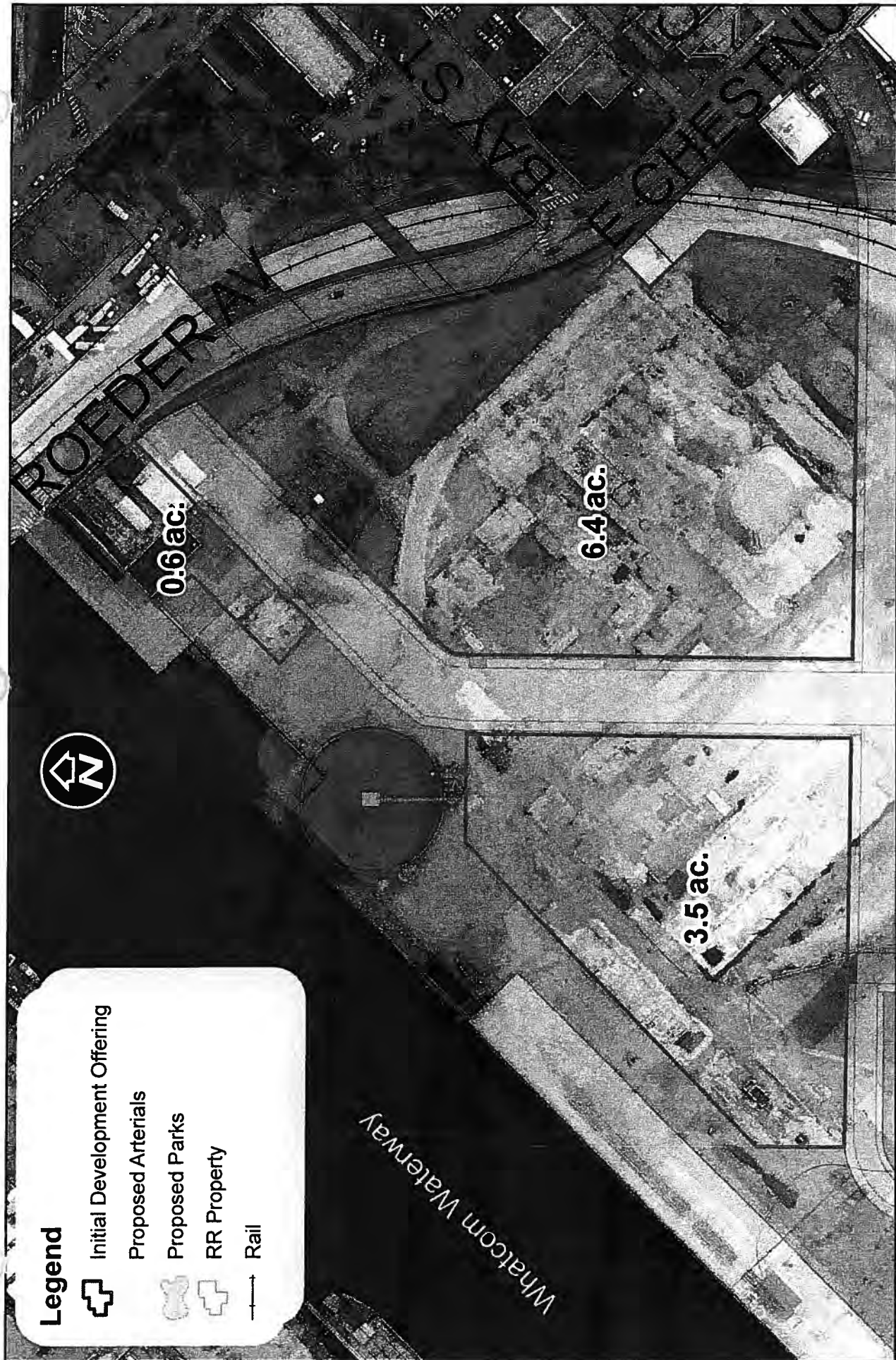
plazas and open spaces. The easternmost part of the site has a base floor area ratio of 3 with the potential to be increased to 5 through bonuses. There are no setback requirements for proposed buildings.

Parking requirements include 0.5 parking spaces for studio apartments, 0.75 spaces for 1-bedroom units and 1 space for a 2-bedroom unit. Commercial and institutional uses require 1 parking space per 500 square feet of gross building area. Bicycle parking is also required. For residential uses, there is a minimum of 2 long term parking spaces required or 0.5 long-term spaces per bedroom and studio unit, whichever is greater, and 2 short term spaces, or 1 per 20 residential units, whichever is greater. Commercial uses require a minimum of 2 long term spaces, or 1 per 12,000 square feet of gross floor area, whichever is greater, and 2 short term spaces, or 1 per 5,000 square feet of gross building area, whichever is greater.

ASSESSED VALUATION

The subject appears to be a portion of a single tax parcel but this is difficult to ascertain because the plat maps are very convoluted along the waterfront areas. The chart below details the assessed value of the tax parcel that we believe contains the subject. There are no taxes on the property because it is owned by a municipal entity.

Parcel Number	Size (SF)	Size (Acres)	Assessed Value - Land	Assessed Value - Bldg.	Assessed Value - Total
3802255220210002	730,937	16.78	\$4,297,910	\$0	\$4,297,910



Site Area

FIGURE

PORT OF BELLINGHAM
Washington State

A vertical scale bar with markings at 0, 250, and 500 feet. The bar is divided into three equal segments, each representing 250 feet. The segments are colored black, white, and black from bottom to top. The word "Feet" is written vertically to the right of the bar.

Waterfront District: Initial Development Offering

DATA ANALYSIS AND VALUATION INTRODUCTION

Analysis and valuation of the subject property involves determining the highest and best use of the site, estimating the value for the subject by current appraisal theory, and reconciling to a final estimate of value.

The first step in valuation and analysis is determining the highest and best use of the site. The four criteria highest and best use must meet are: Legal permissibility, physical possibility, financial feasibility, and maximum productivity. Two types of analyses were made in determining the highest and best use. The first is highest and best use of the site as if currently vacant; the second is highest and best use if developed as proposed.

Three approaches to value form the foundation for current appraisal theory: the cost approach, the sales comparison approach, and the income capitalization approach.

Cost Approach

The cost approach is based upon the principle that the informed purchaser would pay no more than the cost to produce a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use for the land or when relatively unique or specialized improvements are located on the site and for which there exists no comparable properties on the market.

Sales Comparison Approach

The sales comparison approach utilizes process paid in actual market transactions of similar properties to estimate the value of the subject. This appraisal technique is dependent upon utilizing truly comparable sales data that have occurred near enough in time to reflect market conditions relative to the time period of the subject appraisal.

Income Approach

The income capitalization approach is widely applied in appraising income producing properties. Anticipated present and future net operating income, as well as any future reversions, are discounted to a present worth figure through the capitalization process. This approach also relies upon market data to establish current market rents and expenses levels to arrive at an expected net operating income. This approach typically is not applicable in the appraisal of unimproved land.

The resulting indications of value from the three approaches are correlated into a final estimate of value. It is not always possible or practical to use all three approaches to value. The nature of the property being appraised, and the amount, quality, and type of data available dictates the use of each of the approaches.

Attachment "E"

The subject property consists of 10.8 acres of waterfront land that is proposed for mixed-use development. As such, the sales comparison approach is the most market typical method for valuing this type of property and no other approaches are as reliable. The As Is value of the site has been developed using a discounted cash flow analysis.

HIGHEST AND BEST USE ANALYSIS

The Appraisal of Real Estate, 14th edition, published by the *Appraisal Institute* defines Highest and Best Use as:

The reasonably probable use of property that results in the highest value.

The highest and best use of a property is concluded after the four criteria are applied and various alternative uses are eliminated. The remaining use that fulfills all four criteria is the highest and best use. These criteria include: legally permissible, physically possible, financially feasible, and maximally productive.

AS VACANT

The subject site is large and level and located along the Bellingham waterfront. The zoning is assumed to be mixed-use and accommodating to a mix of uses, including residential and commercial floor area ratios and height limits that allow for a wide range of development options. From a financial feasibility perspective, as a vacant site, this is typically inferred from the pricing of comparable properties in the market. In terms of maximally productive use, the mixed use zoning allows for a variety of potential developments that would meet the needs of the market. The maximally productive use of the subject will have to combine a mix of uses that mesh with the urban character of the market and attract a broad range of users for commercial, residential and civic developments. In conclusion, the highest and best use of the subject is for a mix of uses that accommodate a wide array of market demands and capitalize on the extensive proposed amenities.

SALES COMPARISON APPROACH

The sales comparison approach is an examination of the property's value based on the comparison of similar properties that have sold, are listed for sale, have purchase options, or have offers to purchase. Like the cost approach, the sales comparison approach is based on the principle of substitution, which indicates that when a property is replaceable in the market, its value would be no greater than the cost of acquiring an equally desirable substitute property, assuming no costly delay in acquiring the substitute property. The following steps in the sales comparison approach are typically used to reach an estimate of value:

1. Recent sales of similar vacant sites and finished lots were found in the immediate and general area of the subject land.
2. The market data gathered was verified as factual, accurate, and reflective of arm's-length transactions.
3. The most consistent unit of comparison was selected based on consideration of the market data, and a comparative analysis was then developed.
4. The comparables were directly compared with the subject land based on the unit of comparison, and adjustments were made to the sales.
5. The various indications of market value resulting from this process are reconciled into a conclusion of the retail value of the subject's lots.

The economic principle of substitution applies to the sales comparison approach. The value of a property that can be replaced in the market tends to be set by the cost of acquiring an equally desirable substitute property. The sales comparison approach is usually given greatest weight when sufficient comparable sales are available to allow for the value patterns in the market to be developed. When the sales are reasonably well confirmed, the comparison process can be carried out with confidence.

SITE VALUATION

Based on our analyses, we have valued the subject property based on economic sized parcels, estimated at 1.08 acres each, of which there would be 10. This does not conform precisely with the sizes of each parcel but offers a reasonable benchmark for valuing the site. After concluding a retail value for each of these economic parcels, the subsequent sale of these parcels over a projected absorption period is modeled using a discounted cash flow analysis to arrive at a bulk value

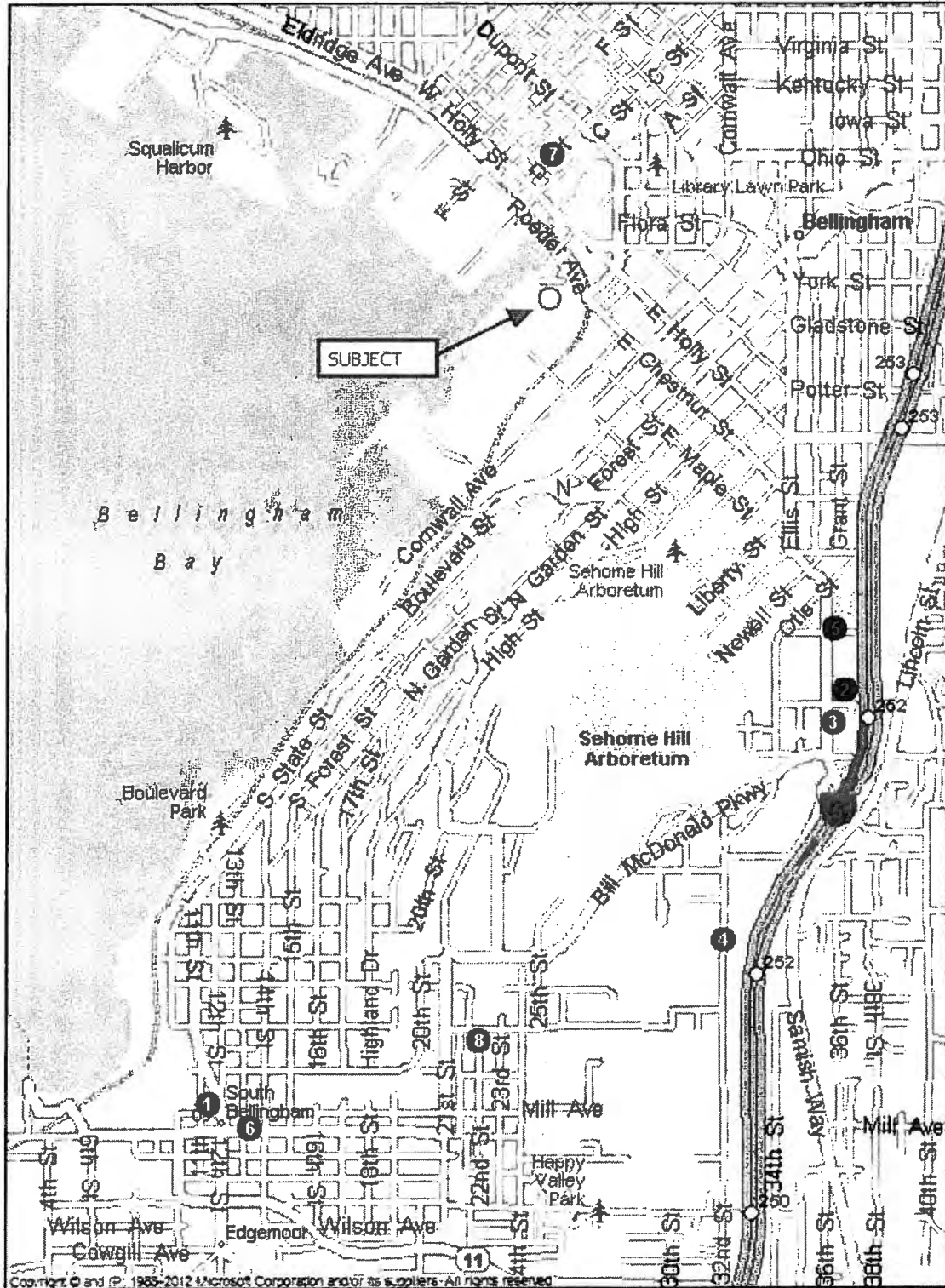
A search was conducted for sales of sites with similar development potential and/or similar view amenities. The included comparables are the best indication of value for the subject site as retail-sized portions. Most of the sales are situated in the immediate market area of the subject and have similar development potential as the subject. Following are a summary table, location map, plat maps, and photographs of each comparable property.

LAND SALES SUMMARY TABLE

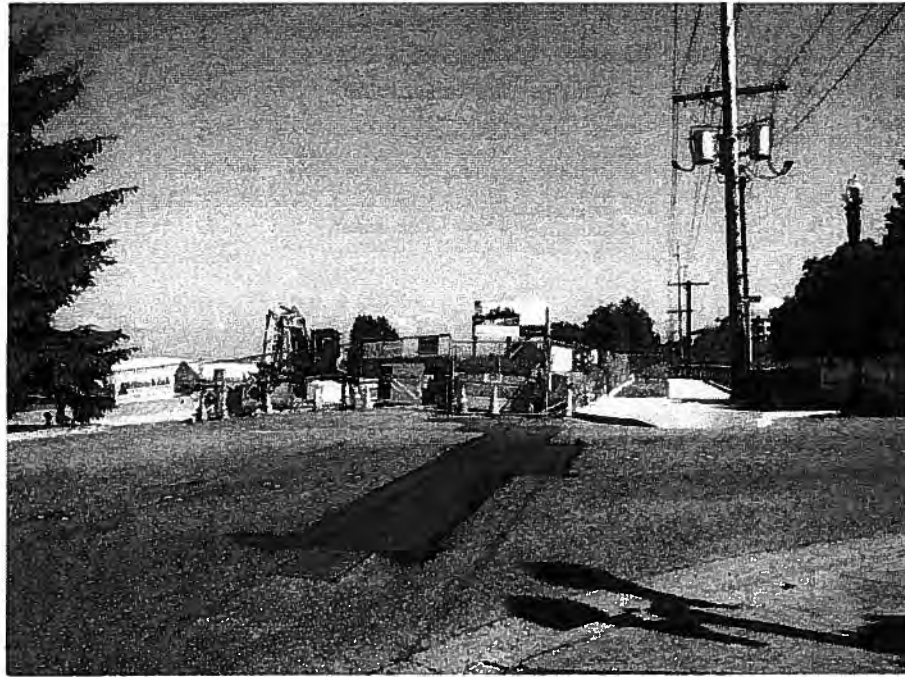
Former Georgia Pacific Site, Bellingham Waterfront - West Corner of Chestnut and Cornwall, Bellingham, Washington

Sale	Location	Sale Date	Adjusted Sale Price	Land Size (SF)	Price per SF	Zoning	Shape	Topography	View
1	11th and Mill Streets, Bellingham Parcel(s): 370201092140, -103145, -103140, -102135, -102130, -094135, -093145	Listing 1.25 yrs.	\$4,800,000	48,000	\$100.00	Urban Village	Rectangle	Sloped	Bay, island
2	3613-3701 Consolidation Avenue, Bellingham Parcel(s): 380331461144, -472150	Listing (2 mos.) 7/1/2013	\$659,900 \$415,000	27,443	\$24.05 \$15.12	Urban Village	Rectangle	Level	Territorial
3	109 South Samish Way, Bellingham Parcel(s): 380331442120	Pending 12/22/2009	\$1,500,000 \$1,300,000	50,043	\$29.97 \$25.98	Urban Village	Rectangle	Level	Territorial
4	705-09 32nd Street, Bellingham Parcel(s): 370306320388, -308376, -319376	Pending	\$986,000	58,000	\$17.00	Multifamily Residential	Rectangle	Rolling	Territorial
5	218 North Samish Way, Bellingham Parcel(s): 380331450235	1/3/2014	\$355,000	20,776	\$17.09	Urban Village	Irregular	Level	Territorial
6	NEC 13th Street & Harris Avenue Parcel(s): 370201176105	4/24/2013	\$355,000	11,850	\$29.96	Urban Village	Rectangle	Level	Bay, island
7	1507 D Street, Bellingham Parcel(s): 380330043374, -033379, -039371, -040387, -048379	6/18/2012	\$676,000	39,490	\$17.12	Multifamily Residential	Rectangle	Sloping; Above Grade	Bay, island
8	1029 22nd Street, Bellingham Parcel(s): 370201518188	4/18/2012	\$375,000	20,000	\$18.75	Multifamily Residential	Rectangle	Slight Slope	Territorial
Subject	Georgia Pacific site, Bellingham Waterfront W Corner of Cornwall and Chestnut	5/21/2014	-	-47,000 SF parcels	-	Commercial Mixed-Use	Irregular	Level	Expansive city and bay

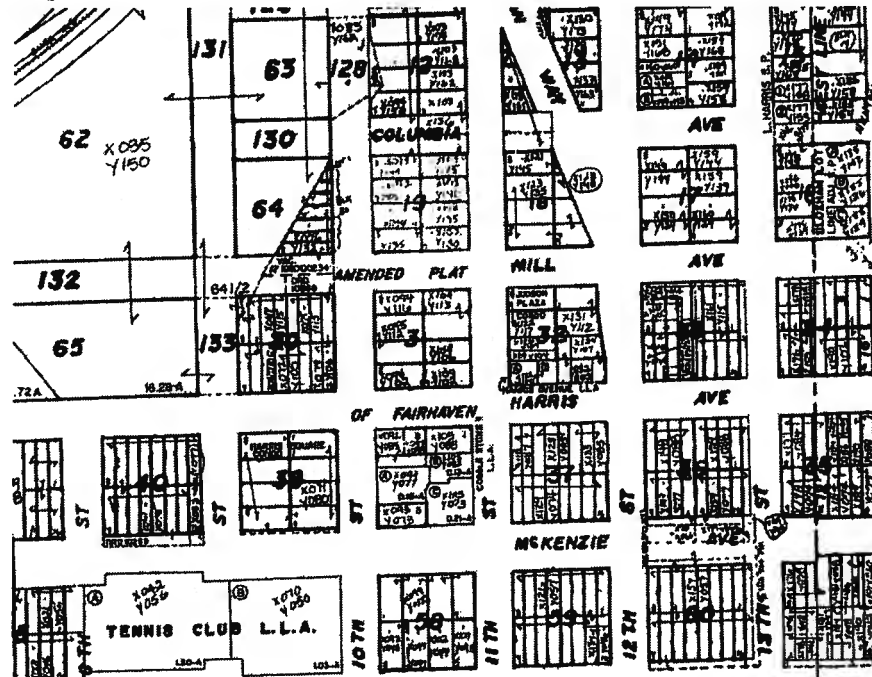
COMPARABLE LAND SALES MAP



COMPARABLE LAND SALE PHOTOGRAPHS AND PLAT MAPS



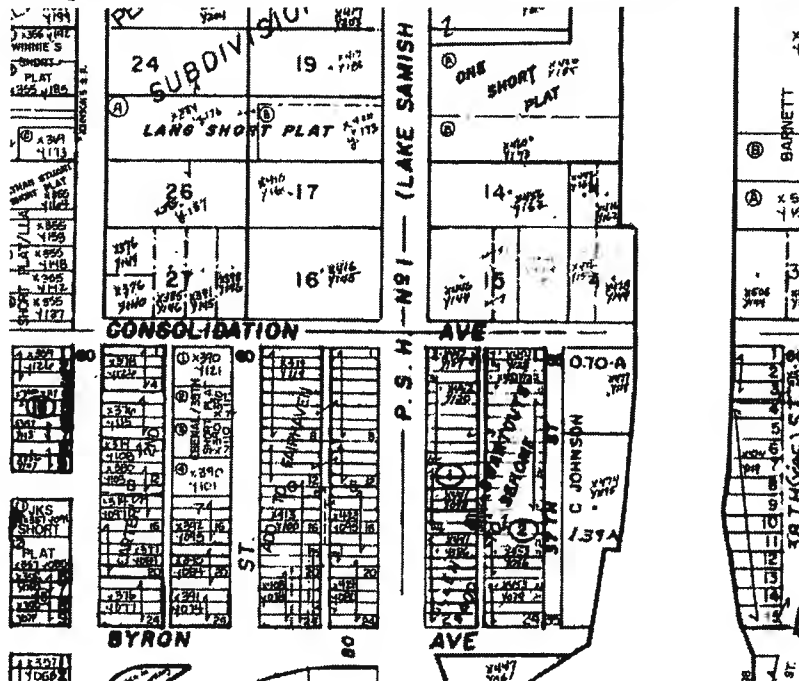
Comparable 1 – 11th and Mill Streets, Bellingham (comparable at right)



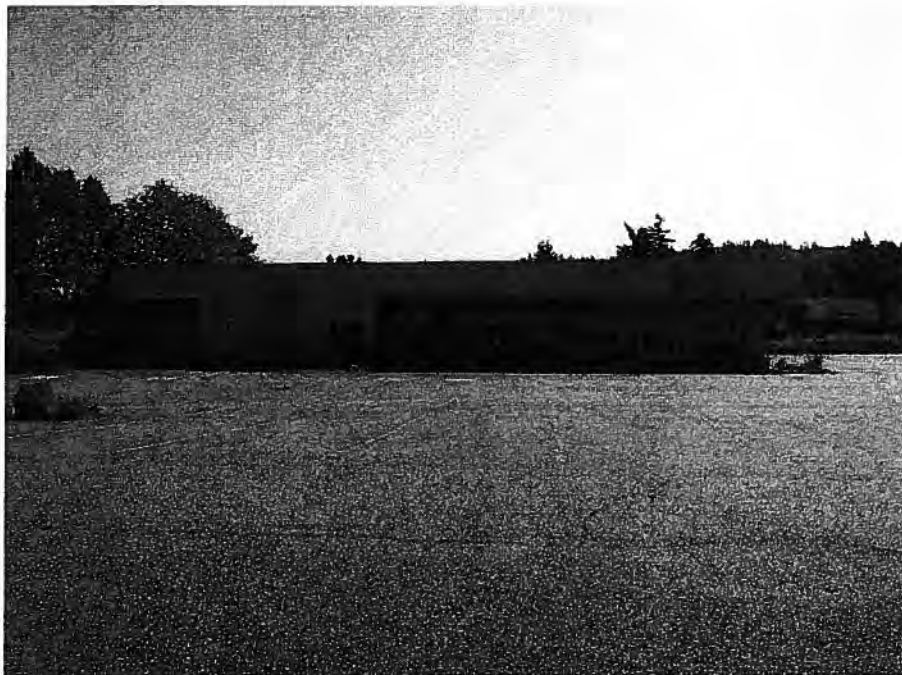
COMPARABLE LAND SALE PHOTOGRAPHS AND PLAT MAPS



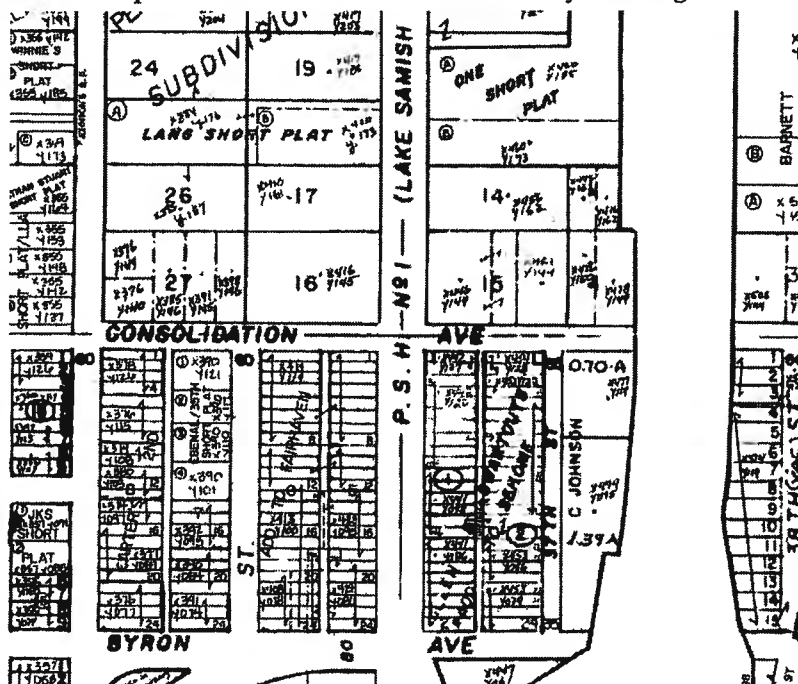
Comparable 2 - 3613-3701 Consolidation Avenue, Bellingham



COMPARABLE LAND SALE PHOTOGRAPHS AND PLAT MAPS



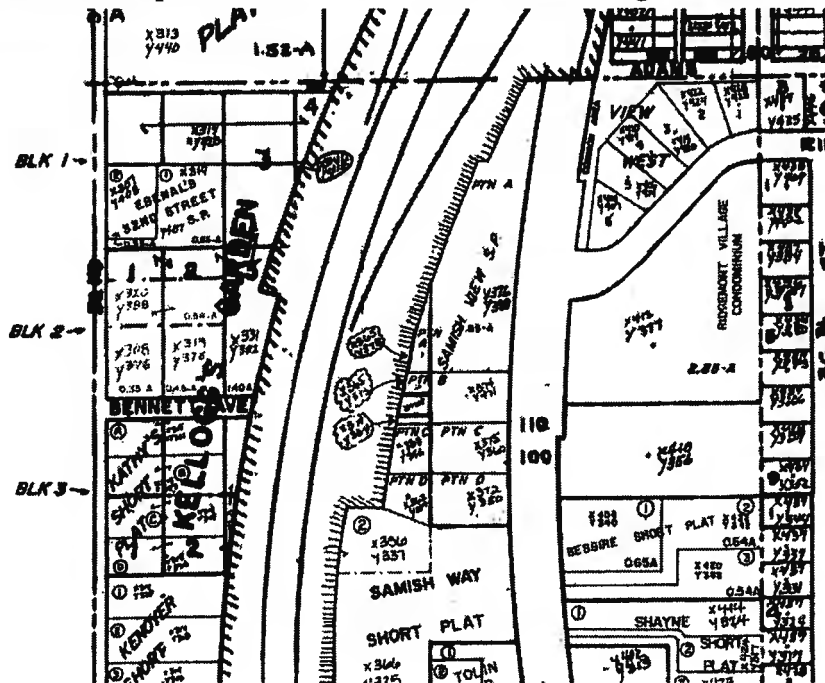
Comparable 3 – 109 South Samish Way, Bellingham



COMPARABLE LAND SALE PHOTOGRAPHS AND PLAT MAPS



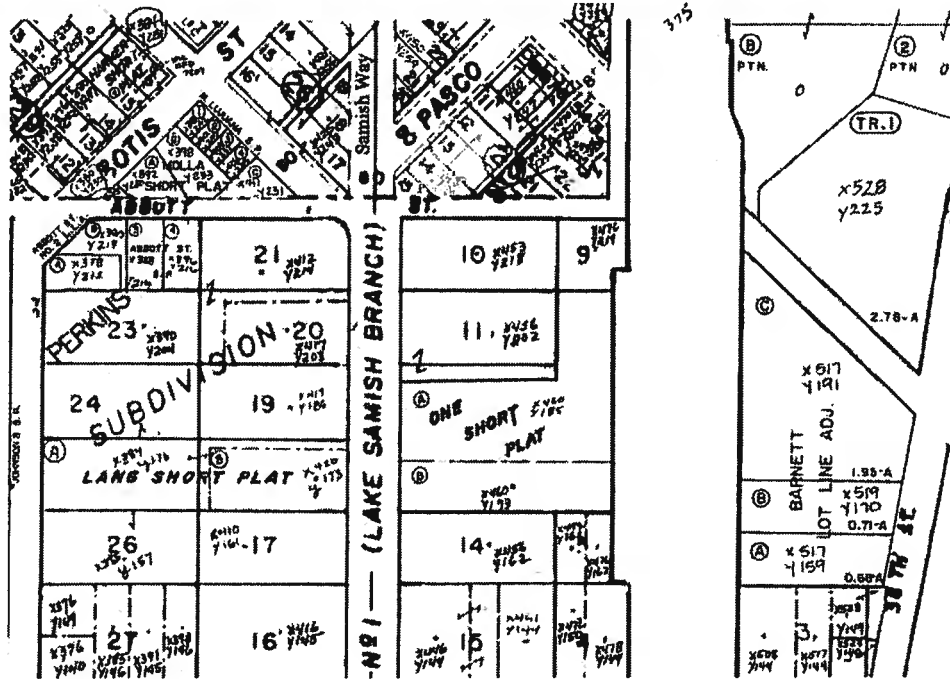
Comparable 4 – 705-09 32nd Street, Bellingham



COMPARABLE LAND SALE PHOTOGRAPHS AND PLAT MAPS



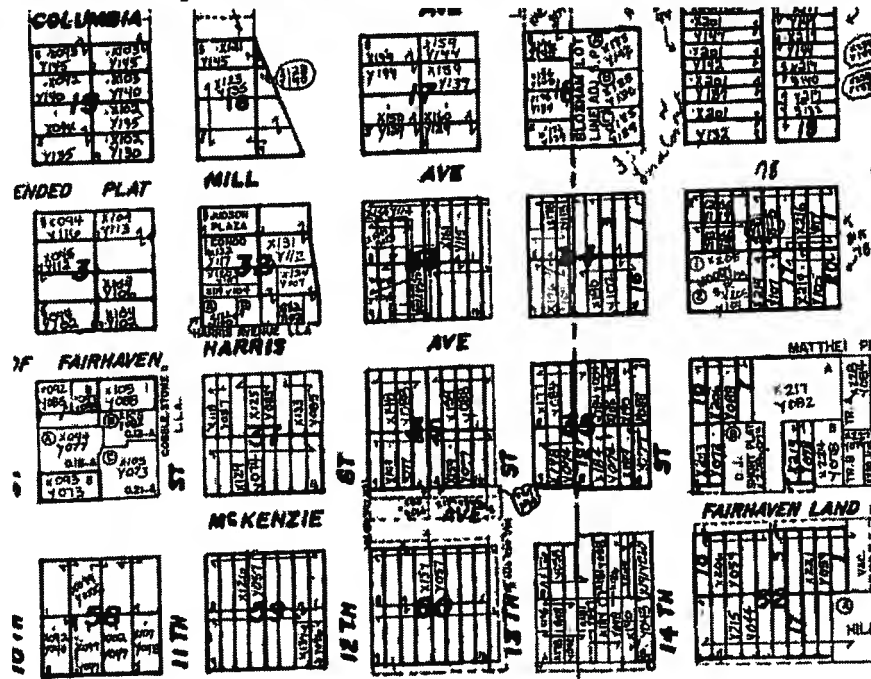
Comparable 5 – 218 North Samish Way, Bellingham



COMPARABLE LAND SALE PHOTOGRAPHS AND PLAT MAPS



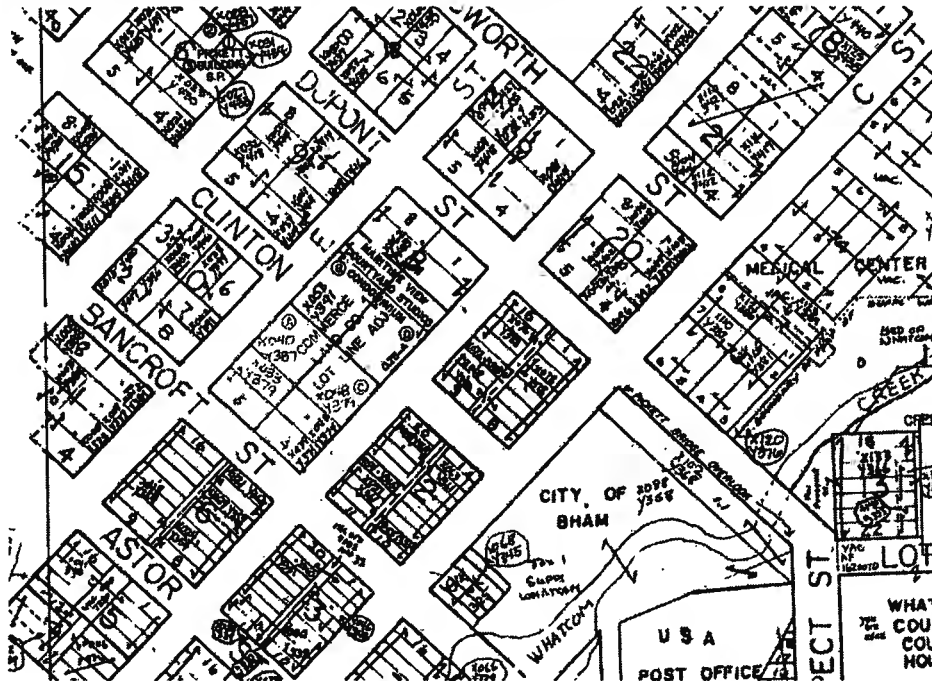
Comparable 6 – NEC 13th Street & Harris Avenue



COMPARABLE LAND SALE PHOTOGRAPHS AND PLAT MAPS



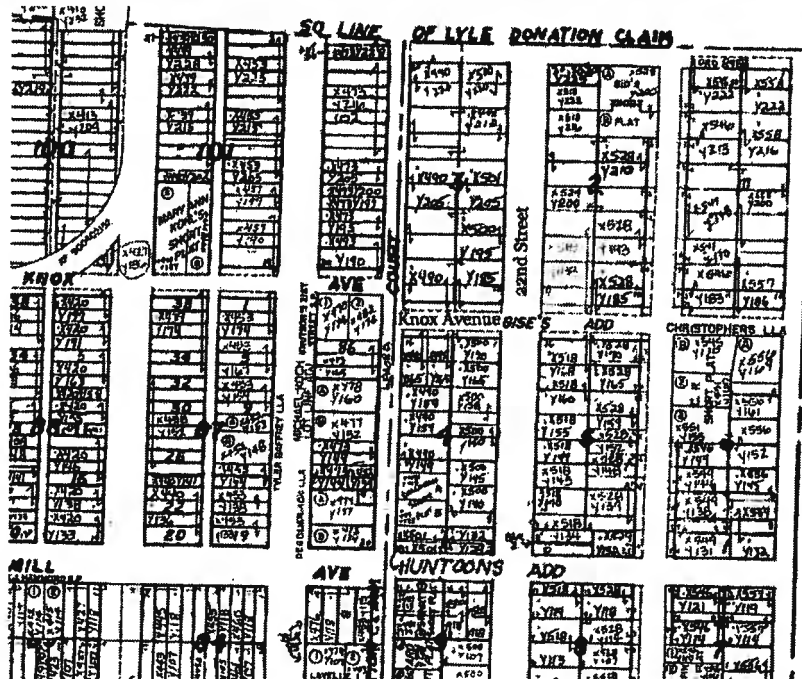
Comparable 7 – 1507 D Street, Bellingham



COMPARABLE LAND SALE PHOTOGRAPHS AND PLAT MAPS



Comparable 8 – 1029 22nd Street, Bellingham



DISCUSSION OF COMPARABLE SALES

Comparable 1 (\$100.00/SF) is the current listing of a 48,000 square foot site zoned for mixed-use developments in the Fairhaven neighborhood. This site is currently used as a parking lot and is located immediately to the east of a site that is currently under development with a mixed-use project. This property has been on the market for 1.25 years with no price reductions. While there have been some parties interested in this property, no offers have been formally presented, based on comments from the listing agent.

Comparable 2 (\$24.05/SF) is the current listing of a 27,443 square foot mixed-use zoned site along the Samish Way corridor. This property is located on a secondary arterial, a short distance to the east of Samish Way. This site is currently improved with a rented single-family residence. Preliminary drawings prepared for this site show a potential for 32 units with surface parking. The seller of this property purchased the property last year for \$415,000 and also owns the property to the immediate west, which is also listed for sale.

Comparable 3 (\$29.97/SF) is the pending sale of a 50,043 square foot site with mixed-use zoning located along the Samish Way corridor. This site was formerly used as a restaurant and the building remains but is in fair condition. This property has been under contract for a protracted period while the prospective buyer goes through feasibility analysis. The buyer is reportedly a national drugstore chain with strong credit.

Comparable 4 (\$17.00/SF) is the pending sale of a 58,000 square foot multifamily development site located in the Happy Valley neighborhood. This property was on the market for only 7 days prior to being placed under contract. While the exact pending price was not disclosed, based on some of the numbers offered by the listing agent, it appears that this property sold at list price or possibly slightly higher. This property is improved with two rental houses that are in fair condition. Preliminary drawings indicate that this site could accommodate 58 units.

Comparable 5 (\$17.09/SF) is the January 2014 sale of a 20,776 square foot site zoned for mixed use development along the Samish Way corridor. This is an irregularly shaped site with a narrow frontage onto Samish Way and longer frontage along two other secondary arterials. The buyer of this site reportedly plans to develop the site with a small retail building.

Comparable 6 (\$29.96/SF) is the April 2013 sale of an 11,850 square foot site zoned for mixed-use development in the Fairhaven neighborhood. This property is currently used as a parking lot. The buyer of this site reportedly plans to develop an apartment project but the timeline for this development is unknown.

Comparable 7 (\$17.12/SF) is the June 2012 sale of a 39,490 square foot site zoned for multifamily development in the Lettered Streets neighborhood to the east of the waterfront. This site was

formerly permitted for an apartment development and the buyers of this site plan to develop a similar type of project. This was a bank-owned site at the time of sale.

Comparable 8 (\$18.75/SF) is the April 2012 sale of a 20,000 square foot site in the Happy Valley neighborhood that is zoned for multifamily development. This property was improved with a single family residence at the time of sale that has since been demolished. This sale included permits for developing the property with an apartment building.

UNIT VALUE CONCLUSION

The comparable sales and listings indicate a range of unit values between \$17.00 and \$100.00 per square foot. The listing at \$100.00 per square foot is the clear outlier and excepting this comparable narrows the range to between about \$17.00 and \$30.00 per square foot. The comparables all have similar development potential as the subject but lack the waterfront location and other amenities that are assumed for the purposes of this analysis. Alternately, the comparables are all located in neighborhoods that are built-out and offer commercial and residential synergy while the subject's location is pioneering and it will take a number of years for a similar level of synergy to develop.

In the course of this assignment, we interviewed a number of realtors for their opinions of the retail values for the sites that will comprise the subject. These opinions were uniformly in the range of \$25 to \$30 per square foot, depending on the orientation with the waterfront and the size of the parcels. As a base value for the land, we conclude to a value of \$27.50 per square foot. This conclusion aligns with the unit values for land located in other Urban Village areas of the Bellingham market. The locations are typically available for traffic impact credits ranging from 22 to 50 percent. Our conclusion of a unit value for the site includes the value of these credits at the high end of this range. Additional value allocable to these impact fee credits is discussed following.

IMPACT FEE CREDIT VALUE

In addition to the value of the underlying site value, there is value allocable to the credits toward impact fees that are part of the value of the site. As concluded in the Market Analysis section of this report, the impact fee credits available to the site beyond the base allowable density are speculative and it is unlikely a buyer would pay a premium for credits that might not demonstrate value for a number of years into the future, if at all. The chart following shows the value allocable to the impact credits at the base density and based on three use configurations of 40 to 60 percent residential to commercial. We note that our concluded value for the site at \$27.50 per square foot is based on comparables with Urban Village type zoning that are eligible for the reduced levels of traffic impact fees at approximately 50 percent of the current rate. Therefore, we project that the traffic impact fees, which have a maximum value of \$1,907 per P.M. trip generated, would only have a contributory value of \$954 per P.M. trip.

Attachment "E"

The traffic impact fee schedule is complicated and requires numerous assumptions in order to project the contributory value. For purposes of this analysis, we project a mix of commercial uses at 70 percent office, 15 percent specialty retail and 15 percent food types of uses. The chart shows the associated trip generation for these types of uses.

<u>Impact Fee Credits</u>	<u>Assumed Commercial Use Mix and Associated Trip Generation</u>	
\$3,523 per residential unit	70% Office	1.49 Trips/1,000 SF
\$954 per peak PM trip	15% Specialty Retail	2.71 Trips/1,000 SF
	15% Food Uses	4.9 Trips/1,000 SF

	Residential Units	Impact Fee Credits	Commercial Trips	Traffic Impact Credits	Total Credit Value	Credit Value (\$/SF)
Base Floor Area Ratio (2 to 3)						
Residential-Commercial 40%-60%	594	\$2,093,045	1,363	\$1,299,355	\$3,392,400	\$7.21
Residential-Commercial 50%-50%	743	\$2,616,306	1,136	\$1,082,796	\$3,699,102	\$7.86
Residential-Commercial 60%-40%	891	\$3,139,567	908	\$866,237	\$4,005,804	\$8.51

As discussed in the Market Analysis, our projected absorption aligns closest with a 50-50 mix of commercial and residential development. The associated value for these credits would equate to \$7.86 per square foot of site area. We have rounded this up to a contributory value of \$8.00 per square foot. Adding this to the concluded base unit value of \$27.50 per square foot results in a unit value of \$35.50 per square foot.

VALUE CONCLUSION – ECONOMIC UNIT

Based on the comparable sales, the most likely parcel size would be in the range of 0.75 to 1.00 acres. These parcel sizes are typically constrained by the original platting of blocks and the limits of assembling contiguous ownerships. Developers generally prefer larger parcels for high-density residential and mixed-use developments, provided that there is sufficient demand to support the development, because larger sites allow for a variety of development configurations and economies of scale in the construction costs.

The projected absorption timeline developed in the Market Analysis section of this report indicates an absorption period of 10 years. This equates to economic units of approximately 1.08 acres each (10.8 acres / 10 years), or 47,045 square feet. This is very close to the typical development size seen in the market.

Applying the concluded unit value of \$35.50 per square foot, which includes an allocation for the impact fee credits, to the assumed site sizes of 47,045 square feet results in a value per parcel of \$1,670,098, rounded to \$1,670,000. This is the base retail value for each 1.08 acre parcel that is assumed to sell at the rate of 1 per year over a 10 year absorption period.

AS IS VALUE - BULK VALUE

The bulk value of the 10 assumed parcels at the subject, each approximately 1.08 acres in size and absorbing over the next 10 years, is detailed in this section. This analysis has been performed using a discounted cash flow analysis to model the absorption over time.

Absorption Analysis

Based on the analyses in the Market Analysis section of this report, we project a 10-year absorption schedule. We project the first sale would occur immediately and is shown on the discounted cash flow analysis as a presale and is not subject to discounting.

The other assumptions underpinning the DCF are enumerated following:

- Closing costs and costs of sale are estimated at 3 percent for closing costs and 4 percent for sale commissions.
- Developer's overhead is estimated at 2 percent of sales.
- The discount rate applied is 16 percent and this rate includes an allocation for profit. This rate is based on the rates reported by the *PriceWaterhouseCooper Real Estate Survey* of institutional land developers. This survey shows discount rates for land development in the range of 18 to 22 percent but these are typically for much larger developments than the subject. These developments also typically require the developer to construct most of the infrastructure and to develop the property without the level of facilitation offered by the City and Port of Bellingham for the development of the subject. These factors support a lower discount rate.
- The sale price for the units appreciates at a rate of 5 percent per year. This rate emphasizes that, as the amenities in the area develop, the Bellingham waterfront will become a very desirable location. For the near term, land values would likely appreciate apace with other land in the market area, which is emerging from a protracted depressed period. Over the longer term, as the neighborhood materializes, this appreciation will likely outpace other areas in the city. The stabilized appreciation rate of 5 percent compounding annually over a 10 year absorption period reflects this projected trend.

A copy of the discounted cash flow analysis is included on the following page.

Bulk Value - Discounted Cash Flow Analysis

Summary of Market Supported Assumptions

Total Parcels	10
Average Price	\$1,670,000
Absorption per Year	1
Annual Discount Rate (%)	16.00%
Closing Costs	3.00% of sales
Sales Commissions	4.00% of sales
Dev. Overhead	2.00% of sales
Presales	1
Annual Appreciation Rate	5.00%

Summary of Results

Net Present Value	\$9,699,466
NPV per Unit	\$969,947
Gross Retail Sellout	\$16,700,000
NPV as % of GRS	58.1%
Commission & Holding Costs	\$1,807,593
Total Sellout Time (Years)	9

Year	Presales	1	2	3	4	5	6	7	8	9
Cumulative Sales	1.0									
Cumulative Dollar Sales	\$1,670,000	\$3,340,000	\$5,093,500	\$6,934,675	\$8,867,909	\$10,897,804	\$13,029,194	\$15,267,154	\$17,617,012	\$20,084,362
Unsold Inventory	9.0	8.0	7.0	6.0	5.0	4.0	3.0	2.0	1.0	0.0
Unit Sales	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Dollar Sales	\$1,670,000	\$1,670,000	\$1,670,000	\$1,670,000	\$1,670,000	\$1,670,000	\$1,670,000	\$1,670,000	\$1,670,000	\$1,670,000
Appreciation	\$0	\$0	\$83,500	\$171,175	\$263,234	\$359,895	\$461,390	\$567,960	\$679,858	\$797,351
Total Dollar Sales	\$1,670,000	\$1,670,000	\$1,753,500	\$1,841,175	\$1,933,234	\$2,029,895	\$2,131,390	\$2,237,960	\$2,349,858	\$2,467,351
Impact Fee Credit Value										
Closing Costs	\$50,100	\$50,100	\$52,605	\$55,235	\$57,997	\$60,897	\$63,942	\$67,139	\$70,496	\$74,021
Sales Commissions	\$66,800	\$66,800	\$70,140	\$73,647	\$77,329	\$81,196	\$85,256	\$89,518	\$93,994	\$98,694
Dev. Overhead	\$33,400	\$33,400	\$35,070	\$36,824	\$38,665	\$40,598	\$42,628	\$44,759	\$46,997	\$49,347
Net Cash Flows	\$1,519,700	\$1,519,700	\$1,595,685	\$1,675,469	\$1,759,243	\$1,847,205	\$1,939,565	\$2,036,543	\$2,138,371	\$2,245,289
Monthly Discount Factor		0.862	0.743	0.641	0.552	0.476	0.410	0.354	0.305	0.263
Discounted Cash Flows	\$1,519,700	\$1,310,086	\$1,185,854	\$1,073,402	\$971,614	\$879,478	\$796,079	\$720,589	\$652,257	\$590,405

AS IS VALUE CONCLUSION – DEVELOPMENT LAND

The subject is assumed to consist of 10 economic parcels of approximately 1.08 acres, each with a concluded value of \$1,670,000. The projected absorption period of 10 years results in a bulk discounted value of \$9,699,466, which is rounded to **\$9,700,000**. This is the concluded As Is Value for the subject site as of May 21, 2014.

RECONCILIATION AND FINAL VALUE OPINION

Reconciliation is the process of assigning, or placing various levels of emphasis to each of the different approaches used in the appraisal report. Typically, this process considers the quality and quantity of information available in the various approaches to determine which approach or combination of approaches is the most relevant to the final value of the subject. Considerations include the reliability of data and the acceptability of the various valuation approaches within the particular industry, market area, or property type.

The subject is land that is suitable for mixed-use development. The sales comparison approach was applied to determine the retail value of the individual parcels that comprise the subject and the bulk discounted value was determined using a discounted cash flow analysis. Individual findings of each approach indicated the following opinions of value for the subject:

VALUE INDICATIONS AS OF MAY 21, 2014

Retail Site Value – 1.08 Acres Assumed Site Sizes

Cost Approach	Not Developed
Income Capitalization Approach	Not Developed
Sales Comparison Approach	\$1,670,000

Bulk Discounted / As Is Value – 10.8 Acre Site, 10 Assumed Parcels

Discounted Cash Flow Analysis	\$9,700,000
--------------------------------------	--------------------

Sales Comparison Approach

For the sales comparison approach, listings and sales of development land were analyzed in order to determine a retail value for the parcels that comprise the subject. The findings of this analysis were then analyzed with a discounted cash flow analysis in order to derive an As Is Value for the entire site. Sole weight is allocated to these approaches.

VALUE CONCLUSION

On the basis of the discussion and analyses included in this report, with sole emphasis on the sales comparison approach, our concluded opinion of value for the subject, as of May 21, 2014, is:

Fee Simple Estate – Bellingham Waterfront Development Land – May 21, 2014

NINE MILLION SEVEN HUNDRED THOUSAND DOLLARS

\$9,700,000

This value conclusion is based on numerous hypothetical conditions that are outlined at the beginning of this report. These conditions include, but are not limited to, that the site is not affected by any environmental contamination and that the sites are serviced by utilities and street networks. It is essential that these conditions be reviewed and understood within the context of this valuation because the effect on value could be significant.

Exhibit I:

Whatcom County Assessor Records

Attachment "E"

Whatcom County Assessor & Treasurer

Property Search Results > 53361 PORT OF BELLINGHAM for Year 2013 - 2014

Property

Account

Property ID: 53361

Legal Description: NEW WHATCOM TIDELANDS
TISSUE RESERVE AREA-SUBJ
TO RESERVATION OF CERTAIN
RIGHTS REC AF 2050103046

Geographic ID: 3802255220210002

Agent Code:

Type: Real

Tax Area: 0109 - BELLINGHAM 501 AH LIFT Land Use Code 91

Open Space: N DFL N

Historic Property: N Remodel Property: N

Multi-Family Redevelopment: N

Township: T38N

Section: 25

Range: R02E

Location

Address: 411 W CHESTNUT ST
BELLINGHAM, WA

Mapsco:

Neighborhood: 5410650500

Map ID:

Neighborhood CD: 5410650500

Owner

Name: PORT OF BELLINGHAM

Owner ID: 89437

Mailing Address: PO BOX 1677
BELLINGHAM, WA 98227-1677

% Ownership: 100.0000000000%

Exemptions: EX

Pay Tax Due

There is currently No Amount Due on this property.

Taxes and Assessment Details

Property Tax Information as of 06/04/2014

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

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

Year	Statement ID	First Half Base Amt.	Second Half Base Amt.	Penalty	Interest	Base Paid	Amount Due
▶ Statement Details							
2014	33372	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
▶ Statement Details							
2013	33738	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Values

(+) Improvement Homesite Value:	+	\$0
(+) Improvement Non-Homesite Value:	+	\$0
(+) Land Homesite Value:	+	\$0
(+) Land Non-Homesite Value:	+	\$4,297,910
(+) Curr Use (HS):	+	\$0 \$0
(+) Curr Use (NHS):	+	\$0 \$0
<hr/>		
(=) Market Value:	=	\$4,297,910
(-) Productivity Loss:	-	\$0

Attachment "E"

(=) Subtotal:	=	\$4,297,910
(+) Senior Appraised Value:	+	\$0
(+) Non-Senior Appraised Value:	+	\$4,297,910
(=) Total Appraised Value:	=	\$4,297,910
(-) Senior Exemption Loss:	-	\$0
(-) Exemption Loss:	-	\$4,297,910
(=) Taxable Value:	=	\$0

Map List

Map No.	Map Area
1	Whole section
2	NE Quarter
3	NW Quarter
5	SE Quarter

Taxing Jurisdiction

Owner: PORT OF BELLINGHAM
 % Ownership: 100.000000000000%
 Total Value: \$4,297,910
 Tax Area: 0109 - BELLINGHAM 501 AH LIFT

Levy Code	Description	Levy Rate	Appraised Value	Taxable Value	Estimated Tax
BH01BOND	CITY OF BELLINGHAM 2001 BOND	0.0000000000	\$4,297,910	\$0	\$0.00
BHAH	CITY OF BELLINGHAM AFF HSG	0.1169037338	\$4,297,910	\$0	\$0.00
BHFP	CITY OF BELLINGHAM FIRE PENSION	0.2249900129	\$4,297,910	\$0	\$0.00
BHGEN	CITY OF BELLINGHAM GENERAL FUND	1.6163438811	\$4,297,910	\$0	\$0.00
BHGW3	CITY OF BELLINGHAM GREENWAYS III	0.5394900397	\$4,297,910	\$0	\$0.00
BHRDA	CITY OF BELLINGHAM RDA	0.0038419641	\$4,297,910	\$0	\$0.00
CFL	CONSERVATION FUTURES	0.0431269009	\$4,297,910	\$0	\$0.00
FCZDL	FLOOD CONTROL ZONE	0.1388336157	\$4,297,910	\$0	\$0.00
PTBOND	PORT OF BELLINGHAM GO BOND	0.0549286263	\$4,297,910	\$0	\$0.00
PTGEN	PORT OF BELLINGHAM GENERAL FUND	0.2335740908	\$4,297,910	\$0	\$0.00
PTRDA	PORT OF BELLINGHAM RDA	0.0002118638	\$4,297,910	\$0	\$0.00
SD501B	BELLINGHAM SCHOOL #501 BOND	1.3775545130	\$4,297,910	\$0	\$0.00
SD501CP	BELLINGHAM #501 CAPITAL PROJECTS	0.6057763110	\$4,297,910	\$0	\$0.00
SD501MO	BELLINGHAM SCHOOL #501 M&O	2.5017285334	\$4,297,910	\$0	\$0.00
WA	WA STATE GENERAL FUND	2.6164263372	\$4,297,910	\$0	\$0.00
WAREF	WA STATE REFUND FUND	0.0000000000	\$4,297,910	\$0	\$0.00
WCCE	COUNTY CURRENT EXPENSE	1.1132362078	\$4,297,910	\$0	\$0.00
WCCT	COUNTY COMBINED TREATMENT	0.0124999999	\$4,297,910	\$0	\$0.00
WCDD	COUNTY DEVELOPMENTAL DISABILITY	0.0124999999	\$4,297,910	\$0	\$0.00
WCER	COUNTY ELECTION RESERVE	0.0152030518	\$4,297,910	\$0	\$0.00
WCVR	COUNTY VETERANS RELIEF	0.0112499999	\$4,297,910	\$0	\$0.00
AHBH13	AFFORDABLE HOUSING BHAM	0.2338074677	\$4,297,910	\$0	\$0.00
Total Tax Rate:		11.4722271507			

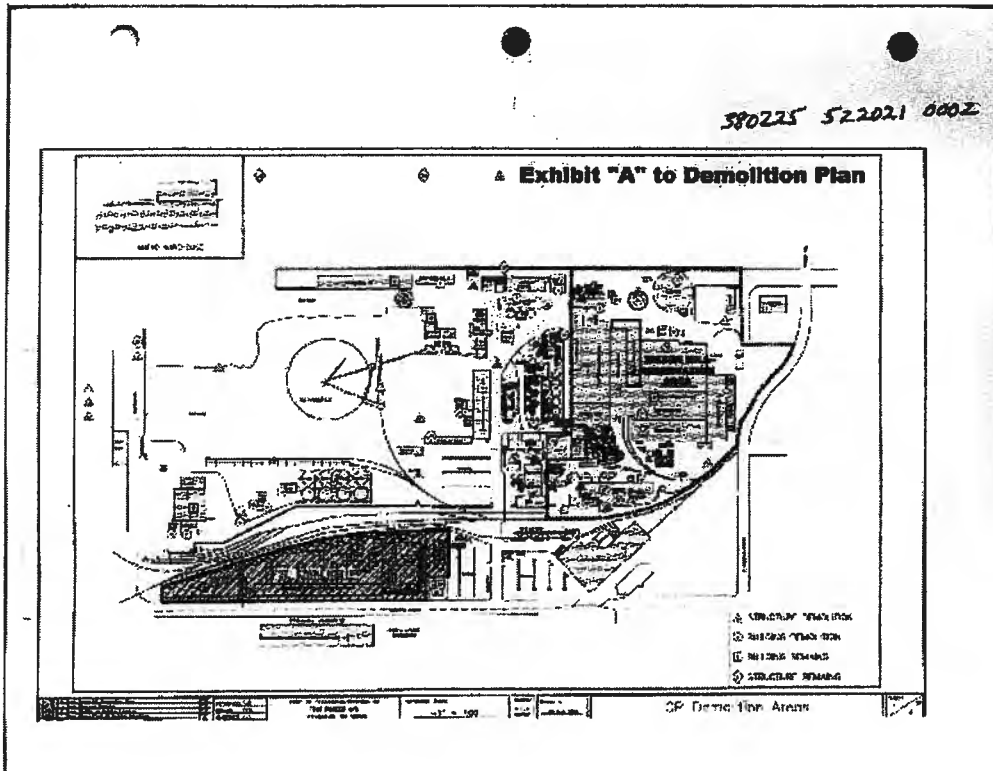
Taxes w/Current Exemptions: \$0.00
 Taxes w/o Exemptions: \$49,306.58

Improvement / Building

Property Image

Attachment "E"

This property contains TIFF images. Click on the button(s) to download the full image (which may contain multiple pages).



Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	9130	INDUSTRIAL	16.7800	730937.00	0.00	0.00	\$4,297,910	\$0

Roll Value History

Year	Improvements	Land Market	Current Use	Total Appraised	Taxable Value
2014		N/A	N/A	N/A	N/A
2013		\$0	\$4,297,910	\$0	\$4,297,910
2012		\$0	\$4,297,910	\$0	\$4,297,910
2011		\$0	\$4,297,910	\$0	\$4,297,910
2010		\$0	\$4,297,910	\$0	\$4,297,910

Deed and Sales History

Payout Agreement

No payout information available..



This website is under active development. Some functionality is not yet available and data is not guaranteed.
[Assessor Home Page](#) [Treasurer Home Page](#) [Full County Map](#) [Disclaimer](#) [Privacy Policy](#)

Exhibit II:

Client's List of Assumptions and
Conditions

Attachment "E"

Assumptions for Waterfront District Initial Development Area Appraisal:

Site: Initial 10.8 acres at the northern end of the Downtown Waterfront, shown on attached Exhibit A.

The properties shall be appraised with the following assumptions:

1. **Fee Simple Land Sale:** The property will be sold to one developer in one or more parcels over the next several years. The appraisal should reflect the 2014 land value.
2. **Site Conditions and Environmental Cleanup :** This is a former industrial site. Prior to 2008 the Site was an industrial facility and had been used for various industrial operations for the preceding 70 years. Therefore, like many former industrial sites, it has a number of below ground features consistent with a historic industrial property. Soil and groundwater at the site have been identified to contain various levels of contamination consistent with historic industrial operations. Existing site conditions and associated environmental remediation are presented below:
 - a. Historic Below Ground Industrial Artifacts. As typical of a former long used industrial site, it is anticipated that underground piping, vaults, conduits, piling and other artifact structures will be encountered. There is no reliable mapping of these anticipated artifacts. The cost of dealing with these industrial artifacts will be borne by the Developer Entity. It is anticipated that a Developer Entity will design a project to minimize the costs of dealing with these industrial artifacts.
 - b. Historic Environmental Contamination. Consistent with historic industrial operations, soil and groundwater at the Site have been identified to contain various levels of contamination. The Site has been the subject of a remedial action supervised by the Washington State Department of Ecology. The remedial action consisted of (i) testing of the soils and groundwater and (ii) developing a remedial plan protective of both human health and the environment. That plan includes (i) some focused excavation and removal of heavily contaminated soils, (ii) isolation of the rest of the soils on the Site (presumed to be lightly contaminated) with a physical cap over the site and restrictions placed on use of the ground water of the Site. Much of the Site is already capped with building foundations and asphalt parking areas.
 - c. Consent Decree with Ecology. The approved remedial plan will be the subject of a formal Consent Decree whereby the Port agrees to undertake the remedial plan and the Department of Ecology agrees to settle any environmental liability. Under Washington law a Consent Decree also provides protection against any third party claims. The Port will be responsible for implementing the remedial plan and will indemnify any purchaser for any activity required under the remedial plan or any

Attachment "E"

failure of the remedial plan. The Consent Decree will contain a "soils management plan" which will provide direction on handling soils excavated from the site as part of non-remedial construction projects (for example the soil excavated as part of a building foundation will need to be properly tested before removal from the Site and, if contaminated, disposed of in accordance with law).

- d. **Restrictive Covenant:** The Development Entity will be responsible for compliance with the environmental covenants (including Ecology notification requirements, maintaining integrity of environmental caps, and materials management) during the development and with any liability arising from violation thereof. For example, if the cap is disturbed it will have to be replaced as part of the construction process. The cap may consist of a building foundation, an asphalt parking lot, soil and landscaping over a separation membrane, a street or a gravel layer over the top of a separation membrane. The cost of complying with the restrictive covenant will be borne by the Developer Entity. It is anticipated that a Developer Entity will design a project to minimize the costs of dealing with these requirements.
3. **Development Regulations:** The Sub-area Plan, development regulations and Planned Action Ordinance adopted in December, 2013 will govern development of the site. The appraisal should reflect the development character, allowable uses, density, height limits, reduced parking requirements and other entitlements described in the following documents, available for review on the City of Bellingham website:
<http://www.cob.org/services/planning/waterfront/index.aspx>
 - Waterfront district Sub-area Plan (December, 2013)
 - Waterfront District Development Regulations (December, 2013)
 - Waterfront District Design Standards (December, 2013)
 - Waterfront District Planned Action Ordinance (December, 2013)
 - Shoreline Master Program (December, 2013 amendment)
 - Waterfront District Permit Handbook (2014)
4. **Permit Process:** It is assumed that the City and Port will work together with the developer to expedite the development permit process as described in the Waterfront Permit Handbook. This streamlined process includes predictable environmental review and application of the State Environmental Policy Act (SEPA) mitigation requirements described in the approved Environmental Impact Statement and SEPA Planned Action Ordinance adopted for this site.
5. **Infrastructure:** All provisions of the Interlocal Agreement for Facilities dated 12.18.13 will be implemented. Specifically, it is assumed that the City of Bellingham will construct the

Attachment "E"

Whatcom Waterway Park, the first phase of the Commercial Street Green park, Granary and Bloedel Avenue through the site, and interim Laurel Street to Cornwall Avenue plus associated utilities over the next several years in conjunction with site development.

6. **Impact Fee Credits:** The Parks and Traffic Impact Fee credits described in Section 9 a. and b. of the 12.16.13 Waterfront district Development Agreement will apply to this site. No Park Impact Fees will be assessed for residential development on the site, resulting in a parks impact fee reduction of \$3,523 per residential unit . The Traffic Impact Fee credit described in Section 9.a. of the Development Agreement will be used to off-set City of Bellingham Traffic Impact Fees for all commercial, offices, Institutional and Industrial development. This will reduce development fees by \$1,907 per pm peak hour trip for commercial development. Normal City of Bellingham Traffic Impact Fee rates will apply to residential development, assuming that the traffic impact fee reductions associated with a designated Urban Village will apply to this site.

Exhibit III:
Letter of Engagement



PORT OF BELLINGHAM
Washington State

May 1, 2014

John Bryan, Appraiser
Columbia Valuation Group, Inc.
2402 Northwest 195th Place
Shoreline, WA 98177

RE: Bellingham Waterfront appraisal update

Dear John,

The Port is in need of an update to the appraisal prepared by your office, CVG File No. 09-188, dated June 10, 2009. The assumptions and specific site for this update are attached.

Prior to proceeding, please provide a cost estimate and approximate completion date.

Sincerely,

PORT OF BELLINGHAM


Shirley McFarrin, Managing Broker
Director of Real Estate

Attachment "E"

Subject: RE: Bellingham Waterfront appraisal update
From: "Ilahi, Terry" <terryi@portofbellingham.com>
Date: 5/6/2014 2:28 PM
To: 'John Bryan' <jbryan@cvgseattle.com>
CC: "McFearin, Shirley" <ShirleyM@portofbellingham.com>

John,

Thank you for your email. Please proceed and use purchase order number 44960 for this assignment.

Best Regards,

Terry

Terry Ilahi
Port of Bellingham
Real Estate Account Representative
360-715-7375
360-676-2500 ext 328

From: John Bryan [mailto:jbryan@cvgseattle.com]
Sent: Tuesday, May 06, 2014 1:43 PM
To: Ilahi, Terry
Subject: Re: Bellingham Waterfront appraisal update

Hi Terry,

After reviewing the provided documentation, we could do \$3,800 and deliver by the end of May. There will obviously be more questions that come up through the process and we appreciate your assistance in answering these questions thus far.

Thank you for your consideration and we look forward to working with you.

Sincerely,

John Bryan, Appraiser
Columbia Valuation Group, Inc.
206.364.8580 Office
206.817.4516 Cell
206.364.8556 Fax

On 5/1/2014 11:27 AM, Ilahi, Terry wrote:

Good morning John,

Please see the attached documents related to appraisal update:

- 1- Letter requesting a cost estimate and completion date
- 2- Initial Development Offering appraisal assumptions
- 3- Site map

Please contact me should you have any questions.

Best Regards,

Terry

Attachment "E"

Terry Ilahi
Port of Bellingham
Real Estate Account Representative
1801 Roeder Avenue
PO Box 1677
Bellingham, WA 98227
Direct: 360-715-7375
Fax: 360-671-6411

This email and related attachments and any response may be subject to public disclosure under State law.

Exhibit IV:
Appraisers' Qualifications

QUALIFICATIONS

John C. Bryan

EDUCATION

State University of New York at Albany — Bachelor of Arts, English
University of Washington – Certificate of Construction Management

Appraisal Institute – General Applications
Appraisal Institute – Advanced Sales Comparison and Cost Approaches
Appraisal Institute – Advanced Concepts and Case Studies
Appraisal Institute – Advanced Income Capitalization
Appraisal Institute – Uniform Appraisal Standards for Federal Land Acquisitions
Appraisal Institute – Analysis of Operating Expenses
International Right of Way Association 401 – Appraisal of Partial Acquisitions
Uniform Standards of Professional Appraisal Practice
State of Virginia Right of Way Consultant Seminars
State of Washington Right of Way Consultant Seminars

PROFESSIONAL DESIGNATION

General Certified Appraiser, License No. 1101826
Formerly Licensed as Real Estate Salesperson

EXPERIENCE

2007 to Present – Real Estate Appraiser - Columbia Valuation Group

2002 to 2007 – Real Estate Appraiser - PGP Valuation

1998 to 2002 – Right of Way Acquisition Agent

TYPICAL ASSIGNMENTS

- Industrial buildings, single and multi-tenant
- Retail developments, ranging from freestanding single-tenant buildings to neighborhood shopping centers with outparcels
- Office buildings, ranging from freestanding single tenant to small midrise
- Residential and commercial plats; planned unit developments
- Apartments, condominiums, townhouse and mixed-use buildings
- Agricultural and resource properties
- Golf courses and country clubs
- Right of way appraisal, including complex damages
- Tidelands, waterfront and submerged lands
- Across-the-fence valuations, including rail corridors

REAA 860

JOHN C BRYAN
2402 NW 195TH PLACE
SHORELINE WA 98177

STATE OF WASHINGTON
CERTIFIED GENERAL REAL ESTATE APPRAISER

JOHN C BRYAN
2402 NW 195TH PLACE
SHORELINE WA 98177

CERT/LIC NO.
1101826

EXP. DATE
07/26/2014

John Hilt
Director

STATE OF WASHINGTON

DEPARTMENT OF LICENSING - BUSINESS AND PROFESSIONS DIVISION
THIS CERTIFIES THAT THE PERSON NAMED HEREON IS AUTHORIZED, AS PROVIDED BY LAW, AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER



JOHN C BRYAN
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SHORELINE WA 98177

Cert/Lic No.
1101826

Issued Date
05/04/2007

Expiration Date
07/26/2014

John Hilt
Director

PRINCIPAL QUALIFICATIONS

Kevin H. McAuliffe, MAI

EDUCATION

Western Michigan University — Graduate Studies in Regional Planning
Western Michigan University — Bachelor of Arts in Geography / Urban Planning
American Institute of Real Estate Appraisal — Real Estate Appraisal Principles
American Institute of Real Estate Appraisal — Basic Valuation Procedures
American Institute of Real Estate Appraisal — Capitalization Theory and Techniques, Part A
American Institute of Real Estate Appraisal — Capitalization Theory and Techniques, Part B
American Institute of Real Estate Appraisal — Case Studies in Real Estate Valuation
American Institute of Real Estate Appraisal — Standards of Professional Practice
American Institute of Real Estate Appraisal — Valuation Analysis and Report Writing
American Institute of Real Estate Appraisal, The Appraisal Institute and The International Right of Way Association — Uniform Standards of Professional Appraisal Practice (USPAP), Discounted Cash Flow Analysis; Investment Analysis; Applied Sales Comparison Approach; Appraising for Pension Funds; Subdivision Analysis; Rates, Ratios, and Reasonableness; Comprehensive Appraisal Workshop; FIRREA, Overview and Practical Application; Environmental Assessment and Audits; Easement Valuation; 1031 Tax Deferred Exchanging; Technical Inspection of Real Estate; The Appraiser as an Expert Witness; Fair Lending; Attacking and Defending an Appraisal in Litigation; Litigation Skills for the Appraiser; Standards of Professional Practice-Part C; Internet Search Strategies for Real Estate Appraising; Appraisal of Nonconforming Uses; GIS Applications for Real Estate; Income Valuation of Small Mixed Use Properties; Scope of Work; Real Estate Fraud; Operating Expenses; Small Hotel Valuation; Business Value and Going Concern Value; Analyzing Distressed Real Estate; Partial Interest Valuation, Divided and Undivided; Washington State Planning and Land Use Seminar; Appraising Vineyards and Wineries; and Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book)

PROFESSIONAL DESIGNATION

Member Appraisal Institute, MAI
General Certified Appraiser, Washington State

EXPERIENCE

Columbia Valuation Group, Inc. - Seattle, Seattle, WA, *Founding Principal*
1992 - Current

Seafirst Bank, Seattle, WA, *Assistant Vice President and Senior Appraisal Officer* — Real estate advisory and appraisal services
1986- 1992

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON NAMED HEREON IS AUTHORIZED, AS PROVIDED BY LAW, AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER



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Issued Date
12/11/1991

Expiration Date
05/25/2015

John H. Hilt
Director

**MASTER DEVELOPMENT AGREEMENT
AMENDMENT NUMBER 1**

Attachment "E"

MASTER DEVELOPMENT AGREEMENT AMENDMENT NO: 1 DATE: NOVEMBER 4, 2015

This **AMENDMENT NO 1** (the "Amendment") to the Master Development Agreement is effective as of date noted above, and entered into by and between the **PORT OF BELLINGHAM**, a Washington municipal corporation (the "Port") and **HARCOURT BELLINGHAM LLC**, a Washington limited liability corporation ("Harcourt").

WHEREAS, the Port and Harcourt executed the Master Development Agreement (the "Agreement") on May 19, 2015.

WHEREAS, pursuant to section 16.17 of the Agreement the Port and Harcourt may amended the Agreement by an instrument in writing signed by a duly authorized representative of each party hereto in the same manner as such party has authorized this Agreement.

NOW THEREFORE, in consideration of the mutual promises and covenants contained in this Amendment No 1 and in the Agreement the Port and Harcourt agree as follows.

1. Amendment to Agreement. The Agreement shall be amended as follows.

Effective Date	Agreement Section or Exhibit	Description of Change
November 4, 2015	Exhibit 4.1	Modify note 4 to extend date for building permit to February 19, 2016

A strike-through underline change to the section(s) or exhibit(s) amended by this Amendment is attached hereto as Exhibit A and is incorporated herein. In any conflict between the description above attached exhibit, the attached exhibit shall control.

2. Other Terms and Conditions. All other terms and conditions of the Agreement remain unchanged.

3. Authority. Each of the undersigned represents and warrants that (i) the party for which they are signing has all necessary rights, title, interest, power, and authority to enter into this Amendment and perform in accordance with its terms and provisions, (ii) that the individual(s) signing this Amendment have the authority to bind the respective entity and to enter into this transaction, and (iii) the respective entity has taken all requisite action to legally authorize the execution, delivery, and performance of this Amendment.

4. Execution in Counterparts and Electronic Transmission. This Amendment may be executed in any number of counterparts each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Amendment. All electronic transmissions of this Amendment shall be treated as originals for all purposes.

Attachment "E"


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

PORT OF BELLINGHAM



Rob Fix
Executive Director

HARCOURT BELLINGHAM, LLC



Its: _____

WATERFRONT DISTRICT MASTER DEVELOPMENT SCHEDULE (EXHIBIT 4.1)

Activity/ Date	Year Ending:	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Master Development Agreement (MDA) Signed ¹	X																								
Site Preparation, Cleanup and Binding Site Plan approval ²																									
Phase 1 Infrastructure: Granary and Bloedel Ave, Waterway Park ³	-----																								
Granary Building (45,000 SF) ⁴	-----		=====																						
Second Development Project (minimum size- 40,000 SF) ⁵	---	==	=																						
Third Development Project ⁶								-----				*****	*****												
Additional Development Projects to reach Cumulative 500,000 SF ⁷																	*****	*****							
Additional Development Projects to reach Cumulative 1 million SF ⁸																		*****				*****	*****		
Interlocal Agreement for Facilities expires if 1 million SF has not been constructed S of Waterway																									X

* This Waterfront District Master Development Schedule will be modified each time additional acreage is added to the Master Development Area.

Waterfront District Development Schedule Milestones:

1. Master Development Agreement will be signed in **March, 2015**.

2. Environmental Cleanup will be completed by the end of **2016**. (if delayed, Master Development Schedule extension provisions in MDA Section 4.1.4 will apply)

3. Phase 1 City Infrastructure will be installed by the end of **2017**. (if delayed, Master Development Schedule extension provisions in MDA Section 4.1.3 will apply)

4. A complete building permit application for the Granary Building will be submitted to the City within ~~6 months of MDA approval~~ nine months of MDA approval which based upon the MDA execution date of May 19, 2015 will be February 19, 2016. Construction of the Granary Building will begin within 90 days after issuance of building permits and will be completed within 36 months of building permit issuance.

5. A complete building permit for a second building will be submitted within 12 months of MDA approval and construction will of the second building will be completed within 48 month of building permit issuance.

6. The schedule for design, permitting and construction of the third building project will be jointly determined by the Port and Harcourt after the second building is under construction. Construction should commence shortly after the completion of the second development project and be completed within 36 months.

7. Additional development projects to increase cumulative square footage to 500,000 SF will occur by **the end of 2029**, with a 24 month extension available. Substantial completion on 500,000 SF Floor Area will occur by the end of **2029**, unless an extension is granted under MDA Section 4.1.

8. Additional development projects to increase cumulative Floor Area to 1,000,000 SF will occur by **the end of 2034**, with a 24 month extension available under Section 4.1 of MDA. Substantial completion on 1,000,000 SF Floor Area will occur by the end of **2034**, unless an extension is granted under MDA Section 4.1. A further extension may be approved to reflect the prevailing conditions at the time subject to the agreement of all parties bound by the MDA and the Infrastructure Agreement for Facilities.

Planning/ Permit Submittal	-----
Permit Review/Approval	=====
Project Construction	
Potential Extension	*****

Timeline Symbols

NOTE: The Infrastructure Agreement for Facilities will expire at end of 2038 if a cumulative building square footage south of the Whatcom Waterway has not reached 1.0 million square feet. Section C.4.2.A of the Infrastructure Agreement requires a total of 1.4 MSF to trigger the design and construction of the Commercial Street Bridge, and that sufficient vacant land must remain to allow construction of 2.0 million square feet at full build-out. Progress toward this infrastructure trigger will be monitored over time.

**MASTER DEVELOPMENT AGREEMENT
AMENDMENT NUMBER 2**

Attachment "E"

MASTER DEVELOPMENT AGREEMENT AMENDMENT NO: 2 DATE: MAY 3, 2016

This **AMENDMENT NO. 2** (the "Amendment") to the Master Development Agreement is effective as of date noted above, and entered into by and between the **PORT OF BELLINGHAM**, a Washington municipal corporation (the "Port") and **HARCOURT BELLINGHAM LLC**, a Washington limited liability corporation ("Harcourt").

WHEREAS, the Port and Harcourt executed the Master Development Agreement (the "Agreement") on May 19, 2015.

WHEREAS, pursuant to section 16.17 of the Agreement the Port and Harcourt may amended the Agreement by an instrument in writing signed by a duly authorized representative of each party hereto in the same manner as such party has authorized this Agreement.

NOW THEREFORE, in consideration of the mutual promises and covenants contained in this Amendment No. 2 and in the Agreement the Port and Harcourt agree as follows.

1. Amendment to Agreement. The Agreement shall be amended as follows.

Effective Date	Agreement Section or Exhibit	Description of Change
May 3, 2016	Exhibit 4.1	Modify note 5 to extend date for the Building #2 Project Memorandum and Design Review Application to November 19, 2016

A strike-through underline change to the section(s) or exhibit(s) amended by this Amendment is attached hereto as Exhibit A and is incorporated herein. In any conflict between the description above and the attached exhibit, the attached exhibit shall control.

2. Other Terms and Conditions. All other terms and conditions of the Agreement remain unchanged.
3. Authority. Each of the undersigned represents and warrants that (i) the party for which they are signing has all necessary rights, title, interest, power, and authority to enter into this Amendment and perform in accordance with its terms and provisions, (ii) that the individual(s) signing this Amendment have the authority to bind the respective entity and to enter into this transaction, and (iii) the respective entity has taken all requisite action to legally authorize the execution, delivery, and performance of this Amendment.
4. Execution in Counterparts and Electronic Transmission. This Amendment may be executed in any number of counterparts each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the

Attachment "E"

same Amendment. All electronic transmissions of this Amendment shall be treated as originals for all purposes.

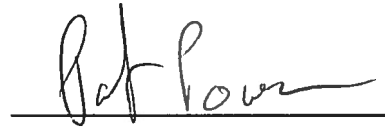
IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year first above written.

PORT OF BELLINGHAM



Rob Fix
Executive Director

HARCOURT BELLINGHAM, LLC



Its: DIRECTOR

WATERFRONT DISTRICT MASTER DEVELOPMENT SCHEDULE (EXHIBIT 4.1)

Activity/ Date	Year Ending:	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Master Development Agreement (MDA) Signed ¹	X																								
Site Preparation, Cleanup and Binding Site Plan approval ²																									
Phase 1 Infrastructure: Granary and Bloedel Ave, Waterway Park ³																									
Granary Building (45,000 SF) ⁴																									
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Additional Development Projects to reach Cumulative 500,000 SF ⁷																									
Additional Development Projects to reach Cumulative 1 million SF ⁸																									
Interlocal Agreement for Facilities expires if 1 million SF has not been constructed S of Waterway																									X

* This Waterfront District Master Development Schedule will be modified each time additional acreage is added to the Master Development Area.

Waterfront District Development Schedule Milestones:

1. Master Development Agreement will be signed in **March, 2015**.

2. Environmental Cleanup will be completed by the end of **2016**. (if delayed, Master Development Schedule extension provisions in MDA Section 4.1.4 will apply)

3. Phase 1 City Infrastructure will be installed by the end of **2017**. (if delayed, Master Development Schedule extension provisions in MDA Section 4.1.3 will apply)

4. A complete building permit application for the Granary Building will be submitted to the City within nine months of MDA approval which based upon the MDA execution date of May 19, 2015 will be February 19, 2016. Construction of the Granary Building will begin within 90 days after issuance of building permits and will be completed within 36 months of building permit issuance.

5. A ~~complete building permit~~ Project Memorandum and Design Review Application for a second building will be submitted within ~~12 months of MDA approval~~ 18 months of MDA approval which is based on the MDA execution date of May 19, 2015 will be November 19, 2016 and construction will of the second building will be completed within 48 month of building permit issuance.

6. The schedule for design, permitting and construction of the third building project will be jointly determined by the Port and Harcourt after the second building is under construction. Construction should commence shortly after the completion of the second development project and be completed within 36 months.

7. Additional development projects to increase cumulative square footage to 500,000 SF will occur by **the end of 2029**, with a 24 month extension available. Substantial completion on 500,000 SF Floor Area will occur by the end of **2029**, unless an extension is granted under MDA Section 4.1.

8. Additional development projects to increase cumulative Floor Area to 1,000,000 SF will occur by **the end of 2034**, with a 24 month extension available under Section 4.1 of MDA. Substantial completion on 1,000,000 SF Floor Area will occur by the end of **2034**, unless an extension is granted under MDA Section 4.1. A further extension may be approved to reflect the prevailing conditions at the time subject to the agreement of all parties bound by the MDA and the Infrastructure Agreement for Facilities.

Timeline Symbols		
Planning/ Permit Submittal		-----
Permit Review/Approval		=====
Project Construction		
Potential Extension		*****

NOTE: The Infrastructure Agreement for Facilities will expire at end of 2038 if a cumulative building square footage south of the Whatcom Waterway has not reached 1.0 million square feet. Section C.4.2.A of the Infrastructure Agreement requires a total of 1.4 MSF to trigger the design and construction of the Commercial Street Bridge, and that sufficient vacant land must remain to allow construction of 2.0 million square feet at full build-out. Progress toward this infrastructure trigger will be monitored over time.

**MASTER DEVELOPMENT AGREEMENT
AMENDMENT NUMBER 3**

Attachment "E"

MASTER DEVELOPMENT AGREEMENT AMENDMENT NO: 3 DATE: April 13, 2017

This **AMENDMENT NO. 3** (the "Amendment") to the Master Development Agreement is effective as of date noted above, and entered into by and between the **PORT OF BELLINGHAM**, a Washington municipal corporation (the "Port") and **HARCOURT BELLINGHAM LLC**, a Washington limited liability corporation ("Harcourt").

WHEREAS, the Port and Harcourt executed the Master Development Agreement (the "Agreement") on May 19, 2015.

WHEREAS, pursuant to section 16.17 of the Agreement the Port and Harcourt may amended the Agreement by an instrument in writing signed by a duly authorized representative of each party hereto in the same manner as such party has authorized this Agreement.

NOW THEREFORE, in consideration of the mutual promises and covenants contained in this Amendment No. 3 and in the Agreement the Port and Harcourt agree as follows.

1. Amendment to Agreement. The Agreement shall be amended as follows.

Effective Date	Agreement Section or Exhibit	Description of Change
May <u>16</u> , 2017	Exhibit A of MDA	Add Exhibit A-1 modifying Exhibit A by removing 0.46 acres from the Master Development Area to be used for parks and adding 0.49 acres to the Master Development Area.

Exhibit A-1, which is attached hereto, modifies Exhibit A as indicated in the Description of Change above.

2. Other Terms and Conditions. All other terms and conditions of the Agreement remain unchanged.
3. Authority. Each of the undersigned represents and warrants that (i) the party for which they are signing has all necessary rights, title, interest, power, and authority to enter into this Amendment and perform in accordance with its terms and provisions, (ii) that the individual(s) signing this Amendment have the authority to bind the respective entity and to enter into this transaction, and (iii) the respective entity has taken all requisite action to legally authorize the execution, delivery, and performance of this Amendment.
4. Execution in Counterparts and Electronic Transmission. This Amendment may be executed in any number of counterparts each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Amendment. All electronic transmissions of this Amendment shall be treated as originals for all purposes.

Attachment "E"


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

PORT OF BELLINGHAM



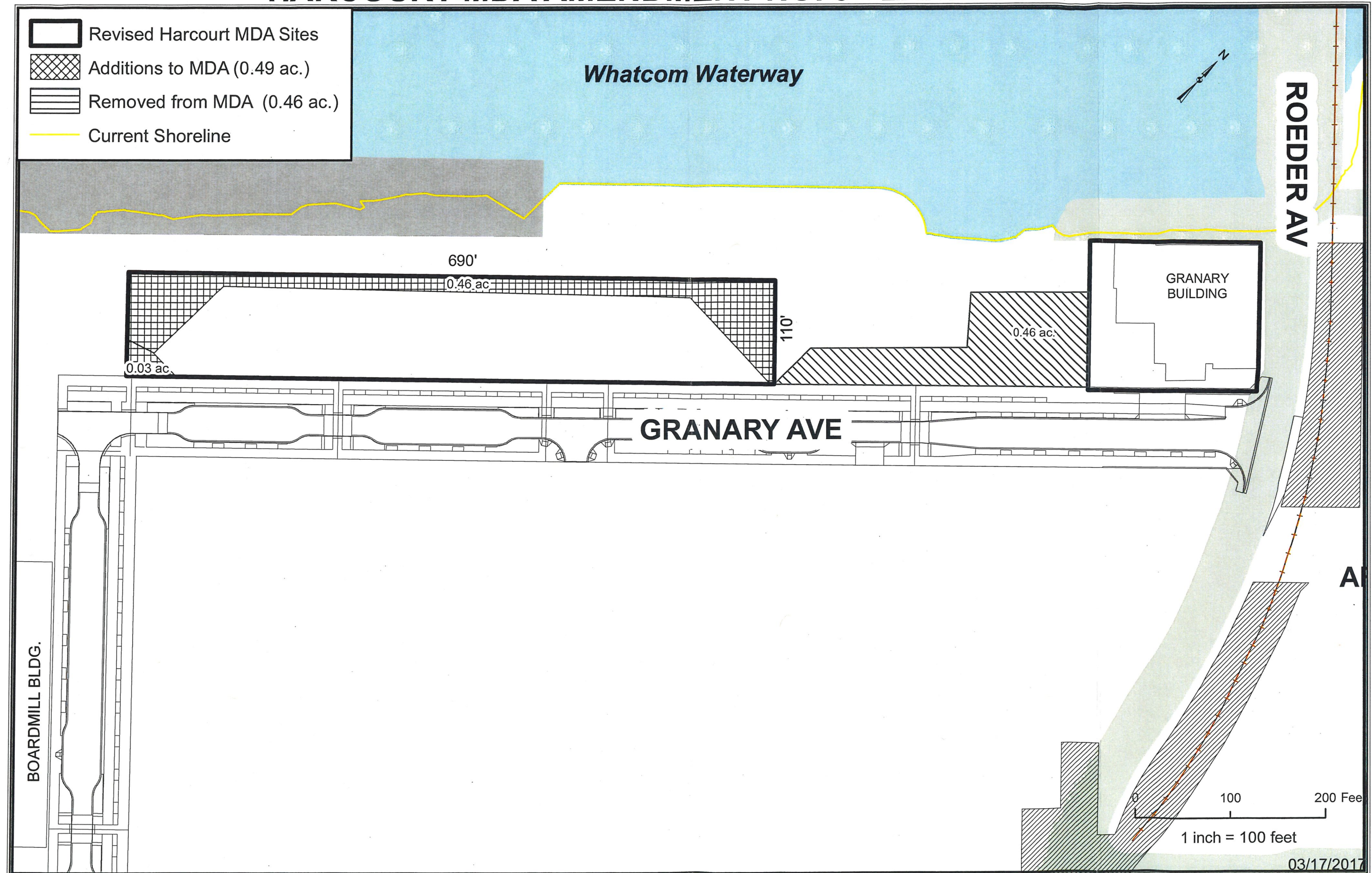
Rob Fix
Executive Director

HARCOURT BELLINGHAM, LLC



Its: Patrick Power
Director

HARCOURT MDA AMENDMENT NO. 3 - EXHIBIT A-1



Port of Bellingham

Georgia Pacific Mill Site

Structural Evaluation

Digester and Bleach Tanks



May 6, 2013 | Final Report

Attachment "F"



Structural Evaluation

Digester and Bleach Tanks

May 6, 2013

Prepared for:

Port of Bellingham
1801 Roeder Avenue
PO Box 1677
Bellingham, WA 98227

Prepared by:

KPFF Consulting Engineers
1601 5th Avenue, Suite 1600
Seattle, WA 98101
Phone: (206) 622-5822
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KPFF Job No. 112540.10



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Appendix G – References



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0. Executive Summary

KPFF visually observed the existing condition of the two Bleach Tanks and the three original Digester Tanks. The available original construction drawings were reviewed. An assessment was then performed identifying repair and restoration scenarios for the tanks. Cost estimates for repairing and restoring the tanks under various scenarios were provided.

The assessment determined that the tanks are generally in good condition but with repair items being necessary to extend the life of the structures and/or address proposed modifications to weather exposure and public access. Due to the limited current site access, the tanks do not currently pose a life safety concern. However, with increased exposure to the public, the masonry tiles of the Bleach Tanks are a falling hazard as they are not positively connected to the base structure. The existing site soils at both the Bleach Tanks and the Digester Tanks are generally classified as being subject to liquefaction and lateral spreading. This could result in the foundations of these elements to laterally shift or differentially settle leading to overall collapse under a large seismic event.

It is recommended that if the life of the Bleach Tanks is to be extended, that the masonry tile be positively attached to the internal structure and that the mortar joints be cleaned and repointed. It is also necessary that for any increase in access that public safety be addressed by either preventing close proximity or mitigating the issues associated with the site soil earthquake hazards through the use of soil improvement techniques.

To extend the life of the three original Digester Tanks, the tanks should be repaired to prevent water intrusion and recoated with exterior grade paint. It is also necessary that for any increase in access that public safety is addressed by either preventing close proximity or mitigating the issues associated with the site soil earthquake hazards through the use of soil improvement techniques.

1. Introduction

The purpose of this report is to evaluate the existing Bleach Tanks and the three original Digester Tanks on the Port of Bellingham's former Georgia Pacific mill site for repair/restoration and maintenance requirements.

This report is based on visual observations performed on the tank structures during a site visit conducted on October 10, 2012 and review of existing structural drawings and information provided by the Port of Bellingham.

The Port of Bellingham requested that KPFF provide a structural evaluation and cost-estimate regarding the existing Bleach Tanks (also referred to as High Density Tanks) as well as the three original Digester Tanks.

This report includes the following:

- Assessment of the existing Bleach Tanks and repair/restoration requirements.
- Assessment of the existing Digester Tanks and repair/restoration requirements.
- Evaluation of the Bleach Tank and Digester Tank foundations for seismic demands per current standards.
- Cost Estimates for repairing and restoring the Bleach Tanks:
 - Scenario 1 – Preserving both Bleach Tanks.
 - Scenario 2 – Preserving the north Bleach Tank.
 - Scenario 3 – Preserving the south Bleach Tank.
- Cost Estimates for repairing and restoring the Digester Tanks:
 - Scenario 4 – Preserving the three original Digester Tanks.
 - Scenario 5 – Preserving one of the three original Digester Tanks.
 - Scenario 6 – Preserving two of the three original Digester Tanks.
- Recommendations for further study and/or analysis.



2. Existing Conditions

GENERAL BACKGROUND

The Georgia Pacific Mill site was developed over the last century with initial construction starting as early as 1925. The mill was closed in 2001 and no further development has occurred on the site. In 2005 the property was acquired by the Port of Bellingham. Since this time, the site has been and continues to be evaluated for potential redevelopment and integration into the City of Bellingham's master plan.

SITE SOILS

Based on soil information obtained from adjacent sites and other geotechnical studies performed on this site, the underlying soils consist of loose site fill atop beach/intertidal deposits. At some locations near the shoreline, glaciomarine drift have been encountered below the intertidal deposits. Bedrock exists directly below the beach or glaciomarine deposits. The soils above bedrock have been identified in multiple geotechnical investigations as being subjected to liquefaction and lateral spreading during a significant seismic event. Liquefaction is the phenomenon where saturated, loosely formed soils subjected to cyclic loading lose their strength and begin to flow like a liquid. The consequences of liquefaction are that the foundations may lose their support and settle, which may not be consistent across the structure creating an overturning or instability problem. Lateral spreading can result in portions of the soil strata moving relative to one another which can cause a structure to translate with these soils or in the case of deep foundations shear the foundation piles due to the piles crossing a moving and fixed soil plane.

Due to the proximity of the structures to the shoreline and borings at adjacent sites, it is anticipated that the top of timber piles remain continually below the lowest water table. This is fortunate because timber pile foundations exposed to repeated fluctuation of ground water can experience degradation of the timber resulting in loss of capacity.

BLEACH TANKS

Based on the original structural drawings and calculations, the Bleach Tanks (Photo A.1) were constructed in 1976 and designed to the 1973 Uniform Building Code (UBC). These tanks were designed to be used as storage for paper pulp, which has a slurry consistency with some of the water extracted from it. The northern tank was named the "unbleached tank" alluding to the pulp not being bleached or the contents of the tank not containing bleach material. The southern tank was named the bleach stock



tank suggesting that the contents were chlorine based. Chlorines, due to their high pH levels, can have a corrosive impact on steel.

Original Drawing Review

These two tanks consist of a reinforced concrete liner and cap. The walls in both tanks decrease in thickness up the height of the structure. These tanks are supported by independent reinforced concrete mat foundations in turn supported by timber piles. The timber piles are noted in the drawings as Class A Douglas Fir treated and were driven to resistance. Original construction drawings may be found in Appendix E.

Site Observations

A site plan of the visual observation locations are provided in Figure A.1. The exteriors of the Bleach Tanks are clad in a masonry tile from the top of the foundation mat to the underside of the concrete roof cap. A damaged area of tile at the transition of the tank width (Photo A.2) on the North tank, revealed no direct tie to the concrete wall. It appears the tile relies solely on the mortar joints and whatever adhesion may exist between the tank and the tile. On the exterior of the South tank, a white substance was observed at different locations around and along the height of the structure (Photo A.3). It appears to be efflorescence from the mortar or could be a byproduct reaction of the bleach utilized within the tank structure.

The foundations are not exposed to view. There is no apparent tilting of the towers or signs of settlement compared to the existing grade.

There are multiple steel pipes in the base of the structures that are open that were initially used during the pulp process (Photo A.4). These are approximately 1'-6" in diameter.

There is a steel framed catwalk connecting the tops of the two structures (Photo A.5). The Port has indicated that this catwalk is to be removed.

DIGESTER TANKS

The Digester Tanks that are considered in this report are the three original Digester Tanks located within the Digester building. These steel tanks and the surrounding building were constructed in 1938. Additional digesters and building additions to the east were constructed later tying to this original construction.

Original Drawing Review

These steel tanks are approximately 65 feet tall. At their widest, the digesters are 18 feet in diameter. Per the original construction drawings, the tanks are 1-5/16" plate steel riveted together. At the base, the tanks are supported by (8) wide-flange column sections equally spaced on a fifteen foot diameter plan



(Photo A.6). These columns sections are supported by a system of grade beams and a continuous mat foundation. The mat foundation in turn is supported by timber piles. The building enclosing the Digester Tanks is not built integrally with the tanks, the exception being the foundation systems which are joined. There is a three to four inch gap between the digester walls and the floor slabs, isolating them structurally. Original construction drawings may be found in Appendix F.

Site Observations

A site plan of the visual observation locations are provided in Figure A.2. The tanks have a silver paint coating on them that has deteriorated, with extensive flaking, peeling and bubbling (Photo A.7 and A.8). In some locations the coating is missing entirely. This paint exists on all the exterior surfaces from the foundation to the top of tank.

The tops and bottoms of the tank are currently open. These openings are approximately two feet six inches in diameter allowing the interior of the tanks to be visually examined (Photo A.9 and A.10). Threaded rods exist at the flanges of these openings suggesting prior attachments. The interior of the Digester Tanks are lined with brick over their entire height.

The tanks have numerous filler plates over their height that have been welded to the original tank walls (Photo A.11). This appears to have been done to repair or infill holes that were previously open during the operation of the mill.

The foundations are not exposed to view. There is no apparent listing of the tanks or signs of settlement compared to existing grade. This suggests that the foundations may be in adequate condition.

3. Findings

SITE SOILS

Based on our examination of the available geotechnical reports for this site and adjacent sites, the site soils are noted as being susceptible to liquefaction and lateral spreading. An overturning collapse hazard, attributed to the significant height and mass of these structures, is present due to the potential loss of support from the soils on the pile foundations through lateral spreading. While equal vertical settlement due to liquefaction is structurally acceptable, differential settlement may lead to overall collapse.

The following ground improvement techniques were selected from the options discussed with Hayward Baker and the geotechnical recommendations provided by GeoEngineers in the October 2007 Western Washington University report. The basis for their selection was cost effectiveness, constructability, and suitability for the in situ soils.

Compaction Grouting. This ground improvement technique utilizes a small diameter steel casing to inject grout into the soil at high pressure to compact and displace the surrounding soils. The casing is advanced to the maximum required depth and then withdrawn as the pumping continues, forming columns of interconnecting grout bulbs. The casing is typically only 2 to 4 inches in diameters, so the work can be completed directly adjacent to existing foundations. See Figure A.3 for a typical diagram of the compaction grouting arrangement.

Jet Grouting. This method uses a drill stem with a high velocity grout jets at the bottom to erode and mix the soil with grout. The jet is inserted to the maximum required depth and then withdrawn with the high velocity grouting process being performed. The geometry and frequency is highly dependent on the in situ soils experienced. This system was evaluated but not included due to the increased costs over compaction grouting. See Figure A.4 for a typical diagram of the jet grouting system.

Stone Columns. This system uses vibratory replacement to install columns of dense crushed stone into the ground. The stone columns serve to densify the soils. In dense soils a hole is predrilled creating a void and a vibratory probe inserted or in loose soils the probe is advanced to the required depth. As the probe is retracted, crushed stone is injected through a supply tube and the probe vibrates to compact the aggregate. This system was evaluated but not included due to the anticipated depth of liquefaction and the expected vibrations occurring adjacent to the structures. See Figure A.5 for a typical diagram of the stone column installation.



BLEACH TANKS

Tank Construction

Because the Bleach Tanks were originally designed for the storage of high density pulp, they have capacity to support large loads. This is evident from the nearly three foot thick base walls and the six foot thick mat foundation.

The fact that these tanks were designed and constructed per the 1973 UBC and our review of the original design calculations indicates that there was some accounting for seismic demands. Due to the anticipated ground motions, the Bellingham area is designated as a high seismic region. The 1973 UBC code level seismic design forces for this structure are approximately 50% less than required under current codes requirements. The tanks were evaluated by KPFF for overturning stability using the current code seismic accelerations. KPFF's analysis indicates that the empty tanks would require the timber piles to act in tension to resist earthquake forces. However, the original construction drawings indicate that there is no positive connection between the timber piles and the mat foundation, so no tension capacity exists.

Foundations

The timber pile foundations are not accessible. Because there are no signs of settlement, it is reasonable to assume that the piles are in acceptable condition. However, the piles can't be accurately evaluated without exposing them.

Masonry Tile

The masonry tile cladding the Bleach Tanks does not appear to be mechanically fastened to the reinforced concrete shell. To preserve the tile and to mitigate falling hazards the tile may pose, the tile can be physically anchored to the concrete walls through a process called pinning.

The masonry tile mortar joints have been exposed to the elements for approximately 40 years. The life of the mortar is generally less than the brick or tile that it supports. It is common to repair mortar joints depending on the severity of exposure and the original materials used. It is unclear if any sealant was used during the initial installation. In particular on the south Bleach Tank, the use of bleach within the tank appears to have migrated to the tile through the visual observation of efflorescence. This may have degraded the mortar. The common maintenance technique to remove and replace the mortar is tuckpointing, also known as tucking and pointing or repointing. With this process the masonry and mortar is cleaned and sealed to protect the new material.

kpff

There are several restorative and maintenance related issues to address regarding the Bleach Tanks masonry tile cladding; repointing, cleaning and sealing, and veneer pinning. These repairs are required for both tanks as the construction methodology is nearly identical, summarized as follows:

Repointing. Repointing, sometimes referred to as tuckpointing, is the process of removing mortar joints in existing masonry and replacing those joints with new mortar. This is done to repair old mortar joints that have experienced weathering. It has a relatively long life cycle, not usually needing to be redone for 40 to 50 years.

Cleaning and Sealing. The cleaning and sealing process first involves cleaning of the existing masonry exterior to remove environmental contamination. The masonry is then sealed with an anti-graffiti coating. This coating is usually applied in a two coat process. The first option is to quickly apply the first coat over the entire structure, and then apply the second coat within ten minutes, again over the entire structure. The second option is to apply a full height first coating and then apply a special coating over just the portion anticipated to see graffiti. The cleaning and sealing process are accomplished by the use of scaffolding. The anti-graffiti coatings usually have a life cycle of 5 – 7 years, at which point the structures should be resealed. There are two different types of graffiti coatings, a sacrificial and a non-sacrificial coating. For a sacrificial coating, a portion of the coating is removed when cleaning the graffiti, then the portion is resealed. For a non-sacrificial coating, the coating remains even after the cleaning of the graffiti.

Veneer Pinning. Veneer pinning is the process by which masonry veneer is anchored back to the structural walls with helical screw anchors. This is a long-term solution as the anchors are constructed of stainless steel and usually don't need to be replaced when subjected to typical weather conditions.

Bleach Impacts

Bleach was used in these tanks for the paper and pulp mill procedures. Typically, bleaches used in the chemical bleaching process of pulp are Sodium Hypochlorite or Chlorine (Emerson 2008). Tanks with this type of function would be designed with an interior liner specifically for the use of the tank to act as a corrosion barrier to the reinforced concrete walls (M. Flynn, personal communication, January 31, 2013). According to the drawings, these tanks were designed with a Semplate liner by Stebbins Engineering and Manufacturing Company, a company based out of New York State specializing in tank construction and their linings. Semplate is a registered trademark product of Stebbins. According to Stebbins, the ceramic liners usually last the lifetime of the tank since they are designed specifically for the use and configuration of the tank. However, if the processes change over time during the lifetime of the tank; such as use of a different chemical or a higher temperature, it could have an effect on the liner (M. Flynn, personal communication, January 31, 2013).



DIGESTER TANKS

Tank Construction

The Digester Tanks were designed and constructed for the use of containment of wood chips and a mixture of white liquor, black liquor and condensed steam referred to as cooking liquor, this resulted in a robust gravity load resisting system (Magnetrol, 2008).

Because these tanks were constructed in the 1930's, it is likely that there was no accounting for seismic lateral demands. Due to the anticipated ground motions, the Bellingham area is designated as a high seismic region. Our calculation of seismic demand shows that the tanks as they currently exist have the potential for overturning failure. This analysis indicates that the empty tanks would require the timber piles to act in tension to remain stable. However, the original construction drawings indicate that there is no positive connection between the timber piles and the mat foundation, so no tension capacity exists.

Foundations

The timber pile foundations are not accessible. Because there are no signs of settlement, it is reasonable to assume for now that the piles are in acceptable condition. However, the piles can't be accurately evaluated without exposing them.

The foundations are integrally built with the surrounding building foundations. The pile caps and grade beams have reinforcement tying them together. Removal of the surrounding foundation elements during the building demolition will result in exposed steel reinforcing.

Repair

There are surface areas of the tanks that need to be repaired to prevent water intrusion. These are existing holes that are from prior operational use. The surface of the tanks has surface rust, but no observed pitting.

Protective Paint

The steel Digester Tanks have an existing protective coating. This may contain lead based paint. Chipping, bubbling, and flaking were observed. These tanks are currently protected by the existing building surround and planned future use would expose them directly to the elements. Restoration and maintenance related issues to address repairs for all tanks, as their construction and existing conditions are similar, are summarized as follows.

Lead Paint Abatement. Discussions with a local demolition and abatement company suggested that a painting contractor would be able to provide this service as part of a painting abatement reducing associated costs.



Painting. After the lead paint has been stripped, the Digester Tanks will need to be re-painted with a new paint material to protect the exposed steel from the weather. For a standard coating, an Alkyd (oil-based paint) or Latex (acrylic based paint) can be used at similar costs. The cost estimate considers (1) layer of an Alkyd primer, and (2) layers of an Alkyd topcoat. The lifespan of typical painting systems is 7 – 10 years. High performance coatings, such as those with epoxy, can also be used at a higher cost.



4. Recommendations

BLEACH TANKS

Seismic Overturning Hazard

To mitigate the potential for overturning, we offer two possible solutions:

- Add tension piles at the perimeter of the foundation to resist the uplift forces. The existing timber piles would be used for compression forces only.
- Add ballast inside the tank to increase the weight at the base of the structure and eliminate the uplift forces on the piles. We have performed a preliminary analysis which indicates this approach is viable.

Because existing site soils or construction debris could be utilized for the ballast option above, this is the more cost-effective solution and has been carried forward in the cost estimating.

Foundations

To verify our assumptions concerning the pile conditions, it will be necessary to excavate below the pile cap and expose the piles for examination. We recommend a random initial sampling of 5% of the piles be performed (12-15 minimum). Coring tools will be utilized to sample and determine the soundness of the wood.

Masonry Tile

To preserve the tile and to mitigate falling hazards the tile may pose, it is recommended that the tile be physically anchored to the concrete walls using pinning techniques. This can be done by introducing helical screw anchors specifically designed for this purpose within the masonry joints at a 2 foot by 2 foot spacing pattern. The installation hole within the masonry joint can be repaired after the screw anchor installation as part of the mortar joint restoration noted below.

We recommend that the mortar be tuckpointed to repair the damaged joints. The tile and mortar joints should be cleaned and sealed. As part of the sealing process, a second coat of sealing should be provided as a graffiti resistance coating.

kpff

Bleach Impacts

The existing tanks should be investigated from the inside to determine if any damage to the ceramic liner or the reinforced walls is apparent. If damage were to exist, there would likely be rusting of the reinforcement which would bleed through the walls and sometimes the masonry joints (M. Flynn, personal communication, January 31, 2013). No rust staining was visible on the exterior of the tank during the October site visit. Access to the interior of the tank was not possible due to confined space exposure during the site observation. Sounding of the ceramic tile should be performed to determine if there are any debonding issues. Destructive testing can be done by removing some tiles to verify its anchorage condition and checking the structure underneath for signs of reinforcement corrosion on the interior of the tank.

DIGESTER TANKS

Seismic Overturning Hazard

To mitigate the potential for overturning, we offer two possible solutions:

- Add tension piles at the perimeter of the foundation to resist the uplift forces. The existing timber piles would be used for compression forces only.
- Add ballast on top of the tank foundations to increase the weight at the base of the structure and eliminate the uplift forces on the piles. We have performed a preliminary analysis which indicates this approach is viable.

Because existing site soils or construction debris could be utilized for the ballast option above, this is the more cost-effective solution and has been carried forward in the cost estimating.

Removal of the tank's brick lining will reduce the seismic mass of the structure and consequently reduce the demands on the structure and foundations. This results in a 40% reduction in overall weight of the tank. The overturning stability concern can be addressed with site grading of approximately six inches of soil above the top of foundation.

Foundations

To verify our assumptions concerning the pile condition, it will be necessary to excavate below the pile cap and expose the timber pile for examination. We recommend a random initial sampling of 5% of the piles (10-15 minimum) distributed around the foundation be taken. Coring tools will be utilized to sample and determine the soundness of the wood.

To prevent corrosion and spalling of the adjacent concrete the exposed reinforcing should be protected. The adjacent piles supporting the surrounding building can be used to estimate the existing condition of



the Digester Tank foundations. To determine the length of pile currently installed below the Digester Tank, several building piles may be vibrated out of the ground following demolition and measured.

Repair

There are surface areas of the tanks that need to be repaired with filler plates and seal welding. This is similar to the past work that has been performed on the tanks. The welding is non-structural and can be achieved with smaller, less expensive welds. At locations where a bolted closure plate is acceptable, (e.g. at the top and bottom of the tanks) this could be done using existing flange bolts or bolt holes.

Paint

To preserve the base material against exposure to the elements and the steel from the corrosive environment, the tanks should be primed and painted after removal of the lead based paint.

5. Cost Estimate

GENERAL CONSIDERATIONS

The site specific soil conditions and the existing condition of the timber pile foundations of the Bleach Tanks and Digester Tanks are not currently known. We recommend engaging a Geotechnical Engineer to provide a report addressing the soil strata out these two structures which would provide a clear understanding of the conditions, hazards, and recommend any necessary soil improvements. This geotechnical report will help to define the depth of liquefaction for the soils occurring on the site. The timber piles should be visually inspected and wood cores taken. This requires access to the timber piles below the mat foundations. Proposed soil improvements in this report could then be reassessed based on the findings of the geotechnical report and pile evaluation.

Per discussions with the City of Bellingham, public access to the site and the tank structures will generate an increased hazard to public safety. These structures would need to be evaluated to current standards of practice to address these hazards per Appendix C. This would include a geotechnical investigation and a structural evaluation, including a lateral analysis and report to demonstrate seismic performance to that of a Life Safety Performance Level.

To address the issues regarding public safety, the following would be appropriate measures:

- Reduce the exposure to overturning stability of the tanks due to differential settlement from liquefaction and/or lateral spreading by providing security fencing with an appropriate standoff distance around the tank(s). Figure A.6 shows an approximate layout for fencing.
- To allow removal of the security fence would require ground improvements would need to be performed. This may be achieved by providing ground improvements around the entire perimeter of the foundations. Figure A.7 shows approximate extents for the required soil improvements.
- Following further study of the tank construction and geotechnical hazards, it may be possible to provide local ground improvements to address the lateral spreading risk. This would depend on verification that the risk of differential settlement is limited or non-existent. Figure A.8 shows approximate extents for the required soil improvements.

These measures are included in the cost estimate as variations to the various scenarios.



GENERAL CONDITIONS

The basic assumptions of the cost estimate include General Conditions based on 10% of the hard construction costs, a design contingency of 25% (decreases to zero through the design phase), and a construction contingency of 10% (decreases to zero through the construction phase). Sales tax has been included at 4.3%, half of State of Washington sales tax since half of the materials used are anticipated to be subject to sales tax. These numbers are presented in today's dollars, escalation values have not been included since it is currently unknown when the work is expected to be performed. Further, the cost estimate does not include permit fees, design fees, construction management or construction inspection and testing fees, or contractor bonds and insurance. It is also assumed that any other contaminated or hazardous materials present on the site, except for the lead paint abatement discussed below would be addressed separately. Demolition of the building surrounding the Digester Tanks is assumed to occur as a separate project; the costs of this demolition have not been included here.

BLEACH TANK ESTIMATE SCENARIOS

One scenario to retain both Bleach Tanks are summarized as follows:

SCENARIOS 1, 2, and 3 – Retaining Both Bleach Tanks

Retaining the two Bleach tanks assumes that a portion of the soil improvements and/or security fencing can be reduced due to their proximity. Catwalk removal is included as no demolition is anticipated. Costs associated with retaining each Bleach Tank have been provided separately in the cost estimate should a need for a scenario where only one is retained is to be examined.

For each repair and restoration scenario, the following are included:

- Repointing of the mortar joints.
- Cleaning the tile and mortar and subsequent sealing.
- Anchoring the tile back to the concrete shell.
- Sealing the existing pipe openings at the base of the tank.
- Installing ballast.

The long-term maintenance that is anticipated to be required is as follows:

- Repairing of any damaged tiles.
- Cleaning and resealing of the mortar.
- Repointing the mortar joints.
- Removal and touchup of graffiti damaged surfaces.

DIGESTER TANK ESTIMATE SCENARIOS

Three scenarios to retain one, two, or three original Digester Tanks, see Figure A.9, are summarized as follows:

SCENARIO 1 – Retain three Digester Tanks

Retaining the three Digester Tanks allows a portion of the soil improvements and/or security fencing to be reduced due to their proximity.

SCENARIO 2 – Retain two Digester Tanks

Retaining two of the Digester Tanks allows a portion of the soil improvements and/or security fencing to be reduced due to their proximity.

SCENARIO 3 – Retain one Digester Tank

Retaining one Digester Tank allows the extents of the soil improvements and/or security fencing to be reduced.

For each repair and restoration scenario, the following are included:

- Removal of the lead paint.
- Protecting the foundation from damage resulting from demolition.
- Tank repair of the steel shell.
- Removal of the interior brick liner.
- Sealing the existing openings of the tank.
- Painting of the tank shell.

The long-term maintenance that is anticipated to be required is as follows:

- Repair or touchup painting.
- Recoat the entire Digester.



COST ESTIMATE SUMMARY

Cost estimates for each scenario are included in Appendix D, and are summarized as follows. All scenarios are rounded to the nearest \$10,000:

Table 5-1: Preliminary Cost Estimate Summary Comparison

Scenario	Full Soil Improvements	Lateral Spreading Only	No Soil Improvements
Scenario 1 – (2) Bleach Tanks and (1) Digester Tank	\$2.23 Million	\$1.69 Million	\$1.00 Million
Scenario 2 – (2) Bleach Tanks and (2) Digester Tanks	\$2.40 Million	\$1.81 Million	\$1.05 Million
Scenario 3 – (2) Bleach Tanks and (3) Digester Tanks	\$2.55 Million	\$1.93 Million	\$1.11 Million

6. Conclusions and Recommendations

GENERAL BACKGROUND

The purpose of this study is to evaluate the Bleach and Digester Tanks on the former Georgia Pacific mill site and the necessary repair and maintenance requirements for reintegration into future master planning. Observations of the existing visual conditions were used in conjunction with the available construction drawings and original design calculations to form our conclusions. Based on this information and current knowledge, we present the following recommendations.

BLEACH TANKS

The existing Bleach Tanks are in very good condition, with little or no structural deterioration noted. These tanks are suitable for integration into the public space with the following improvements:

- Addition of ballast within the tank to provide additional weight to resist overturning during a seismic design level event.
- Installation of helical screw anchors within the mortar joints to anchor the masonry tile to the reinforced concrete shell.
- Repoint the masonry mortar joints to repair degraded mortar and extend the life of the tile cladding. Clean the tile and apply a sealant with graffiti-resistant properties to protect the tile and mortar from future exposure. Remove and/or replace damaged, missing, or loose tiles.
- Seal the existing pipe penetrations at the base of the tanks to prevent unauthorized access and moisture entry.

DIGESTER TANKS

The three original Digester Tanks are in good condition. However, these tanks were not originally intended to be exterior structures. Being housed within the Digester building, these structures are largely protected from the environment. It is our recommendation that these steel structures be better protected through new coatings before they are fully incorporated into the public space. This will address the anticipated lead paint concern associated with the existing coatings. Additional deficiencies must be corrected to allow for these structures to be incorporated:



- Seal any existing holes to prevent water intrusion into the tanks.
- Removal of the interior brick lining to reduce the seismic demands and improve the response of the tank during a large seismic event.
- Strengthen the tank locally to provide improved resistance to design level seismic forces.

The foundations for the Digester Tanks are integral with the surrounding Digester building foundations. Following the building and adjacent foundation demolition, any exposed reinforcing from this operation should be protected to prevent corrosion and spalling of the adjacent concrete (see Appendix F).

FOUNDATIONS

The foundations of both the Bleach and Digester Tanks are concealed below grade. Because there are no observed signs of damage or settlement, it is assumed for the purposes of our cost estimating and recommendations that the pile foundations are in good condition. If the fence/exclusion option is not used, the foundations should be visually inspected to determine their existing condition and wood cores taken to confirm the soundness of the existing timber piles.

A site specific Geotechnical study should be completed on the existing site soils to understand the soil related seismic hazards, the extents of these conditions, and recommend mitigation strategies where appropriate.

Attachment "F"



Appendix A

Figures



LIST OF FIGURES

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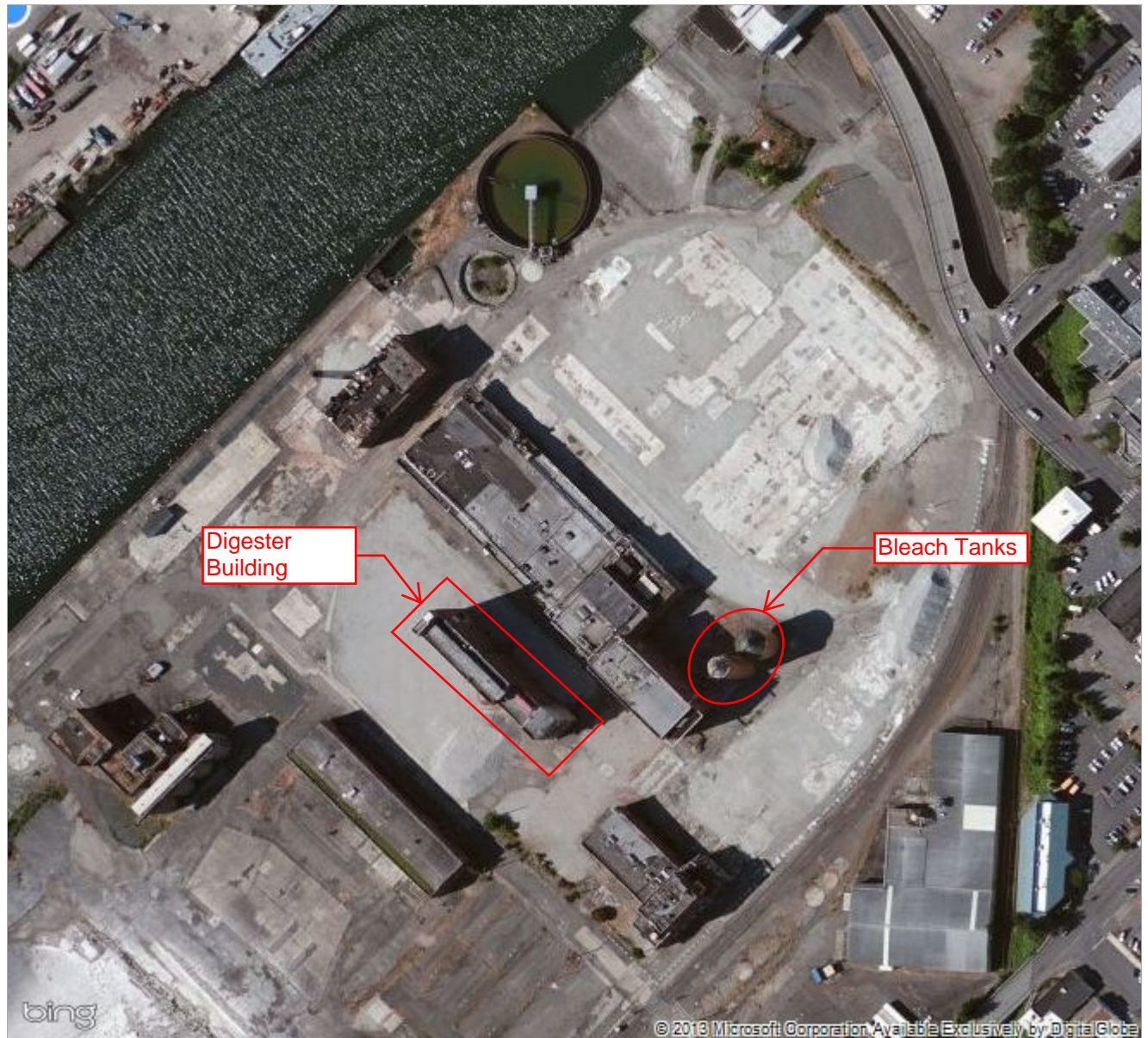


Figure 1

Figure 1 - Georgia Pacific Mill Site (Bing.com)

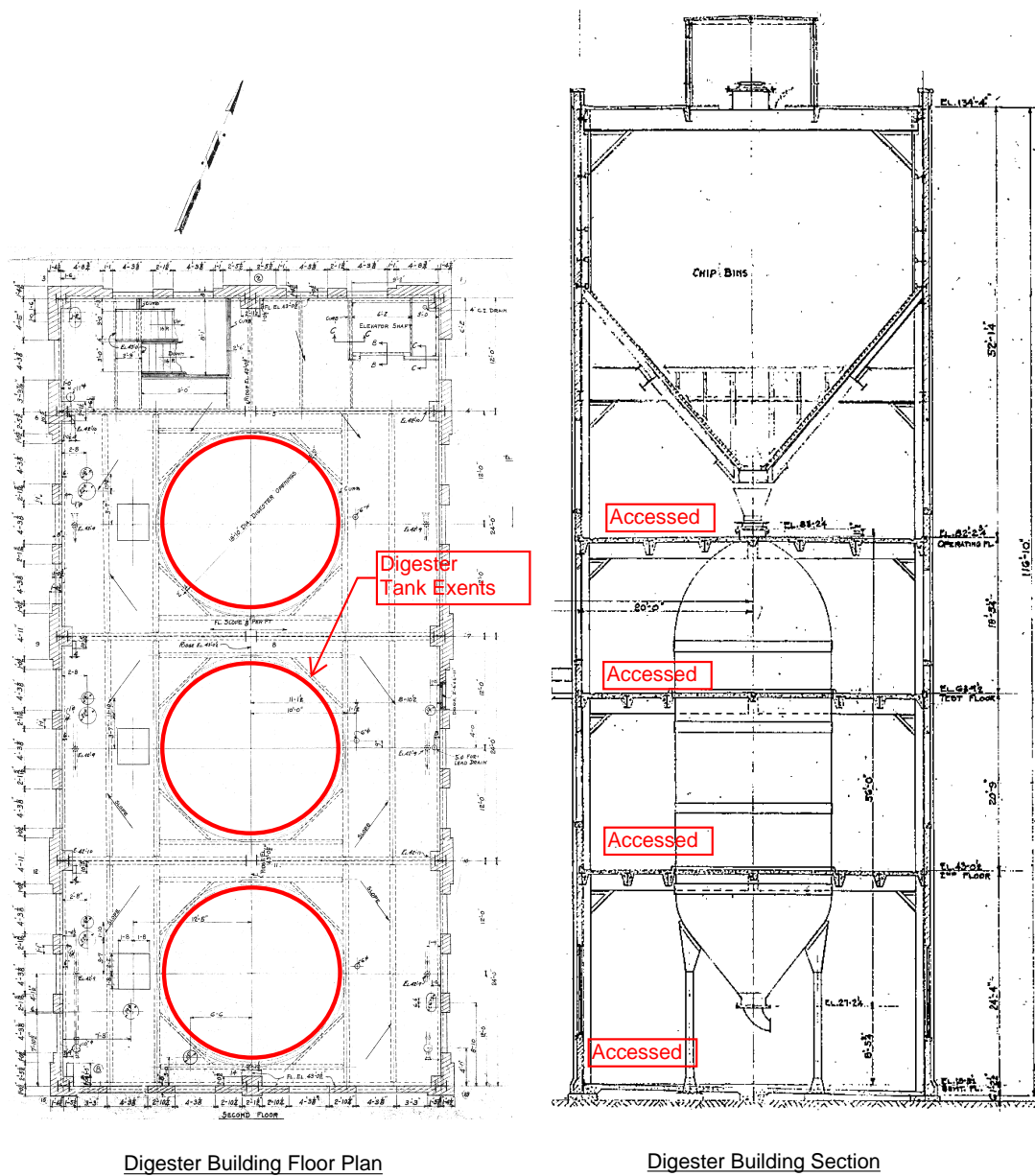


Figure 2

Figure 2 – Digester Building Plan and Digester Building Section

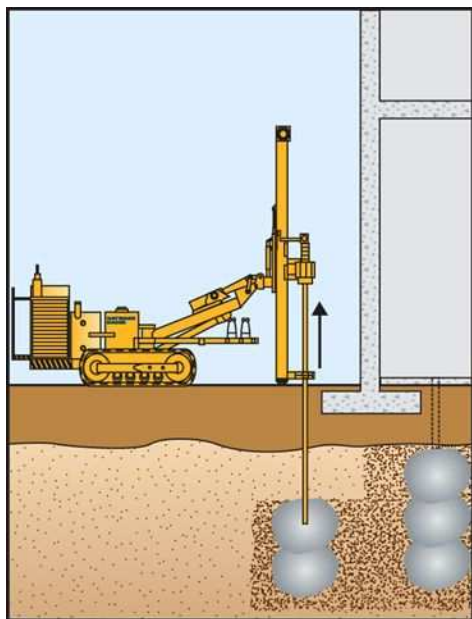


Figure 3

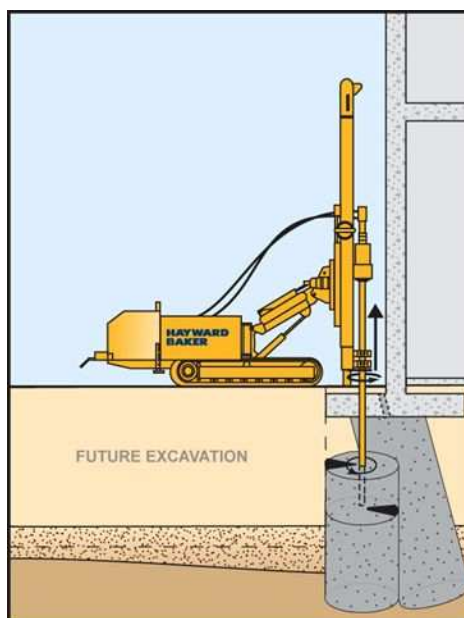


Figure 4

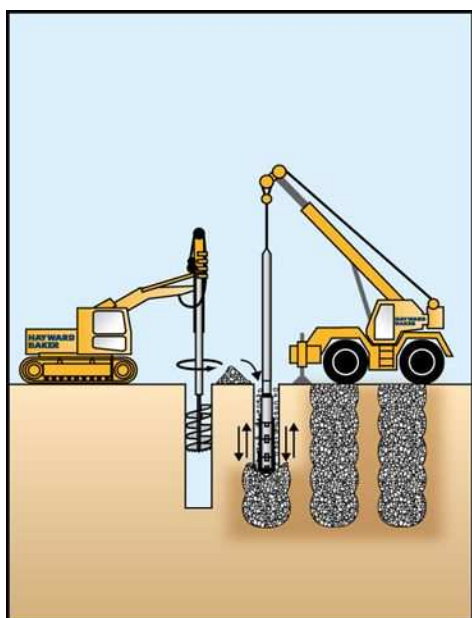


Figure 5

Figure 3 – Compaction Grouting Installation.

Figure 4 – Jet Grouting Installation.

Figure 5 – Stone Column Installation.

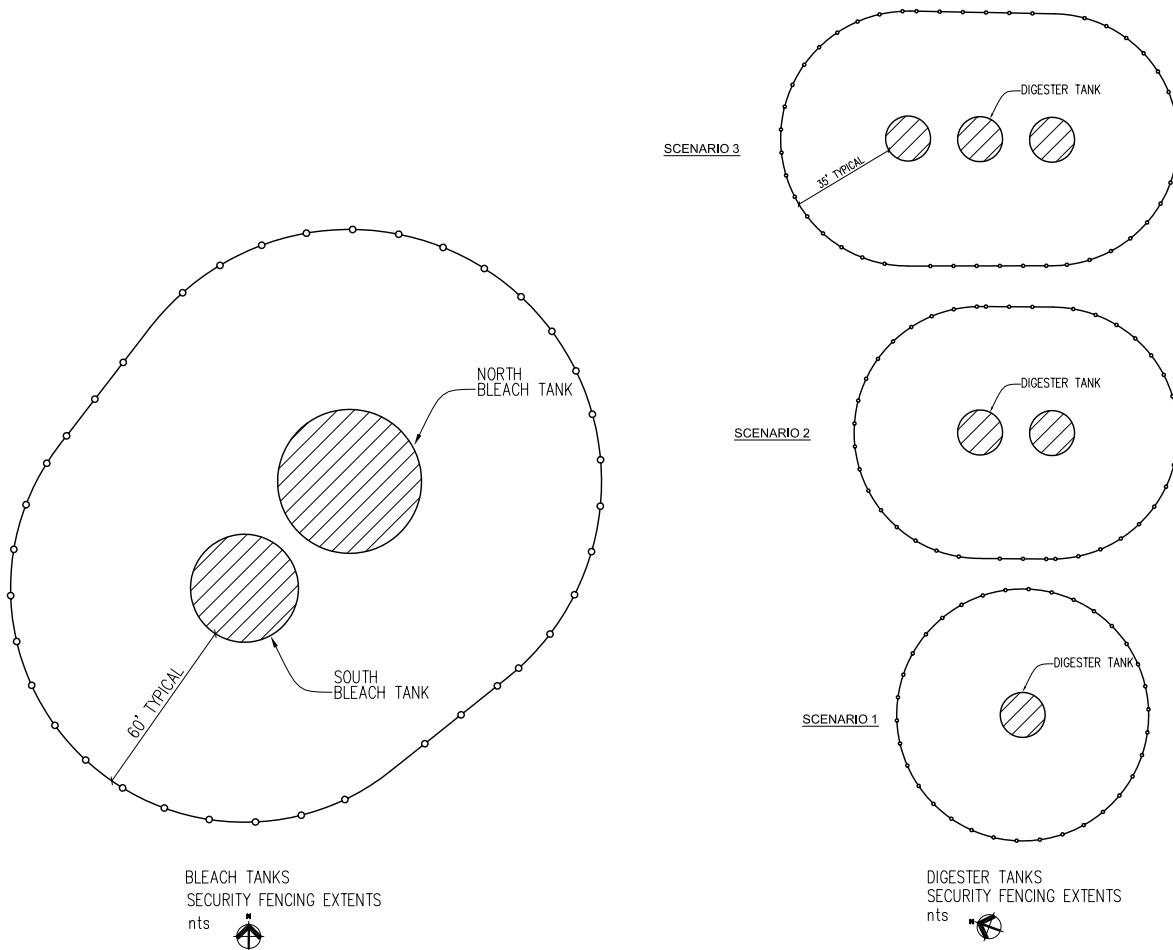


Figure 6

Figure 6 – Security Fence Extents.

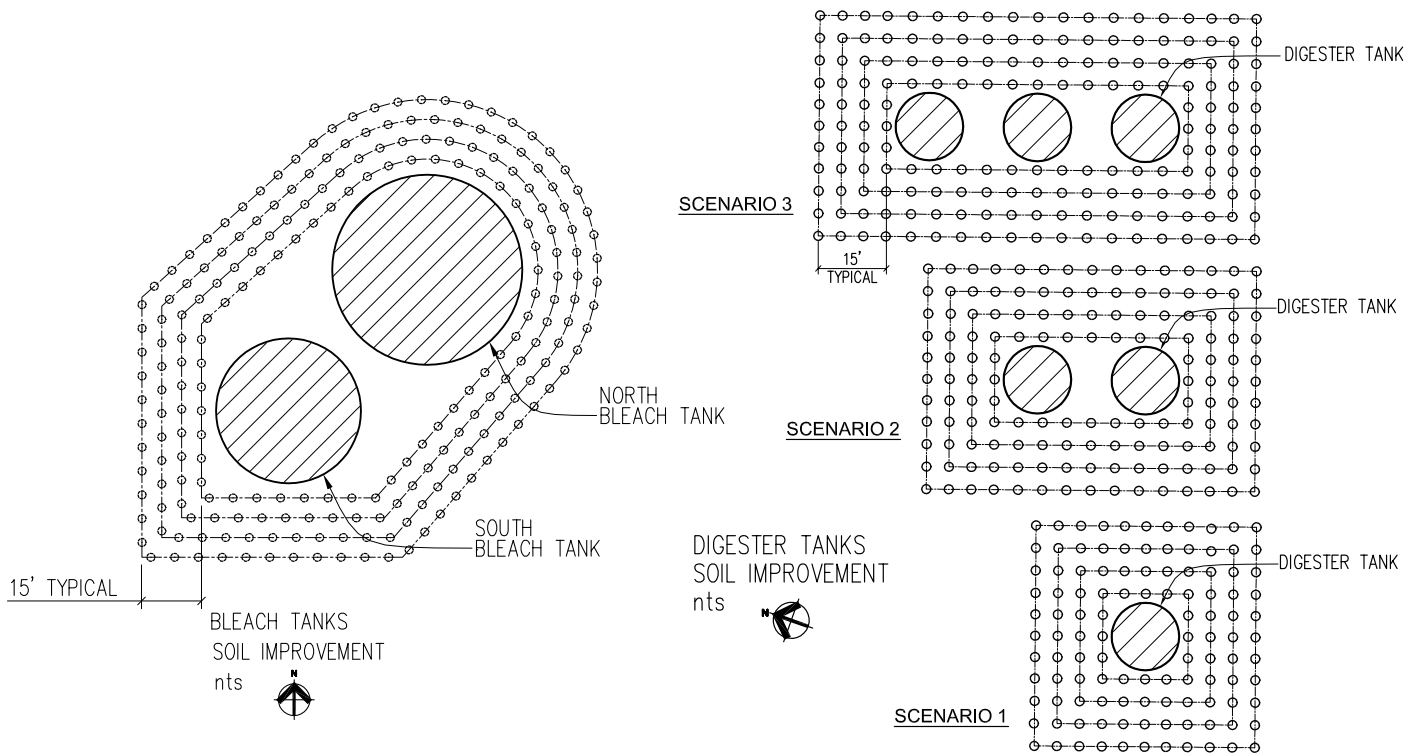


Figure 7

Figure 7 – Lateral Spreading and Liquefaction – Ground Improvement Extents.

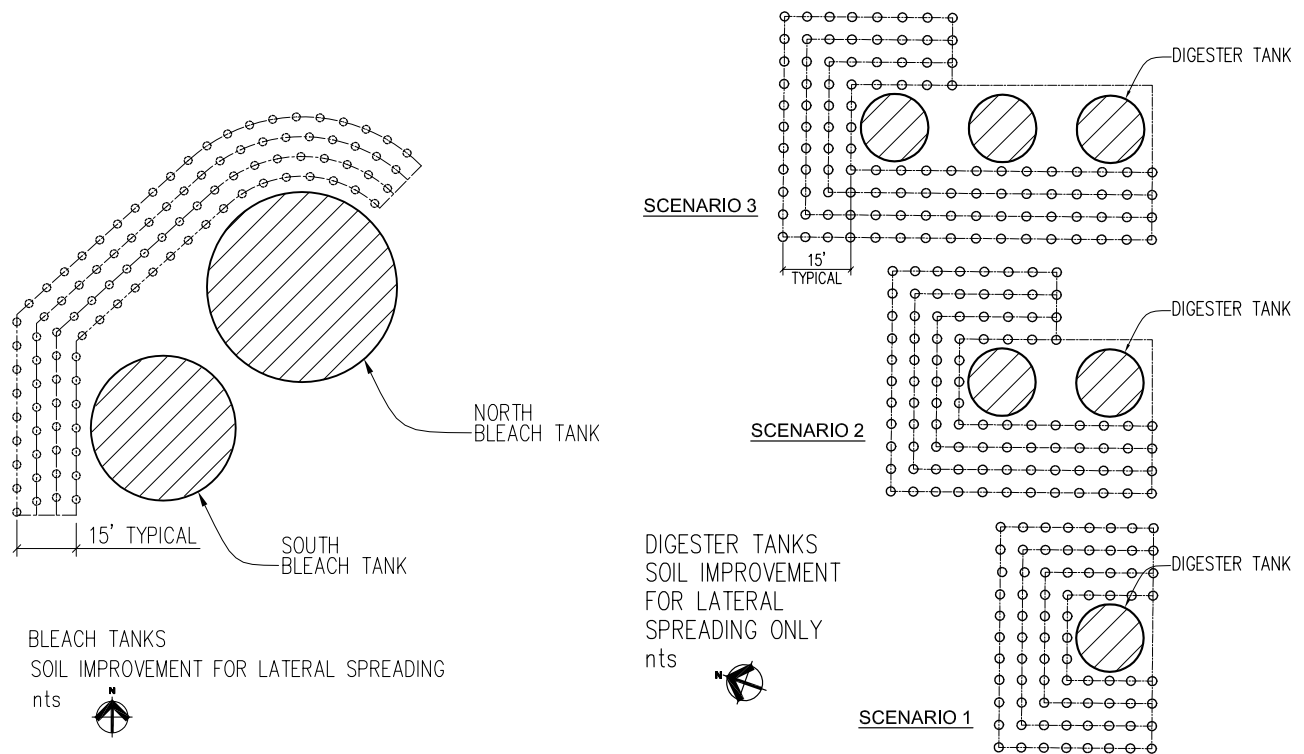
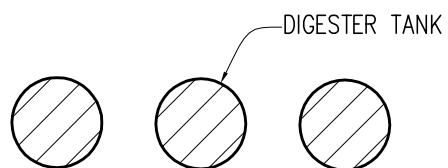
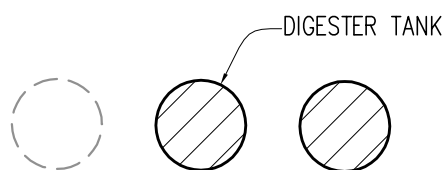


Figure 8

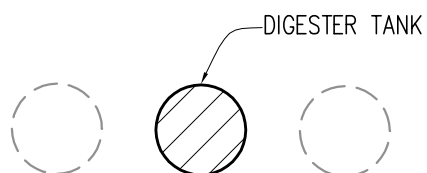
Figure 8 – Lateral Spreading Only – Ground Improvement Extents.



SCENARIO 3



SCENARIO 2



SCENARIO 1

Figure 9

Figure 9 – Digester Tank Cost Scenario.



Appendix B

Photos



LIST OF PHOTOS

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8	Bottom of Digester Tank with coating damage	B-6
9	Typical top opening of Digester Tank.....	B-6
10	Typical bottom opening of Digester Tank	B-7
11	Welded patch in side of Digester Tank	B-7





Photo 2



Photo 3

Photo 1 (Previous Page) - Bleach Tanks

Photo 2 – Masonry Tile Damage on the North Bleach Tank.

Photo 3 – Mortar joint damage occurring on the South Bleach Tank.



Photo 4



Photo 5

Photo 4 – Pipe penetrations of Bleach Tanks.
Photo 5 – Catwalk at top of Bleach Tanks.



Photo 6



Photo 7

Photo 6 – Digester Tank support columns shown within the Digester Building.
Photo 7 – Bottom of Digester Tank with coating damage.



Photo 8



Photo 9

Photo 8 – Bottom of Digester Tank with coating damage.

Photo 9 – Typical top opening of Digester Tank.



Photo 10



Photo 11

Photo 10 - Typical bottom opening of Digester Tank.
Photo 11 - Welded patch in side of Digester Tank.



Appendix C

Code Analysis



CODE ANALYSIS

- The International Building Code (IBC) Chapter 34 – Existing Structures Section 3401.1 governs change of occupancy (or exposure) of existing structures.
 - Per Section 3401.5 – Dangerous Conditions, the building official has the authority to require the elimination of conditions deemed dangerous. Geological hazards would generally fall under this requirement.
 - Section 3408 addresses requirements for Change of Occupancy. Subsection 3408.4-Seismic requires that when a change of occupancy results in a structure being reclassified to a higher risk category that it shall conform to the seismic requirements of the higher risk category.
 - Per Section 1604.5 the current Risk Category is Level 1 (Structures that represent a low hazard to human life), but the resulting risk category is Level 2.
 - To satisfy this requirement, the structure must be evaluated to Section 1613-Earthquake Loads. Section 16.13.1 requires that all structures be designed and constructed to resist earthquake motions in accordance with ASCE 7.
- ASCE 7 Section 11.8 addresses Geological Hazards and Geotechnical Investigation.
 - Subsection 11.8.2 denotes that a geotechnical report shall be provided for structures assigned to Seismic Design Category C, D, E, or F. Due to the anticipated ground motions at the site and the occupancy/risk category, these structures are Seismic Design Category D. This requires the Geotechnical report to address Liquefaction, Differential Settlement, and Lateral Spreading. The report should contain mitigation strategies to address the hazards.
 - Section 11.8.3 further requires that for structures assigned to Seismic Design Category D, E, or F, the geotechnical report shall provide more detailed site specific assessment of the hazards and mitigation strategies.

CHAPTER 34

EXISTING STRUCTURES

SECTION 3401 GENERAL

3401.1 Scope. The provisions of this chapter shall control the *alteration, repair, addition* and change of occupancy of existing buildings and structures.

Exception: Existing *bleachers*, grandstands and folding and telescopic seating shall comply with ICC 300.

SECTION 3408 CHANGE OF OCCUPANCY

3408.1 Conformance. No change shall be made in the use or occupancy of any building that would place the building in a different division of the same group of occupancies or in a different group of occupancies, unless such building is made to comply with the requirements of this code for such division or group of occupancies. Subject to the approval of the *building official*, the use or occupancy of existing buildings shall be permitted to be changed and the building is allowed to be occupied for purposes in other groups without conforming to all the requirements of this code for those groups, provided the new or proposed use is less hazardous, based on life and fire risk, than the existing use.

3408.2 Certificate of occupancy. A certificate of occupancy shall be issued where it has been determined that the requirements for the new occupancy classification have been met.

3408.3 Stairways. An existing stairway shall not be required to comply with the requirements of Section 1009 where the existing space and construction does not allow a reduction in pitch or slope.

3408.4 Seismic. When a change of occupancy results in a structure being reclassified to a higher risk category, the structure shall conform to the seismic requirements for a new structure of the higher risk category.

Exceptions:

1. Specific seismic detailing requirements of Section 1613 for a new structure shall not be required to be met where the seismic performance is shown to be equivalent to that of a new structure. A demonstration of equivalence shall consider the regularity, overstrength, redundancy and ductility of the structure.
2. When a change of use results in a structure being reclassified from Risk Category I or II to Risk Category III and the structure is located where the seismic coefficient, S_{DS} , is less than 0.33, compliance with the seismic requirements of Section 1613 are not required.

SECTION 1613 EARTHQUAKE LOADS

1613.1 Scope. Every structure, and portion thereof, including nonstructural components that are permanently attached to structures and their supports and attachments, shall be designed and constructed to resist the effects of earthquake motions in accordance with ASCE 7, excluding Chapter 14 and Appendix 11A. The *seismic design category* for a structure is permitted to be determined in accordance with Section 1613 or ASCE 7.

Exceptions:

1. Detached one- and two-family dwellings, assigned to *Seismic Design Category* A, B or C, or located where the mapped short-period spectral response acceleration, S_s , is less than 0.4 g.
2. The seismic force-resisting system of wood-frame buildings that conform to the provisions of Section 2308 are not required to be analyzed as specified in this section.
3. Agricultural storage structures intended only for incidental human occupancy.
4. Structures that require special consideration of their response characteristics and environment that are not addressed by this code or ASCE 7 and for which other regulations provide seismic criteria, such as vehicular bridges, electrical transmission towers, hydraulic structures, buried utility lines and their appurtenances and nuclear reactors.

TABLE 11.6-1 SEISMIC DESIGN CATEGORY BASED ON SHORT PERIOD RESPONSE ACCELERATION PARAMETER

Value of S_{DS}	Occupancy Category		
	I or II	III	IV
$S_{DS} < 0.167$	A	A	A
$0.167 \leq S_{DS} < 0.33$	B	B	C
$0.33 \leq S_{DS} < 0.50$	C	C	D
$0.50 \leq S_{DS}$	D	D	D

11.6 SEISMIC DESIGN CATEGORY

Structures shall be assigned a Seismic Design Category in accordance with Section 11.6.1.1.

Occupancy Category I, II, or III structures located where the mapped spectral response acceleration parameter at 1-s period, S_1 , is greater than or equal to 0.75 shall be assigned to Seismic Design Category E. Occupancy Category IV structures located where the mapped spectral response acceleration parameter at 1-s period, S_1 , is greater than or equal to 0.75 shall be assigned to Seismic Design Category F. All other structures shall be assigned to a Seismic Design Category based on their Occupancy Category and the design spectral response acceleration parameters, S_{DS} and S_{D1} , determined in accordance with Section 11.4.4. Each building and structure shall be assigned to the more severe Seismic Design Category in accordance with Table 11.6-1 or 11.6-2, irrespective of the fundamental period of vibration of the structure, T .

Where S_1 is less than 0.75, the Seismic Design Category is permitted to be determined from Table 11.6-1 alone where all of the following apply:

1. In each of the two orthogonal directions, the approximate fundamental period of the structure, T_a , determined in accordance with Section 12.8.2.1 is less than $0.8T_s$, where T_s is determined in accordance with Section 11.4.5.
2. In each of two orthogonal directions, the fundamental period of the structure used to calculate the story drift is less than T_s .
3. Eq. 12.8-2 is used to determine the seismic response coefficient C_s .
4. The diaphragms are rigid as defined in Section 12.3.1 or for diaphragms that are flexible, the distance between vertical elements of the seismic force-resisting system does not exceed 40 ft.

Where the alternate simplified design procedure of Section 12.14 is used, the Seismic Design Category is permitted to be determined from Table 11.6-1 alone, using the value of S_{DS} determined in Section 12.14.8.1.

11.8 GEOLOGIC HAZARDS AND GEOTECHNICAL INVESTIGATION**11.8.1 Site Limitation for Seismic Design Categories E and F.**

A structure assigned to Seismic Design Category E or F shall not be located where there is a known potential for an active fault to cause rupture of the ground surface at the structure.

11.8.2 Geotechnical Investigation Report for Seismic Design Categories C through F. A geotechnical investigation report shall be provided for a structure assigned to Seismic Design Category C, D, E, or F in accordance with this section. An investigation shall be conducted and a report shall be submitted that shall include an evaluation of the following potential geologic and seismic hazards:

- a. Slope instability.
- b. Liquefaction.
- c. Differential settlement.
- d. Surface displacement due to faulting or lateral spreading.

The report shall contain recommendations for appropriate foundation designs or other measures to mitigate the effects of the previously mentioned hazards. Where deemed appropriate by the authority having jurisdiction, a site-specific geotechnical report is not required where prior evaluations of nearby sites with similar soil conditions provide sufficient direction relative to the proposed construction.

11.8.3 Additional Geotechnical Investigation Report Requirements for Seismic Design Categories D through F. The geotechnical investigation report for a structure assigned to Seismic Design Category D, E, or F shall include:

1. The determination of lateral pressures on basement and retaining walls due to earthquake motions.
2. The potential for liquefaction and soil strength loss evaluated for site peak ground accelerations, magnitudes, and source characteristics consistent with the design earthquake ground motions. Peak ground acceleration is permitted to be determined based on a site-specific study taking into account soil amplification effects or, in the absence of such a study, peak ground accelerations shall be assumed equal to $S_s/2.5$.
3. Assessment of potential consequences of liquefaction and soil strength loss, including estimation of differential settlement, lateral movement, lateral loads on foundations, reduction in foundation soil-bearing capacity, increases in lateral pressures on retaining walls, and flotation of buried structures.
4. Discussion of mitigation measures such as, but not limited to, ground stabilization, selection of appropriate foundation type and depths, selection of appropriate structural systems to accommodate anticipated displacements and forces, or any combination of these measures and how they shall be considered in the design of the structure.

Attachment "F"

TABLE 1-1 OCCUPANCY CATEGORY OF BUILDINGS AND OTHER STRUCTURES FOR FLOOD, WIND, SNOW, EARTHQUAKE, AND ICE LOADS

Nature of Occupancy	Occupancy Category
<p>Buildings and other structures that represent a low hazard to human life in the event of failure, including, but not limited to:</p> <ul style="list-style-type: none"> • Agricultural facilities • Certain temporary facilities • Minor storage facilities 	I
<p>All buildings and other structures except those listed in Occupancy Categories I, III, and IV</p>	II
<p>Buildings and other structures that represent a substantial hazard to human life in the event of failure, including, but not limited to:</p> <ul style="list-style-type: none"> • Buildings and other structures where more than 300 people congregate in one area • Buildings and other structures with daycare facilities with a capacity greater than 150 • Buildings and other structures with elementary school or secondary school facilities with a capacity greater than 250 • Buildings and other structures with a capacity greater than 500 for colleges or adult education facilities • Health care facilities with a capacity of 50 or more resident patients, but not having surgery or emergency treatment facilities • Jails and detention facilities <p>Buildings and other structures, not included in Occupancy Category IV, with potential to cause a substantial economic impact and/or mass disruption of day-to-day civilian life in the event of failure, including, but not limited to:</p> <ul style="list-style-type: none"> • Power generating stations^a • Water treatment facilities • Sewage treatment facilities • Telecommunication centers <p>Buildings and other structures not included in Occupancy Category IV (including, but not limited to, facilities that manufacture, process, handle, store, use, or dispose of such substances as hazardous fuels, hazardous chemicals, hazardous waste, or explosives) containing sufficient quantities of toxic or explosive substances to be dangerous to the public if released.</p> <p>Buildings and other structures containing toxic or explosive substances shall be eligible for classification as Occupancy Category II structures if it can be demonstrated to the satisfaction of the authority having jurisdiction by a hazard assessment as described in Section 1.5.2 that a release of the toxic or explosive substances does not pose a threat to the public.</p>	III
<p>Buildings and other structures designated as essential facilities, including, but not limited to:</p> <ul style="list-style-type: none"> • Hospitals and other health care facilities having surgery or emergency treatment facilities • Fire, rescue, ambulance, and police stations and emergency vehicle garages • Designated earthquake, hurricane, or other emergency shelters • Designated emergency preparedness, communication, and operation centers and other facilities required for emergency response • Power generating stations and other public utility facilities required in an emergency • Ancillary structures (including, but not limited to, communication towers, fuel storage tanks, cooling towers, electrical substation structures, fire water storage tanks or other structures housing or supporting water, or other fire-suppression material or equipment) required for operation of Occupancy Category IV structures during an emergency • Aviation control towers, air traffic control centers, and emergency aircraft hangars. • Water storage facilities and pump structures required to maintain water pressure for fire suppression • Buildings and other structures having critical national defense functions <p>Buildings and other structures (including, but not limited to, facilities that manufacture, process, handle, store, use, or dispose of such substances as hazardous fuels, hazardous chemicals, or hazardous waste) containing highly toxic substances where the quantity of the material exceeds a threshold quantity established by the authority having jurisdiction.</p> <p>Buildings and other structures containing highly toxic substances shall be eligible for classification as Occupancy Category II structures if it can be demonstrated to the satisfaction of the authority having jurisdiction by a hazard assessment as described in Section 1.5.2 that a release of the highly toxic substances does not pose a threat to the public. This reduced classification shall not be permitted if the buildings or other structures also function as essential facilities.</p>	IV

^aCogeneration power plants that do not supply power on the national grid shall be designated Occupancy Category II.



Appendix D

Cost Estimate

Attachment "F"

Port of Bellingham

Tank Evaluations
KPFF Job #: 112540

5/6/2013

ONE (1) DIGESTER TANK AND TWO (2) BLEACH TANKS - FULL SOIL IMPROVEMENTS

Preliminary Cost Estimate - Summary

General Conditions	10% of Hard Construction Costs	\$	139,700
Compaction Grouting Mobilization Cost		\$	50,000
Scaffolding Costs		\$	60,300
Bleach Tanks Combined			
Combined Compaction Grouting - FULL			
<i>North Bleach Tank Alone (\$270,000)</i>		\$	492,800
<i>South Bleach Tank Alone (\$301,500)</i>			
North Bleach Tank			
Foundation Excavation (Assume 30% of Foundation Volume)		\$	4,300
Veneer Pinning with Helical Screw Anchors		\$	40,100
Veneer Tuck and Point		\$	145,500
Graffiti Coating (Clean and Coat)		\$	35,900
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	8,300
South Bleach Tank			
Foundation Excavation (Assume 30% Foundation Volume)		\$	3,400
Veneer Pinning with Helical Screw Anchors		\$	46,500
Veneer Tuck and Point		\$	168,900
Graffiti Coating (Clean and Coat)		\$	41,700
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	9,200
Digester Tanks (1 Total)			
Compaction Grouting - FULL		\$	252,000
Foundation Excavation (Assume 30% of Foundation Volume)		\$	800
Lead Abatement and Repaint		\$	29,700
Interior Brick Tank Lining Removal		\$	6,000
Tank Preparation (Repair, Sealing, and Element Strengthening)		\$	1,200
SUBTOTAL 1 - Hard Construction Costs		\$	1,396,600
SUBTOTAL 2 - Hard Construction Costs with General Conditions		\$	1,536,300
Timber Pile Testing		\$	5,000
Timber Pile Investigation Report		\$	3,000
CPT Costs		\$	4,000
Geotechnical Design Cost		\$	10,000
Design Contingency	25% (decreases to zero through the design phase)	\$	384,100
SUBTOTAL 3 - Including Pile Testing, Geotechnical, and Design Contingency		\$	1,942,400
Sales Tax	4.3% of Subtotal 3	\$	83,600
SUBTOTAL 4 - Including Sales Tax		\$	2,026,000
Construction Contingency	10% of Subtotal 4 (decreases to zero through the construction phase)	\$	202,600
TOTAL ROUGH ORDER OF MAGNITUDE (ROM) COST		\$	2,228,600
TOTAL PROJECT SQUARE FOOTAGE			5,700 sf
ROM COST PER SQUARE FOOT		\$	391 /sf

Notes on ROM Cost Estimate:

- 1) Does not include permit fees, design fees, construction management nor construction inspection or testing fees.
- 2) Does not include contractor bonds or insurance.
- 3) Estimate is in today's dollars, factors for escalation have not been included.
- 4) Assumes sales tax applies to only half of the cost items.
- 5) Assumes no other hazardous materials or abatement costs other than the lead paint on the digester tanks.
- 6) Demolition of the building surrounding the digester tanks is not covered in this estimate.

Attachment "F"

Port of Bellingham

Tank Evaluations
KPFF Job #: 112540

5/6/2013

TWO (2) DIGESTER TANKS AND TWO (2) BLEACH TANKS - FULL SOIL IMPROVEMENTS

Preliminary Cost Estimate - Summary

General Conditions	10% of Hard Construction Costs	\$	150,700
Compaction Grouting Mobilization Cost		\$	50,000
Scaffolding Costs		\$	60,300
Bleach Tanks Combined			
Combined Compaction Grouting - FULL			
North Bleach Tank Alone (\$270,000)		\$	492,800
South Bleach Tank Alone (\$301,500)			
North Bleach Tank			
Foundation Excavation (Assume 30% of Foundation Volume)		\$	4,300
Veneer Pinning with Helical Screw Anchors		\$	40,100
Veneer Tuck and Point		\$	145,500
Graffiti Coating (Clean and Coat)		\$	35,900
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	8,300
South Bleach Tank			
Foundation Excavation (Assume 30% Foundation Volume)		\$	3,400
Veneer Pinning with Helical Screw Anchors		\$	46,500
Veneer Tuck and Point		\$	168,900
Graffiti Coating (Clean and Coat)		\$	41,700
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	9,200
Digester Tanks (2 Total)			
Compaction Grouting - FULL		\$	324,000
Foundation Excavation (Assume 30% of Foundation Volume)		\$	1,700
Lead Abatement and Repaint		\$	59,400
Interior Brick Tank Lining Removal		\$	11,900
Tank Preparation (Repair, Sealing, and Element Strengthening)		\$	2,300
SUBTOTAL 1 - Hard Construction Costs		\$	1,506,200
SUBTOTAL 2 - Hard Construction Costs with General Conditions		\$	1,656,900
Timber Pile Testing		\$	5,000
Timber Pile Investigation Report		\$	3,000
CPT Costs		\$	4,000
Geotechnical Design Cost		\$	10,000
Design Contingency	25% (decreases to zero through the design phase)	\$	414,300
SUBTOTAL 3 - Including Pile Testing, Geotechnical, and Design Contingency		\$	2,093,200
Sales Tax	4.3% of Subtotal 3	\$	90,100
SUBTOTAL 4 - Including Sales Tax		\$	2,183,300
Construction Contingency	10% of Subtotal 4 (decreases to zero through the construction phase)	\$	218,400
TOTAL ROUGH ORDER OF MAGNITUDE (ROM) COST		\$	2,401,700
TOTAL PROJECT SQUARE FOOTAGE			5,700 sf
ROM COST PER SQUARE FOOT		\$	422 /sf

Notes on ROM Cost Estimate:

- 1) Does not include permit fees, design fees, construction management nor construction inspection or testing fees
- 2) Does not include contractor bonds or insurance.
- 3) Estimate is in today's dollars, factors for escalation have not been included
- 4) Assumes sales tax applies to only half of the cost items.
- 5) Assumes no other hazardous materials or abatement costs other than the lead paint on the digester tanks.
- 6) Demolition of the building surrounding the digester tanks is not covered in this estimate

Attachment "F"

Port of Bellingham

Tank Evaluations
KPFF Job #: 112540

5/6/2013

THREE (3) DIGESTER TANKS AND TWO (2) BLEACH TANKS - FULL SOIL IMPROVEMENTS

Preliminary Cost Estimate - Summary

General Conditions	10% of Hard Construction Costs	\$	161,600
Compaction Grouting Mobilization Cost		\$	50,000
Scaffolding Costs		\$	60,300
Bleach Tanks Combined			
Combined Compaction Grouting - FULL			
North Bleach Tank Alone (\$270,000)		\$	492,800
South Bleach Tank Alone (\$301,500)			
North Bleach Tank			
Foundation Excavation (Assume 30% of Foundation Volume)		\$	4,300
Veneer Pinning with Helical Screw Anchors		\$	40,100
Veneer Tuck and Point		\$	145,500
Graffiti Coating (Clean and Coat)		\$	35,900
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	8,300
South Bleach Tank			
Foundation Excavation (Assume 30% Foundation Volume)		\$	3,400
Veneer Pinning with Helical Screw Anchors		\$	46,500
Veneer Tuck and Point		\$	168,900
Graffiti Coating (Clean and Coat)		\$	41,700
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	9,200
Digester Tanks (3 Total)			
Compaction Grouting - FULL		\$	396,000
Foundation Excavation (Assume 30% of Foundation Volume)		\$	2,600
Lead Abatement and Repaint		\$	89,100
Interior Brick Tank Lining Removal		\$	17,800
Tank Preparation (Repair, Sealing, and Element Strengthening)		\$	3,500
SUBTOTAL 1 - Hard Construction Costs		\$	1,615,900
SUBTOTAL 2 - Hard Construction Costs with General Conditions		\$	1,777,500
Timber Pile Testing		\$	5,000
Timber Pile Investigation Report		\$	3,000
CPT Costs		\$	4,000
Geotechnical Design Cost		\$	10,000
Design Contingency	25% (decreases to zero through the design phase)	\$	444,400
SUBTOTAL 3 - Including Pile Testing, Geotechnical, and Design Contingency		\$	2,243,900
Sales Tax	4.3% of Subtotal 3	\$	96,500
SUBTOTAL 4 - Including Sales Tax		\$	2,340,400
Construction Contingency	10% of Subtotal 4 (decreases to zero through the construction phase)	\$	234,100
TOTAL ROUGH ORDER OF MAGNITUDE (ROM) COST		\$	2,574,500
TOTAL PROJECT SQUARE FOOTAGE			5,700 sf
ROM COST PER SQUARE FOOT		\$	452 /sf

Notes on ROM Cost Estimate:

- 1) Does not include permit fees, design fees, construction management nor construction inspection or testing fees.
- 2) Does not include contractor bonds or insurance.
- 3) Estimate is in today's dollars, factors for escalation have not been included.
- 4) Assumes sales tax applies to only half of the cost items.
- 5) Assumes no other hazardous materials or abatement costs other than the lead paint on the digester tanks.
- 6) Demolition of the building surrounding the digester tanks is not covered in this estimate.

Port of Bellingham
High Density Bleach Tanks - Compaction Grouting (Full)
ROM Estimate
Date: May 6, 2013
KPFF Job #: 112540

Cost Estimate									
Port of Bellingham North High Density Bleach Tank (413 Ton Tank) - Compaction Grouting (Full)					6-May-13 Page 1 of 1				
Foundation	DESCRIPTION	QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE	
		NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
	Foundation Excavation for Investigation	165	BCY	\$0.00	0	\$26	4,290		4,290
								Subtotal	4,290
	Soil Grouting (Compaction Grouting)	7200	CF	\$25.00	180,000	\$0.00	0		180,000
	Compaction Grouting Drilling	3600	LF	\$25.00	90,000	\$0.00	0		90,000
								Subtotal	270,000
					\$270,000		4,290		\$4,290

Cost Estimate									
Port of Bellingham South High Density Bleach Tank (70,000 CF Tank) - Compaction Grouting (Full)					6-May-13 Page 1 of 1				
Foundation	DESCRIPTION	QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE	
		NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
	Foundation Excavation for Investigation	130	BCY	\$0.00	0	\$26	3,380		3,380
								Subtotal	3,380
	Soil Grouting (Compaction Grouting)	8040	CF	\$25.00	201,000	\$0.00	0		201,000
	Compaction Grouting Drilling	4020	LF	\$25.00	100,500	\$0.00	0		100,500
								Subtotal	301,500
					\$301,500		3,380		\$3,380

Cost Estimate									
Port of Bellingham North and South High Density Bleach Tanks (Combined) - Compaction Grouting (Full)					6-May-13 Page 1 of 1				
Ground Improvements	DESCRIPTION	QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE	
		NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
	Soil Grouting (Compaction Grouting)	13140	CF	\$25.00	328,500	\$0.00	0		328,500
	Compaction Grouting Drilling	6570	LF	\$25.00	164,250	\$0.00	0		164,250
								Subtotal	492,750
					\$492,750		0		\$492,750

(Labor Included in Mat)
(Labor Included in Mat)

Attachment "F"

(Assume Steel Plate 1/8" Thick)

Port of Bellingham
 Digester Tanks - Compaction Grouting (Full)
 ROM Estimate
 Date: May 6, 2013
 KPFF Job #: 112540

Cost Estimate										6-May-13
Port of Bellingham										Page 1 of 1
Digester Tanks - Other (Per Tank)										
DESCRIPTION	QUANTITY		UNIT	MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE		
	NUMBER			UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL	
Removal of interior brick lining	2,632		SF	\$0.00	0	\$2.25	5,922		5,922	
Tank Preparation										
Local Tank Repair (Assume 2% of Steel Tank Surface Area)	53		SF	\$5.35	284	\$1.35	72		355	
Sealing of Tanks at Top and Btm to prevent water-intrusion	60		SF	\$5.35	321	\$1.35	81		402	
Local strengthening/stiffening of elements against lateral demands	7		LF	\$10.10	71	\$43.90	307		378	
							Subtotal		1,135	
Coatings										
Investigation of existing coating to determine toxicity	1		LS	\$0.00	0	\$1,000.00	1,000		1,000	
Removal of coatings (assumes lead based paint material)	2,632		SF	\$0.00	0	\$10.00	26,320		26,320	
Repaint/Recoat Digesters	2,632		SF	\$0.26	684	\$0.64	1,684		2,369	
							Subtotal		29,689	
					\$1,360		29,464		\$30,824	

Cost Estimate										6-May-13
Port of Bellingham										Page 1 of 1
Digester Tanks - Soil Improvement (1 Tank) - Full										
DESCRIPTION	QUANTITY		UNIT	MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE		
	NUMBER			UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL	
Foundation and Ground Improvements										
Foundation Excavation for Investigation	28		BCY	\$0.00	0	\$26	728		728	
Soil Grouting (Compaction Grouting)	6,720		CF	\$25.00	168,000	\$0.00	0		168,000	
Compaction Grouting Drilling	3,360		LF	\$25.00	84,000	\$0.00	0		84,000	
								Subtotal	252,000	
					\$252,000		728		\$252,728	

Port of Bellingham Digester Tanks - Soil Improvement (2 Tanks) - Full										Cost Estimate				6-May-13 Page 1 of 1			
DESCRIPTION										QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE	
										NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
Foundation and Ground Improvements																	
Foundation Excavation for Investigation										64	BCY	\$0.00	0	\$26	1,664		1,664
Soil Grouting (Compaction Grouting)										8,640	CF	\$25.00	216,000	\$0.00	0		216,000
Compaction Grouting Drilling										4,320	LF	\$25.00	108,000	\$0.00	0		108,000
																Subtotal	324,000
													\$324,000		1,664		\$325,664

Port of Bellingham Digester Tanks - Soil Improvement (3 Tanks) -Full										Cost Estimate				5-May-13 Page 1 of 1			
DESCRIPTION										QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE	
										NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
Foundation and Ground Improvements																	
Foundation Excavation for Investigation										99	BCY	\$0.00	0	\$26	2,574		2,574
Soil Grouting (Compaction Grouting)										10,560	CF	\$25.00	264,000	\$0.00	0		264,000
Compaction Grouting Drilling										5,280	LF	\$25.00	132,000	\$0.00	0		132,000
																Subtotal	396,000
													\$396,000		2,574		\$398,574

Steelworker rates based on Washington State Department of Labor & Industries Prevailing Wage Rates for Ironworker, \$59/hr
(Assume (1) 8 Hr shift for 350 SF of steel, Assume (2), (2) Day shifts for 100 LF of steel)

Assume no disposal cost of brick liner

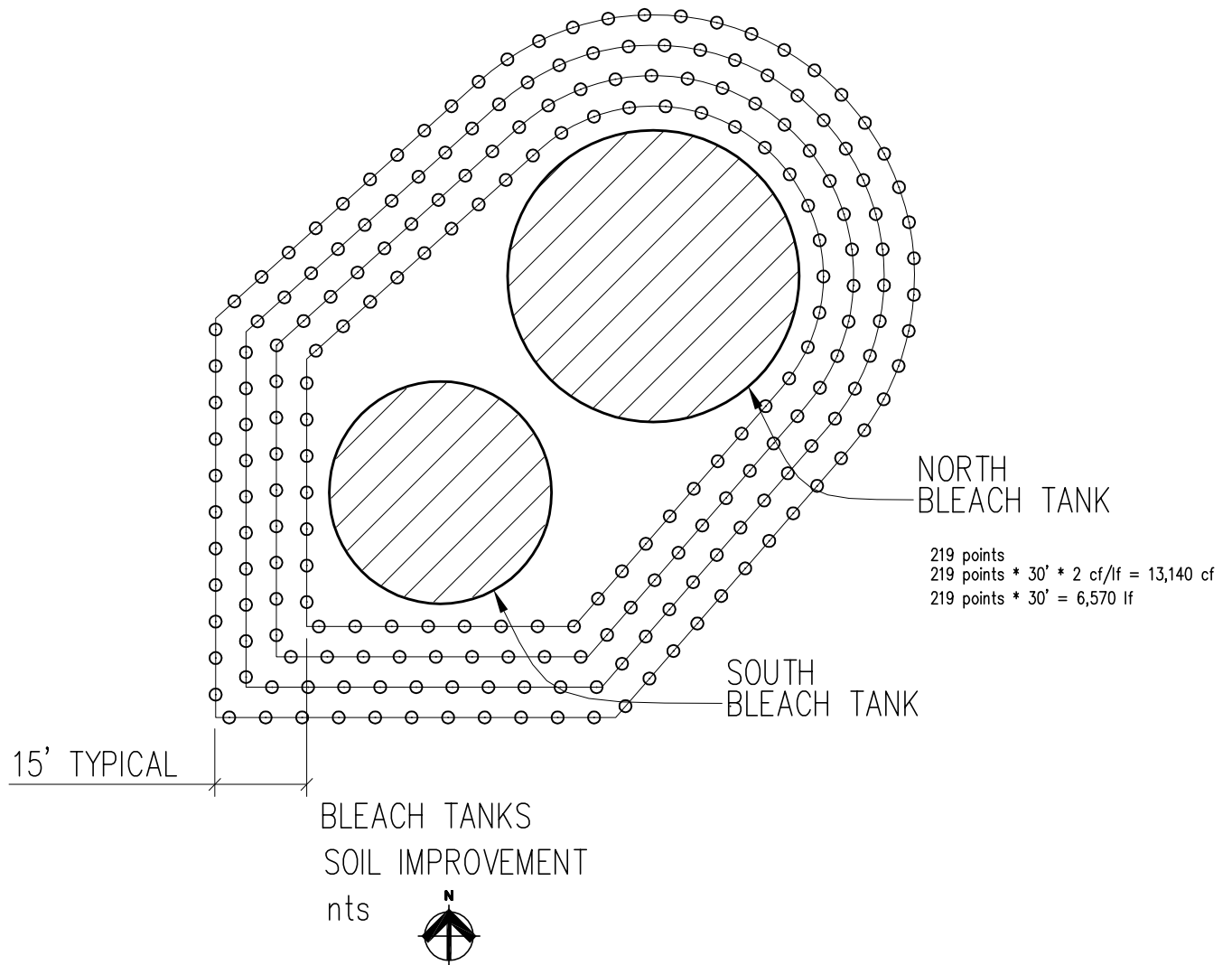
Assumes cost of removal of the building around the digesters captured somewhere else.

Assumes no disposal cost for foundation excavation

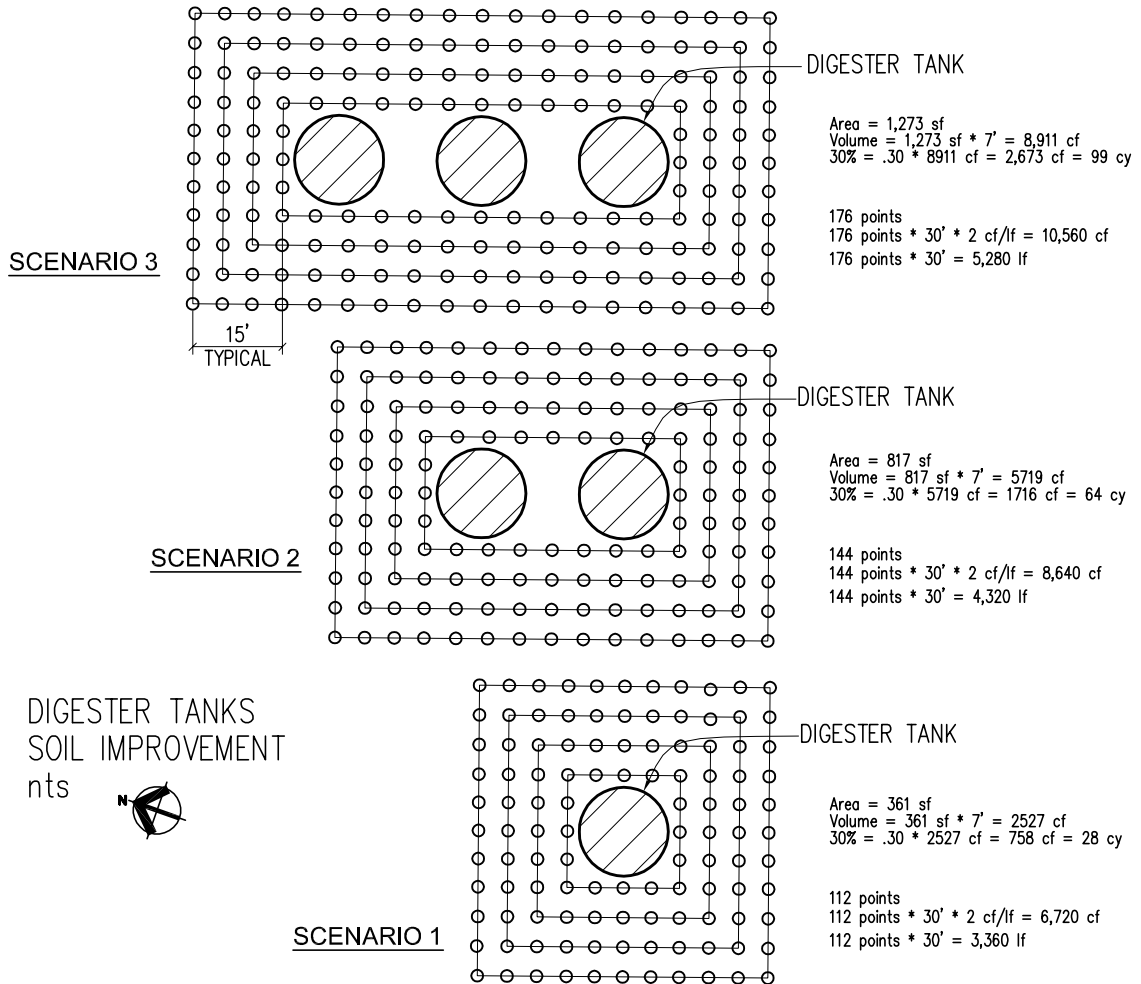
Material Costs include O&P

Attachment "F"

Cost Estimate										6-May-13		Page 1 of 1	
DESCRIPTION			QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE				
			NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL			
Scaffolding													
		Steel Frame	408	CSF	\$35.45	14,464	\$69.50	28,356				42,820	
		Planks	1,400	EA	\$5.80	8,120	\$6.65	9,310				17,430	
						\$22,584		37,666				\$60,250	



Attachment "F"



Attachment "F"

Port of Bellingham

Tank Evaluations
KPFF Job #: 112540

5/6/2013

ONE (1) DIGESTER TANK AND TWO (2) BLEACH TANKS - LATERAL SPREADING ONLY

Preliminary Cost Estimate - Summary

General Conditions	10% of Hard Construction Costs	\$	105,700
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Compaction Grouting Mobilization Cost		\$	50,000
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Scaffolding Costs		\$	60,300
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Bleach Tanks Combined

Combined Compaction Grouting			
North Bleach Tank Alone (\$153,000)		\$	234,000
South Bleach Tank Alone (\$126,000)			

North Bleach Tank

Foundation Excavation (Assume 30% of Foundation Volume)		\$	4,300
Veneer Pinning with Helical Screw Anchors		\$	40,100
Veneer Tuck and Point		\$	145,500
Graffiti Coating (Clean and Coat)		\$	35,900
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	8,300

South Bleach Tank

Foundation Excavation (Assume 30% Foundation Volume)		\$	3,400
Veneer Pinning with Helical Screw Anchors		\$	46,500
Veneer Tuck and Point		\$	168,900
Graffiti Coating (Clean and Coat)		\$	41,700
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	9,200

Digester Tanks (1 Total)

Compaction Grouting - Lateral Spreading Only		\$	171,000
Foundation Excavation (Assume 30% of Foundation Volume)		\$	800
Lead Abatement and Repaint		\$	29,700
Interior Brick Tank Lining Removal		\$	6,000
Tank Preparation (Repair, Sealing, and Element Strengthening)		\$	1,200

SUBTOTAL 1 - Hard Construction Costs		\$	1,056,800
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SUBTOTAL 2 - Hard Construction Costs with General Conditions		\$	1,162,500
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Timber Pile Testing		\$	5,000
Timber Pile Investigation Report		\$	3,000
CPT Costs		\$	4,000
Geotechnical Design Cost		\$	10,000
Design Contingency	25% (decreases to zero through the design phase)	\$	290,700

SUBTOTAL 3 - Including Pile Testing, Geotechnical, and Design Contingency		\$	1,475,200
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Sales Tax	4.3% of Subtotal 3	\$	63,500
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SUBTOTAL 4 - Including Sales Tax		\$	1,538,700
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Construction Contingency	10% of Subtotal 4 (decreases to zero through the construction phase)	\$	153,900
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TOTAL ROUGH ORDER OF MAGNITUDE (ROM) COST		\$	1,692,600
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TOTAL PROJECT SQUARE FOOTAGE		5,700	sf
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ROM COST PER SQUARE FOOT		\$	297 /sf
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Notes on ROM Cost Estimate:

- 1) Does not include permit fees, design fees, construction management nor construction inspection or testing fees.
- 2) Does not include contractor bonds or insurance.
- 3) Estimate is in today's dollars, factors for escalation have not been included.
- 4) Assumes sales tax applies to only half of the cost items.
- 5) Assumes no other hazardous materials or abatement costs other than the lead paint on the digester tanks.
- 6) Demolition of the building surrounding the digester tanks is not covered in this estimate.

Attachment "F"

Port of Bellingham

Tank Evaluations
KPFF Job #: 112540

5/6/2013

TWO (2) DIGESTER TANKS AND TWO (2) BLEACH TANKS - LATERAL SPREADING ONLY

Preliminary Cost Estimate - Summary

General Conditions	10% of Hard Construction Costs	\$	113,100
Compaction Grouting Mobilization Cost		\$	50,000
Scaffolding Costs		\$	60,300
Bleach Tanks Combined			
Combined Compaction Grouting		\$	234,000
North Bleach Tank Alone (\$153,000)			
South Bleach Tank Alone (\$126,000)			
North Bleach Tank			
Foundation Excavation (Assume 30% of Foundation Volume)		\$	4,300
Veneer Pinning with Helical Screw Anchors		\$	40,100
Veneer Tuck and Point		\$	145,500
Graffiti Coating (Clean and Coat)		\$	35,900
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	8,300
South Bleach Tank			
Foundation Excavation (Assume 30% Foundation Volume)		\$	3,400
Veneer Pinning with Helical Screw Anchors		\$	46,500
Veneer Tuck and Point		\$	168,900
Graffiti Coating (Clean and Coat)		\$	41,700
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	9,200
Digester Tanks (2 Total)			
Compaction Grouting		\$	207,000
Foundation Excavation (Assume 30% of Foundation Volume)		\$	1,700
Lead Abatement and Repaint		\$	59,400
Interior Brick Tank Lining Removal		\$	11,900
Tank Preparation (Repair, Sealing, and Element Strengthening)		\$	2,300
SUBTOTAL 1 - Hard Construction Costs		\$	1,130,400
SUBTOTAL 2 - Hard Construction Costs with General Conditions		\$	1,243,500
Timber Pile Testing		\$	5,000
Timber Pile Investigation Report		\$	3,000
CPT Costs		\$	4,000
Geotechnical Design Cost		\$	10,000
Design Contingency	25% (decreases to zero through the design phase)	\$	310,900
SUBTOTAL 3 - Including Pile Testing, Geotechnical, and Design Contingency		\$	1,576,400
Sales Tax	4.3% of Subtotal 3	\$	67,800
SUBTOTAL 4 - Including Sales Tax		\$	1,644,200
Construction Contingency	10% of Subtotal 4 (decreases to zero through the construction phase)	\$	164,500
TOTAL ROUGH ORDER OF MAGNITUDE (ROM) COST		\$	1,808,700
TOTAL PROJECT SQUARE FOOTAGE			5,700 sf
ROM COST PER SQUARE FOOT		\$	318 /sf

Notes on ROM Cost Estimate:

- 1) Does not include permit fees, design fees, construction management nor construction inspection or testing fees.
- 2) Does not include contractor bonds or insurance.
- 3) Estimate is in today's dollars, factors for escalation have not been included.
- 4) Assumes sales tax applies to only half of the cost items.
- 5) Assumes no other hazardous materials or abatement costs other than the lead paint on the digester tanks
- 6) Demolition of the building surrounding the digester tanks is not covered in this estimate

Attachment "F"

Port of Bellingham

Tank Evaluations
KPFF Job #: 112540

5/6/2013

THREE (3) DIGESTER TANKS AND TWO (2) BLEACH TANKS - LATERAL SPREADING ONLY

Preliminary Cost Estimate - Summary

General Conditions	10% of Hard Construction Costs	\$	120,500
Compaction Grouting Mobilization Cost		\$	50,000
Scaffolding Costs		\$	60,300

Bleach Tanks Combined

Combined Compaction Grouting			
North Bleach Tank Alone (\$153,000)		\$	234,000
South Bleach Tank Alone (\$126,000)			

North Bleach Tank

Foundation Excavation (Assume 30% of Foundation Volume)		\$	4,300
Veneer Pinning with Helical Screw Anchors		\$	40,100
Veneer Tuck and Point		\$	145,500
Graffiti Coating (Clean and Coat)		\$	35,900
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	8,300

South Bleach Tank

Foundation Excavation (Assume 30% Foundation Volume)		\$	3,400
Veneer Pinning with Helical Screw Anchors		\$	46,500
Veneer Tuck and Point		\$	168,900
Graffiti Coating (Clean and Coat)		\$	41,700
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	9,200

Digester Tanks (3 Total)

Compaction Grouting		\$	243,000
Foundation Excavation (Assume 30% of Foundation Volume)		\$	2,600
Lead Abatement and Repaint		\$	89,100
Interior Brick Tank Lining Removal		\$	17,800
Tank Preparation (Repair, Sealing, and Element Strengthening)		\$	3,500

SUBTOTAL 1 - Hard Construction Costs	\$	1,204,100
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SUBTOTAL 2 - Hard Construction Costs with General Conditions	\$	1,324,600
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Timber Pile Testing		\$	5,000
Timber Pile Investigation Report		\$	3,000
CPT Costs		\$	4,000
Geotechnical Design Cost		\$	10,000
Design Contingency	25% (decreases to zero through the design phase)	\$	331,200

SUBTOTAL 3 - Including Pile Testing, Geotechnical, and Design Contingency	\$	1,677,800
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Sales Tax	4.3% of Subtotal 3	\$	72,200
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SUBTOTAL 4 - Including Sales Tax	\$	1,750,000
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Construction Contingency	10% of Subtotal 4 (decreases to zero through the construction phase)	\$	175,000
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TOTAL ROUGH ORDER OF MAGNITUDE (ROM) COST	\$	1,925,000
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TOTAL PROJECT SQUARE FOOTAGE	5,700	sf
ROM COST PER SQUARE FOOT	\$	338 /sf

Notes on ROM Cost Estimate:

- 1) Does not include permit fees, design fees, construction management nor construction inspection or testing fees.
- 2) Does not include contractor bonds or insurance.
- 3) Estimate is in today's dollars, factors for escalation have not been included.
- 4) Assumes sales tax applies to only half of the cost items.
- 5) Assumes no other hazardous materials or abatement costs other than the lead paint on the digester tanks.
- 6) Demolition of the building surrounding the digester tanks is not covered in this estimate.

Port of Bellingham
High Density Bleach Tanks - Compaction Grouting (Lat Sprd Only)
ROM Estimate
Date: May 6, 2013
KPFF Job #: 112540

Cost Estimate									
Port of Bellingham North High Density Bleach Tank (413 Ton Tank) - Compaction Grouting (Lat Sprd Only)					6-May-13 Page 1 of 1				
DESCRIPTION	QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE		
	NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL	
Foundation									
Foundation Excavation for Investigation	165	BCY	\$0.00	0	\$26	4,290		4,290	
							Subtotal	4,290	
Soil Grouting (Compaction Grouting)	4080	CF	\$25.00	102,000	\$0.00	0		102,000	
Compaction Grouting Drilling	2040	LF	\$25.00	51,000	\$0.00	0		51,000	
							Subtotal	153,000	
				\$153,000		4,290		\$4,290	

Cost Estimate									
Port of Bellingham South High Density Bleach Tank (70,000 CF Tank) - Compaction Grouting (Lat Sprd Only)					6-May-13 Page 1 of 1				
DESCRIPTION	QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE		
	NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL	
Foundation									
Foundation Excavation for Investigation	130	BCY	\$0.00	0	\$26	3,380		3,380	
							Subtotal	3,380	
Soil Grouting (Compaction Grouting)	3360	CF	\$25.00	84,000	\$0.00	0		84,000	
Compaction Grouting Drilling	1680	LF	\$25.00	42,000	\$0.00	0		42,000	
							Subtotal	126,000	
				\$126,000		3,380		\$3,380	

Cost Estimate									
Port of Bellingham North and South High Density Bleach Tanks (Combined) - Compaction Grouting (Lat Sprd Only)					6-May-13 Page 1 of 1				
DESCRIPTION	QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE		
	NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL	
Ground Improvements									
Soil Grouting (Compaction Grouting)	6240	CF	\$25.00	156,000	\$0.00	0		156,000	(Labor Included in Mat)
Compaction Grouting Drilling	3120	LF	\$25.00	78,000	\$0.00	0		78,000	(Labor Included in Mat)
							Subtotal	234,000	
				\$234,000		0		\$234,000	

Attachment "F"

(Assume Steel Plate 1/8" Thick)

Port of Bellingham										6-May-13
Digester Tanks - Other (Per Tank)										Page 1 of 1
Cost Estimate										
DESCRIPTION	QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE			
	NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL		
Removal of interior brick lining	2,632	SF	\$0.00	0	\$2.25	5,922			5,922	
Tank Preparation										
Local Tank Repair (Assume 2% of Steel Tank Surface Area)	53	SF	\$5.35	284	\$1.35	72			355	
Sealing of Tanks at Top and Btm to prevent water-intrusion	60	SF	\$5.35	321	\$1.35	81			402	
Local strengthening/stiffening of elements against lateral demands	7	LF	\$10.10	71	\$43.90	307			378	
							Subtotal		1,135	
Coatings										
Investigation of existing coating to determine toxicity	1	LS	\$0.00	0	\$1,000.00	1,000			1,000	
Removal of coatings (assumes lead based paint material)	2,632	SF	\$0.00	0	\$10.00	26,320			26,320	
Repaint/Recoat Digesters	2,632	SF	\$0.26	684	\$0.64	1,684			2,369	
							Subtotal		29,689	
				\$1,360					\$30,824	
						29,464				

Port of Bellingham				Cost Estimate				6-May-13			
Digester Tanks - Soil Improvement (1 Tank) - Lateral Spreading Only								Page 1 of 1			
DESCRIPTION				QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE	
				NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
Foundation and Ground Improvements											
Foundation Excavation for Investigation				28	BCY	\$0.00	0	\$26	728		728
Soil Grouting (Compaction Grouting)				4,560	CF	\$25.00	114,000	\$0.00	0		114,000
Compaction Grouting Drilling				2,280	LF	\$25.00	57,000	\$0.00	0		57,000
										Subtotal	171,000
							\$171,000		728		\$171,728

Port of Bellingham Digester Tanks - Soil Improvement (2 Tanks) - Lateral Spreading Only										Cost Estimate				6-May-13 Page 1 of 1			
DESCRIPTION										QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE	
										NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
Foundation and Ground Improvements																	
Foundation Excavation for Investigation										64	BCY	\$0.00	0	\$26	1,664		1,664
Soil Grouting (Compaction Grouting)										5,520	CF	\$25.00	138,000	\$0.00	0		138,000
Compaction Grouting Drilling										2,760	LF	\$25.00	69,000	\$0.00	0		69,000
																Subtotal	207,000
													\$207,000		1,664		\$208,664

Port of Bellingham Digester Tanks - Soil Improvement (3 Tanks) - Lateral Spreading Only										Cost Estimate				6-May-13 Page 1 of 1			
DESCRIPTION										QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE	
										NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
Foundation and Ground Improvements																	
Foundation Excavation for Investigation										99	BCY	\$0.00	0	\$26	2,574		2,574
Soil Grouting (Compaction Grouting)										6,480	CF	\$25.00	162,000	\$0.00	0		162,000
Compaction Grouting Drilling										3,240	LF	\$25.00	81,000	\$0.00	0		81,000
																Subtotal	243,000
													\$243,000		2,574		\$245,574

Steelworker rates based on Washington State Department of Labor & Industries Prevailing Wage Rates for Ironworker, \$59/hr (Assume (1) 8 Hr shift for 350 SF of steel, Assume (2), (2) Day shifts for 100 LF of steel)

Asumme no disposal cost of brick liner

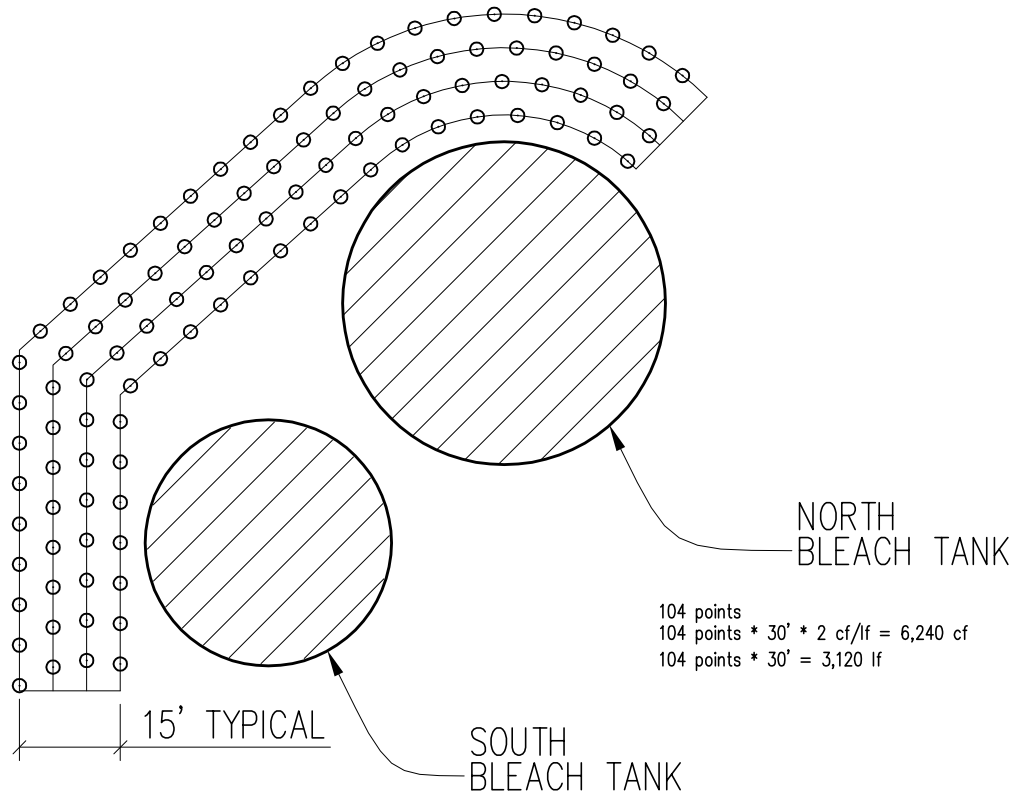
Assumes cost of removal of the building around the digesters captured somewhere else.

Assumes no disposal cost for foundation excavation

Material Costs include O&P

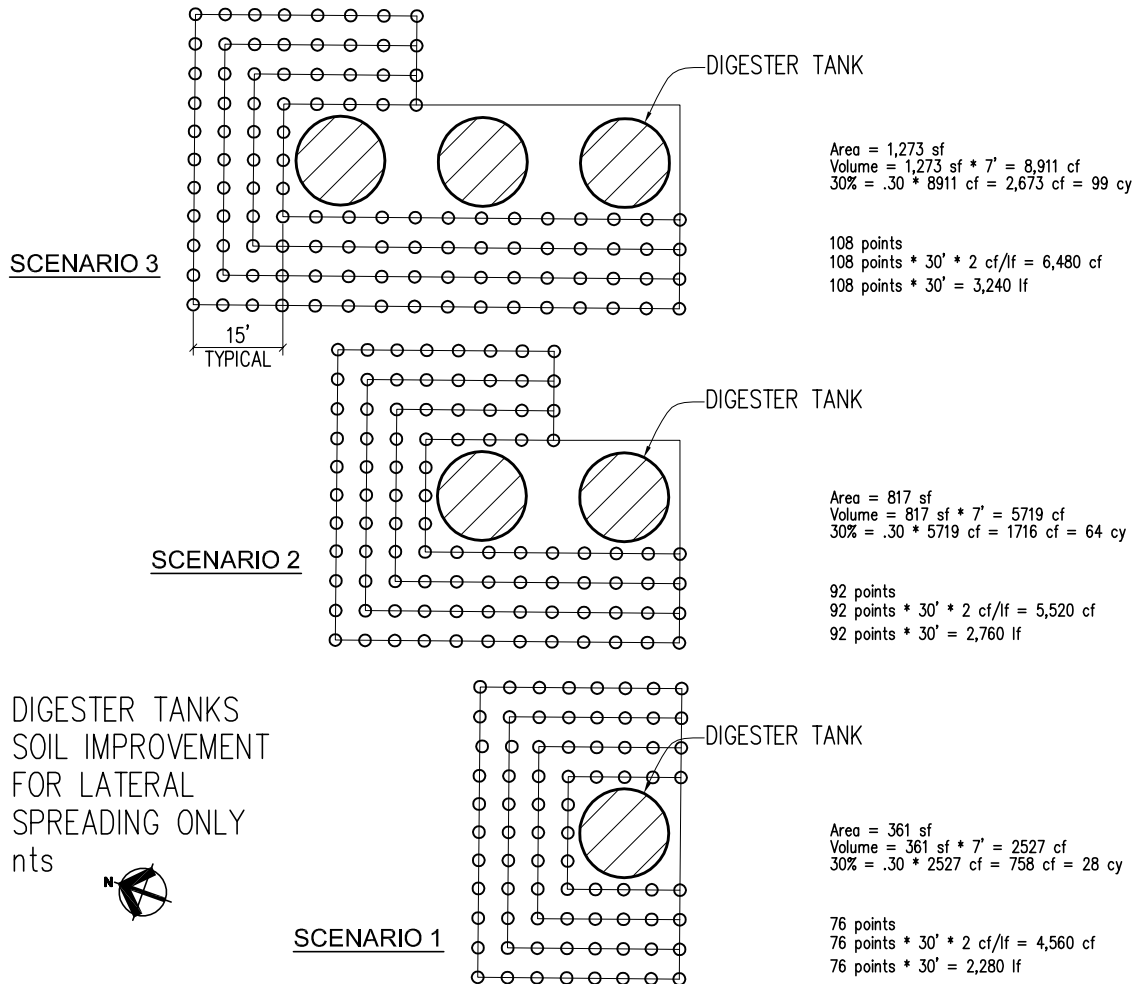
Attachment "F"

Cost Estimate										6-May-13		Page 1 of 1	
DESCRIPTION			QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE				
			NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL			
Scaffolding													
			408	CSF	\$35.45	14,464	\$69.50	28,356					42,820
			1,400	EA	\$5.80	8,120	\$6.65	9,310					17,430
						\$22,584		37,666			\$60,250		



BLEACH TANKS
 SOIL IMPROVEMENT FOR LATERAL SPREADING
 nts





Attachment "F"

Port of Bellingham

Tank Evaluations
KPFF Job #: 112540

5/6/2013

ONE (1) DIGESTER TANK AND TWO (2) BLEACH TANKS - NO SOIL IMPROVEMENTS

Preliminary Cost Estimate - Summary

General Conditions	10% of Hard Construction Costs	\$	63,400
Scaffolding Costs		\$	60,300
Bleach Tanks Combined			
Combined Security Fence		\$	32,200
North Bleach Tank			
Veneer Pinning with Helical Screw Anchors		\$	40,100
Veneer Tuck and Point		\$	145,500
Graffiti Coating (Clean and Coat)		\$	35,900
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	8,300
South Bleach Tank			
Veneer Pinning with Helical Screw Anchors		\$	46,500
Veneer Tuck and Point		\$	168,900
Graffiti Coating (Clean and Coat)		\$	41,700
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	9,200
Digester Tanks (1 Total)			
Lead Abatement and Repaint		\$	29,700
Tank Preparation (Repair, Sealing, and Element Strengthening)		\$	1,200
Security Fence		\$	14,000
SUBTOTAL 1 - Hard Construction Costs		\$	633,500
SUBTOTAL 2 - Hard Construction Costs with General Conditions		\$	696,900
Design Contingency	25% (decreases to zero through the design phase)	\$	174,300
SUBTOTAL 3 - Including Pile Testing, Geotechnical, and Design Contingency		\$	871,200
Sales Tax	4.3% of Subtotal 3	\$	37,500
SUBTOTAL 4 - Including Sales Tax		\$	908,700
Construction Contingency	10% of Subtotal 4 (decreases to zero through the construction phase)	\$	90,900
TOTAL ROUGH ORDER OF MAGNITUDE (ROM) COST		\$	999,600
TOTAL PROJECT SQUARE FOOTAGE			5,700 sf
ROM COST PER SQUARE FOOT		\$	176 /sf

Notes on ROM Cost Estimate:

- 1) Does not include permit fees, design fees, construction management nor construction inspection or testing fees
- 2) Does not include contractor bonds or insurance.
- 3) Estimate is in today's dollars, factors for escalation have not been included
- 4) Assumes sales tax applies to only half of the cost items.
- 5) Assumes no other hazardous materials or abatement costs other than the lead paint on the digester tanks
- 6) Demolition of the building surrounding the digester tanks is not covered in this estimate

Attachment "F"

Port of Bellingham

Tank Evaluations
KPFF Job #: 112540

5/6/2013

TWO (2) DIGESTER TANKS AND TWO (2) BLEACH TANKS - NO SOIL IMPROVEMENTS

Preliminary Cost Estimate - Summary

General Conditions	10% of Hard Construction Costs	\$	66,700
Scaffolding Costs		\$	60,300
Bleach Tanks Combined			
Combined Security Fence		\$	32,200
North Bleach Tank			
Veneer Pinning with Helical Screw Anchors		\$	40,100
Veneer Tuck and Point		\$	145,500
Graffiti Coating (Clean and Coat)		\$	35,900
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	8,300
South Bleach Tank			
Veneer Pinning with Helical Screw Anchors		\$	46,500
Veneer Tuck and Point		\$	168,900
Graffiti Coating (Clean and Coat)		\$	41,700
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	9,200
Digester Tanks (2 Total)			
Lead Abatement and Repaint		\$	59,400
Tank Preparation (Repair, Sealing, and Element Strengthening)		\$	2,300
Security Fence		\$	16,500
SUBTOTAL 1 - Hard Construction Costs		\$	666,800
SUBTOTAL 2 - Hard Construction Costs with General Conditions		\$	733,500
Design Contingency	25% (decreases to zero through the design phase)	\$	183,400
SUBTOTAL 3 - Including Pile Testing, Geotechnical, and Design Contingency		\$	916,900
Sales Tax	4.3% of Subtotal 3	\$	39,500
SUBTOTAL 4 - Including Sales Tax		\$	956,400
Construction Contingency	10% of Subtotal 4 (decreases to zero through the construction phase)	\$	95,700
TOTAL ROUGH ORDER OF MAGNITUDE (ROM) COST		\$	1,052,100
TOTAL PROJECT SQUARE FOOTAGE			5,700 sf
ROM COST PER SQUARE FOOT		\$	185 /sf

Notes on ROM Cost Estimate:

- 1) Does not include permit fees, design fees, construction management nor construction inspection or testing fees
- 2) Does not include contractor bonds or insurance.
- 3) Estimate is in today's dollars, factors for escalation have not been included
- 4) Assumes sales tax applies to only half of the cost items.
- 5) Assumes no other hazardous materials or abatement costs other than the lead paint on the digester tanks
- 6) Demolition of the building surrounding the digester tanks is not covered in this estimate

Attachment "F"

Port of Bellingham

Tank Evaluations
KPFF Job #: 112540

5/6/2013

THREE (3) DIGESTER TANKS AND TWO (2) BLEACH TANKS - NO SOIL IMPROVEMENTS

Preliminary Cost Estimate - Summary

General Conditions	10% of Hard Construction Costs	\$	70,100
Scaffolding Costs		\$	60,300
Bleach Tanks Combined			
Combined Security Fence		\$	32,200
North Bleach Tank			
Veneer Pinning with Helical Screw Anchors		\$	40,100
Veneer Tuck and Point		\$	145,500
Graffiti Coating (Clean and Coat)		\$	35,900
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	8,300
South Bleach Tank			
Veneer Pinning with Helical Screw Anchors		\$	46,500
Veneer Tuck and Point		\$	168,900
Graffiti Coating (Clean and Coat)		\$	41,700
Tank Preparation (Catwalk Demolition and Tank Sealing)		\$	9,200
Digester Tanks (3 Total)			
Lead Abatement and Repaint		\$	89,100
Tank Preparation (Repair, Sealing, and Element Strengthening)		\$	3,500
Security Fence		\$	19,100
SUBTOTAL 1 - Hard Construction Costs		\$	700,300
SUBTOTAL 2 - Hard Construction Costs with General Conditions		\$	770,400
Design Contingency	25% (decreases to zero through the design phase)	\$	192,600
SUBTOTAL 3 - Including Pile Testing, Geotechnical, and Design Contingency		\$	963,000
Sales Tax	4.3% of Subtotal 3	\$	41,500
SUBTOTAL 4 - Including Sales Tax		\$	1,004,500
Construction Contingency	10% of Subtotal 4 (decreases to zero through the construction phase)	\$	100,500
TOTAL ROUGH ORDER OF MAGNITUDE (ROM) COST		\$	1,105,000
TOTAL PROJECT SQUARE FOOTAGE			5,700 sf
ROM COST PER SQUARE FOOT		\$	194 /sf

Notes on ROM Cost Estimate:

- 1) Does not include permit fees, design fees, construction management nor construction inspection or testing fees.
- 2) Does not include contractor bonds or insurance.
- 3) Estimate is in today's dollars, factors for escalation have not been included.
- 4) Assumes sales tax applies to only half of the cost items.
- 5) Assumes no other hazardous materials or abatement costs other than the lead paint on the digester tanks
- 6) Demolition of the building surrounding the digester tanks is not covered in this estimate.

Port of Bellingham
High Density Bleach Tanks - Foundations (No Soil Improvements)
ROW Estimate
Date: May 6, 2013
KPFF Job #: 112540

Cost Estimate										6-May-13	
Port of Bellingham										Page 1 of 1	
North and South High Density Bleach Tanks - Combined - No Soil Improvements											
DESCRIPTION	QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE				
	NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL			
Security Fence	610	LF	\$48.69	29,701	\$4.07	2,483		32,184			
				\$29,701		2,483		\$32,184			

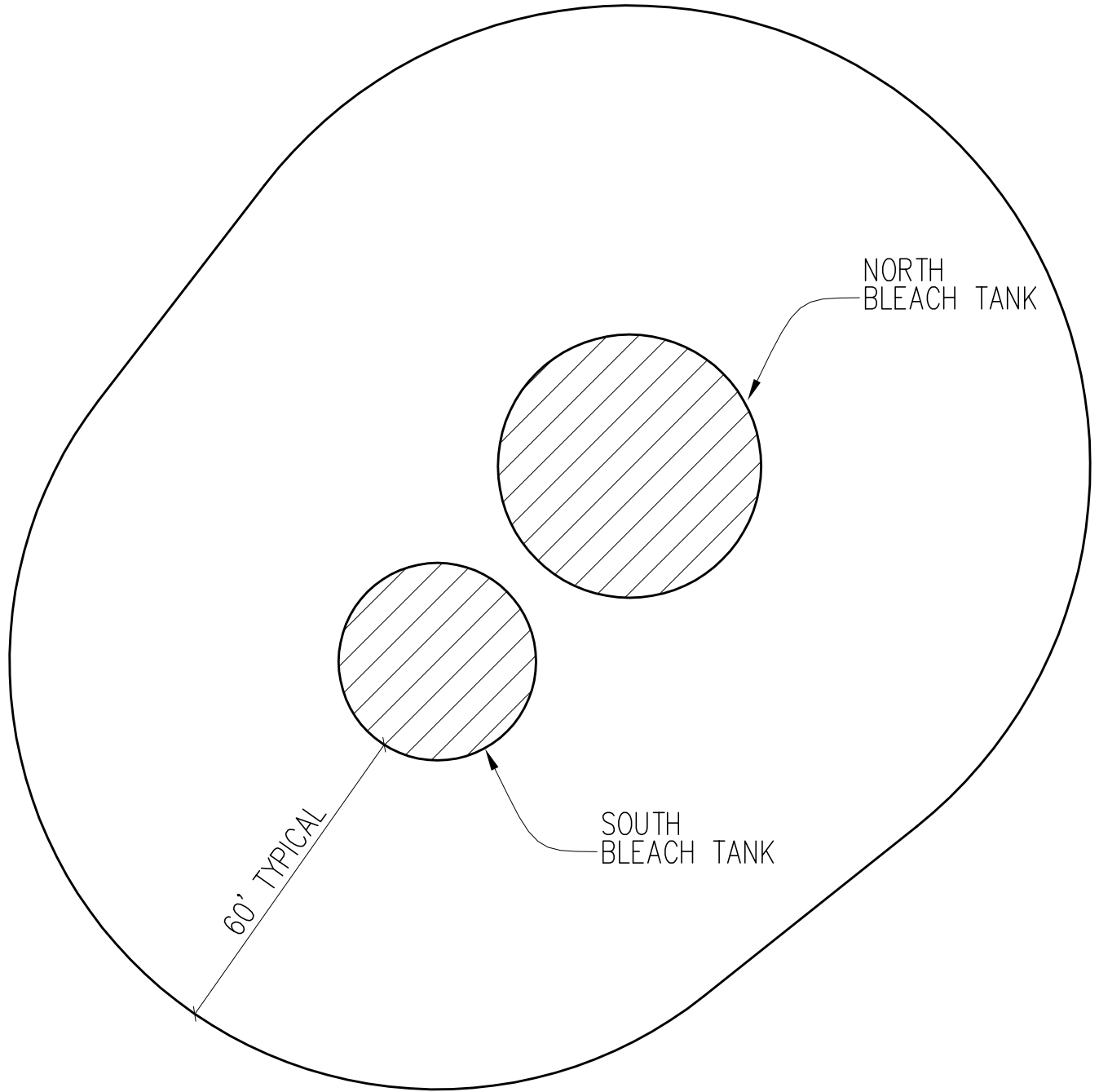
Attachment "F"

(Assume Steel Plate 1/8" Thick)

Port of Bellingham Digester Tanks - No Soil Improvement (2 Tanks)										Cost Estimate				6-May-13 Page 1 of 1			
DESCRIPTION		QUANTITY		MATERIAL COST		LABOR COST		ENGINEERING ESTIMATE									
		NUMBER	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL								
Foundation and Ground Improvements																	
Security Fence Around Tanks										312	LF	\$48.69	15,191	\$4.07	1,270	Subtotal	16,461
													\$15,191		1,270		\$16,461

Attachment "F"

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BLEACH TANKS
SECURITY FENCING EXTENTS
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Consulting Engineers

1601 Fifth Avenue, Suite 1600
Seattle, Washington 98101
(206) 622-5822 Fax (206) 622-8130

Port of Bellingham – Tank Evaluations

Bleach Tanks
Security Fencing Extents

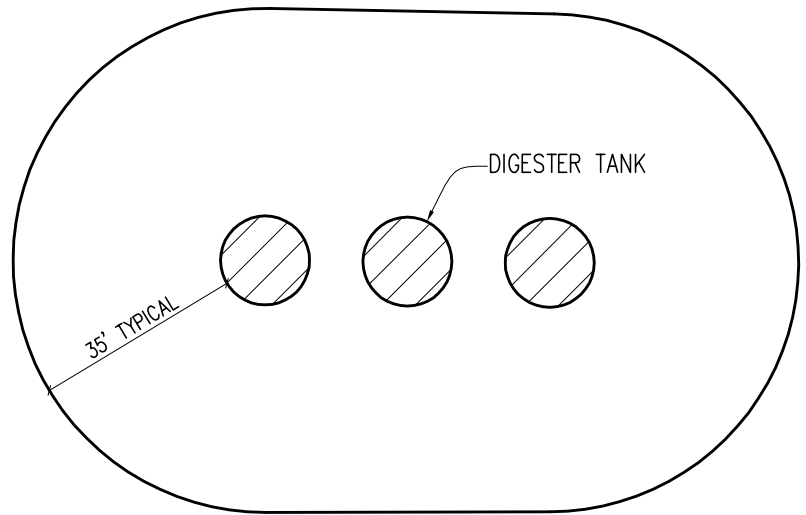
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DATE:
4/22/13

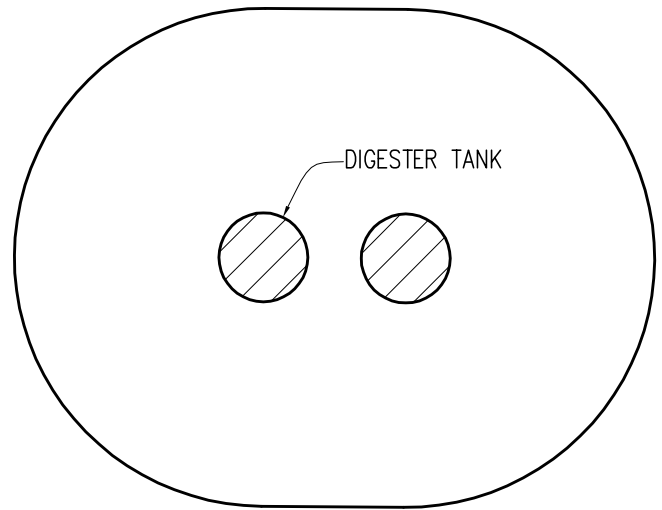
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TSW

Attachment "F"

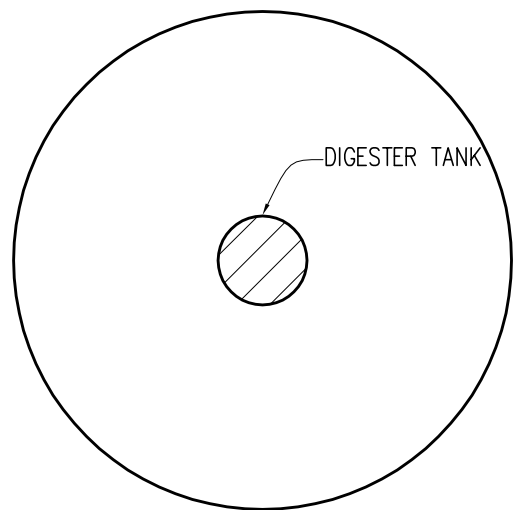
SCENARIO 3



SCENARIO 2



SCENARIO 1



DIGESTER TANKS
SECURITY FENCING EXTENTS



kpff Consulting Engineers

1601 Fifth Avenue, Suite 1600
Seattle, Washington 98101
(206) 622-5822 Fax (206) 622-8130

Port of Bellingham – Tank Evaluations

Digester Tanks
Security Fencing Extents

PROJ NO:
112540.10

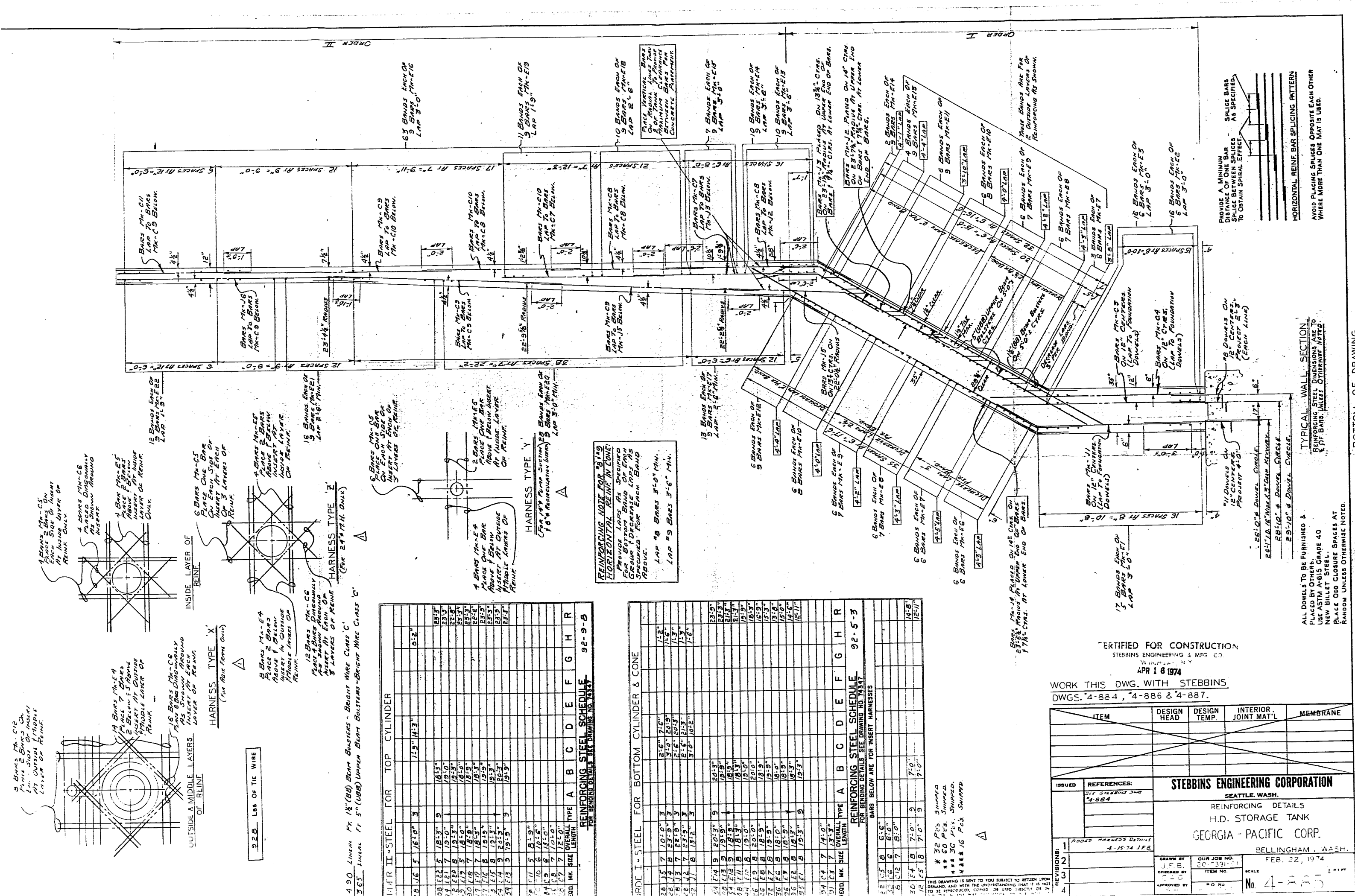
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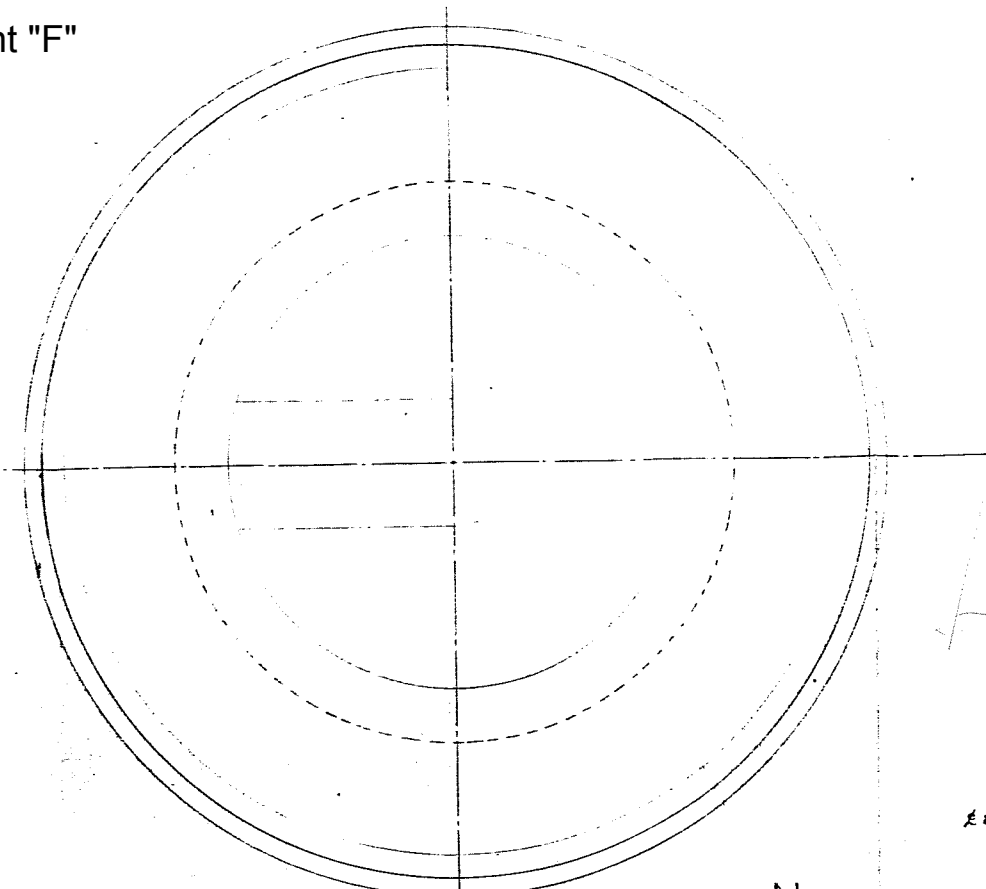
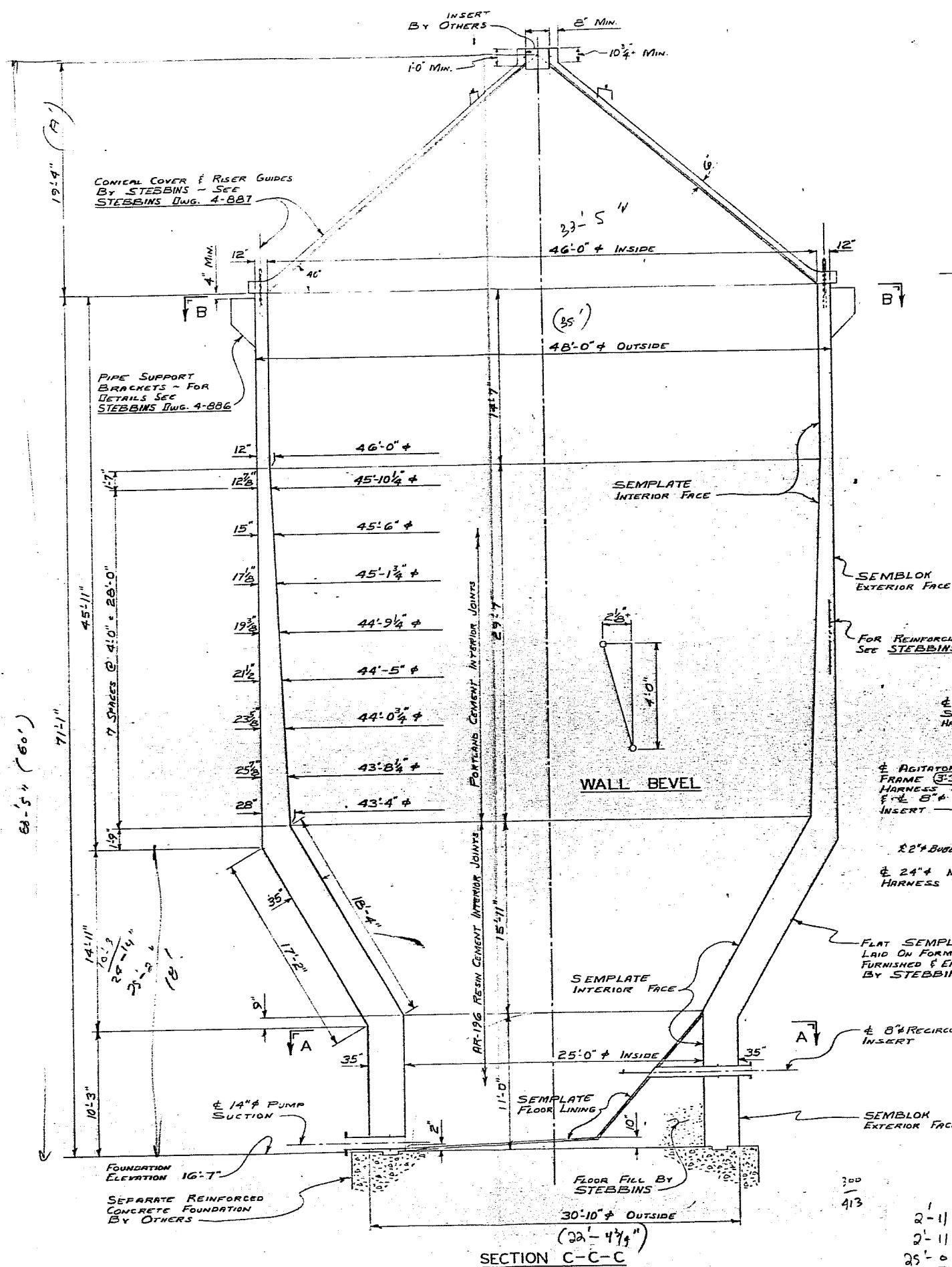
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TSW



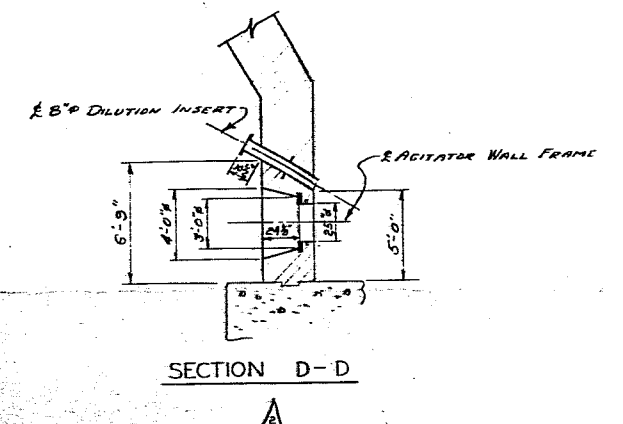
Appendix E

Bleach Tank Construction Drawings

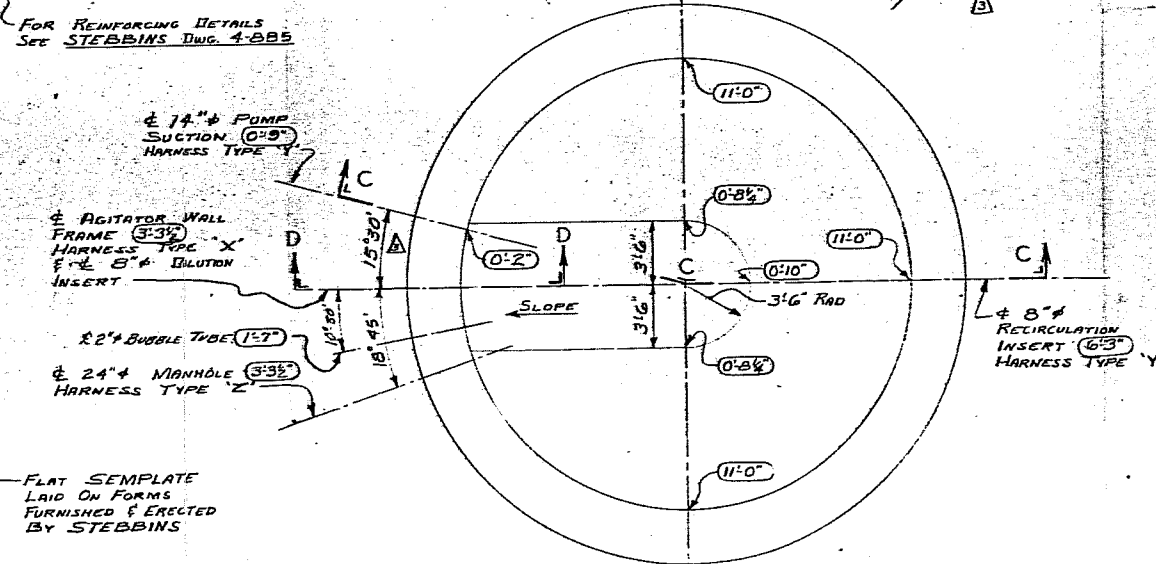




PLAN SECTION B-B



SECTION D-D



PLAN SECTION A-A

WALL HEIGHTS HAVE BEEN ADJUSTED
TO EVEN TILE COURSES.

ALL FITTINGS & INSERTS IN TILE WALLS -
FURNISHED & POSITIONED BY OTHERS &
TILED IN PLACE BY STEBBINS.

WALL INSERTS MUST BE EQUIPPED WITH CONTINUOUSLY WELDED GROUT RINGS:

ANCHOR BOLTS FURNISHED & POSITIONED BY STEBBINS
OTHERS & GROUTED IN PLACE BY STEBBINS

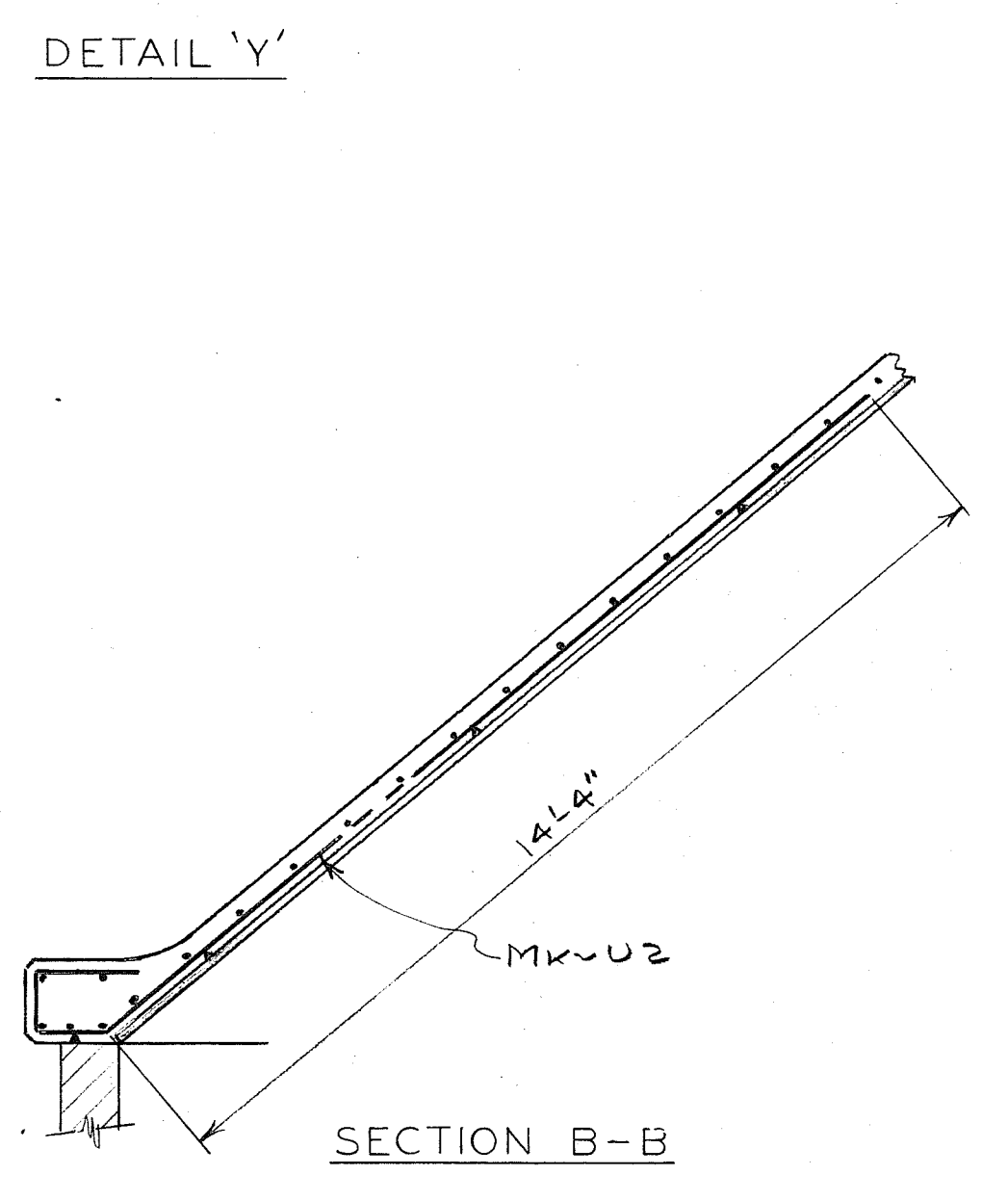
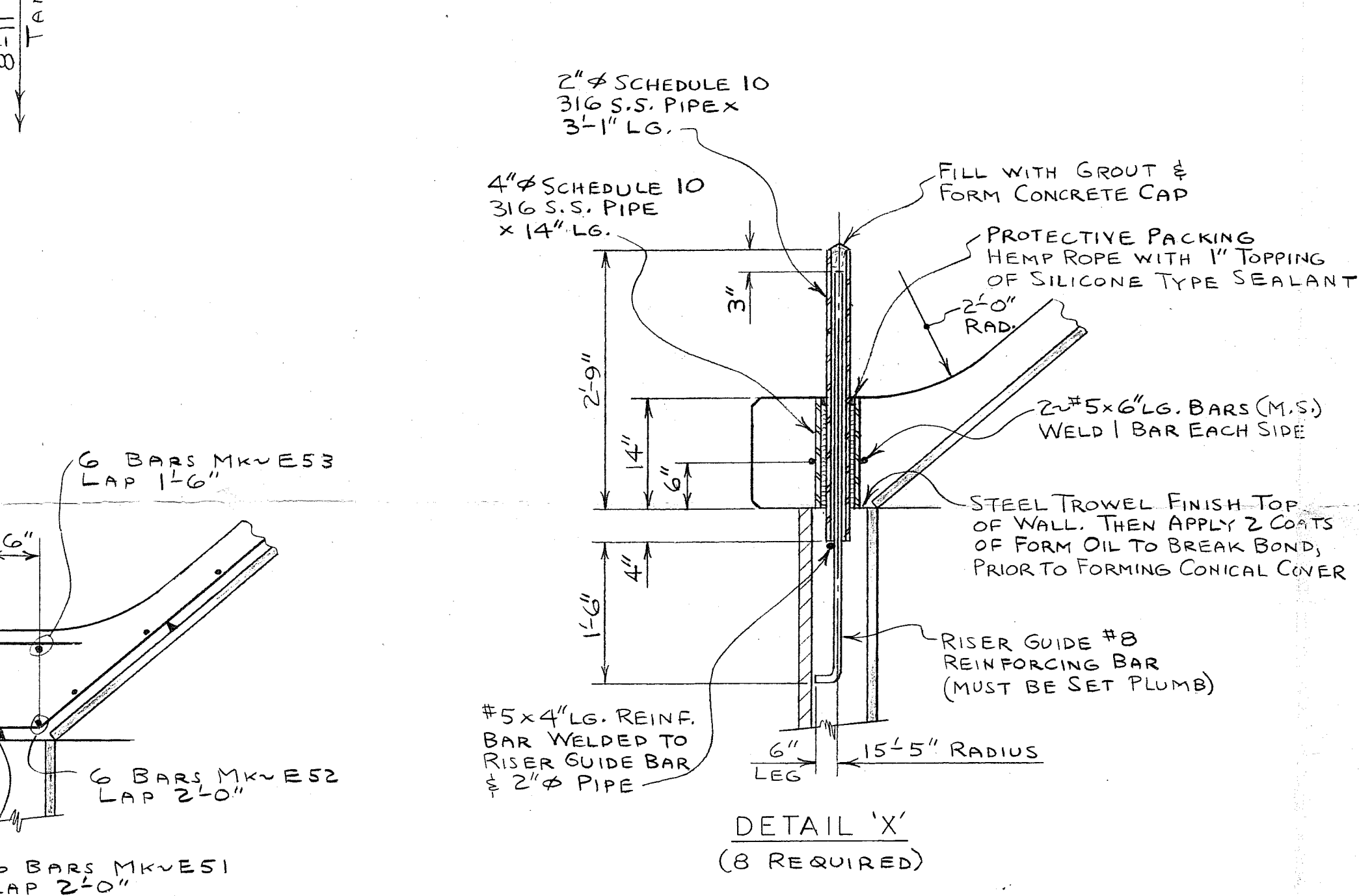
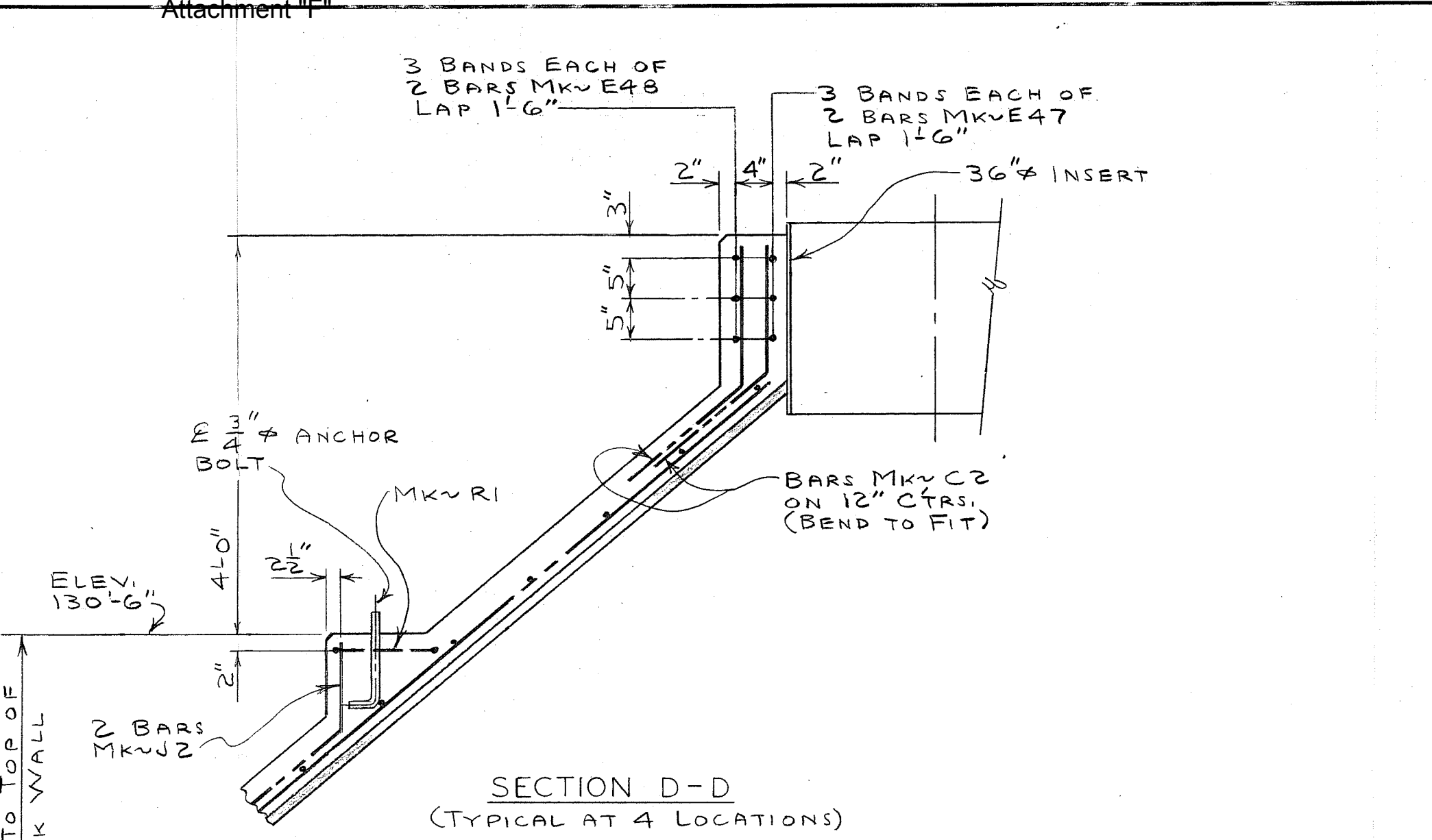
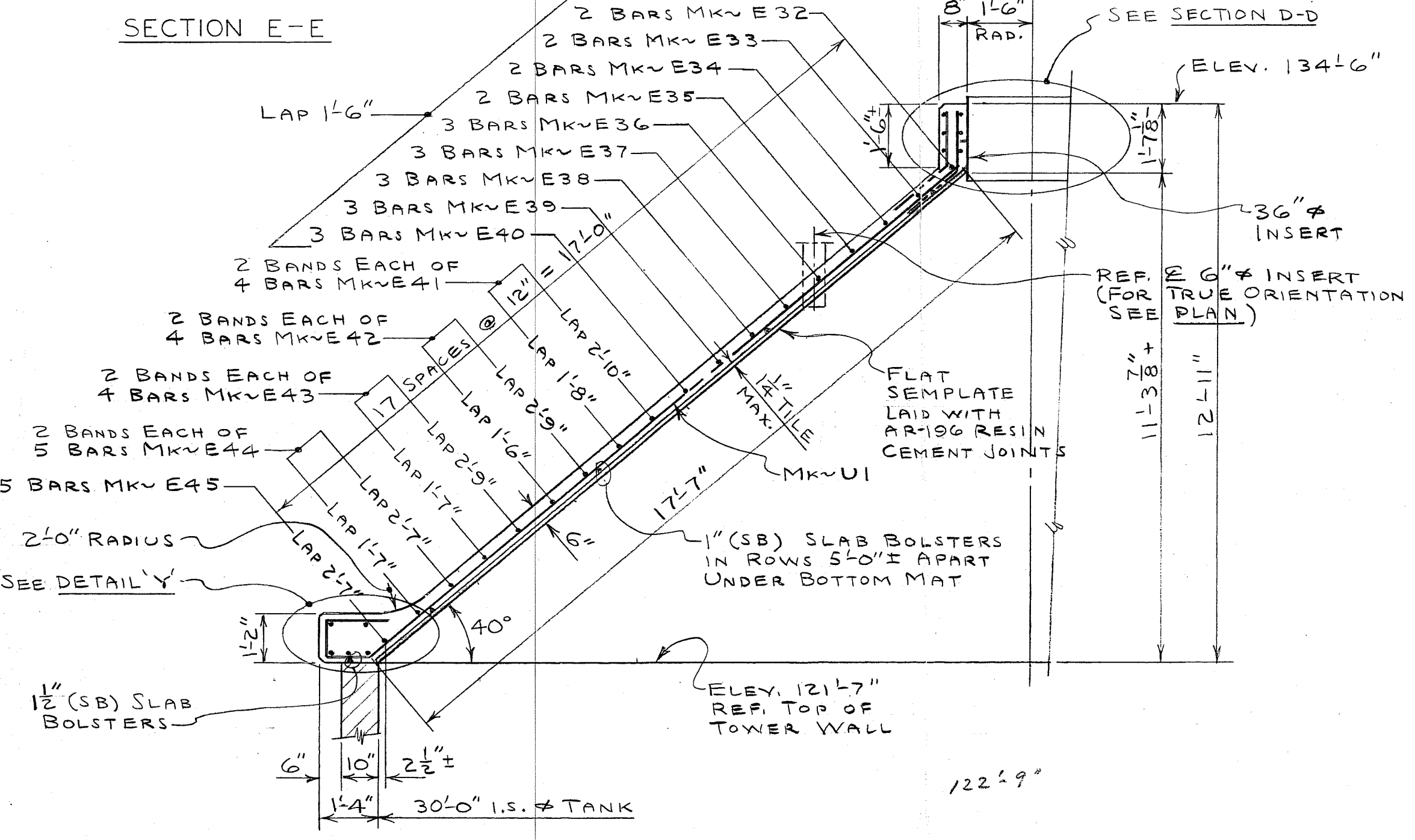
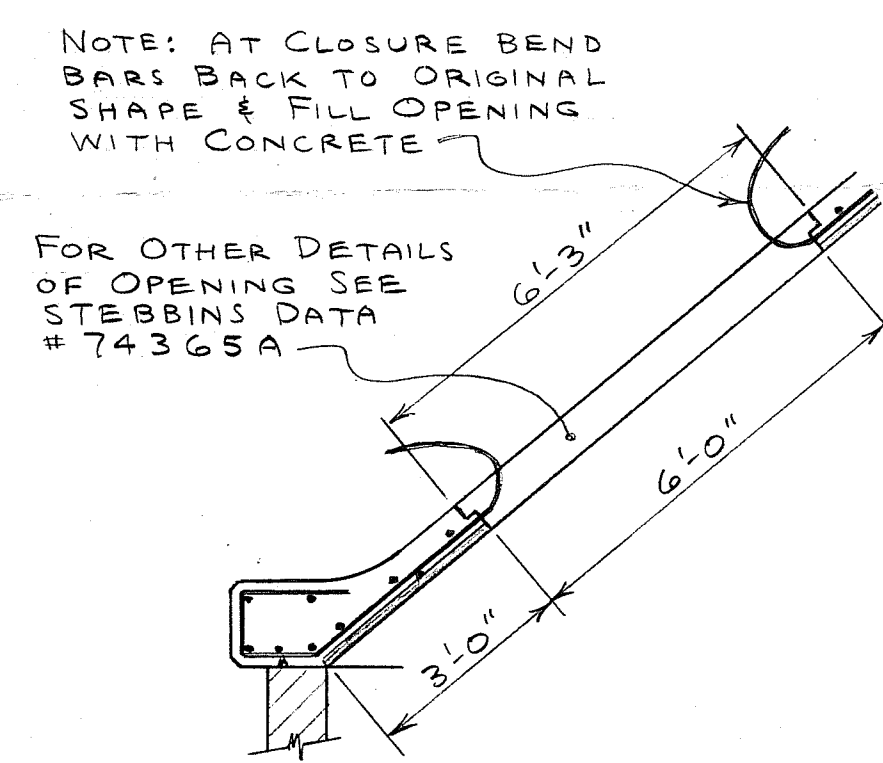
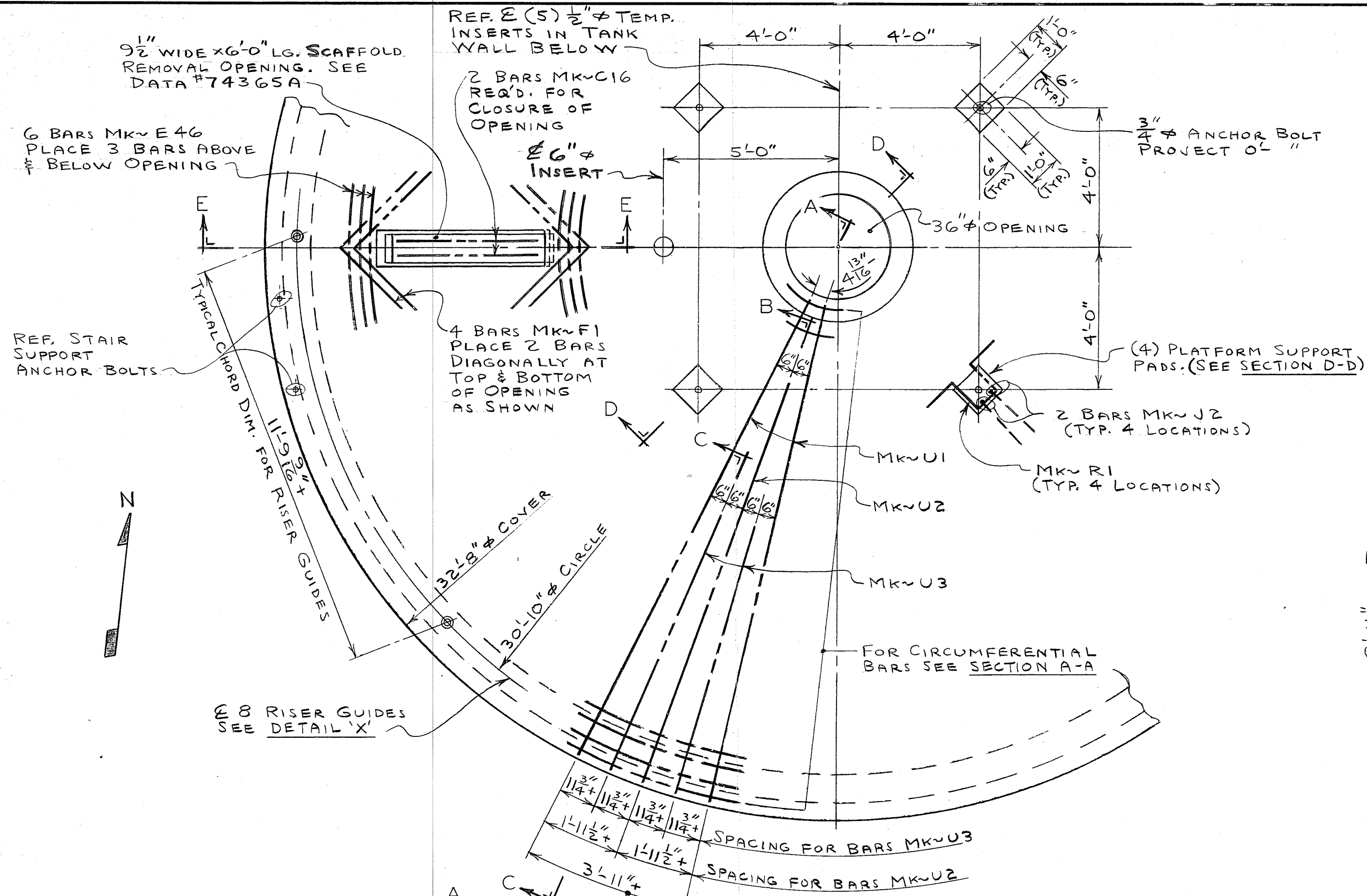
DIMENSIONS SHOWN THUS (0'-0")
INDICATE HEIGHT OF FINISHED FLOOR
OR $\frac{1}{2}$ OF INSERTS ABOVE FOUNDATION.
ELEVATION 16'-7"

CERTIFIED FOR CONSTRUCTION

STEBBINS ENGINEERING & MFG. CO.
Watertown, N.Y.

Date APR 23 1974

[illegible]



20 LBS. OF TIE WIRE

210 LINEAL FT. 1" (SB) SLAB BOLSTERS ~ CLASS 'A' (BRIGHT WIRE)

100 LINEAL FT. 1 1/2" (SB) SLAB BOLSTERS ~ CLASS 'A' (BRIGHT WIRE)

REQ'D	MK	#	O.L.
4	RI	#4	4'-8"

REQ'D	MK	#	A	B	C	D	H	O.L.
26	U1	5	1'-6"	0'-11"	1'-1"	17'-7"	11'-4"	21'-1"
26	U2	5	1'-6"	0'-11"	1'-1"	14'-4"	9'-3"	17'-10"
52	U3	5	1'-6"	0'-11"	1'-1"	8'-11"	5'-9"	12'-5"

REQ'D	MK	#	A	B	C	D	H	O.L.
52	U3	5	(SEE DETAIL ABOVE)					
26	U2	5	(SEE DETAIL ABOVE)					
26	U1	5	(SEE DETAIL ABOVE)					
4	RI	4	(SEE DETAIL ABOVE)					
8	J2	4	3'-0"	3		0'-11"	2'-1"	6'-8"
4	FI	5	5'-8"	17		2'-10"	2'-10"	
6	E53	5	17'-6"	9		17'-6"		15'-2"
6	E52	7	18'-0"			18'-0"		15'-2"
6	E51	7	18'-6"			18'-6"		15'-8"
6	E50	6	18'-9"			18'-9"		16'-1"
6	E49	7	19'-0"			19'-0"		16'-1"
6	E48	5	7'-11"			7'-11"		2'-6"
6	E47	5	6'-10"			6'-10"		1'-8"
6	E46	5	5'-9"			5'-9"		10'-6"
5	E45	5	21'-3"			21'-3"		15'-2"
10	E44	5	19'-3"			19'-3"		13'-8"
8	E43	5	21'-3"			21'-3"		12'-1"
8	E42	5	18'-9"			18'-9"		10'-7"
8	E41	5	16'-6"			16'-6"		9'-1"
3	E40	5	18'-3"			18'-3"		7'-11"
3	E39	5	16'-6"			16'-6"		7'-1"
3	E38	5	15'-0"			15'-0"		6'-4"
3	E37	5	13'-3"			13'-3"		5'-7"
3	E36	5	11'-9"			11'-9"		4'-10"
2	E35	5	14'-6"			14'-6"		4'-1"
2	E34	5	12'-0"			12'-0"		3'-4"
2	E33	5	9'-6"			9'-6"		2'-6"
2	E32	5	7'-3"			7'-3"		1'-9"

REQ'D	MK	SIZE	OVERALL LENGTH	TYPE	A	B	C	D	E	F	G	H	R
2	C16	5	5'-9"										
24	C2	4	3'-0"										

REINFORCING STEEL SCHEDULE FOR BENDING DETAILS SEE DRAWING NO. 74347 4-0-4

WORK THIS DWG. WITH STEBBINS DWGS. 3-435, -435A, -435B

REINFORCING STEEL DIMENSIONS ARE TO E.O.F. BARS.

THIS DRAWING IS NOT TO BE USED FOR LOCATING INSERTS AND FITTINGS. ANY DIMENSIONS OR LOCATIONS GIVEN ARE APPROXIMATE AND FOR STEBBINS REFERENCE ONLY. SEE THE APPROPRIATE DRAWING FURNISHED BY THE CUSTOMER OR ITS AGENT FOR THE CORRECT LOCATION OF INSERTS AND FITTINGS.

ANCHOR BOLTS TO BE FURNISHED & POSITIONED BY G.P. CORP. OR ITS AGENT & CAST IN PLACE BY STEBBINS.

ALL FITTINGS & INSERTS IN COVER FURNISHED & POSITIONED BY G.P. CORP. OR ITS AGENT & CAST IN PLACE BY STEBBINS.

THIS DRAWING IS SENT TO YOU SUBJECT TO RETURN UPON DEMAND, AND WITH THE UNDERSTANDING THAT IT IS NOT TO BE REPRODUCED, COPIED, OR USED DIRECTLY OR INDIRECTLY IN ANY WAY DETRIMENTAL TO OUR INTERESTS.

PRINT ISSUED: OCT 15 1976

REFERENCES: G.P. DWG. TITLED "ACCESS TO TOP OF H.D. TANK" REC'D 9-24-76

STEBBINS DWG. 3-435

REVISIONS:

NO.	DESCRIPTION
1	
2	
3	
4	

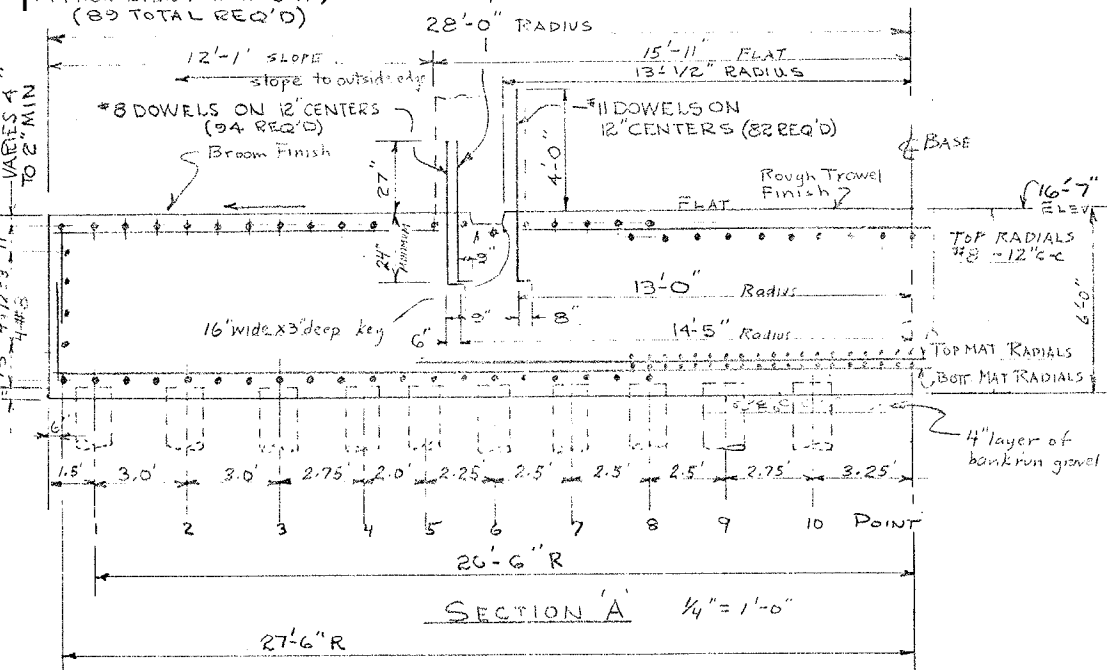
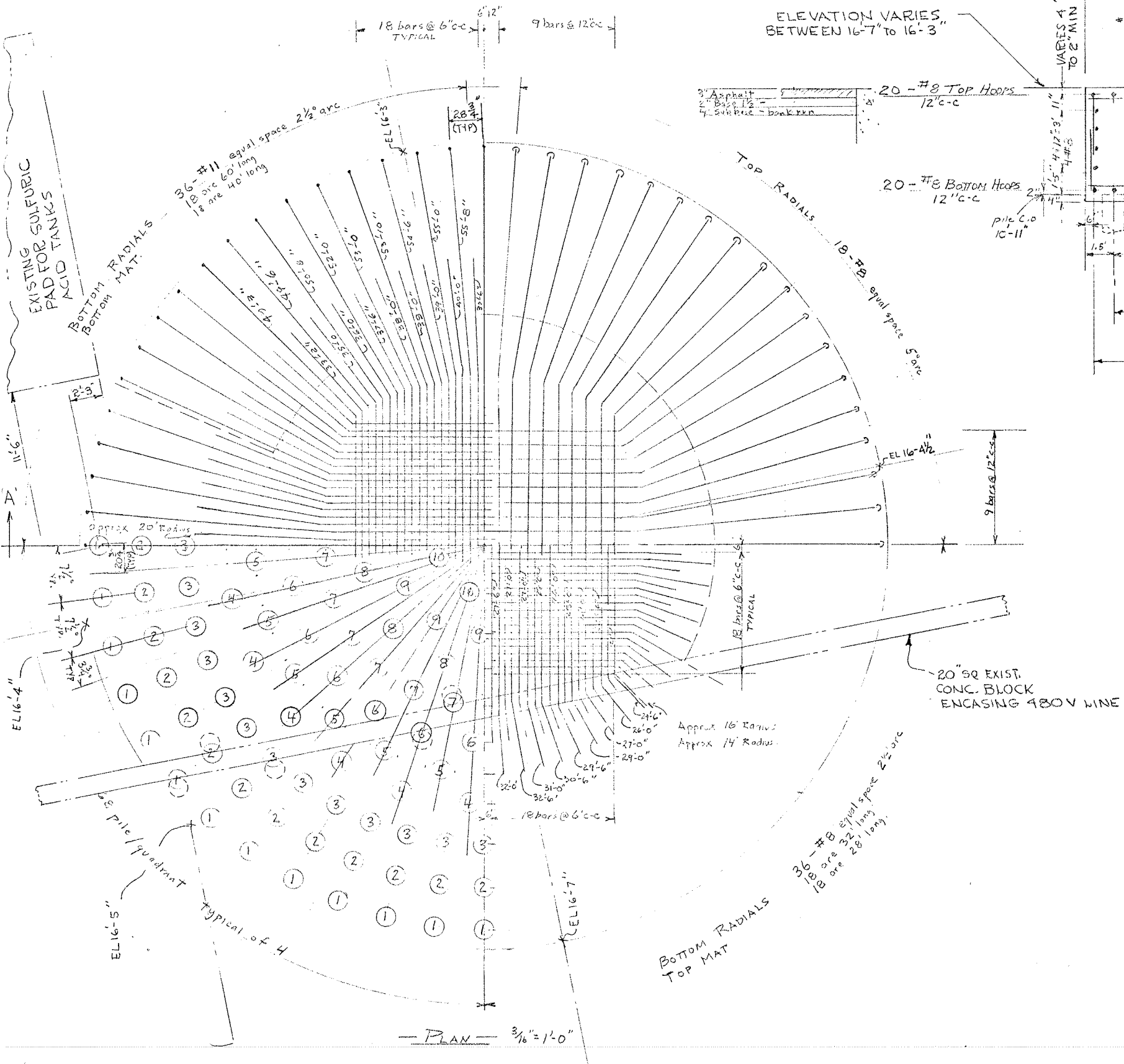
STEBBINS ENGINEERING CORPORATION
SEATTLE, WASH.
CONICAL COVER DETAILS
BLEACHED STOCK TOWER
GEORGIA PACIFIC CORP.
BELLINGHAM, WASH.

DRAWN BY: R.L.J.
CHECKED BY: D.S.M.
APPROVED BY: W.K.B.

OUR JOB NO: 20-0873-01
ITEM NO: 3
SCALE: 3" = 1 FT.
P.O. NO: 103812-P, C.O.I.

OCTOBER 15, 1976
No. 3-435C

Attachment "F" (APPROX EVERY 11TH BAR)
(89 TOTAL REQ'D)



DESIGN BASIS: - U.B.C. - 1973 Edition
SEISMIC: Zone 3, $Z = 1.0$; $C_p = 0.1$ per U.B.C. table 23-J

DESIGN LOADS: for STEBBINS TOWER (see calculation sheets)

PILING: 272 "Class A" Douglas Fir, incise and treated 10' at bottom end driven to 5' OK Arch. 40' length

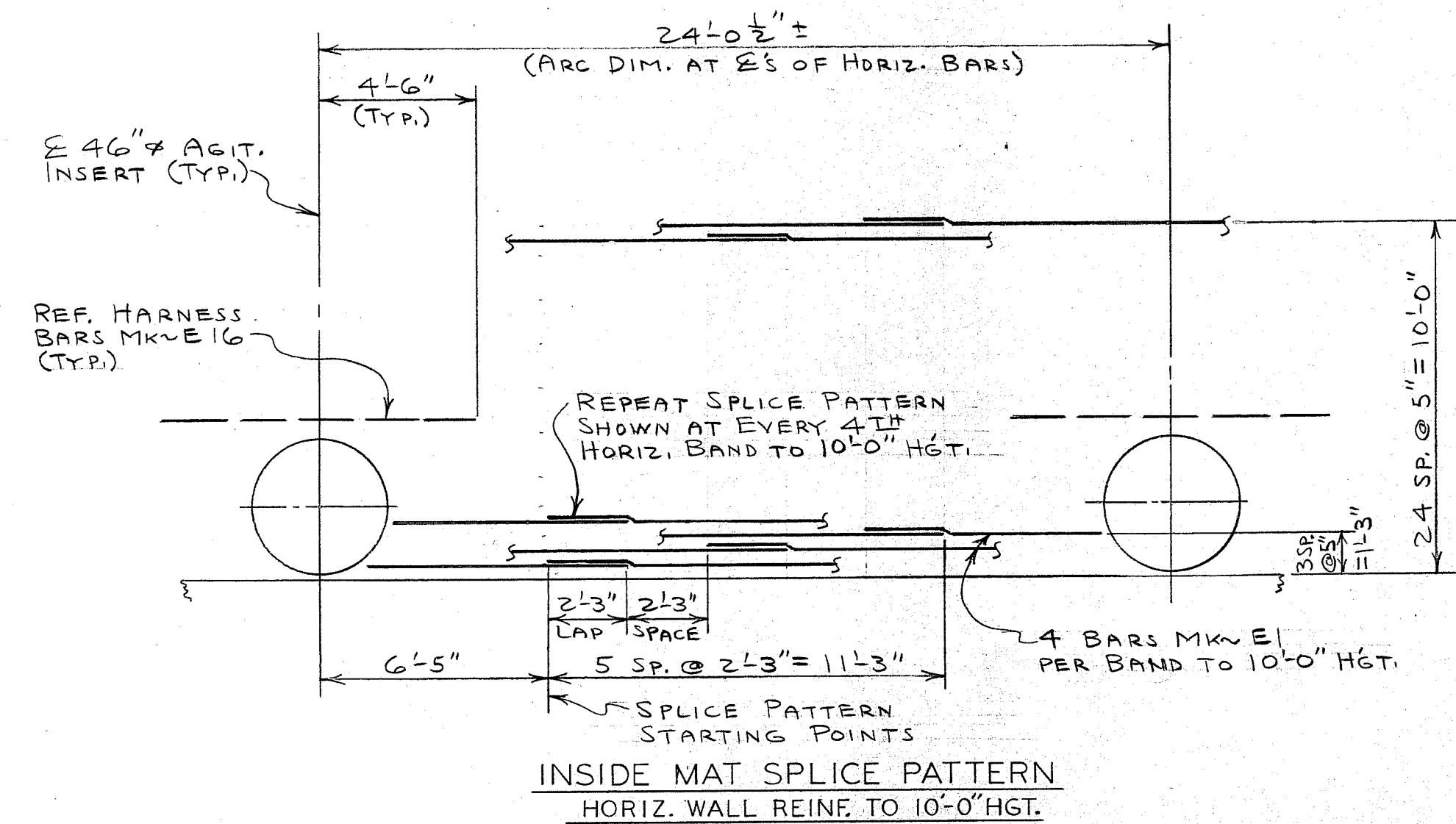
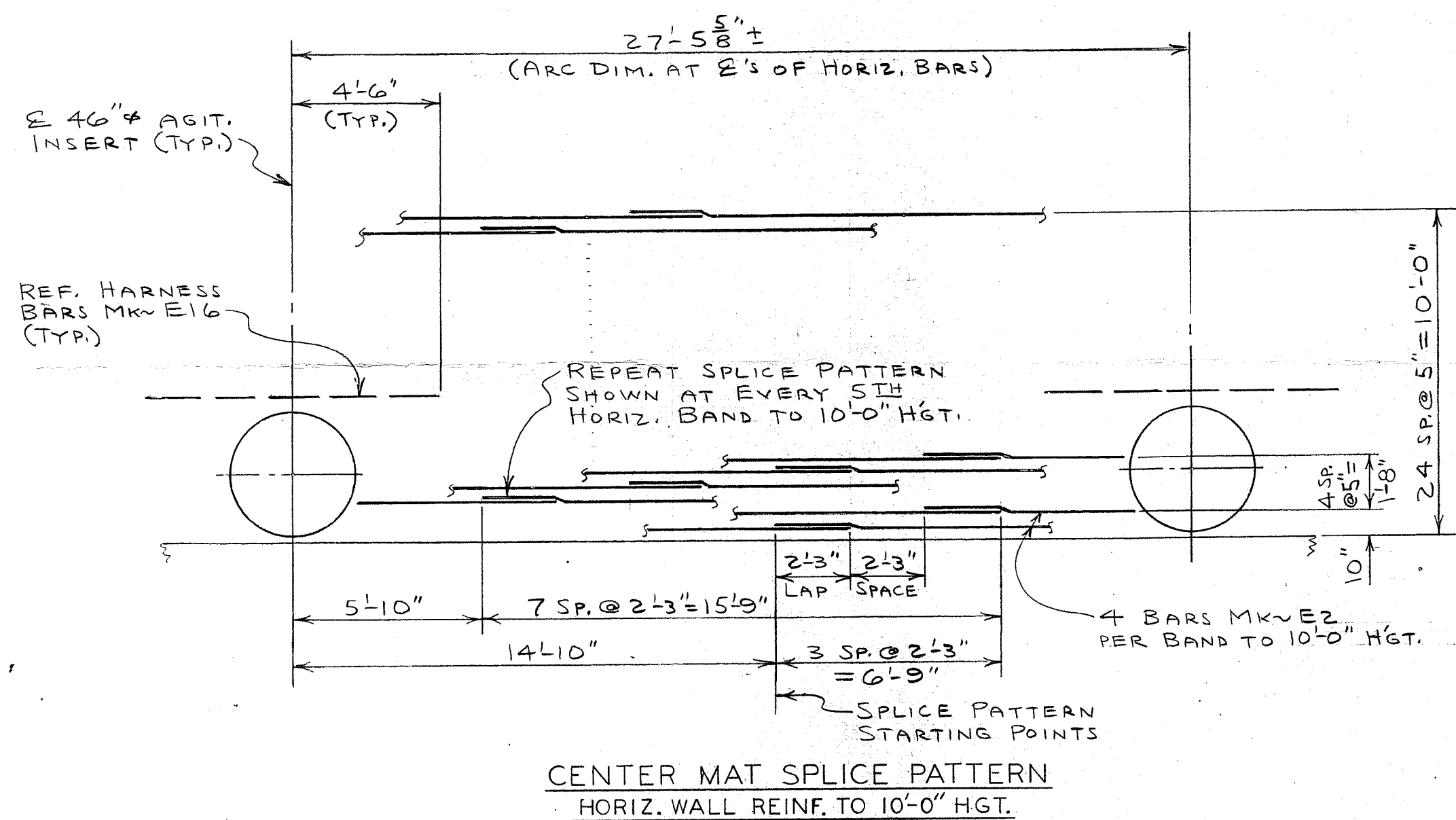
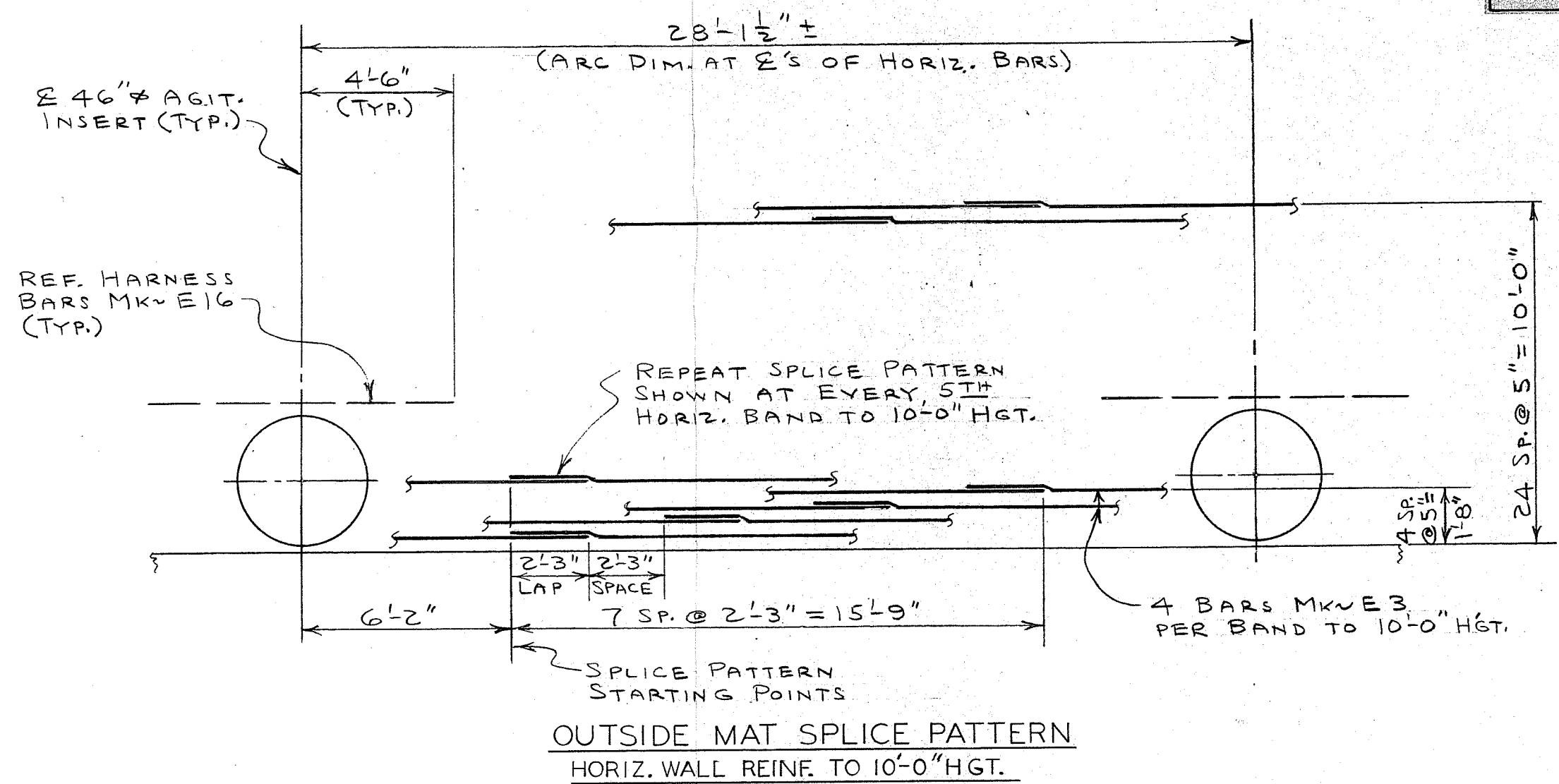
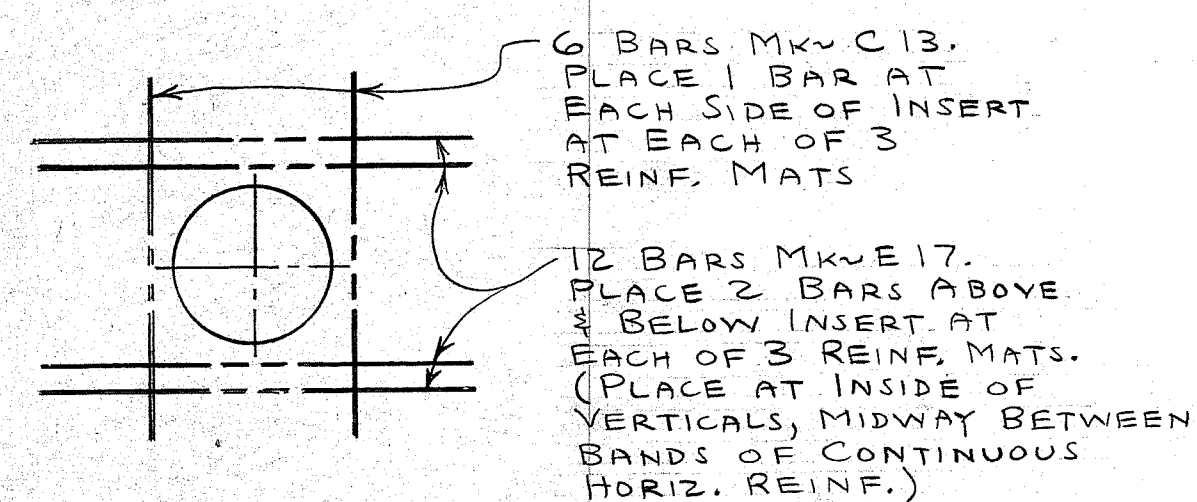
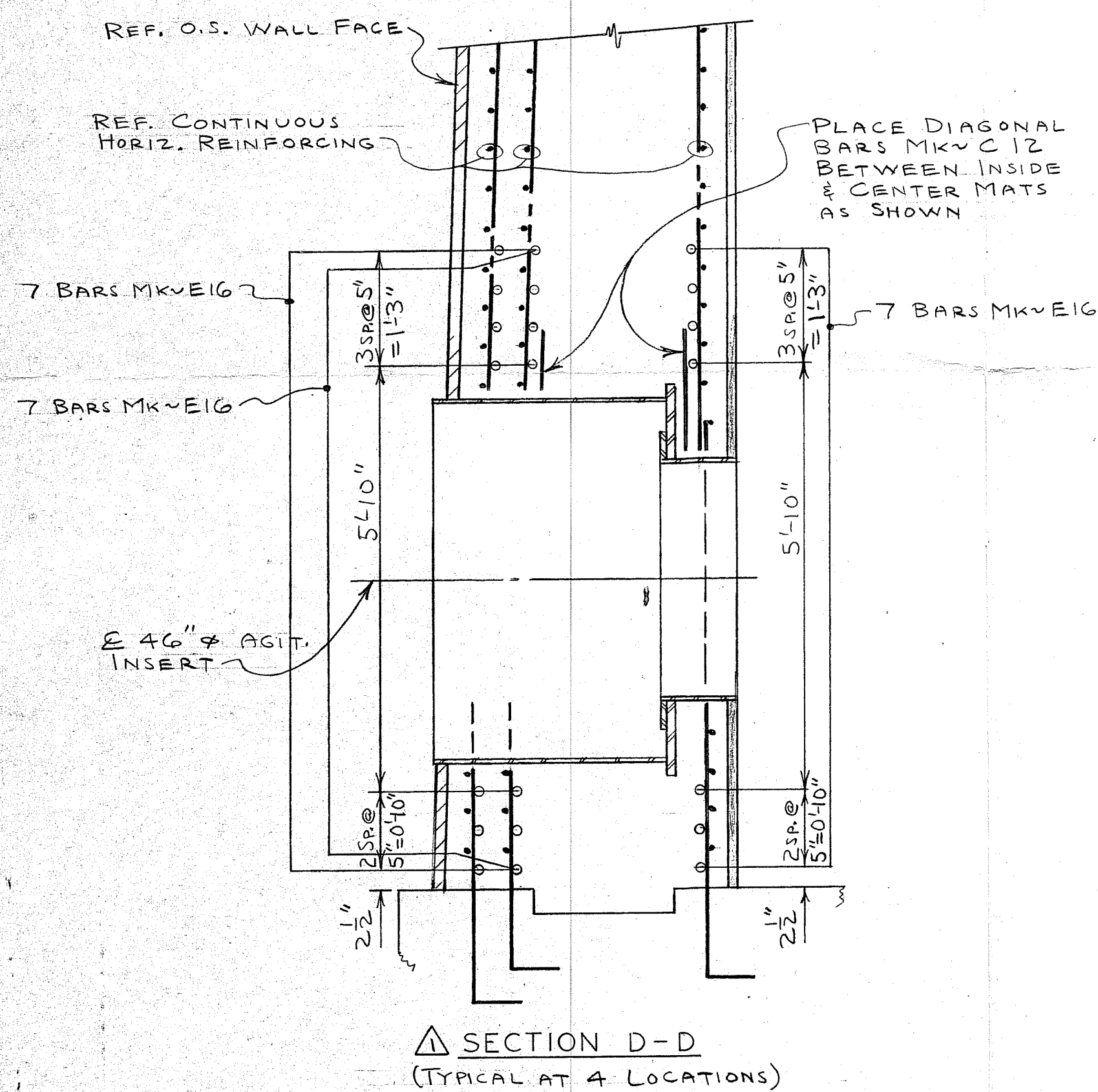
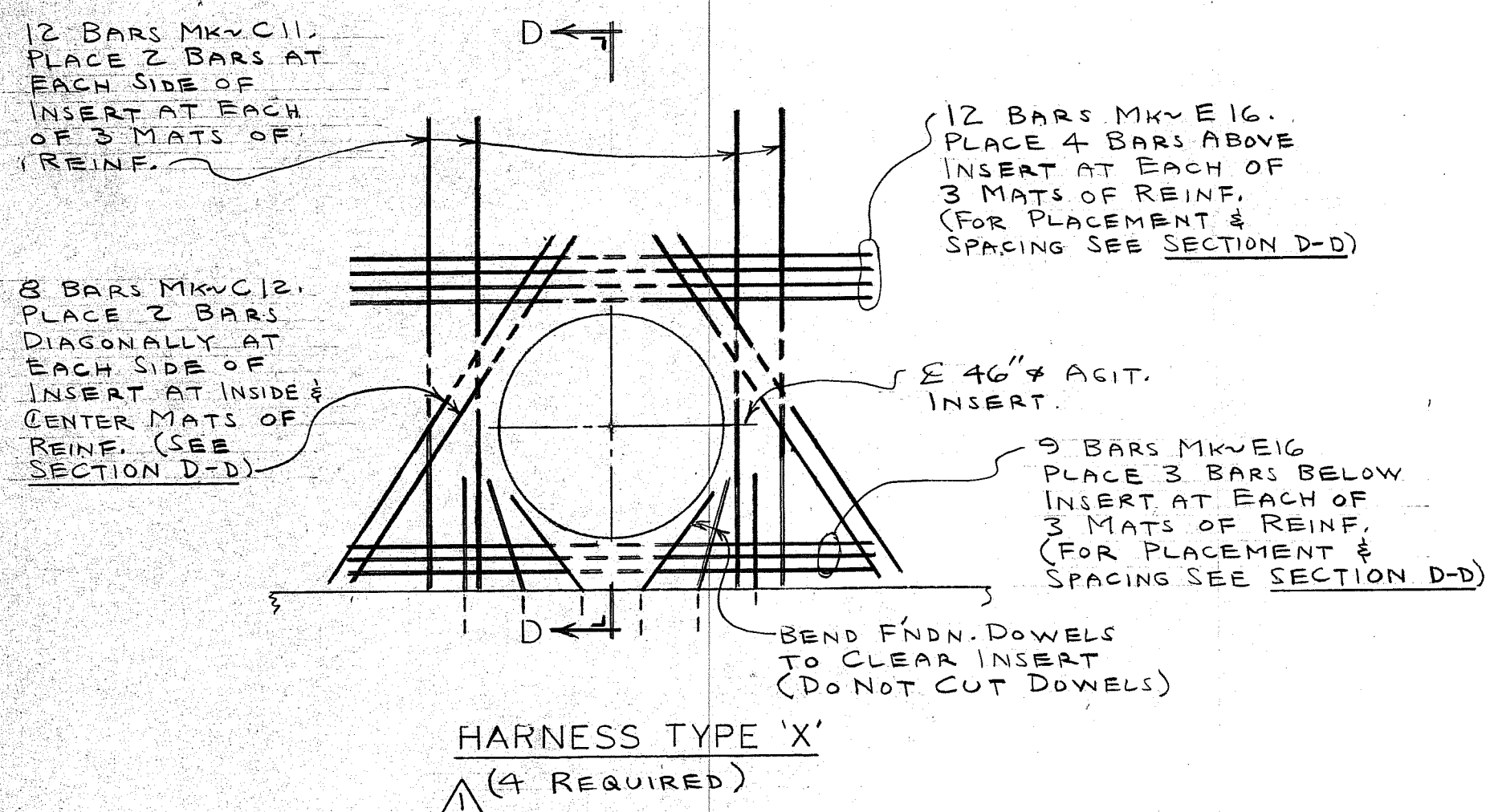
CONCRETE: $f'_c = 3000 \text{ psi}$, $5\frac{1}{2}$ sock w/ std. gravel aggregate and not over 4" slump
 $f_s = 24 \text{ ksi}$ for Grade 60 - all #11 bars
 $= 20 \text{ ksi}$ " " 40 - all #8 bars
 all re-steel deformed, new billet steel per ASTM 615-68
 Lap all steel a minimum of 24 diameters
 Embedment minimum $\phi + 3"$

Rebar Summary:

Bottom Radial:	Bot mat.	All #11 Gr 60;	36-60';	36-40'
"	Top mat.	All #8 Gr 40;	36-32';	36-20'
Top Radial		All #8 Gr 40;	36-60';	
Top + Bottom Hoops		All #8 Gr 40;	82-60'	

C	3-8-74	DC.	REVISED SLOPES	
B	2-5-74	D.C.	ADDED REBAR LENGTHS & INDICATED SLOPE	
A	2-11-74	D.C.	LOCATED 450V CONDUIT + ORIENTATED PILES TO SITE	ADDED DATA ANALYSIS
Issue	Date	BY	REVISIONS	
<p align="center">GEORGIA-PACIFIC CORPORATION BELLINGHAM DIVISION • BELLINGHAM, WASHINGTON</p>				
DEPT. Bleach Plant				
SHOWING Foundation for 4130DT, 11 1/2" Bleach Plant Tower				
DRAWN BY	CHECKED BY	APPROVED BY	SCALE	DRAWING NO.
HWB		HWB	Noted	C-4120
				C

REF.	LAWYER ORIENTATION B-4360	
DWGS.		
PROJ. NO.		
ACCT. NO.		
W.O. NO.		
DEPT. APPROV.		
MAINT. APPROV.		



884 LBS. OF TIE WIRE

* 24 PCS. SHIPPED
** 48 PCS. SHIPPED

WORK THIS DWG. WITH
STEBBINS DWGS. 3-435,
-435A, -435C.

THIS DRAWING IS SENT TO YOU SUBJECT TO RETURN UPON
DEMAND, AND WITH THE UNDERSTANDING THAT IT IS NOT
TO BE REPRODUCED, COPIED, OR USED DIRECTLY OR IN-
DIRECTLY IN ANY WAY DETRIMENTAL TO OUR INTERESTS.

ORDER III ~ STEEL FOR TOP 36'-7 1/2" OF TOWER & BOTTOM CONE.

REQD.	MK.	SIZE	OVERALL LENGTH	TYPE	A	B	C	D	E	F	G	H	R
7	E31	4	10'-0"	9					10'-0"				10'-0"
7	E30	4	9'-3"					9'-3"					9'-4"
6	E29	4	10'-0"					10'-0"					8'-8"
6	E28	4	9'-3"					9'-3"					7'-11"
5	E27	4	10'-0"					10'-0"					7'-3"
5	E26	4	9'-0"					9'-0"					6'-6"
4	E25	4	10'-0"					10'-0"					5'-9"
4	E24	4	9'-0"					9'-0"					5'-1"
3	E23	4	10'-0"					10'-0"					4'-5"
3	E22	4	8'-6"					8'-6"					3'-8"
2	E21	4	10'-0"					10'-0"					2'-11"
2	E20	4	7'-9"					7'-9"					2'-2"
2	E19	4	5'-6"					5'-6"					1'-6"
2	E18	4	3'-3"					3'-3"					0'-9"
66	E13	6	17'-10"					17'-10"					15'-4"
42	E11	5	17'-10"					17'-10"					15'-6"
30	E10	6	18'-1"					18'-1"					15'-6"
72	E9	7	18'-4"					18'-4"					15'-6"
216	E8	8	19'-0"	9				19'-0"					15'-8"
44	J1	4	11'-1"	3				0'-7"	10'-6"				0'-33"
22	C14	4	11'-3"										
113	C10	5	10'-7"										
113	C9	6	10'-0"										
97	C8	5	8'-2"										
113	C3	6	15'-0"										
REQD.	MK.	SIZE	OVERALL LENGTH	TYPE	A	B	C	D	E	F	G	H	R
REINFORCING STEEL SCHEDULE													
FOR BENDING DETAILS SEE DRAWING NO. 74347													
24-1-8													

ORDER II ~ STEEL FOR CENTER 37'-0" OF TOWER

REQD.	MK.	SIZE	OVERALL LENGTH	TYPE	A	B	C	D	E	F	G	H	R
168	E15	8	19'-8"	9				19'-8"					16'-4"
54	E12	7	18'-1"					18'-1"					15'-4"
216	E7	8	19'-7"					19'-7"					16'-2"
196	E6	8	17'-7"					17'-7"					16'-5"
330	E4	8	18'-4"	9				18'-4"					15'-4"
97	C7	6	12'-4"										
110	C6	6	11'-2"										
533	C3	6	15'-0"										
REQD.	MK.	SIZE	OVERALL LENGTH	TYPE	A	B	C	D	E	F	G	H	R
REINFORCING STEEL SCHEDULE													
FOR BENDING DETAILS SEE DRAWING NO. 74347													
63-1-1													

ORDER I ~ STEEL FOR LOWER 31'-4 1/2" OF TOWER

REQD.	MK.	SIZE	OVERALL LENGTH	TYPE	A	B	C	D	E	F	G	H	R
322	E14	8	17'-9"	9				17'-9"					16'-11"
322	E5	8	18'-2"					18'-2"					17'-4"
276	E4	8	18'-4"					18'-4"					15'-4"
96	E3	8	30'-6"					30'-6"					17'-9"
96	E2	8	29'-10"					29'-10"					17'-4"
96	E1	8	26'-5"	9				26'-5"					15'-4"
110	C5	6	13'-0"										
113	C4	6	8'-0"										
640	C3	6	15'-0"										
REQD.	MK.	SIZE	OVERALL LENGTH	TYPE	A	B	C	D	E	F	G	H	R
REINFORCING STEEL SCHEDULE													
FOR BENDING DETAILS SEE DRAWING NO. 74347													
89-2-9													

BARS BELOW ARE FOR INSERT HARNESSES

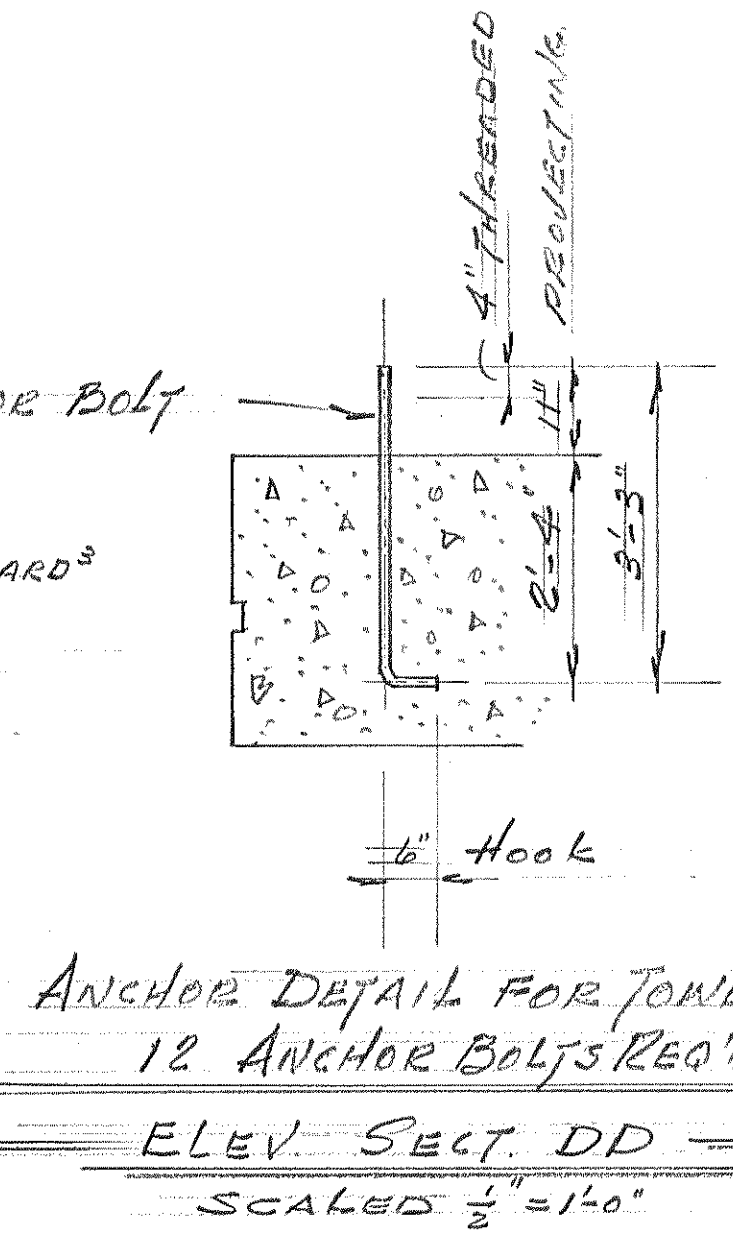
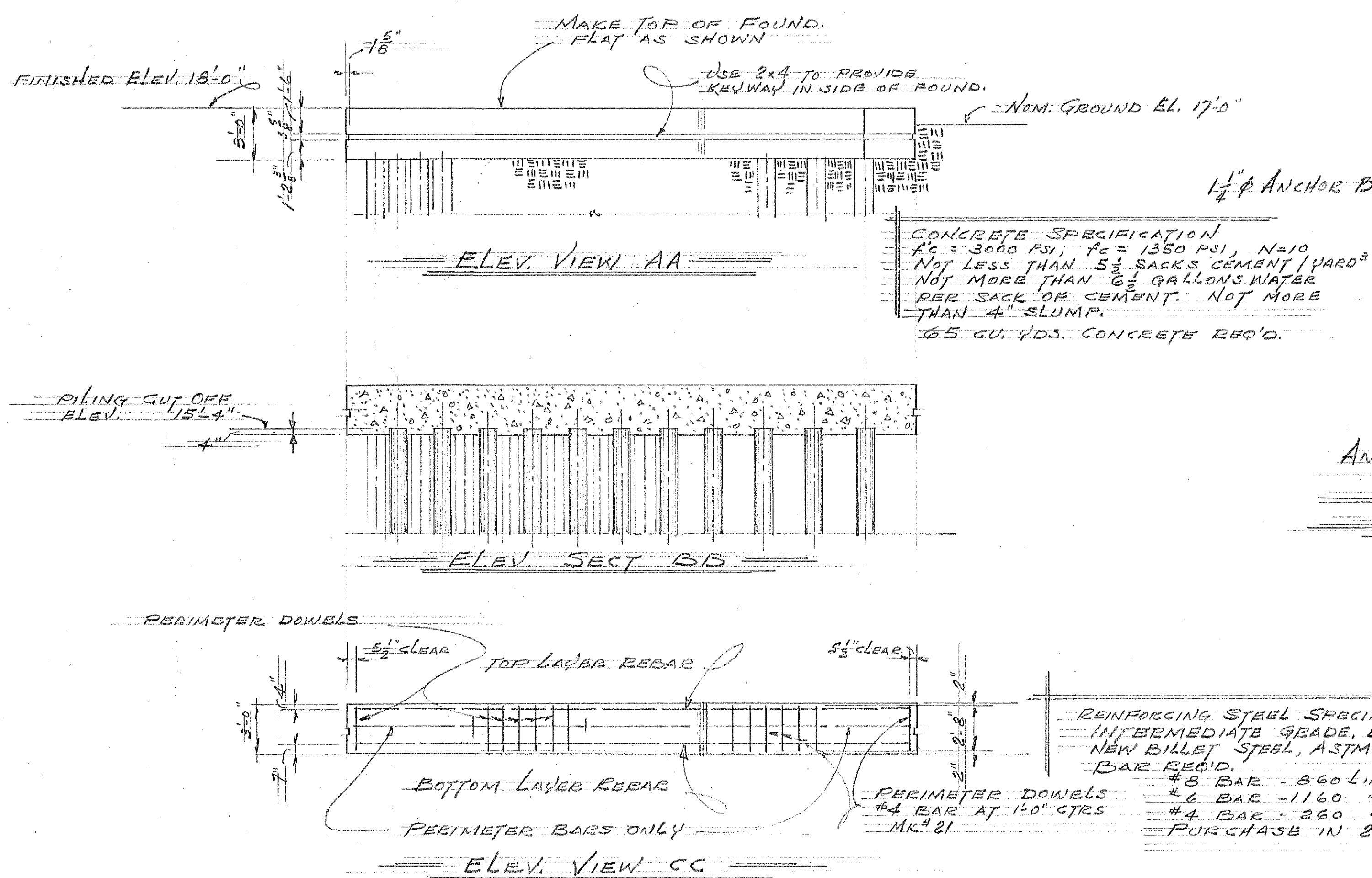
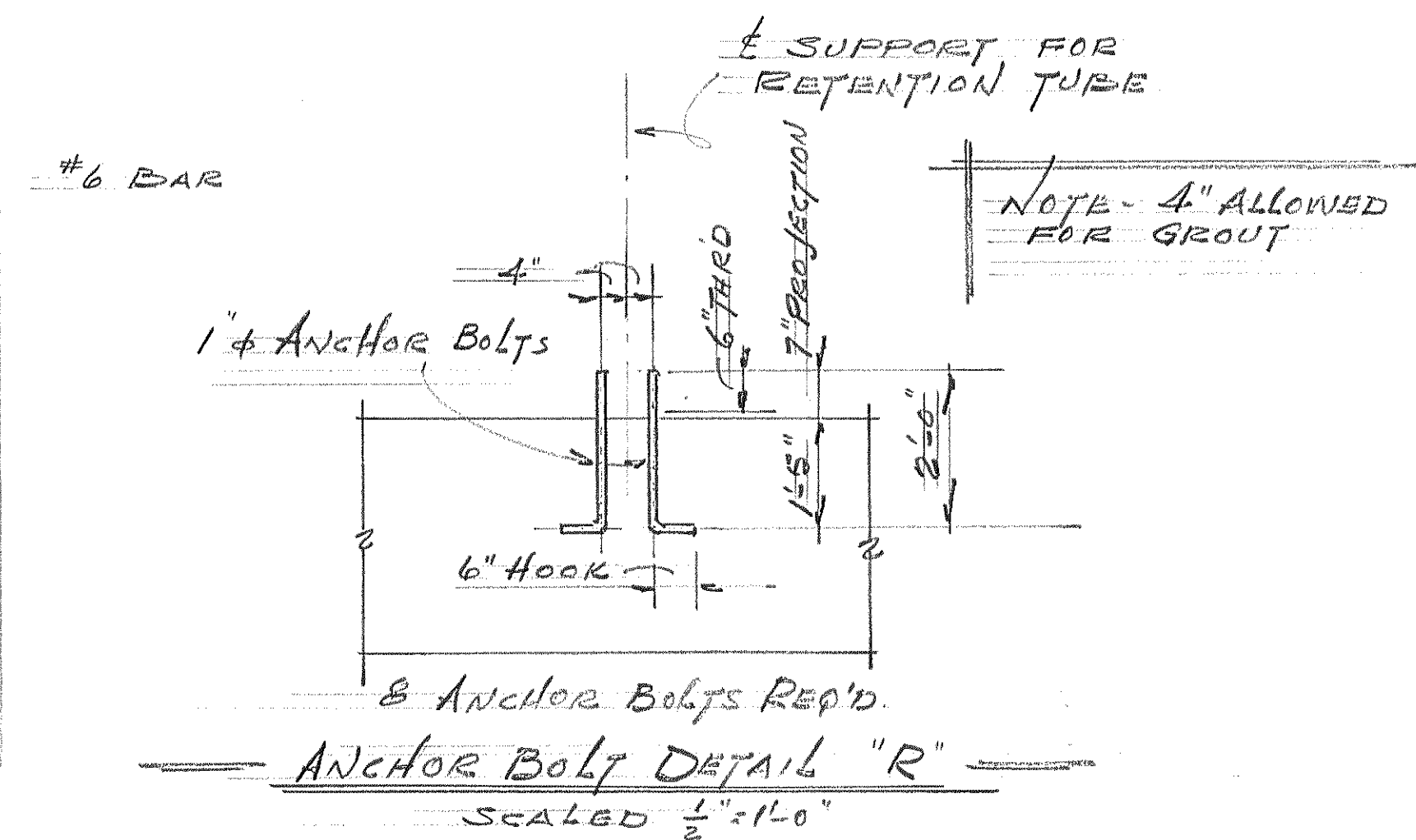
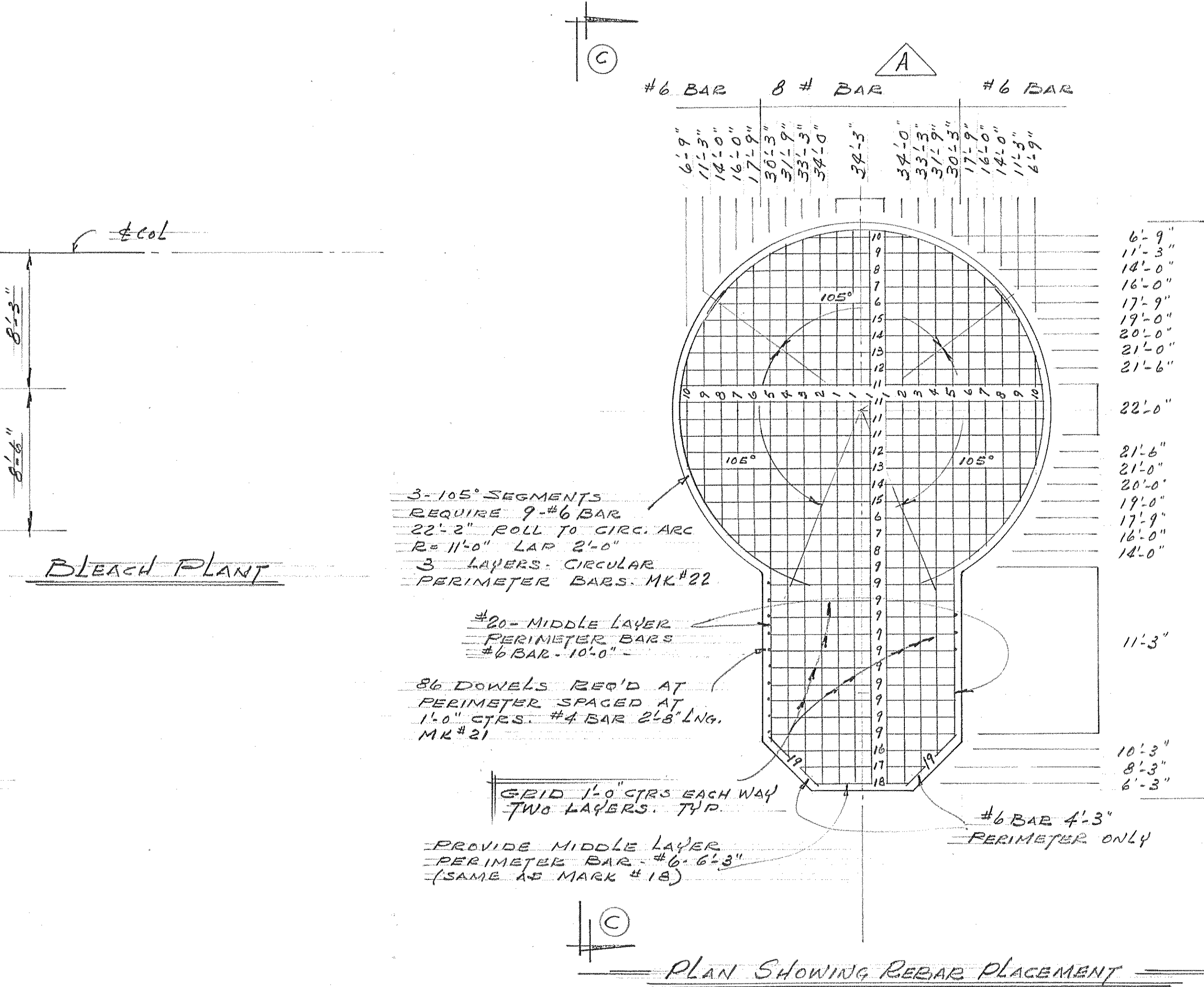
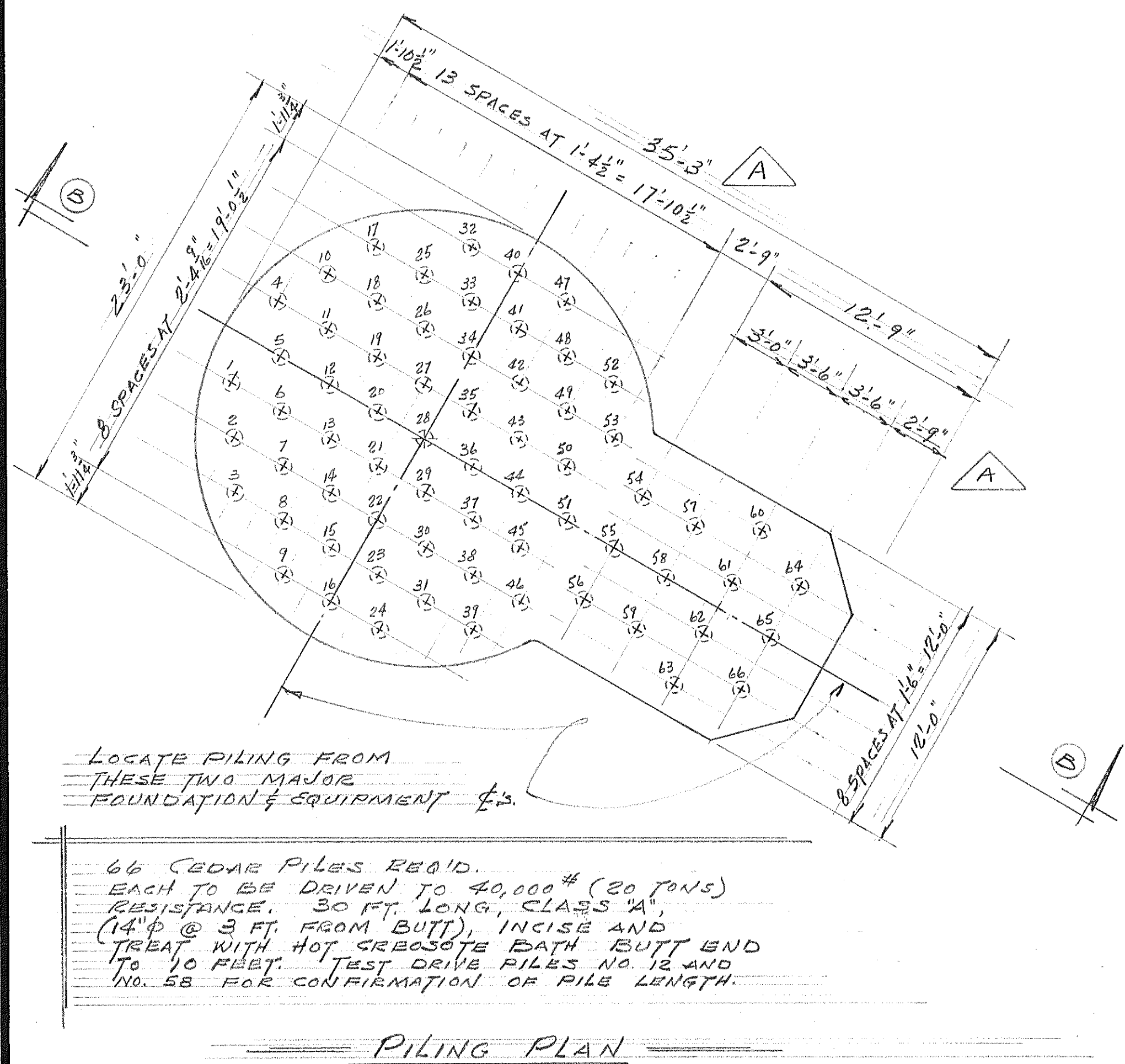
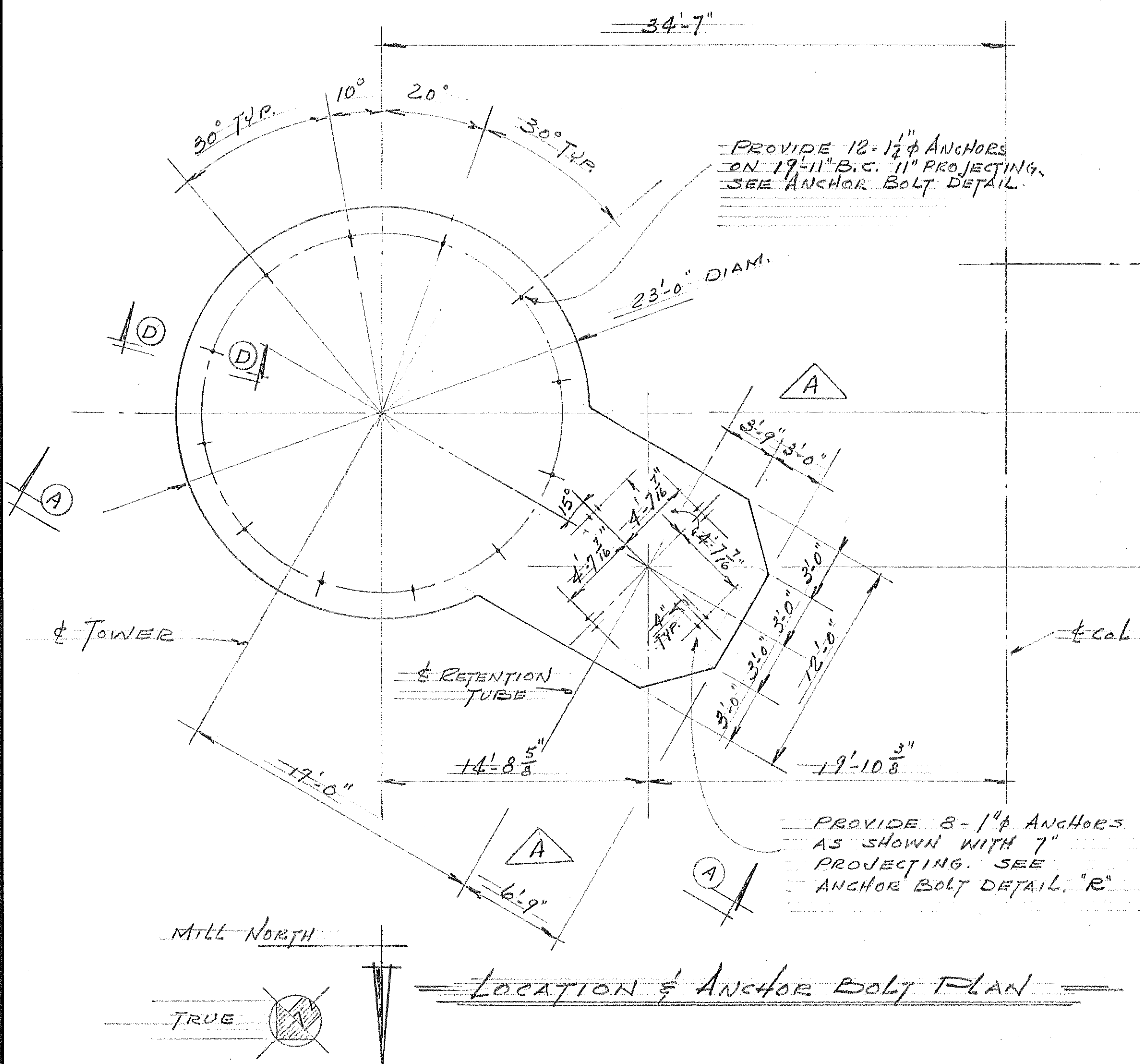
ITEM	DESIGN HEAD	DESIGN TEMP.	INTERIOR JOINT MAT'L	MEMBRANE
48	C11	6	7'-6"	
32	C12	8	7'-0"	
18	C13	6	5'-6"	
84	E16	9	9'-0"	16'-8"
36	E17	8	6'-6"	16'-8"

ITEM	DESIGN HEAD	DESIGN TEMP.	INTERIOR JOINT MAT'L	MEMBRANE
FOR CONSTRUCTION				
STEBBINS ENGINEERING & MFG. CO.				
WATERLOO, N.Y.				
Date: AUG 12 1976				

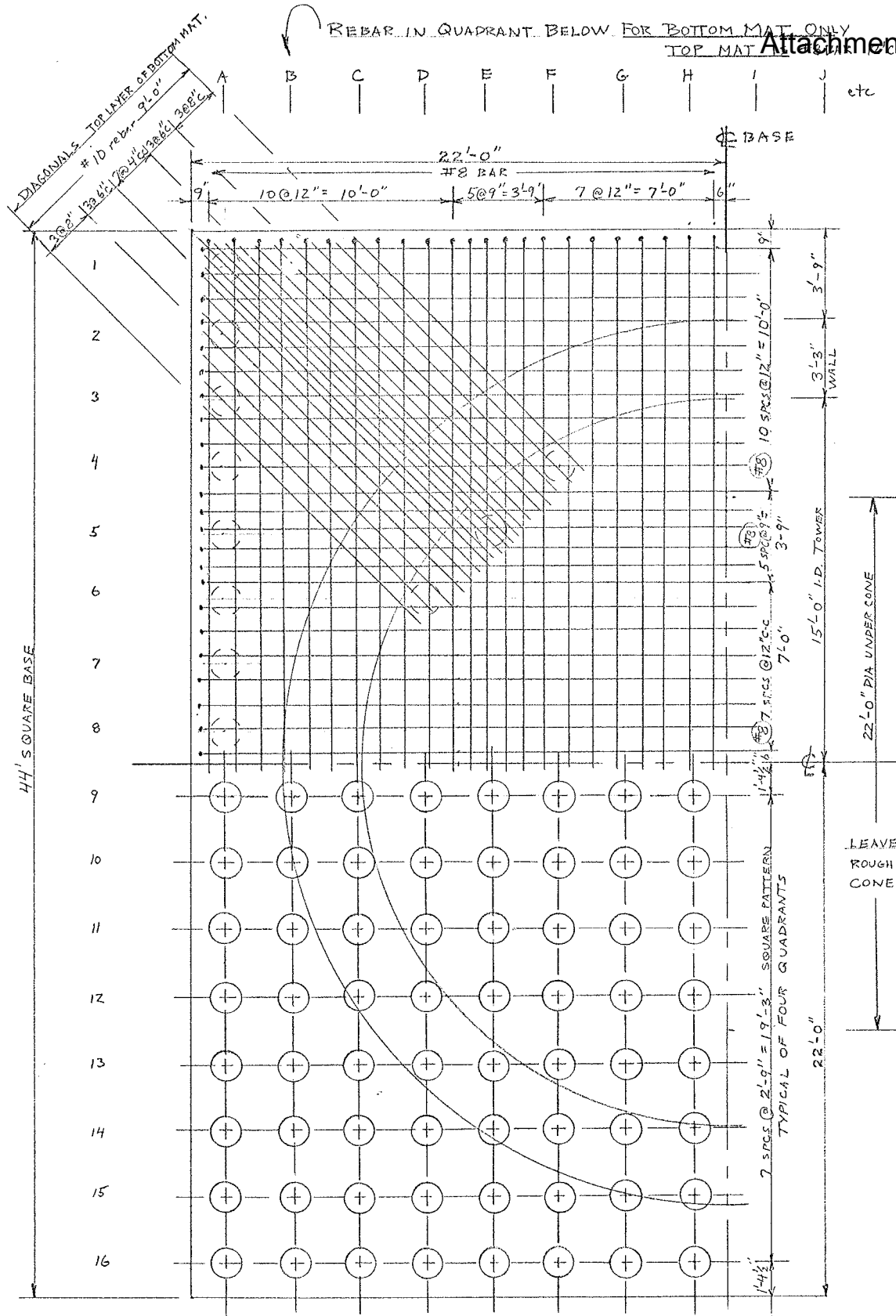
ISSUED	REFERENCES:	STEBBINS ENGINEERING CORPORATION	SEATTLE, WASH.
1976	STEBBINS DWG. 3-435	REINFORCING STEEL SCHEDULES & DETAILS	BLEACHED STOCK TOWER
1	HARN. 'X' ARRANG. ALT. 7-24-76 R.L.J.	GEORGIA PACIFIC CORP.	BELLINGHAM, WASH.
2	HARN. 'Y' QUANTITY WAS 4	8-12-76 R.L.J.	JULY 7, 1976
3	CHECKED BY C.A.G.	APPROVED BY W.K.B.	SCALE 3/4" = 1'-0"
4	OUR JOB NO. 20-0873-01	ITEM NO. 103812-P	No. 3-435B

ITEM		DESIGN HEAD	DESIGN TEMP.	INTERIOR JOINT MAT'L	MEMBRANE
_____		105° L°	150° F. MAX.	AR-196	_____
_____			△		
_____		<div style="text-align: center; font-size: 2em; font-weight: bold;">FOR APPROVAL</div>			

ISSUED		<div style="text-align: center; border: 1px solid black; padding: 5px;"> STEBBINS ENGINEERING CORPORATION SEATTLE, WASH. </div>			
REFERENCES:		CONSTRUCTION DETAILS			
BRINKLEY CO. DWGS. 4230B, 1137B, 11380		BLEACHED STOCK TOWER			
G.P. CORR. DWG. N.B. C-4380		GEORGIA PACIFIC CORP.			
REVISIONS:	1	ADDED SECT. E.E. AGIT. OUTLINES; HAW. TYPE 7-10-76 R.L.W.			
	2	ADDED INSERTS & 1/8" FLOOR FILL. OP. TEMP. WAS 103° 7-26-76 R.L.W.			
	3	CHANGED INSERT SIZES, LOC'S.; & REV. 8-10-76 R.L.W.			
	4				
DRAWN BY		OUR JOB NO.	JUNE 24, 1976		
R.L.W.		20-0873-01			
CHECKED BY		ITEM NO.		SCALE	
J.F.B.				3/8" = 1" & 3/16" = 1 FT.	
APPROVED BY		P.O. No.		No. 3-435	
W.K.B.					

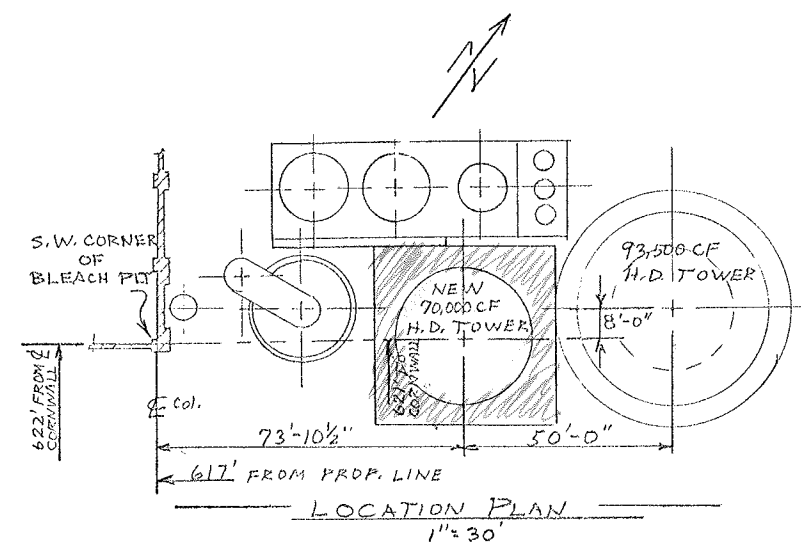
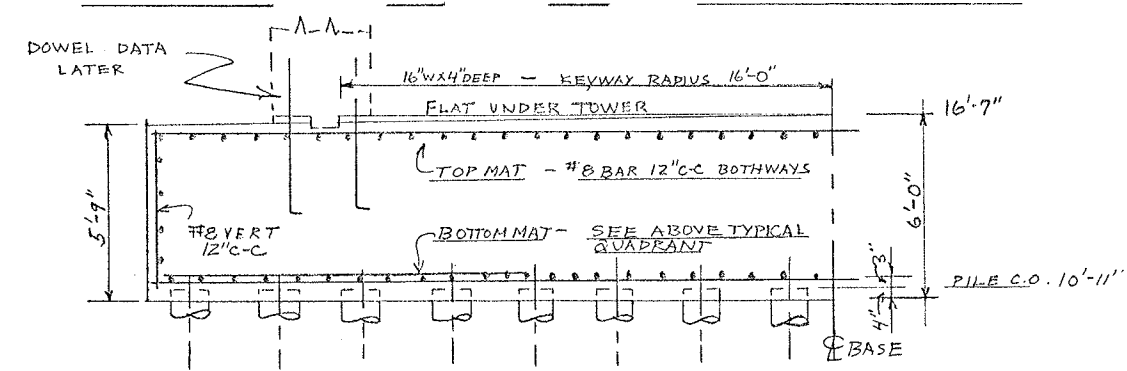


C			
B			
A	12/13/67	WIG	EXTENDED KEY LENGTH TO ACCOM. EQUIPMENT
Issue	Date	BY	REVISIONS
<p align="center">GEORGIA-PACIFIC CORPORATION PUGET SOUND DIVISION • BELLINGHAM, WASHINGTON</p>			
DEPT.	BLEACH PLANT		
SHOWING	CLO. TOWER FOUNDATION		
DRAWN BY	CHECKED BY	APPROVED BY	SCALE
11-30-67 WIG/ars	11-30-67 HWA	WIG	$\frac{3}{16}'' = \frac{1}{2}''$ $\frac{1}{16}'' = \frac{1}{2}''$
DRAWING NO.			ISSUE
B-3095			A



LEAVE INNER 11'-0" RADIUS
ROUGH FINISH TO ACCEPT
CONE FILL

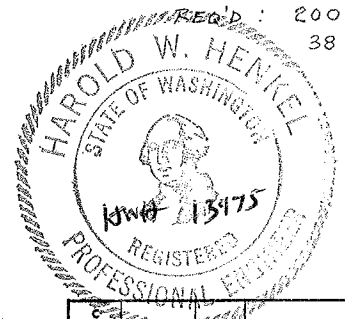
BROOM FINISH
EXTERIOR EXPOSED
CONCRETE



DESIGN BASIS : UBC -1973 EDITION
SEISMIC : ZONE 3 , Z=1.0 ; $C_p=0.1$ per table 2
DESIGN LOADS : SEE CALC. SHEETS
PILING : 256 CLASS A DOUGLAS FIR, 40' LONG
FULLY TREATED WITH HOT CREOSOTE TO
12#/CF RETENTION DRIVE TO 50K
CONCRETE :
 $f_c = 3 \text{ KSI}$, 5 1/2 SACK, W/STD GRAVEL AGGREGATE
AND NOT OVER 4" SLUMP (430 CY R)

REBAR :
ALL #10 BAR GRADE 60 } ALL NEWBILLET
ALL #8 BAR GRADE 40 } ASTM A 615-
LAP ALL STEEL 36 DIA. MINIMUM
MINIMUM EMBEDMENT 3"

REQ'D : 200'-50' LONG #8 GR 40
38 - 30' LONG #10 GR 60

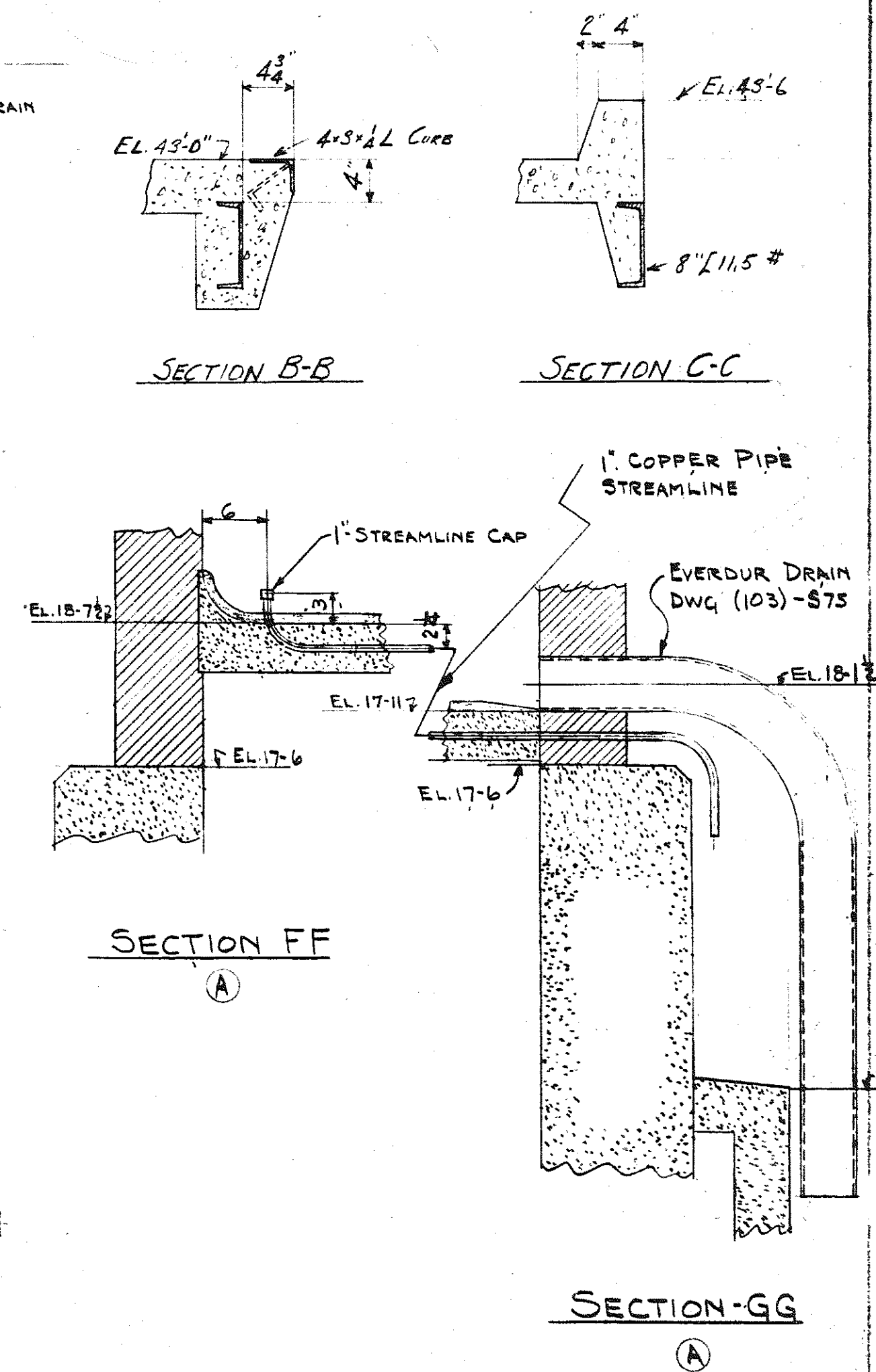
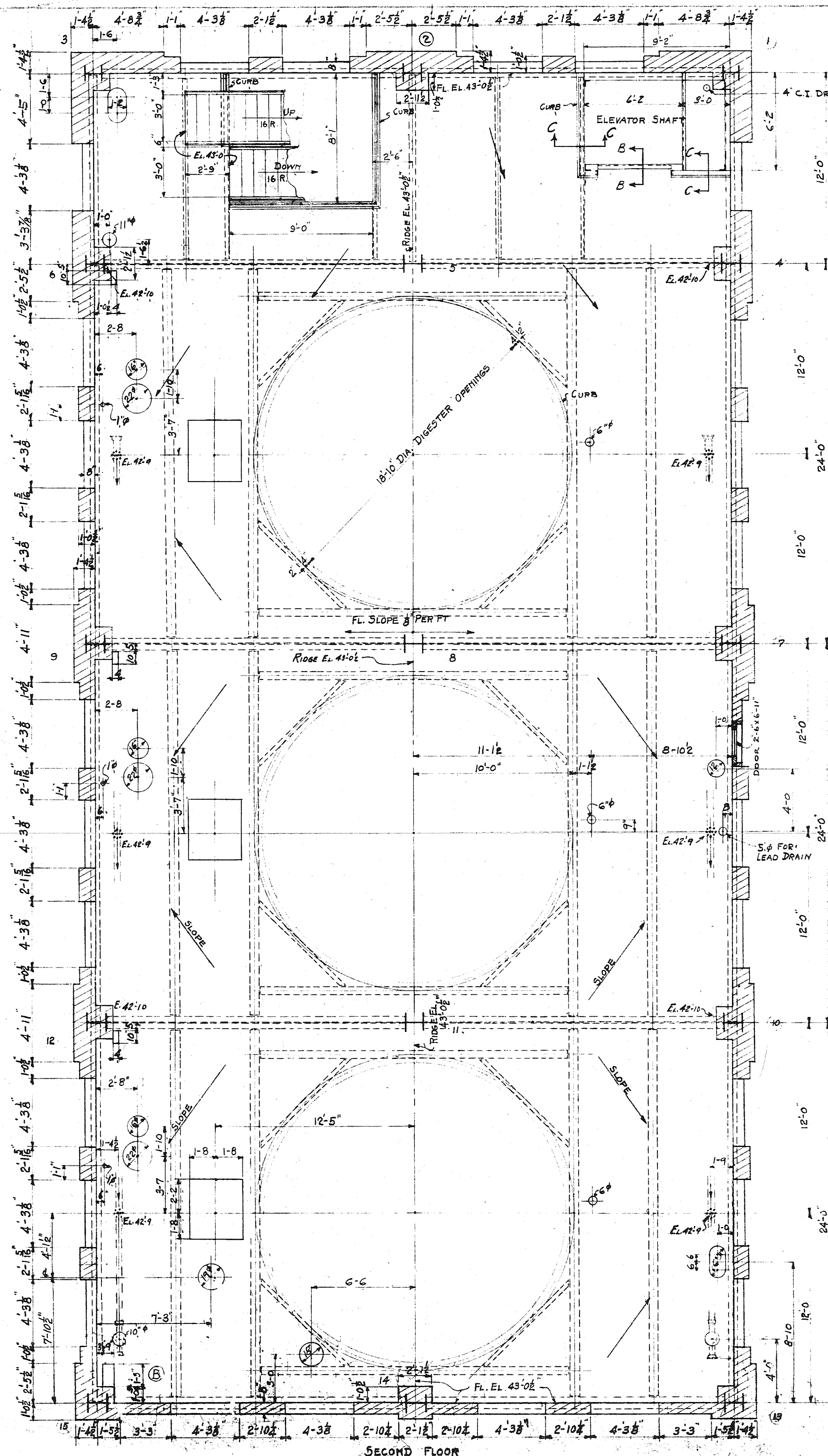
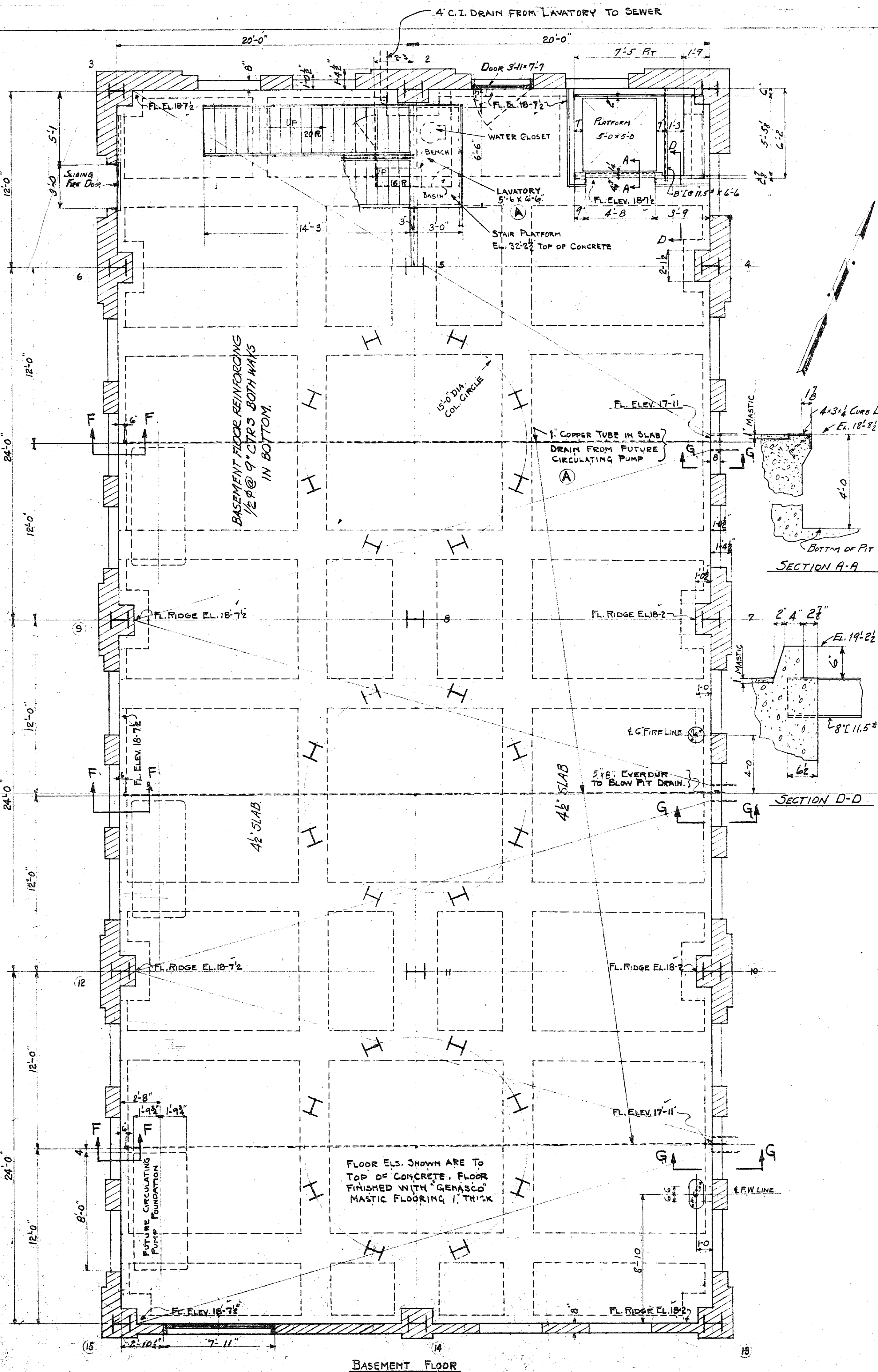


REF.		C-4120	
DWGS.			
PROJ. NO.			
ACCT. NO.		010-0890-6113	
W.O. NO.		8836	
DEPT. APPROV.			
MAINT. APPROV.			
Issue	Date	BY	REVISIONS
GEORGIA-PACIFIC CORPORATION BELLINGHAM DIVISION • BELLINGHAM, WASHINGTON			
DEPT. BLEACH PLANT			
SHOWING FOUNDATION FOR 70,000 CF H.D. BLEACH ST.			
DRAWN BY	CHECKED BY	APPROVED BY	SCALE
HWH		HWH	1/4" = 1'-0"
6/10/76			
DRAWING NO.			C-437



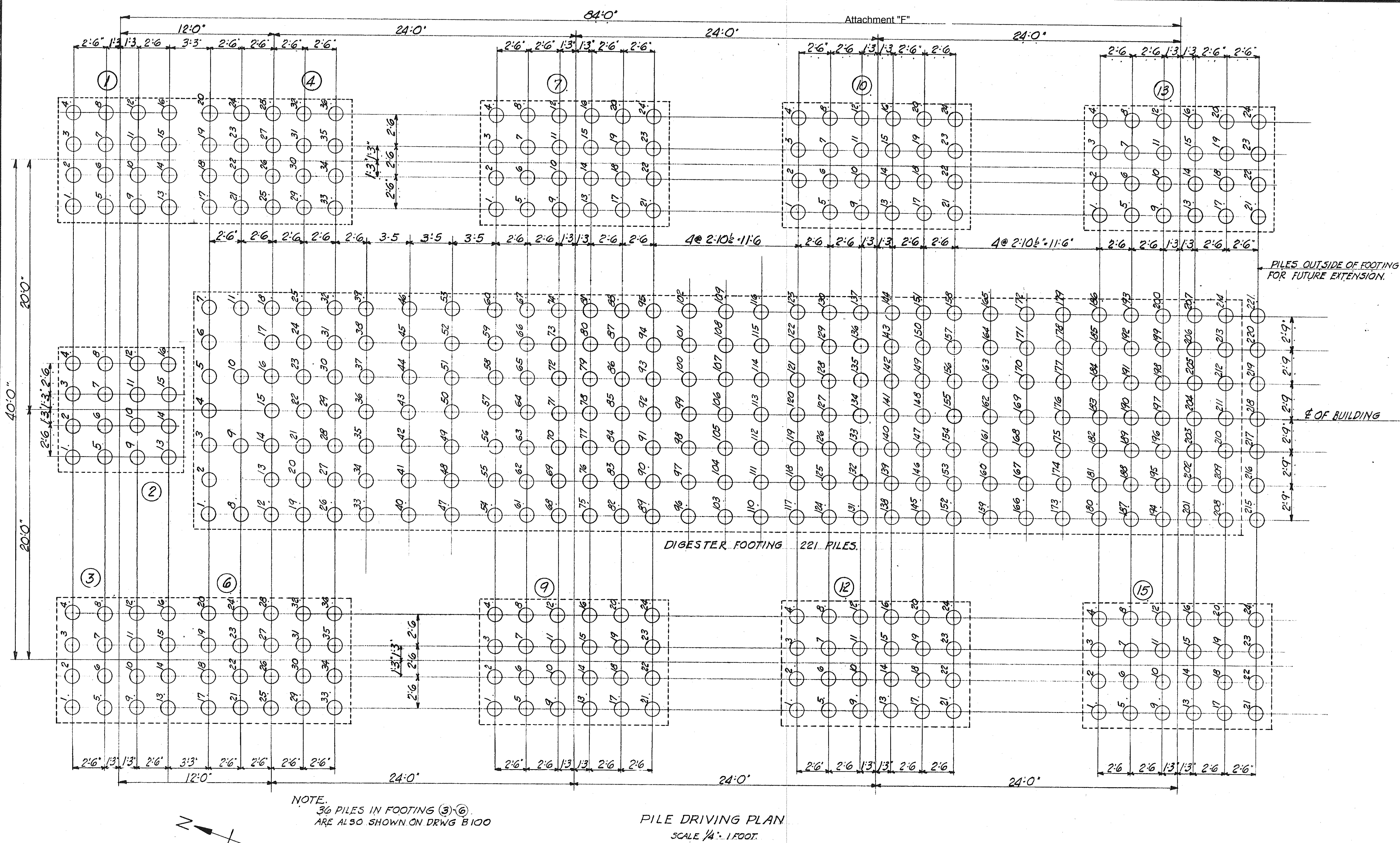
Appendix F

Digester Tanks and Digester Building Construction Drawings



NOTE: THIS DRAWING IS THE PROPERTY OF MARSHALL & JARR CONSULTING INDUSTRIAL ENGINEERS AND MUST BE RETURNED, IF IT IS NOT TO BE COPIED OR DUPLICATED IN ANY MANNER, AND SHALL NOT BE SUBMITTED TO OUTSIDE PARTIES WITHOUT OUR WRITTEN CONSENT.

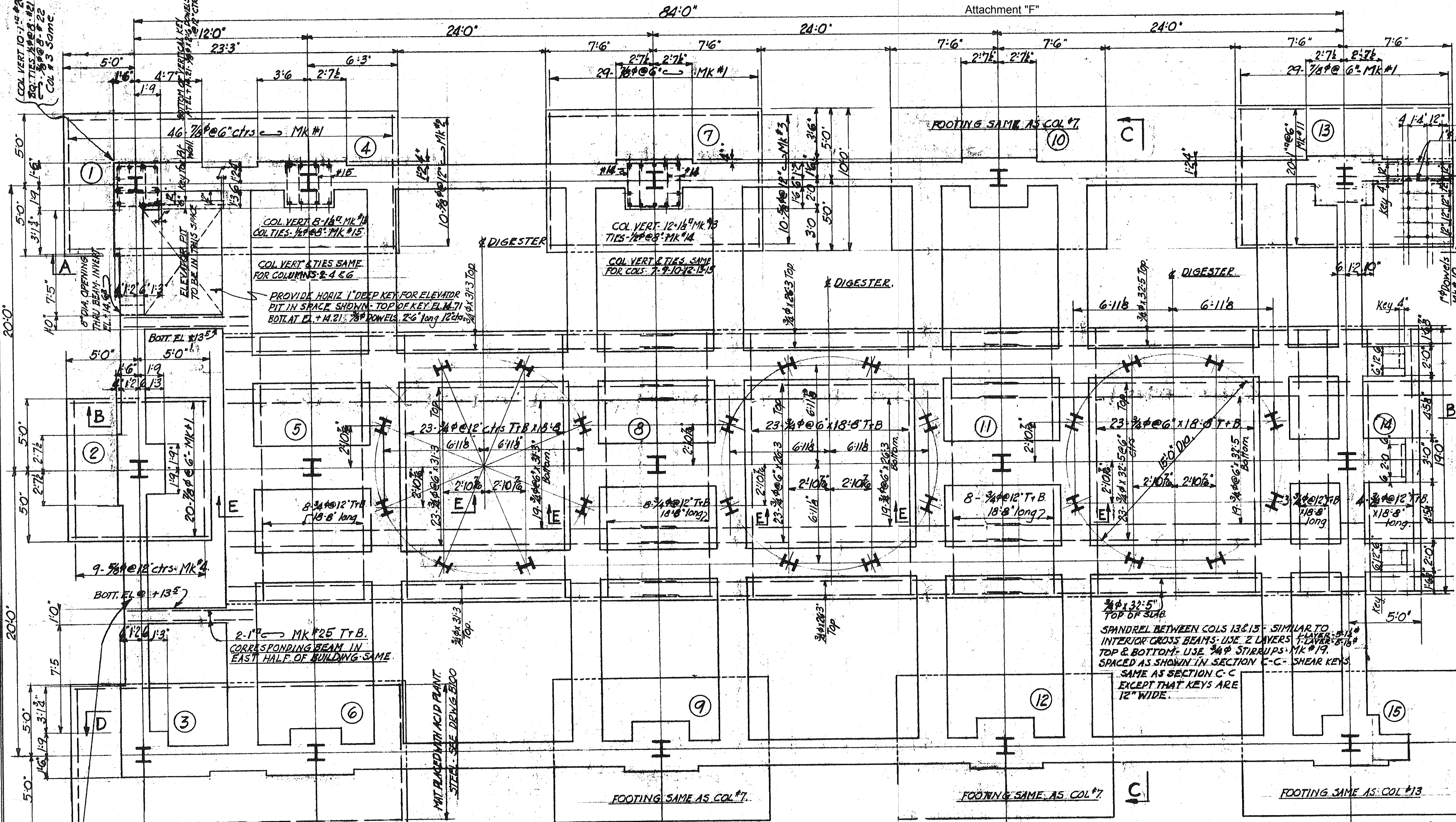
C	2/11/36	M.N.	SIZE OF HOLE CHANGED	
1A	2/11/36	E.W.	LAVATORY-DRAINS - SECT FF & GG ADDED	
ISSUE	DATE	BY	REVISIONS	
<p align="center">CAVIN, MARSHALL & BARR CONSULTING INDUSTRIAL ENGINEERS</p> <p align="center">823 PUGET SOUND BANK BLDG. TACOMA, WASH.</p>				
<p>TITLE <u>DIGESTER BLDG- BASEMENT & SECOND F. FLOOR PLANS</u></p> <p>JOB <u>40,000 TON UNBLEACHED SULPHITE MILL</u></p> <p>OWNER <u>PUGET SOUND PULP & TIMBER CO.</u></p> <p>LOCATION <u>BELLINGHAM WASH.</u> SCALE <u>1"=1'-0"</u></p>				
MADE BY	CHECKED BY	APPROVED BY	JOB NO.	DRAWING NO.
H.A.K. 2/24/37	N.M.I. 4-38		101	B-26
				B7



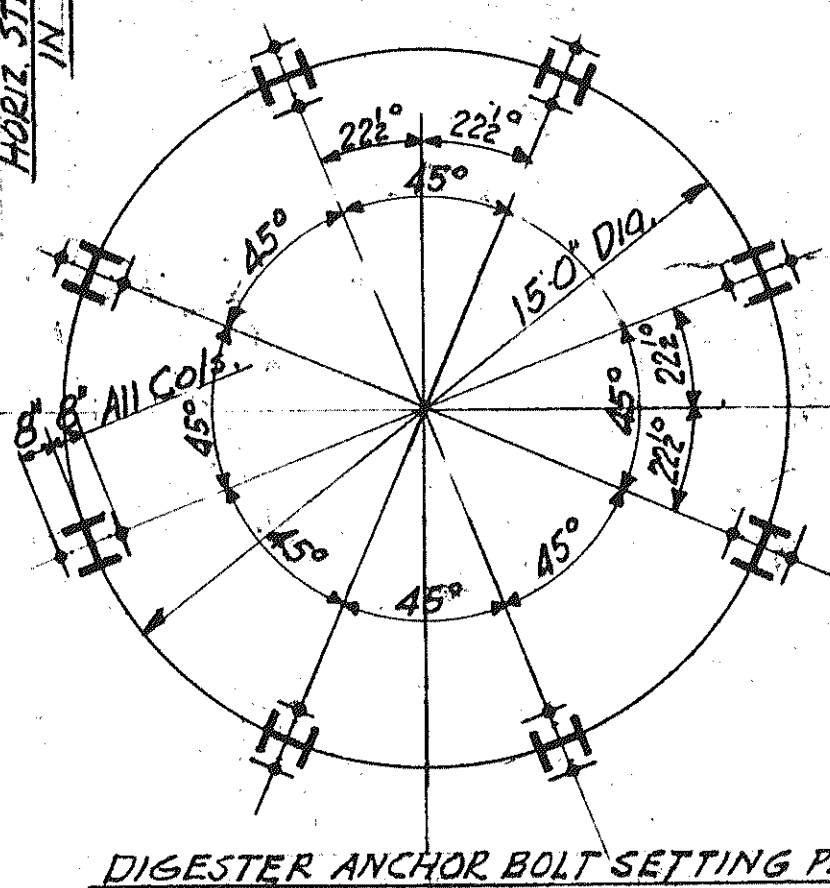
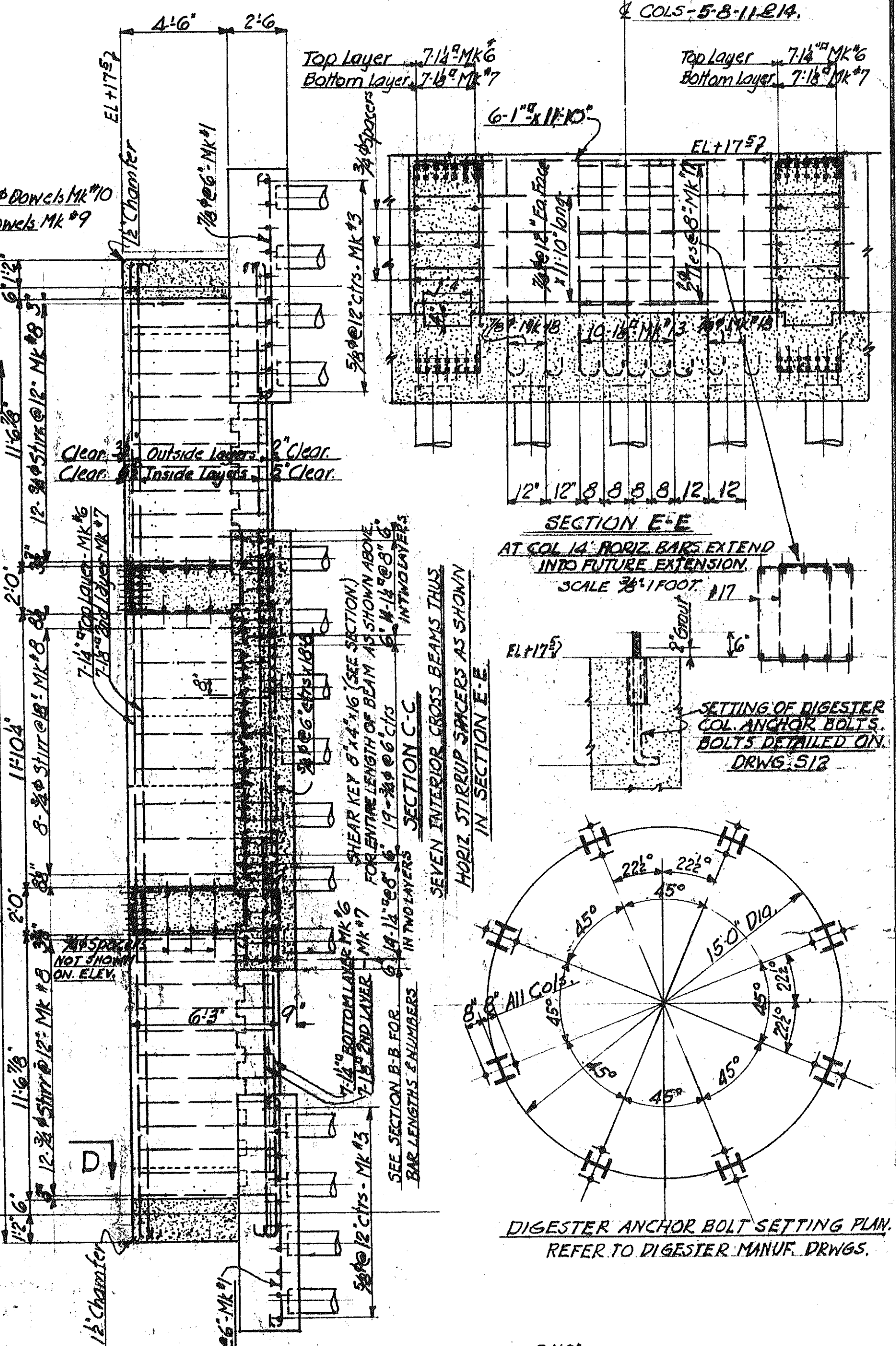
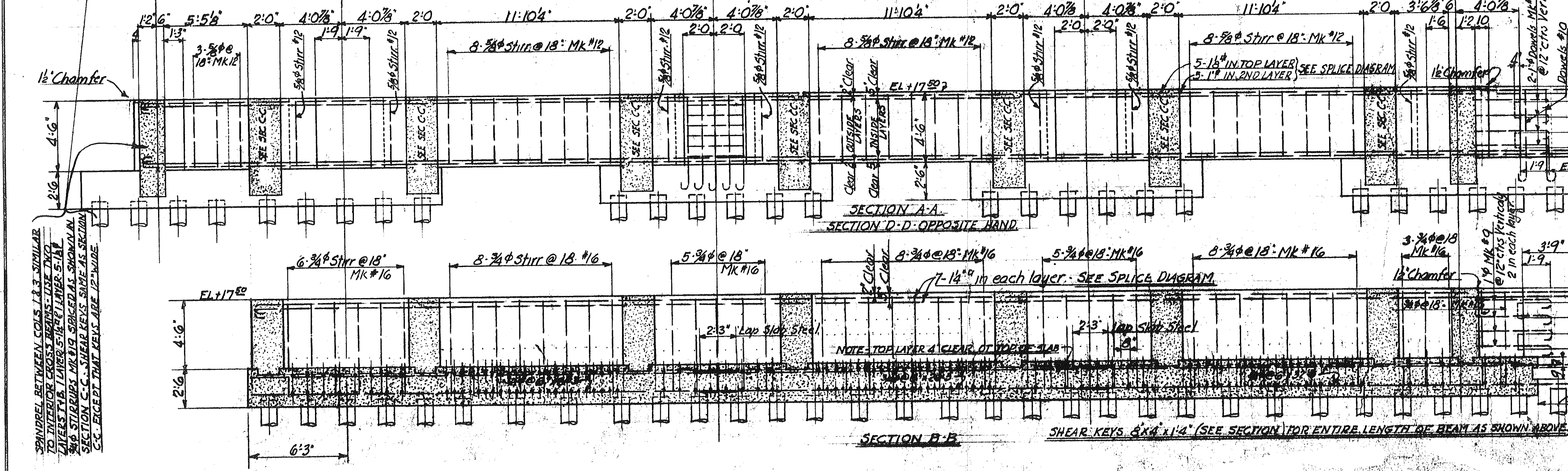
NUMBER OF PILES REQUIRED - 453.
PILE CUTOFF AT EL +11.2.

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ISSUE	DATE	BY	REVISIONS
CAVIN, MARSHALL & BARR CONSULTING INDUSTRIAL ENGINEERS			
TITLE DIGESTER BUILDING PILE DRIVING PLAN			
JOB 40,000 TON UNBLEACHED SULPHITE PULP MILL			
OWNER PUGET SOUND PULP & TIMBER CO			
LOCATION BELLINGHAM, WASH. SCALE 1/4" = 1 FOOT.			
MADE BY	CHKD. BY	APPROVED BY	JOB NO. DRAWING NO. ISSUE
S.B.R.	V.C.H. 9/29/77		101 B-29

NOTE: THIS DRAWING IS THE PROPERTY OF
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WRITTEN CONSENT.



FOUNDATION PLAN



DIGESTER ANCHOR BOLT SETTING PLAN. REFER TO DIGESTER MANUF. DRWS.

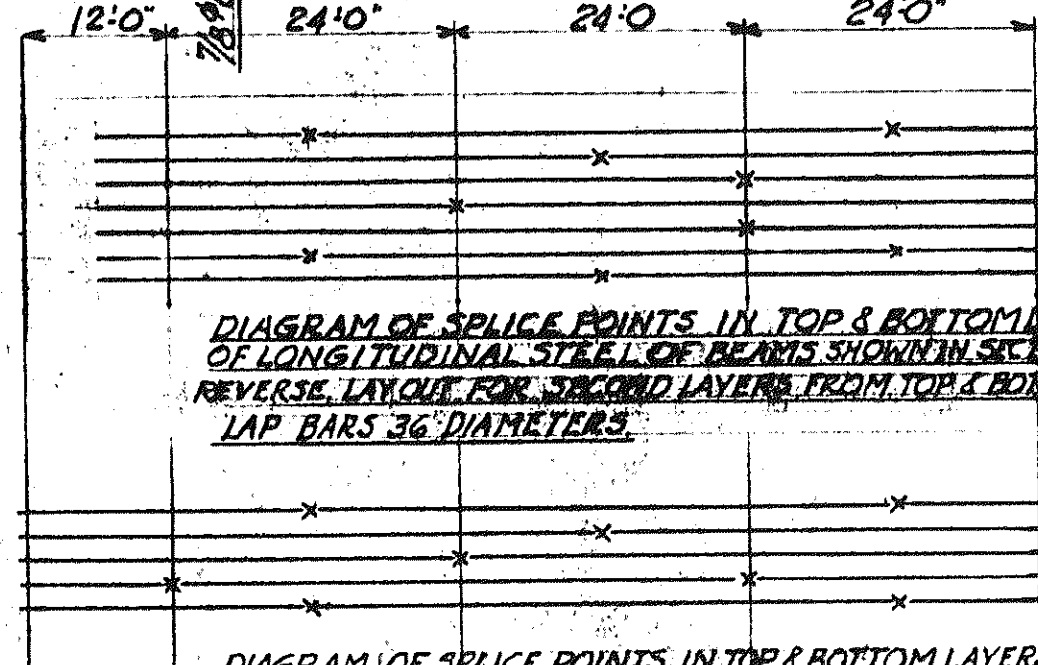


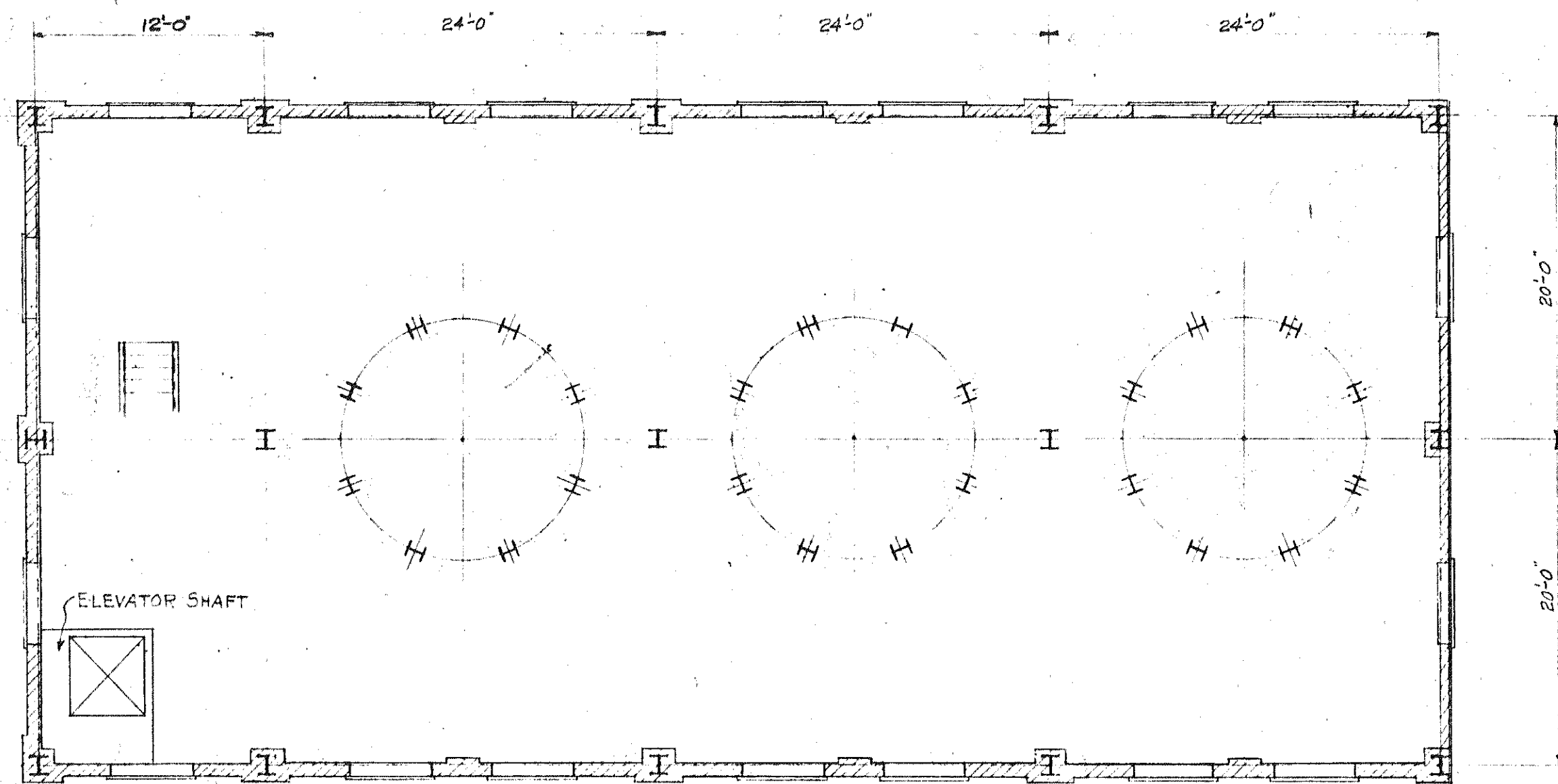
DIAGRAM OF SPICE POINTS IN TOP & BOTTOM LAYERS OF LONGITUDINAL STEEL IN SPANDREL BEAMS. REVERSE LAYOUT FOR SECOND LAYERS FROM TOP & BOTTOM. LAP BARS 36" DIAMETERS.

OUTSIDE OF SPANDREL BEAMS AND PILASTERS CHAMFERED 1/2" AT EL. 17.50. ANCHOR BOLT PLAN FOR COLS. 1 TO 15 BY ISAGGSON IRON WKS.

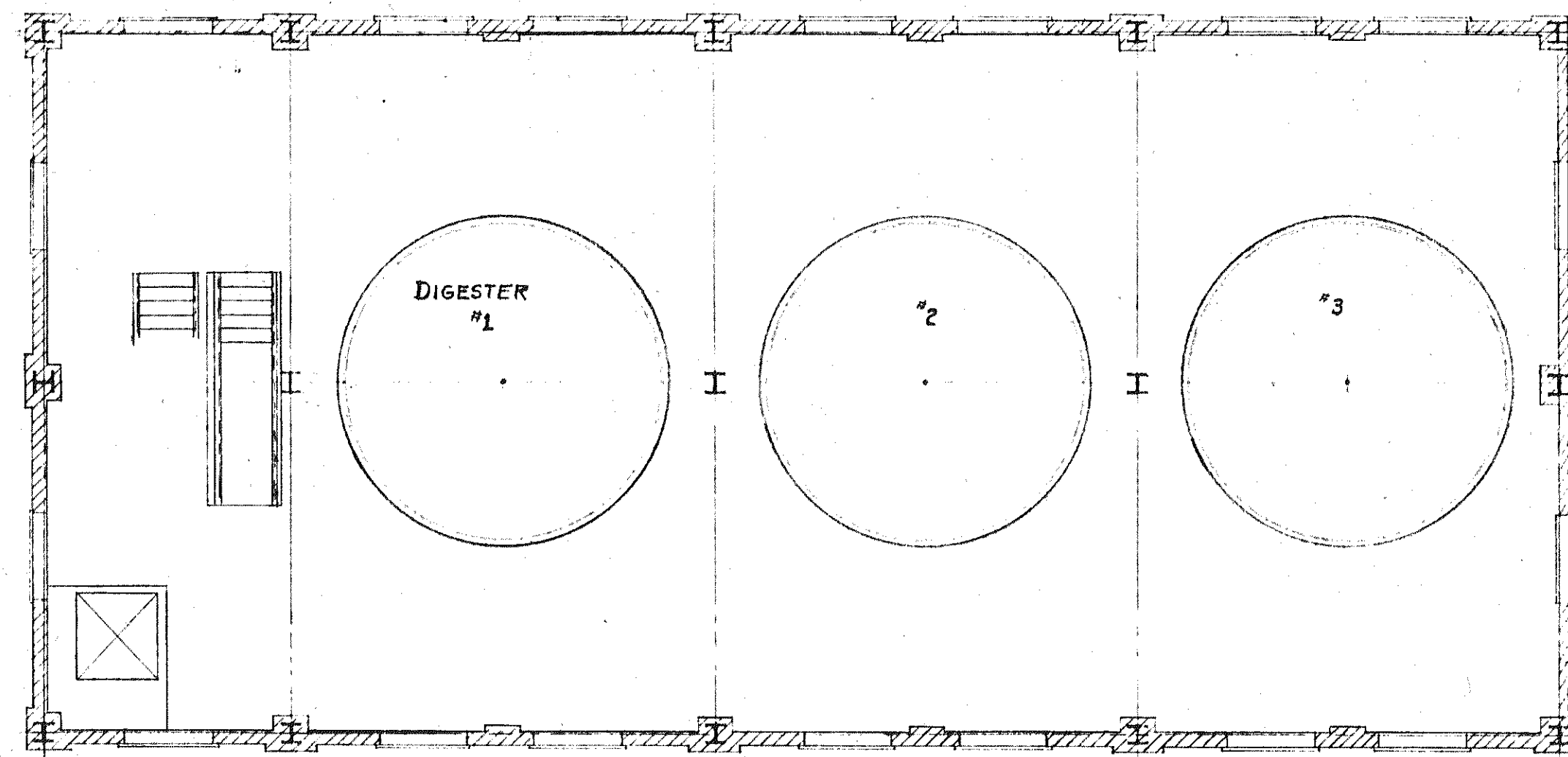
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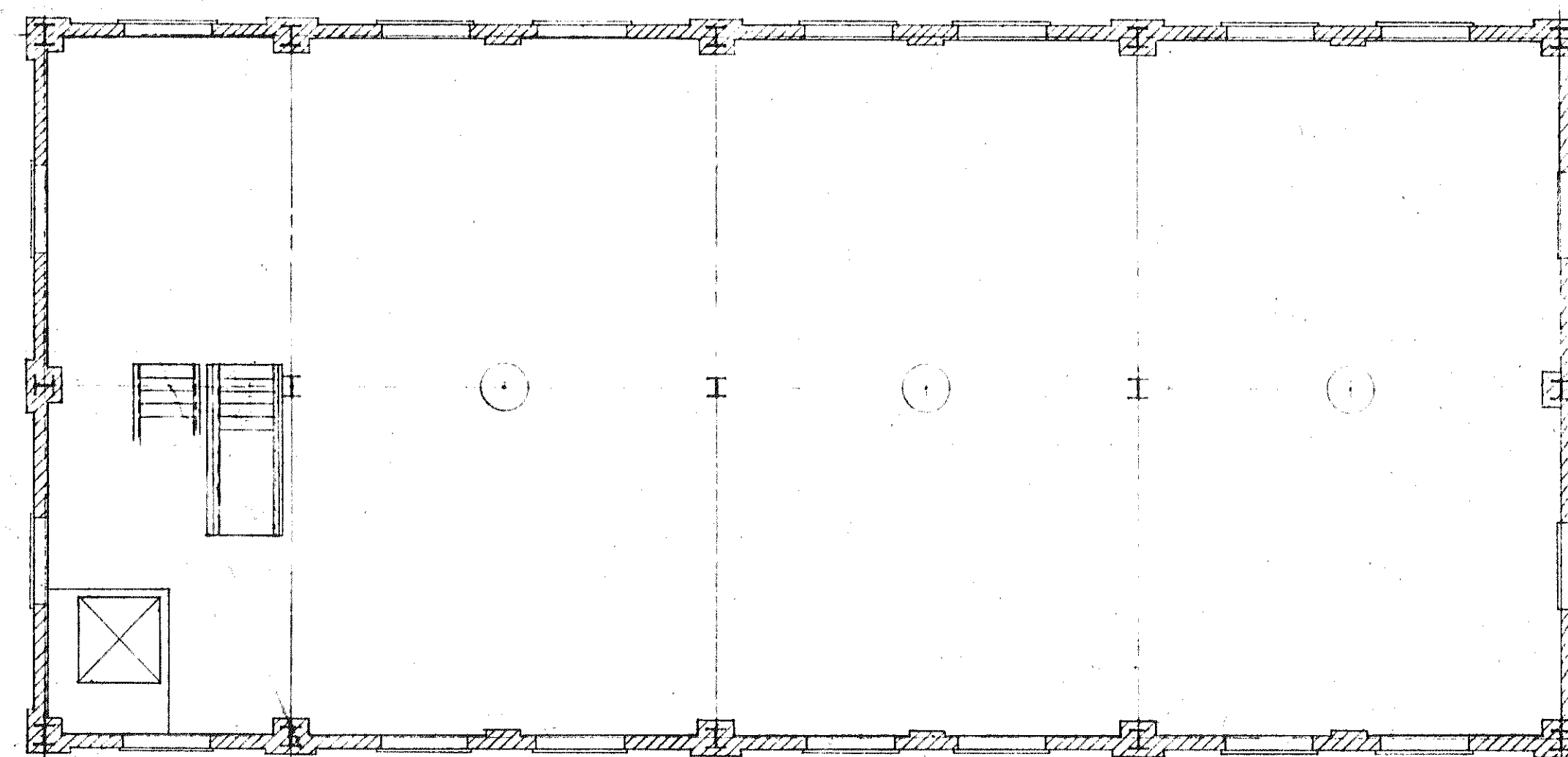
TITLE		DIGESTER BUILDING FOUNDATION PLAN	
JOB		40,000 TON UNBLEACHED SULPHITE MILL	
OWNER		PUGET SOUND PULP & TIMBER CO.	
LOCATION		BELLINGHAM WASH SCALE 1/4" = 1'-0"	
MADE BY	CHKD. BY	APPROVED BY	JOB NO. DRAWING NO. 101. B 32
S.B.R.	V.G.H.	10/6/57	



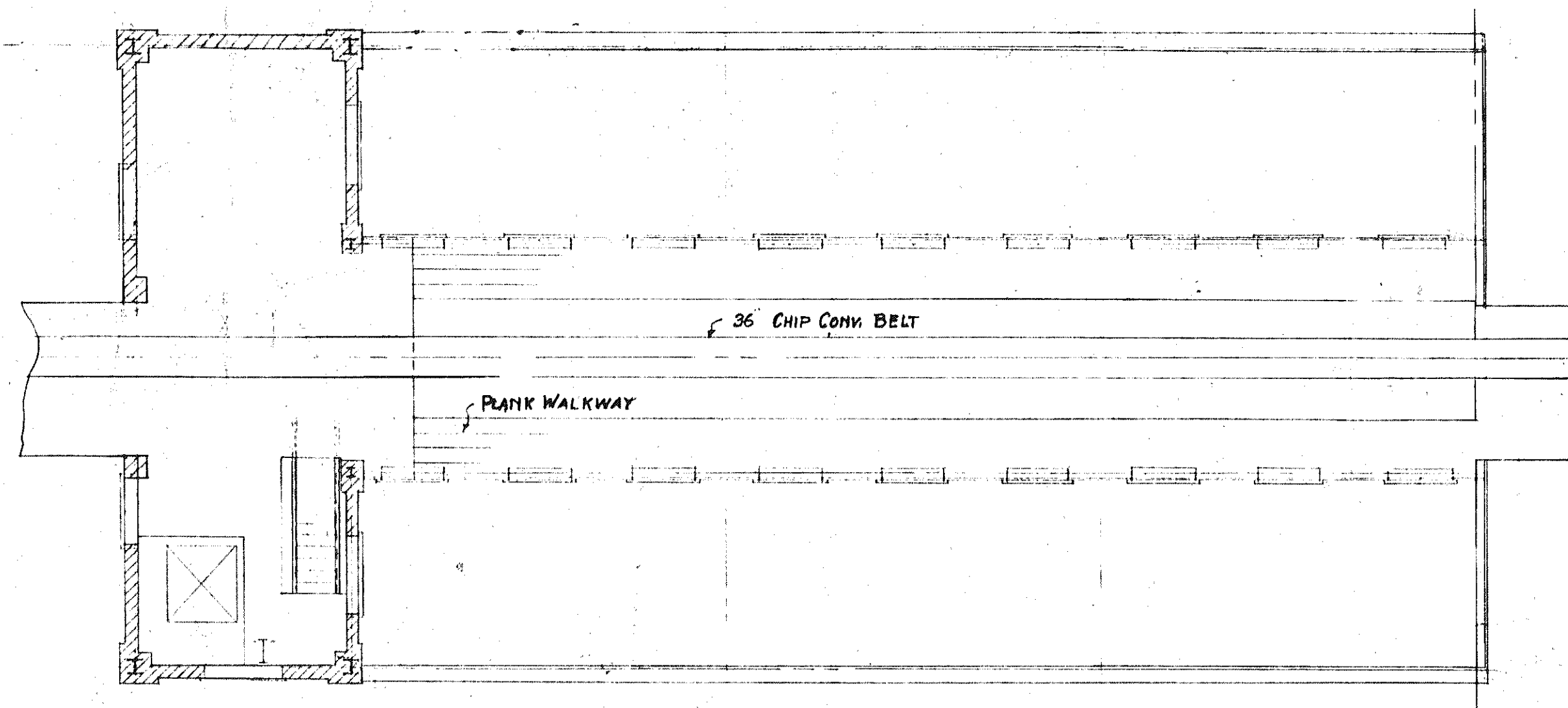
GROUND FLOOR PLAN



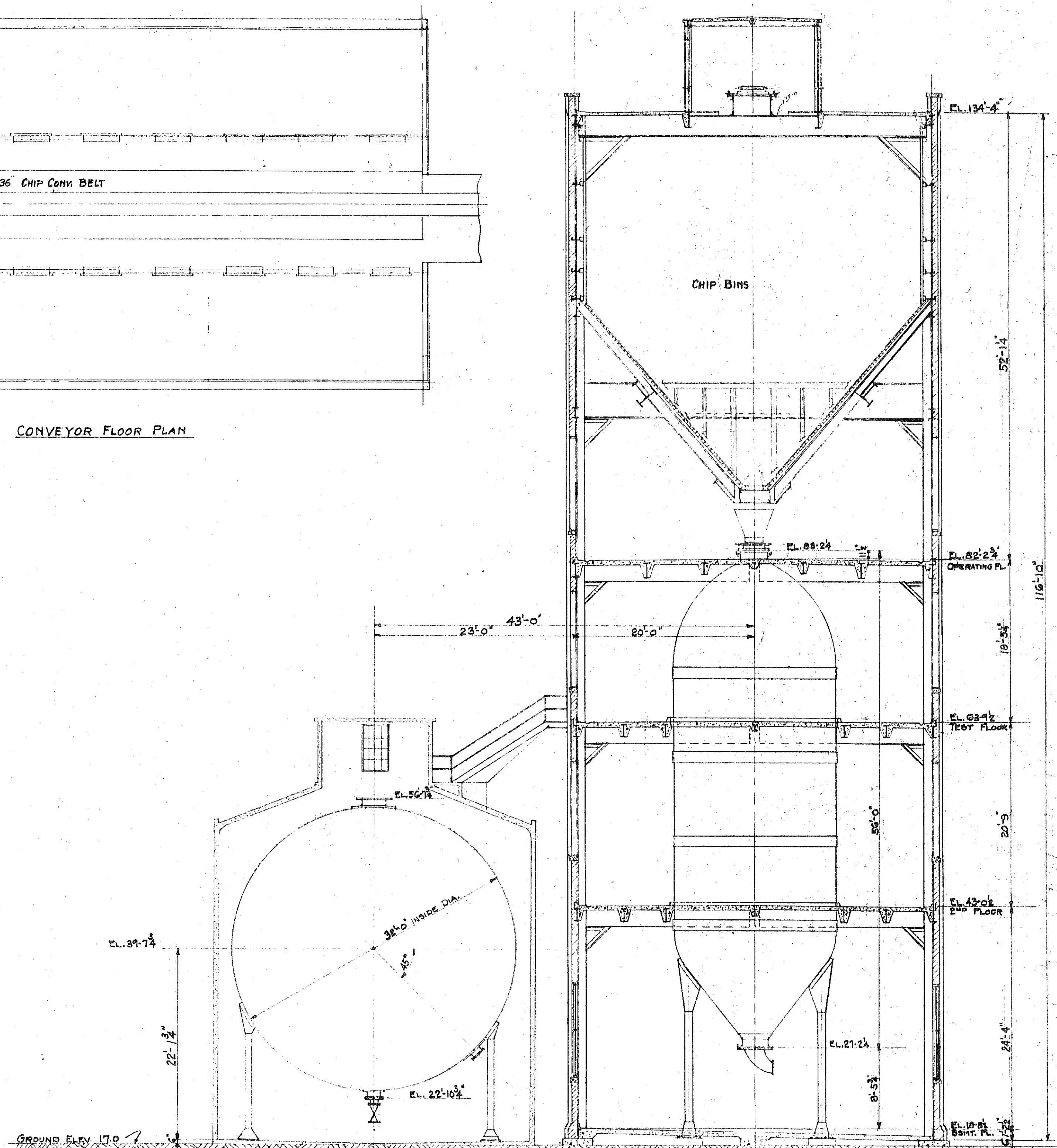
SECOND FLOOR PLAN
TEST FLOOR PLAN



OPERATING FLOOR PLAN



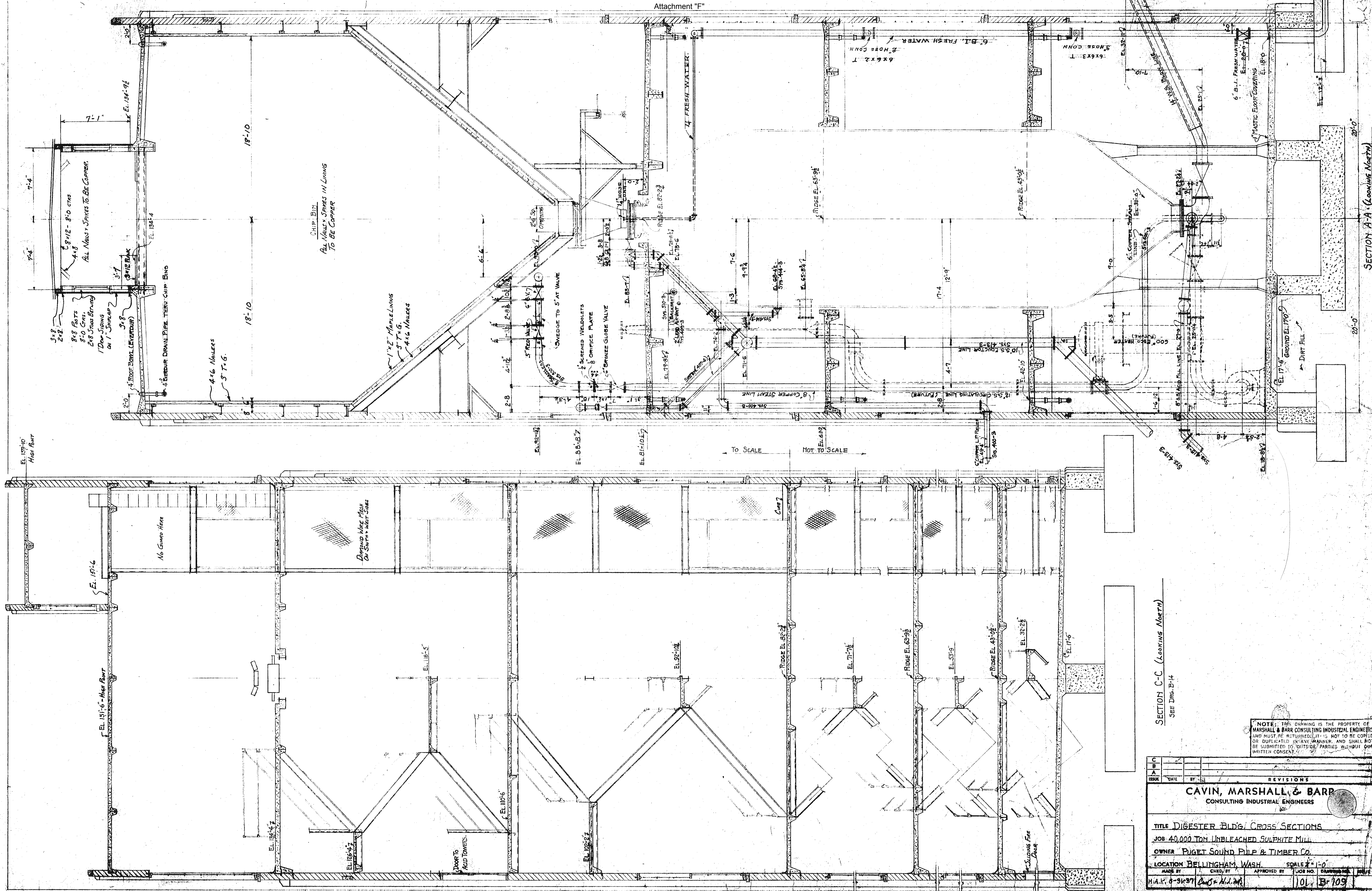
CONVEYOR FLOOR PLAN



CROSS SECTION THRU DIGESTER & ACCUMULATOR

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C	A	BY	REVISIONS
ISSU	10	BY	
CAVIN, MARSHALL & BARR			
CONSULTING INDUSTRIAL ENGINEERS			
823 PUGET SOUND BANK BLDG. TACOMA, WASH.			
TITLE: DIGESTER BLDG.- TYPICAL SECTIONS			
JOB: 40,000 TON UNBLEACHED SULPHITE MILL			
OWNER: PUGET SOUND PULP & TIMBER CO.			
LOCATION: BELLINGHAM, WASH. SCALE: 8"=1'-0"			
MADE BY: H.A.K.	CHKD BY: H.C.M.	APPROVED BY: 101	DRAWING NO: B-87

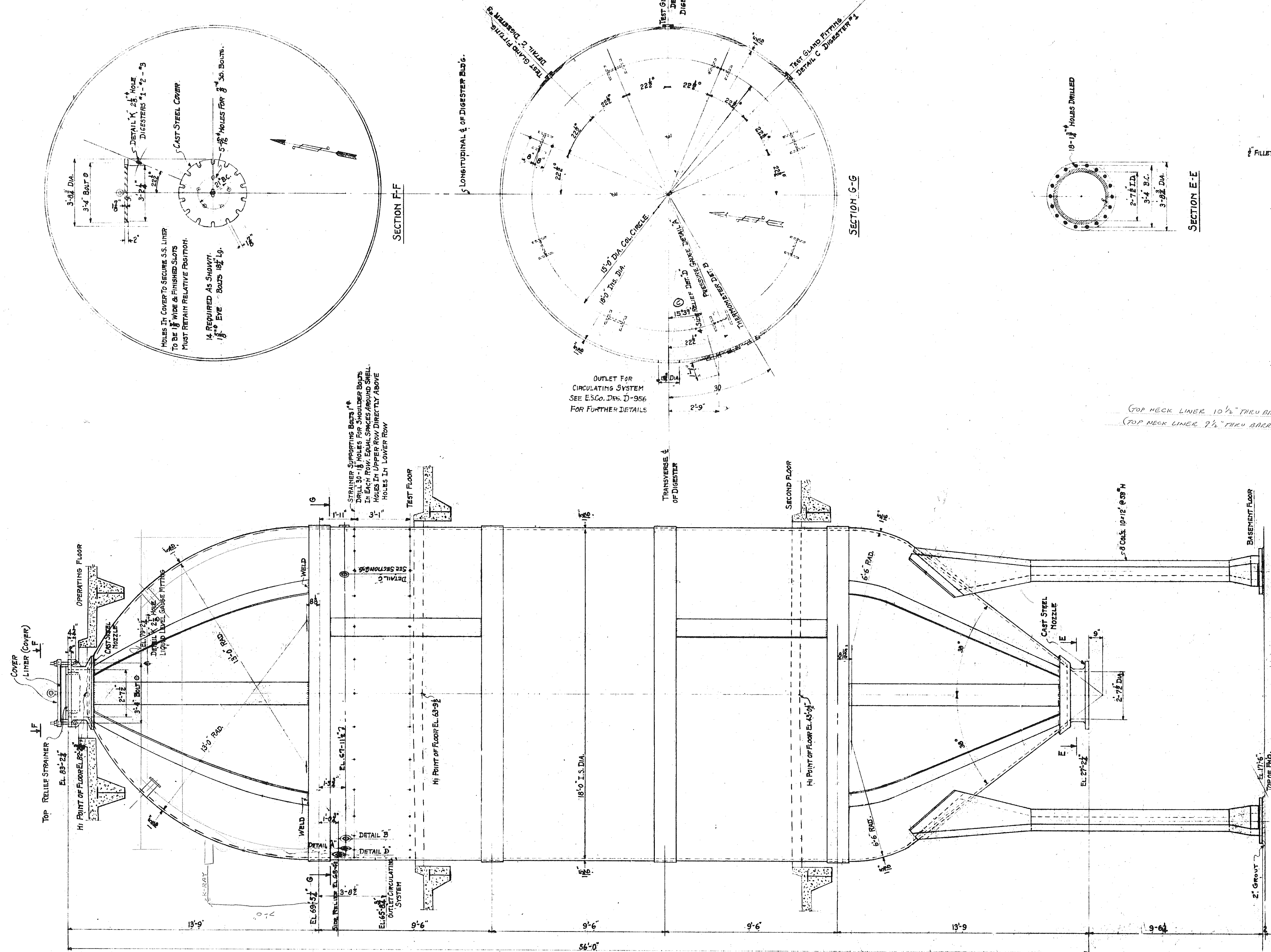


SECTION C-C (Looking North)

SEE DRG. B-14

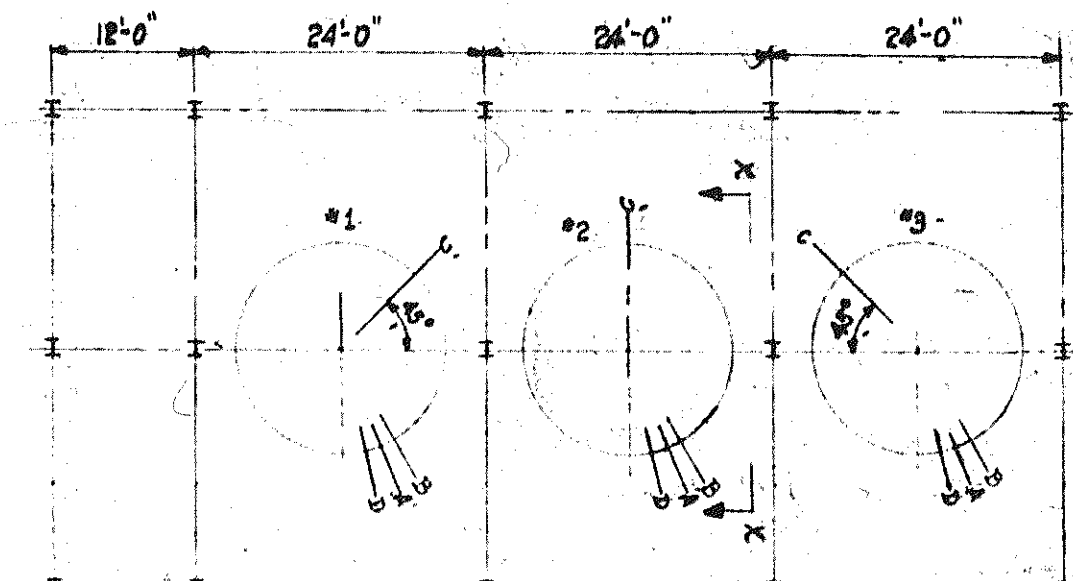
NOTE: THIS DRAWING IS THE PROPERTY OF MARSHALL & BARR CONSULTING INDUSTRIAL ENGINEERS AND MUST BE RETURNED TO THEM IF NOT TO BE COPIED OR REPRODUCED IN ANY MANNER AND SHALL NOT BE SUBMITTED TO OUTSIDE PARTIES WITHOUT OUR WRITTEN CONSENT.

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NOTE:- ENTIRE SURFACE OF DIGESTER, INCLUDING BUTT STRAPS TO BE DRILLED ^{OR} AND TAPPED FROM OUTSIDE FOR 3" PIPE PLUGS AT 3'0. PLUGS FURNISHED BY DIGESTER CONTRACTOR.

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KEY PLAN			
D	3-25-38	H.M.	LEVEL GAUGE HOLES ENLARGED FROM 1 1/2" TO 2"
C	2-26-38	H.M.	L GIVEN FOR A' SIDE RELIEF LINE
B	2-9-38	H.A.K.	TEST Y LEVEL GAUGE HOLES MOVED
A	9-30-37	H.A.K.	HOLES DRILLED IN TOP COVER FOR LINER HOLDING BOLTS
ISSUE	DATE	BY	REVISIONS

CAVIN, MARSHALL & BARR
CONSULTING INDUSTRIAL ENGINEERS

TITLE DIGESTER DETAILS.
JOB 40,000 TON UNBLEACHED SULPHITE PULP MILL.
OWNER PUGET SOUND PULP & TIMBER CO.

LOCATION BELLINGHAM WASH.		SCALE 1"=10'	
MADE BY	CHKD. BY	APPROVED BY	JOB NO.
H.A.K. 8/18/77	W.H. Tho. 27		101
			E-124



Appendix G

References



References

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