

**Amendment No. 1
To
Agreement for Engineering Services
Pacific Hardwoods Stormwater Feasibility Study
Pacific County, Washington**

This Amendment No. 1 modifies the Agreement for Engineering Services (Agreement) between Gibbs & Olson, Inc., Longview, Washington (Engineer) and Pacific County (Client) executed September 28, 2016 for the above referenced project.

The following modifications are made to the Agreement. All other terms and conditions of the original Agreement remain unchanged:

The Engineer's Scope of Work is modified to include performing a market analysis for the Pacific Hardwoods site as described below:

Scope of Work

Project Understanding

Pacific County owns a 10-acre industrial site in South Bend, which has been leased on a long-term basis to Pacific Hardwoods. The mill currently employs 45 people, with expansion plans that would increase direct employment. However, the site does not have a comprehensive stormwater management plans, and also requires stormwater system upgrades. Without these items the expansion plans and current operations may be at risk.

Pacific County is one of the most economically distressed counties in Washington, and is heavily dependent on the forest products industry. One of primary goals of economic development is to retain and expand existing businesses, and this mill provide the opportunity to do that. The existing mill provides jobs, income, and taxes to the local region, and expansion of the facility has the potential to increase these contributions

The purpose of this study is to analyze the market for this property, to document the economic contributions of current operations and the impacts of planned expansion, and to analyze other potential uses of the site.

Task 1: Review of Existing Information

The Engineer will begin the process by gathering and reviewing relevant existing information from Pacific County including prior planning work for the subject site, existing and past economic development plans and projects, industrial land inventories, and other relevant documents. The Engineer will develop a full list of requested items and submit this list to the Client.

Task 2: Overview of Current Conditions

This section will describe current economic conditions in Pacific County. Based on data from state agencies such as Employment Security Department, Department of Revenue,

and Office of Financial Management, as well as other sources. The Engineer will document long-term trends in:

- Population,
- Size of the workforce,
- Employment and unemployment rates,
- Household income,
- Employment by industry sector, and
- Wages by industry sector, among others.

This section will also include a summary of economic development efforts in Pacific County. The Engineer will describe the various entities involved in economic development, past development programs and projects, as well as current and planned projects. The goal of this section is to build on existing efforts, rather than to start anew.

Task 3: Product Market Analysis

In Task 3 the Engineer will analyze the market for the property. The market analysis will be divided into two parts: current use, including existing and potential expansion, and alternative uses.

Because this property currently has an active business, the first part of the analysis will focus on the existing use, the Pacific Hardwoods mill. This portion of the analysis will describe:

- The products that are manufactured at the mill
- The volume of output
- How output has changed over time
- The market region for the output of the mill
- Additional products may be manufactured at the facility
- Additional facilities are required to increase output

The market analysis will also look at competitive factors that impact the existing operation, such as:

- Can the market region be expanded
- Where is the timber sourced
- Will the timber source be reliable over the long run
- Where are competing facilities
- Additional facilities required to increase output

The second portion of the analysis will focus on alternative uses of the site. Using data developed in Task 2 as a starting point, the Engineer will analyze the demand for property from other industries. These alternative industries will include those industries that have historically located in Pacific County, such as forest products, fish processing, boat building, etc., as well as potential new industries. The Engineer will conduct a series of interviews with representatives from the real estate industry, economic development agencies, industry, and others.

Task 4: Location Analysis

This section will document the supply of existing industrial land in Pacific County. The analysis will describe:

- Characteristics of the existing site, such as
 - Acreage
 - Utilities
 - Road access
 - Ownership
 - Current use
- Infrastructure needed at current site
- Other existing properties, including characteristics and infrastructure needs

The output of this task will be an inventory of existing industrial property in Pacific County.

Task 5: Summary Report

The final product of this analysis will be a report that documents the potential economic contribution of site uses, including:

- Existing and potential uses
- Estimated direct employment, wages, and taxes
- Total employment and wages, including the indirect and induced jobs and income (the so-called "multiplier effect").

The Engineer will also present the draft and final findings to the Client in public meetings. Engineer will participate in up to 3 meetings.

BUDGET AND SCHEDULE

The Engineer's total budget for the Agreement s increased as shown below for the additional work above:

Original Agreement Amount.....	\$44,700.00
<u>Amendment No. 1</u>	<u>\$21,300.00</u>
New Agreement Amount including Amendment No. 1	\$66,000.00

The draft market study will be ready to review with the Client by the end of January 2017 assuming notice to proceed is received by November 14, 2016.

This Amendment No. 1 is executed this _____ day of _____, 2016.

PACIFIC COUNTY

GIBBS & OLSON, INC.

By: _____
Michael W. Collins, PE, PLS

By: Richard A. Gushman
Richard A. Gushman, President

BST Associates – Statement of Qualifications

BST is a strategic planning group that specializes in preparing economic and financial analyses of waterfront development projects. Our expertise focuses on: market research, strategic planning, demand forecasting, benefit/cost analysis, cost effectiveness analysis, economic impact assessment, life cycle cost analysis, financial planning (including bond feasibility studies and preparation of capital improvement plans), sensitivity analysis, and, project risk assessment.

BST Associates has extensive experience analyzing waterfront land throughout the Pacific Northwest, for both public and private clients. Our projects in the region have included:

- Boatyard/shipyard market analysis in Port Angeles
- Highest and best use analysis in Aberdeen
- Property market analysis in Anacortes
- Highest and best use analysis in Newport
- Newport Property Highest and Best Use, 2014
- Transient moorage analysis in Kirkland
- Airport redevelopment analysis in Blaine
- Industrial site redevelopment in Centralia
- Waterfront lands analysis in Tacoma
- Point Wells highest and best use

BST Associates – Key Team Members

Key personnel from BST Associates who will be assigned to this project include Paul Sorensen and Brian Winningham. These two have worked together for more than 25 years, and in that time have completed a wide variety of projects throughout the Pacific Northwest, California, Alaska, Illinois, Florida, Texas, Louisiana, Guam, Saipan, and elsewhere.

Paul Sorensen, Principal of BST Associates, has more than 30 years of experience in the development of economic development plans, having led BST's research efforts and economic in numerous projects. Of particular interest for this project, Paul has extensive experience in assessing the economic conditions that drive the demand for various types of industrial facilities, and in evaluating the economic and financial performance of development plans.

Brian Winningham, Senior Economist, has been a key team member for all projects completed by BST Associates over the past 27 years, and has led the firm's efforts in a number of studies. His experience includes performing primary research, developing and analyzing complex databases, designing and executing surveys, and formulating statistical tests.

Recent Project Examples

The following section contains descriptions of projects that we have completed in the past four years, with task similar to those requested in the RFP.

Arlington Property Economic Impact

BST Associates analyzed the economic impacts of two development scenarios of a private parcel in Arlington, Washington. The site, located at the intersection of two state highways was zoned for general commercial development. The planned reconfiguration of this intersection would reduce the number of access and egress points to the property, which would impact the potential size of the development. For each of the potential development scenarios BST Associates estimated the number of jobs created and wages generated by tenants of the property, job and wages due to construction of the development, statewide tax impacts generated by tenants, and statewide taxes generated by the construction.

Point Wells Highest and Best Use Analysis

Point Wells is a large waterfront site on Puget Sound, located between Edmonds and Shoreline. The owner of the property was studying to potential to change the use of the site from a fuel transfer facility to a mixed used development. The proposed major redevelopment would include a large number of housing units, along with commercial space and a potential marina. BST Associates was retained to assess the market conditions supporting the mixed used concept. Tasks included identifying growth opportunities at Point Wells within the perspective of overall growth in Puget Sound, and preparing long-term forecasts for residential, office, retail and marina, as well as for continued use as a fuel transfer site.

Assessment of Water-Dependent Commercial and Industrial Uses

BST Associates was retained by Clark County to assist on the update of the County's Shoreline Management Plan (undertaken jointly with all cities in Clark County). This report addressed the following items: a description of existing commercial and industrial waterfront uses in Clark County, an assessment of the growth opportunities of these and other water-dependent uses and a summary assessment of the supply of and demand for waterfront land in Clark County.

TransAlta Site Industrial Redevelopment Analysis

BST Associates was a key member of the team retained by the Lewis County EDC to study the feasibility of redeveloping a reclaimed surface coal mine site for use by heavy industry. BST's role included estimating the supply of heavy industrial land in the region, documenting the characteristics of the subject site and competing sites, preparing a market analysis of potential tenant industries, and estimating the absorption of the site. The EDC is currently moving through the permitting process.

Blaine Airport Highest & Best Use Study

The City of Blaine wanted to analyze the highest & best use of its general aviation airport. BST Associates was retained to prepare forecasts of demand for alternate uses of the airport, including retail, commercial and industrial. We also assessed the economic and financial return on investment to the City of redeveloping the airport as compared with existing/forecasted airport uses. We presented our findings to an advisory committee and to the City Council.

Newport Property Highest and Best Use Analysis

BST Associates was retained by a private landowner to assess the highest and best use of a property near the Port of Newport Marine terminal. The overall goal was to develop the site in a way that will encourage the economic growth of the area and to increase land viability and market-rate lease opportunity. Potential uses that were investigated included marine cargo, offshore energy support, water-dependent industrial uses, and non-water-dependent industrial uses. BST prioritized the potential uses in terms of demand, site suitability, land and facility requirements, competition, potential lease rates, and potential sources of funding, among others.

Clover Island Master Plan

BST Associates assisted the Port of Kennewick determine the highest and best use for Clover Island. Potential uses included expanding the existing marina, and developing residential, office space, retail space and lodging on the upland portion of the island. BST's role was to develop demand assessments of these various opportunities within the context of regional growth. BST also helped the Port consider ways for making the marina more profitable and evaluating the financial return on investment of various alternatives.

Port Angeles Shipyard Analysis

BST Associates was retained by the Port of Port Angeles to review options for expanding the existing boatyard, and for accommodating additional and boatyard/shipyard activities at another Port-owned site. As part of the analysis, BST estimated the strength of demand, the level of competition, economic impact (jobs, income, revenues, taxes), and potential revenue to the Port. The purpose of analysis was to assist the Port in selecting between alternatives and evaluating a strategy for moving forward, including contingency plans.

Seaport Landing Pre-Feasibility Analysis

The Seaport Landing PDA owns a former waterfront mill site in Aberdeen, Washington. The PDA is analyzing the potential for the site to serve as a boatyard/shipyard, in addition to serving the needs of the *Lady Washington*. BST Associates was retained to conduct a pre-feasibility study, designed to identify the key factors that should be considered in evaluating whether to move forward. Key steps included defining the primary and secondary markets for boats/vessels that could potentially utilize the proposed boatyard, documenting the size of the local and regional recreational, commercial fishing and other commercial fleets, identifying competitive boatyards/shipyards, among others.

Charleston Shipyard Vessel Lift Analysis

The Charleston Shipyard Boatyard is an integral part of the facilities operated by the Port of Coos Bay in support of the commercial fishing fleets and the recreational boating market on Oregon's south coast. The boat haulout assets (travel lift and boat slip/pier) are reaching the end of their useful lives. The Port is concerned that the travel lift may fail in the very near future, and is in need of immediate replacement. BST Associates was retained to evaluate the requirements for a replacement lift to meet the needs of the local and regional fleets.

Toledo Shipyard Financial Feasibility Study

The Port of Toledo (Oregon) wanted to purchase and operate the former Fred Wahl Shipyard. BST Associates was retained to assess the economic and financial viability of reviving the ship yard. BST received several years of tax returns from Fred Wahl Company. Using this information and interviews with potential users, we prepared a financial assessment of the proposed port project. The Port was able to obtain funding from the State of Oregon to acquire the facility. It is currently reviving the business.

LaConner Marina Plan & Rate Study

BST Associates has assisted the Port of Skagit County with several master plans and a rate study for the La Conner Marina. The most recent master plan update was recently approved unanimously by the port commissioners. BST's role in this project was to forecast demand for the reconfigured marina and evaluate the financial performance of the marina before and after improvements. A key element of this effort was to calculate the elasticity of demand by slip type (open and covered) and length, following increases in rates during the past three years. BST also evaluated the rates that would be needed to cover construction of single versus double slips. BST has also assisted the Port in rate setting and in grant applications. As a part of the La Conner Marina Master Plan, BST Associates also surveyed people on the waiting list to determine boating characteristic features, helped identify dry-storage needs and provided demand forecasts and a financial plan for the proposed improvements.

Westport Marina District Revitalization Study

BST Associates assisted the Port of Grays Harbor in determining various needs at Westport, including those related to the commercial fishing, fish processing, ship construction/repair, charter boats and retail/tourism businesses. These efforts were included in the Westport Marina District Revitalization Plan. A key part of this plan was to determine the equity of funding by the City of Westport and the Port of Grays Harbor for garbage collection/disposal, restrooms and other public facilities. BST updated the master plan in 2009. A key part of this effort was to describe the need for a marine lift to service the needs of Westport Shipyard and commercial boats.

Port of Kalama Comprehensive Plan

BST Associates has assisted in the last four comprehensive plans for the Port of Kalama. This includes a comprehensive evaluation of economic conditions and trends, description of market opportunities, action plan for five years and a financial evaluation of the Port. The Port has undertaken these studies for the past 20 years to define how its goal and objectives are implemented in its five year action plan.

Port of Coos Bay Strategic Business Plan

BST is currently assisting the Port of Coos Bay with a Strategic Business Plan. BST's role in this study included analyzing the markets for the Port's various lines of business, including cargo piers, marinas, properties, and boatyard. The market analysis for the piers included information on potential cargos, including those generated locally as well as cargos moving to or from inland points. BST is also preparing a financial assessment of existing and proposed future development plans.

Port of Astoria Strategic Business Plan

BST was a key part of the team that completed the Port of Astoria's Strategic Business Plan. BST's role in this study included analyzing the markets for the Port's various lines of business, including cargo piers, marinas, airport, properties, and boatyard. The market analysis for the piers included information on potential cargos, including those generated locally as well as cargos moving to or from inland points. This analysis also included a discussion of the strengths and weaknesses of Astoria in regard to the different cargo types. BST also prepared a financial assessment of existing and proposed future development plans.

Port of Toledo Strategic Business Plan and Capital Facilities Plan

The Port of Toledo is a diversified operation, with assets that are critical to the economy of Lincoln County. Included in these assets are a boat repair yard that supports the local fishing industry, industrial properties, and recreational facilities. BST Associates was member of the team retained to produce a Strategic Business Plan and Capital Facilities Plan for the Port.

Cold Storage Market Analysis

BST Associates was retained by a private client in the Puget Sound region to analyze the market for a proposed public refrigerated warehouse. BST produced a report that documented the existing supply of cold storage space in the market region, analyzed the demand for this type of space, and described the favorable characteristics of the proposed site for use as a cold storage facility. This study helped set the strategic plans for the client.

Paul Sorensen

Principal

Education

Masters Degree in Economics - University of Washington, 1979
Bachelors Degree in Political Economics - University of Washington, 1976

Professional Experience

BST Associates - Partner, 1987
Trade Information Planning Systems - Vice President Consulting, 1987-88
Natural Resources Consultants - Partner, 1988
URS Corporation - Senior Financial Planner 1986-87
TAMS Consultants - Senior Economist, 1981-86
Kramer, Chin & Mayo - Economist, 1979-81
Basset, Park & Silberberg - Research Analyst, 1976-79

Relevant Qualifications

Mr. Sorensen has served as lead researcher and/or project manager for a wide variety of projects including demand forecasting, site/project evaluation, demand/capacity analysis and financing alternatives of trade, transportation, and waterfront development projects. Descriptions of several recent projects are presented below.

Land Use Planning

Port Angeles Shipyard Analysis, 2015
Seaport Landing PDA Analysis, 2015
Curtis Wharf Market Analysis, 2014
Newport Property Highest and Best Use, 2014
Kirkland Transient Moorage Analysis, 2014
Port Angeles SMP Update, 2010
Blaine Airport Highest & Best Use Study, 2006
TransAlta Site Industrial Redevelopment Analysis, 2009
Tacoma Waterfront Lands Analysis, 2009
Westport Marina Master Plan, 2009
Point Wells Highest and Best Use, 2009
Port of Toledo Ship/Boatyard Feasibility Study and Business Plan, 2008
Bellingham Waterfront Lands Analysis, 2006
West Bay Highest & Best Use Study, 2000 - 2001

Economic Impact Analysis

Coos Bay Rail Link Economic Impact, 2015
Port of Skagit Economic Impact, 2014
Westlake Ave Cycle Track Impact, 2014
Oregon Ports Economic Impact, 2013
Port of Port Angeles Economic Impact, 2013
Trade Impact of San Pedro Bay Ports, 2012
Arlington Property Economic Impact, 2010

Comprehensive & Strategic Plans

Port of Coos Bay Strategic Business Plan, 2014
Port of Toledo Strategic Business Plan, 2012
Port of Astoria Strategic Business Plan, 2011
Port of Kalama Comprehensive Plan, 2015

Marine Cargo Analysis

Pasco Barge Cargo Analysis, 2015
Tesoro Savage Vancouver Energy Distribution Terminal, 2013
Coos Bay Bulk Cargo Market Assessment, 2013
Columbia River Crossing Navigation Analysis, 2012-2013
Washington Marine Cargo Forecasts, 1991, 1995, 1999, 2004, 2009, and 2011
Port of Astoria Grain Market Analysis, 2011
Port of Long Beach Dry Bulk Cargo Forecast, 2010
Lower Columbia Port Capacity Assessment, 2010

Rail Cargo Analysis

Humboldt Bay East-West Rail Corridor Feasibility (2013)
Port of Portland Rail Forecast (2012)
Longview SR432 Corridor Analysis (2012)
Port of Pasco Heritage Industrial Center (2009)

Financial Analysis

Kodiak Harbor Tariff Analysis, 2014
Port of Edmonds Harbor Square Redevelopment, 2012
Port of Seattle Revenue Bond Analysis (2009, 2010, 2015)
Port of Bellingham Revenue Bond Analysis, 2010

Brian Winningham

Senior Economist

Education

Bachelors Degree in Business Administration - University of Washington, 1988
Bachelors Degree in Economics - University of Washington, 1988

Professional Experience

BST Associates -- Senior Economist, 1988-

Relevant Qualifications

Mr. Winningham joined BST Associates in March 1988, following his graduation from the University of Washington. He has been a key team member for most of the work completed by BST Associates, and often serves as project manager for the firm's work. He is skilled at combining data from various sources into a coherent narrative. His work has included primary research, survey design and execution, database development and analysis, formulating statistical tests, and report preparation. He has worked on a number of Shoreline Master Program updates, analyzing the demand for waterfront lands. Descriptions of several projects on which he has worked are presented below.

Land Use Planning

Port Angeles Shipyard Analysis, 2015
Seaport Landing PDA Analysis, 2015
Curtis Wharf Market Analysis, 2014
Newport Property Highest and Best Use, 2014
Kirkland Transient Moorage Analysis, 2014
Port Angeles SMP Update, 2010
Blaine Airport Highest & Best Use Study, 2006
TransAlta Site Industrial Redevelopment Analysis, 2009
Tacoma Waterfront Lands Analysis, 2009
Westport Marina Master Plan, 2009
Point Wells Highest and Best Use, 2009
Port of Toledo Ship/Boatyard Feasibility Study and Business Plan, 2008
Bellingham Waterfront Lands Analysis, 2006
West Bay Highest & Best Use Study, 2000 - 2001

Economic Impact Analysis

Coos Bay Rail Link Economic Impact, 2015
Port of Skagit Economic Impact, 2014
Westlake Ave Cycle Track Impact, 2014
Oregon Ports Economic Impact, 2013
Port of Port Angeles Economic Impact, 2013
Trade Impact of San Pedro Bay Ports, 2012
Arlington Property Economic Impact, 2010

Comprehensive & Strategic Plans

Port of Coos Bay Strategic Business Plan, 2014
Port of Toledo Strategic Business Plan, 2012
Port of Astoria Strategic Business Plan, 2011
Port of Kalama Comprehensive Plan, 2015

Marine Cargo Analysis

Pasco Barge Cargo Analysis, 2015
Tesoro Savage Vancouver Energy Distribution Terminal, 2013
Coos Bay Bulk Cargo Market Assessment, 2013
Columbia River Crossing Navigation Analysis, 2012-2013
Washington Marine Cargo Forecasts, 1991, 1995, 1999, 2004, 2009, and 2011
Port of Astoria Grain Market Analysis, 2011
Port of Long Beach Dry Bulk Cargo Forecast, 2010
Lower Columbia Port Capacity Assessment, 2010

Rail Cargo Analysis

Humboldt Bay East-West Rail Corridor Feasibility (2013)
Port of Portland Rail Forecast (2012)
Longview SR432 Corridor Analysis (2012)
Port of Pasco Heritage Industrial Center (2009)

Financial Analysis

Kodiak Harbor Tariff Analysis, 2014
Port of Edmonds Harbor Square Redevelopment, 2012
Port of Seattle Revenue Bond Analysis (2009, 2010, 2015)
Port of Bellingham Revenue Bond Analysis, 2010

Professional Recommendations

Jack Crider, Executive Director
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