Anacortes City Council

Municipal Building Council Chambers
904 6th Street

September 14, 2026
6:00 PM

PRELIMINARY AGENDA
Packet Materials / Watch Meeting

1. **Call to Order**
2. **Pledge of Allegiance**
3. **Executive Session**
   a. Potential litigation per RCW 42.30.110(1)(i) (30 minutes) (Discussion)
4. **Announcements and Committee Reports**
   a. Finance Committee (Report)
   b. Housing Affordability and Community Services and Planning Committee (Report)
5. **Public Comment**
   a. Participation Rules and Procedures
   b. Written Public Comment
6. **Consent Agenda**
   a. Minutes of September 8, 2026 (Action)
   b. Approval of claims in the amount of $794,884.12 (Action)
   c. Contract Modification: CivicPlus Web Services Consolidation #26-023-ITS-001 (Action)
7. **Other Business**
   a. Resolution 3229: Adopting AMP Chapter 3–90 Purchase Cards* (Discussion/Possible Action)
   b. Resolution 3230: Adopting AMP Chapter 3-20 Investments* (Discussion/Possible Action)
   c. Ordinance 5040: Repealing AMC Chapter 3.20 Investment Policy and Amending AMC Chapter 2.12 to Delegate Authority for Investment Management to the Clerk-Treasurer* (Discussion/Possible Action)
   d. Resolution 3228: Purchase and Sale Agreement (Discussion/Action)
8. **Adjournment**

Watch online or participate via Zoom at www.anacorteswa.gov/meetings. Comment via email to cityclerk@anacorteswa.gov or to City Clerk, P.O. Box 547, Anacortes WA 98221. Public comments received by the City Clerk prior to 3 p.m. on the day of the meeting will become part of the record for the meeting. The City of Anacortes is committed to making public meetings accessible to all community members. For assistance with special needs, contact the City Clerk at 360-299-1960 in advance of the meeting.

City Council

September 14, 2026

Highlights:

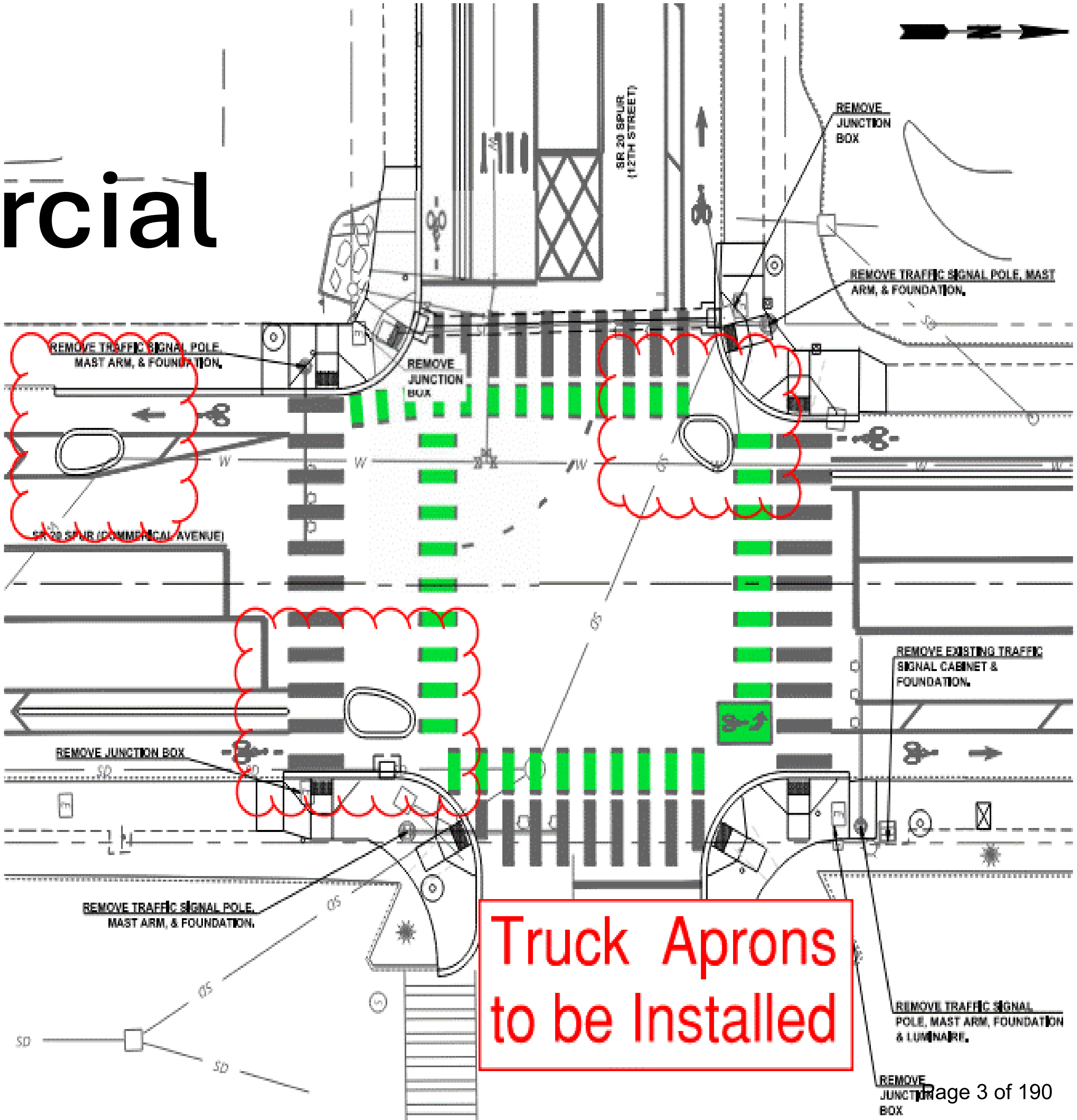
- Resolution 3229: Adopting AMP Chapter 3-90 Purchase Cards
- Resolution 3230: Adopting AMP Chapter 3-20 Investments
- Resolution 3228: Purchase and Sale Agreement

12th and Commercial

Week of September 14

- Vertical portion of the new signal poles will be raised this week, along with associated electrical work
- Demo and concrete work for traffic curbs and truck aprons
- Intersection is open but drivers are encouraged to use alternate routes

anacorteswa.gov/projects



2027 Budget
How you can help

Share your opinions and ideas about city services, revenues, and the city budget:

- Submit feedback via budget feedback form
- Budget Open House – September 30 at 5pm
- Attend a public hearing (revenue 10/12, budget/CFP 11/16)

anacorteswa.gov/budget

BUDGET
OPEN HOUSE

WEDNESDAY
SEPT. 30, 2026
5:00 – 7:00 PM

CITY COUNCIL CHAMBERS
904 Sixth Street
Anacortes, WA

anacorteswa.gov/budget

CITY OF ANACORTES
1891

RESIDENTIAL CLEAN UP DAY

SATURDAY, SEPTEMBER 19
9AM–12PM

Bring your residential garbage and yard waste to our operations facility at no charge.

CITY OF ANACORTES 1891

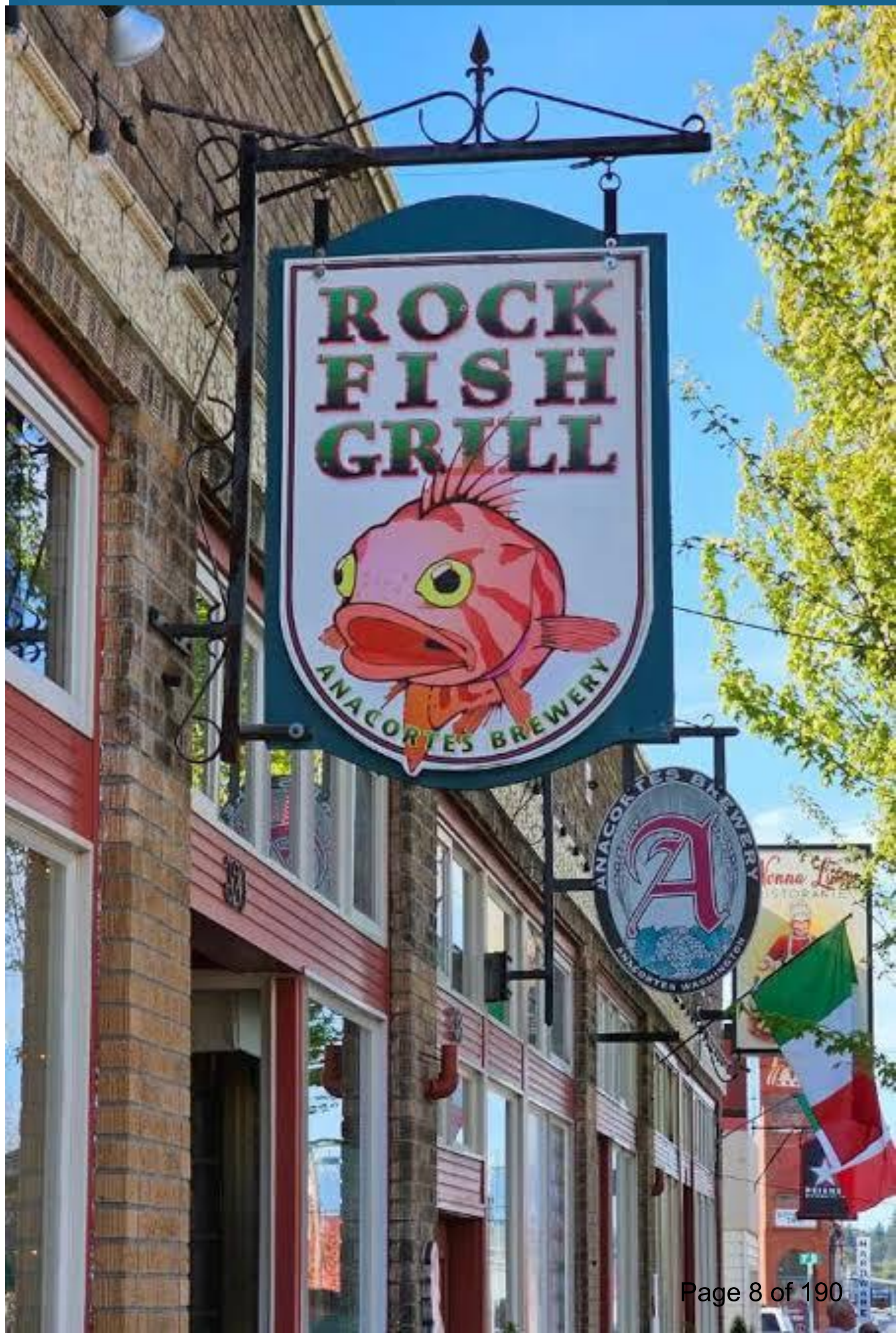

International Observe the Moon Night
Saturday, Sept. 19 @ 6:30–8:30 pm
Seafarers' Memorial Park
Join the Library for stargazing and observing the moon with the Island County Astronomical Society. Learn about moon phases, try some tasty moon themed treats, and enjoy a storytime at 6:30 while we wait for sunset. If the sky isn't visible, this event will be cancelled.
Anacortes Public Library

Mayor Walters at the Rockfish Grill

Join Mayor Walters in the beer garden at the Rockfish Grill to talk about city projects, services, and what's happening in Anacortes.

- Thursday, September 24
- 5:00-7:00 pm
- Rockfish Grill and Anacortes Brewery

anacorteswa.gov/mayor



Fidalgo Bay Day

Enjoy a free, fun-filled day of learning with discovery stations, a touch tank, and plenty of kid friendly crafts and activities.

- Saturday, September 26
- 11:00-3:00
- Fidalgo Bay Resort

anacorteswa.gov/calendar

Vote for the next Library Card design!

Thank you to all of the wonderful artists of all ages who submitted designs.

Voting is open through September 30.

anacorteswa.gov/library

Library Card Sign Up Month

September is the perfect time to enjoy a new book, game, movie or music.

Sign up for your library card and find out what our library has to offer!

anacorteswa.gov/library

CITY OF ANACORTES
1891

Committee Reports

- Finance
- Housing Affordability and Community Services
- Planning

From: No Reply
To: CityClerk
Subject: Public Comment Submission
Date: Wednesday, September 9, 2026 10:02:50 AM

***** This email is from outside the City of Anacortes network. Please use caution when clicking on links, opening attachments, or replying. *****

Submitted by: Martine Felts
Email Address: mcfelts1@yahoo.com

Commented on event: https://anacorteswa.portal.civicclerk.com/event/1603/overview
If you are having trouble viewing the URL above, cut and paste the string into your browser window.

User comment: Public access to the planning process is not a courtesy—it is a fundamental part of accountable local government. Anacortes residents have a right to know what is being proposed, to understand how decisions will affect their community, and to have a meaningful opportunity to comment before decisions are made. Limiting public access or making it more difficult for residents to participate undermines transparency and public trust. Planning decisions affect the people who live here every day, and those residents should not be shut out of the process. I strongly urge the Planning Committee to maintain—and strengthen—public access and meaningful public participation rather than taking steps that restrict it.

From:	Janet Andrews
To:	CityClerk
Subject:	Permit Process Streamlining
Date:	Sunday, September 13, 2026 5:49:02 PM
Attachments:	AnacCityGovletter.docx

Mr. Hoglund,
Please include this attached comment letter into the September 14th Council meeting so that council members and the Mayor receive a copy for the Tuesday night public meeting.
This is my first comment letter to the city. Let me know you received this and you could read the attachment.
Sincerely,
Janet Andrews
4308 Whistle Lake Road
Anacortes, WA
janetfromboston@gmail.com

To: Planning Commission, John Coleman, Libby Grage
Cc: City Council, Mayor Ryan
From: Janet Andrews
Re: Title 19 Permit Process Streamlining Amendments
Date: September 13, 2026

Building permits are an important part of a city's growth and economy. The removal of conflicting permit requirements could reduce frustration for applicants and contractors. But I am concerned that a more 'efficient', 'streamlined' permit process may result in harm to our environment, our infrastructure and the quality of life for residents.

After reading the many comments to the city on this issue, I am impressed by the non-profit organizations and talent residing within our town. These concerned residents play a role of oversight in our community but they also have relevant expertise and experience to share with the city for better long-term results. They are willing to invest their time to solve issues.

Anacortes has clean air, bay access, reliable rainwater, shorelines, forests, and wildlife along with active resident involvement. Surely these resources are worthy of open engagement which may strengthen community self-reliance, especially now, during this era of global warming, pandemic damage, inflation and political upheaval. Together we may uncover new opportunities to improve our financial health as well.

I agree with written comments to first evaluate what we have and what is needed to protect our natural resources like wetlands and drainage not yet overburdened. Once we establish what we have and what is needed to maintain it, then we can proceed to develop a more effective permit process. That way, we can rest assured that the responsibility for permit approval does not land on any one city employee but instead becomes a process with a beginning, middle and end that can be checked along the way. Best Available Science (BAS) needs to be utilized.

While the R1 Zone has not been eliminated, it appears to be reduced in importance throughout permit streamlining amendments put forth by the city. For residents uncertain about this zone, it encompasses the area south of 41st street, north of Haddon Road, primarily west of Whistle Lake Road and east of Fir Crest Court including the Lake Park complex. Whistle Lake Road, Grandview Cemetery, St Mary's grassy knolls and 41st Street are likely areas many residents have walked, biked, pushed a baby carriage or taken a run. The area is a reminder of what it's like to live in "the country". The R1 Zone is labeled "less dense" for a reason and is higher in elevation than other parts of the city. This Zone includes huge trees, important wildlife habitat (owls, etc.) home septic systems plus wetlands and streams that drain into lower lying areas. The health of R1 impacts us all and its effects are important down-stream, all the way to the bay.

'Fast permits' should **not** be allowed in the R1 Zone and **should include** "neighborhood meetings" early and at checkpoints in the application process. Meetings with residents are an avenue to avoid costly and time-consuming legal suits which transfer money from the city coffers to lawyers' pockets. This strip of land earned a special designation which is even more important today.

City government has the difficult job of seeing the 'big picture'. But this 'job' can be shared with others to create a vision of what Anacortes can become. Many small cities are either suffering financially or reinventing themselves. Working ***with*** nature, wildlife, wetland areas and streams, and ***with*** concerned residents is worth the effort.

Our natural resources are important and we are lucky to still have them. Let's identify what works, protect it, then move forward to 'streamline' rules to improve permit flow and find creative solutions to our financial challenge.
* * *

From:	Larry McCarter
To:	Ryan Walters; jenniert@anacorteswa.gov
Cc:	ewright@skagitpublishing.com; Logan Lee; Brian Walker; TJ Fantini; Marcia Hunt; Christine Cleland-McGrath; Luke Currier; Carolyn Moulton; Anthony Young; CityClerk
Subject:	Sewage Disposal's Cheapest and Cleanest Alternative Was Trashed? WHY?
Date:	Monday, September 14, 2026 7:21:28 AM
Attachments:	Letter_to_Mayor_Walters_Anacortes_Solids copy.pdf drive_favicon_2026_32dp.png drive_favicon_2026_32dp.png alkaline-stabilization-biosolids-factsheet.pdf

Brown and Caldwell Wants Anacortes to use the most engineering and cost intensive solutions for our wastes:

Plz save You community Money and stop the polluting! Learn How Science Has Changed Everything related to Sewage solids handling.

<Letter_to_Mayor_Walters_Anacortes_Solids copy.pdf>

Fate of perfluoroalkyl and polyfluoroalkyl substances (PFAS) through two full-scale wastewater sludge incinerators - Brown and Caldwell.pdf
drive.google.com

Schwing Bioset - Bioset Process.pdf
drive.google.com

<alkaline-stabilization-biosolids-factsheet.pdf>

Sent From Larry's IPad.

Larry McCarter
President, Recycling and Disposal Services, Inc.
212 Hawthorn Road, Bellingham, WA 98225
(360) 739-4843 | rdslarry@mac.com

September 14, 2026

The Honorable Ryan Walters
Mayor, City of Anacortes
904 6th Street, P.O. Box 547
Anacortes, WA 98221

cc: Anacortes City Council; Logan Lee, City Engineer; Brian Walker, Wastewater Treatment Plant Manager

Re: The solids system shortlist, before the September workshop closes it

Dear Mayor Walters,

I am a solid waste contractor in Whatcom County, president of Recycling and Disposal Services, Inc., and the appellant in ongoing proceedings concerning Bellingham's Post Point sludge incinerators. I have spent two years inside the work product of the same consulting firm now guiding your solids decision. I have read your July 27, 2026 agenda packet in full. I write before your September workshop narrows five alternatives to three, because the record in that packet contains problems your council should see with the funnel still open. Every statement below cites the packet by page number or a linked public document.

1. The cheapest, simplest alternative was eliminated without a written reason.

Your consultant's own screening slide, "Screened Technologies (i.e. Meet Mandatory Goals)" (packet p. 126), shows Alkaline Stabilization passing every mandatory goal, tagged "Established." The alternatives table (p. 128) scores it lowest cost tier, medium footprint, and the lowest operational complexity rating on the 14-row table. It received a red X at a June 23, 2026 workshop attended only by WWTP staff and Brown and Caldwell engineers (p. 127). The packet's group rationale for eliminations, "large footprint, complex operations, and high costs," is contradicted for this alternative by the consultant's own scoring on the next slide. Offsite composting, also lowest cost with a small at-plant footprint, was cut the same way. No per-alternative elimination rationale appears anywhere in the packet.

The footprint rating deserves particular scrutiny. I price this equipment class commercially. Modern alkaline stabilization systems arrive skid-mounted, ship on one truck, install as a packaged unit, and would fit inside your existing incinerator building. Equipment of this class runs on the order of one million dollars with capacity to serve a plant of Anacortes' size for decades. It is proven and widely deployed, including throughout Florida, where high water tables make it a workhorse of municipal biosolids programs. Your surviving alternatives advertise "no alterations to the existing incinerator building" as a selling point (pp. 130-133). The one alternative compact enough to operate inside that building was eliminated for its footprint.

2. Your council is being asked to narrow options before a single dollar figure exists.

The 14 alternatives are priced in dollar signs only. The packet's own schedule (p. 134) shows BC:SWEET cost modeling in July and August, after the shortlist was set. Alternatives eliminated on June 23 will never be priced.

The Bellingham record shows what the missing numbers look like. My analysis of Bellingham's June 2025 FCS Group Rate Study and the city's own throughput data supports an incineration program cost of $1,021 per ton over a ten-year horizon, rising toward $3,967 per ton over twenty years. Haul-and-treat alternatives in the same record, including skid-mounted alkaline stabilization, fall between $206 and $280 per ton. That is a five-to-one spread that widens with time, and I will provide the worksheets to your staff on request. Your council spent the same July 27 evening confronting a $2.4 million deficit for 2027. The solids decision will dwarf that number, in either direction, for decades.

One structural fact belongs beside the missing numbers. A packaged skid system requires almost no engineering. An incinerator rehab, a new incinerator, or a pyrolysis line retrofitted into your incinerator building each generate years of consulting work. The firm performing your evaluation is compensated for engineering, and in Bellingham the same firm authored the 2022 Facility Plan and then received the incinerator design contract that followed from it (cob.org/project/post-point-emission-control-upgrades). I do not know what was said in the June 23 room. That is why its record matters. The alternative that generates the least consulting revenue is the one that vanished without a written reason.

3. Your consultant's own scientists documented PFAS escaping these incinerators. The word appears nowhere in your packet.

Brown and Caldwell's Lloyd Winchell is co-principal investigator of the Water Research Foundation study on PFAS fate through sewage sludge incinerators (announcement: brownandcaldwell.com/2021/04/bc-receives-pfas-incineration-study-grant). The resulting peer-reviewed paper, "Fate of perfluoroalkyl and polyfluoroalkyl substances (PFAS) through two full-scale wastewater sludge incinerators," is posted on the firm's own website (brownandcaldwell.com/papers-and-reports/fate-of-perfluoroalkyl-and-polyfluoroalkyl-substances-pfas-through-two-full-scale-wastewater-sludge-incinerators). Its findings: the furnaces emitted measurable PFAS from the stack, dominated by shorter-chain compounds created in the furnace, and the wet scrubber water streams of both furnace types accumulated fluorinated organics stripped from the exhaust. Mr. Winchell's state-of-the-science review flags fluorinated products of incomplete combustion as a central unknown (pubmed.ncbi.nlm.nih.gov/33190313). The firm's own grant announcement states the problem plainly: whether SSIs can fully mineralize PFAS is unknown.

Federal guidance points the same direction. EPA's 2024 Interim Guidance on PFAS Destruction and Disposal identifies a destruction benchmark near 1,100 degrees Celsius and places sludge incineration among the highest-uncertainty management pathways.

Bellingham's unit operates at a documented 925 degrees Celsius. EPA's January 2025 Draft Sewage Sludge Risk Assessment for PFOA and PFOS examined land application, landfilling, and incineration. Brown and Caldwell's own January 2025 advisory summarizing it concedes that EPA's landfill modeling found potential human health impacts only at monofills without modern liners (brownandcaldwell.com/2025/01/epa-draft-sewage-sludge-risk-assessment-for-pfas). A modern Subtitle D landfill is not an unlined monofill.

Now search your 160-page packet. PFAS: zero occurrences. Scrubber: zero. Blowdown: zero. The only water-quality language in the mandatory goals is "high nutrient side streams" (p. 122). Your own mandatory goal requires adaptability to "future known or probable regulations" (p. 122). An analysis that never says the word PFAS cannot demonstrate compliance with your own criterion, and it was written by the firm whose principal leads the national research on the subject.

4. The water pathway runs to Guemes Channel, and your draft permits are open now.

An incinerator partitions pollution; it does not eliminate it. The scrubber strips pollutants from stack gas into water. Scrubber water returns to the head of your plant, conventional treatment does not remove PFAS, and the plant discharges to Guemes Channel. Peer-reviewed work at a treatment plant with a collocated SSI found more than 99 percent of PFAS mass leaving the facility left through the water (pubmed.ncbi.nlm.nih.gov/36858229). Your July 20 Public Works Committee discussed a draft NPDES permit and a draft incinerator Title V permit (minutes, packet p. 10). Both are open for shaping at this moment, and your packet's claims list shows Eurofins laboratory testing of thickened sludge already in hand. EPA Region 10 is active on Washington SSIs: it penalized Lynnwood $550,259 over its unit (kuow.org, February 2024), and on December 20, 2025 it issued a monitoring-inadequacy finding regarding Bellingham's.

5. The permit and environmental review that ride on this decision.

RCW 70A.205 and Chapter 173-350 WAC require solid waste handling facilities to hold permits issued through the jurisdictional health department; WAC 173-350-240 addresses energy recovery and incineration facilities. In Bellingham, the record in my proceedings shows Post Point has operated for decades without such a permit, a question now in litigation. Whichever alternative Anacortes selects will be a new or substantially altered solids handling facility. Permitting it properly engages Skagit County Public Health and review under the State Environmental Policy Act. A decision of this scale is where an Environmental Impact Statement comparing all alternatives, including those eliminated on June 23, belongs.

What I ask of you before the September workshop:

1. Direct that Alkaline Stabilization and direct haul to landfill receive full BC:SWEET cost modeling alongside the five shortlisted alternatives, so your council narrows options with dollar figures rather than dollar signs.
2. Publish the June 23, 2026 Alternatives Definition Workshop materials, notes, and attendance.

3. Require your consultant to brief the council on its own published PFAS incineration findings, and to state whether it anticipates performing design work on the alternative it recommends.
4. Direct staff to characterize PFAS in scrubber blowdown, sidestreams, effluent, and ash within the open NPDES and Title V processes, and disclose the Eurofins results.
5. Confirm with Skagit County Public Health the solid waste permit status of the existing incinerator, and commit the selected alternative to SEPA review with EIS-level alternatives analysis.

Your consultant told your council in 2021 that fluidized bed incineration ranked 11th of 12 options (goskagit.com, May 19, 2021). Five years later two of your five finalists are incinerators, the cheapest alternative is unpriced and eliminated, and the packet is silent on the contaminant driving national biosolids regulation. These are correctable problems, but only this month. I am available to your staff, on the record, with every document cited here.

Respectfully,

L. McCarter

Larry McCarter
President, Recycling and Disposal Services, Inc.

Read the documents: Stoppollutingbellinghamnow.com

United States Environmental Protection Agency
Office of Water Washington, D.C.
EPA 832-F-00-052 September 2000

Biosolids Technology Fact Sheet
Alkaline Stabilization of Biosolids

DESCRIPTION

Biosolids are primarily organic materials produced during wastewater treatment which may be put to beneficial use. Biosolids are used in home gardening, commercial agriculture, silviculture, greenways, recreational areas and reclamation of drastically disturbed sites such as those subjected to surface mining. Biosolids are often rich in nutrients such as nitrogen and phosphorus, and contain valuable micro nutrients. The Environmental Protection Agency's (EPA) 40 CFR Part 503, *Standards for the Use and Disposal of Sewage Sludge*, (the Part 503 Rule) requires that wastewater solids be processed before they can be beneficially used. The processing is described in this fact sheet as stabilization. Stabilization helps to minimize the potential for odor generation, destroys pathogens (disease causing organisms), and reduces the material's vector attraction potential. One method of stabilization is to add alkaline materials to raise the pH level to make conditions unfavorable for the growth of organisms (such as pathogens). Figure 1 is a picture of alkaline stabilized biosolids being dropped from an overhead conveyor into windrow curing piles at Middlesex County Utility Authority's facility in New Jersey.

The Part 503 Rule defines two types of biosolids with respect to pathogen reduction: Class A (no detectable pathogens) and Class B (a reduced level of pathogens). Both classes are safe, but additional requirements are necessary with Class B materials. These requirements are detailed in the Part 503 Rule and include such things as limiting public access to the site of application, limiting livestock grazing, and controlling crop harvesting schedules. Class A biosolids are not subject to these use restrictions and can generally be used like any commercial fertilizer.

Alkaline stabilization can achieve the minimum requirements for both Class A and Class B biosolids with respect to pathogens, depending on the amount of alkaline material added and other processes employed. Generally, alkaline stabilization meets the Class B requirements when the pH of the mixture of wastewater solids and alkaline material is at 12 or above after 2 hours of contact.

Source: Parsons Engineering Science, Inc., 1999.

FIGURE 1 ALKALINE STABILIZED BIOSOLIDS

Class A requirements can be achieved when the pH of the mixture is maintained at or above 12 for at least 72 hours, with a temperature of 52°C maintained for at least 12 hours during this time. In one process, the mixture is air dried to over 50 percent solids after the 72-hour period of elevated pH. Alternately, the process may be manipulated to maintain temperatures at or above 70°C for 30 or more minutes, while maintaining the pH requirement of 12. This higher temperature can be achieved by overdosing with lime (that is, adding more than is needed to reach a pH of 12), by using a supplemental heat source, or by using a combination of the two. Monitoring for fecal coliforms or *Salmonella* sp. is required prior to release by the generator for use.

The Part 503 Rule also allows for meeting Class A pathogen reduction requirements through monitoring for pathogens before and after processing. For example, Class A Alternative 3 requires that the unprocessed wastewater solids be monitored for enteric viruses and helminth ova. The process is monitored for lime dosage and pH and the final product must have no detectable levels of enteric viruses or helminth ova.

For more specific details on the requirements for achieving Class A or B, please refer to the Part 503 Rule.

Materials that may be used for alkaline stabilization include hydrated lime, quicklime (calcium oxide), fly ash, lime and cement kiln dust, and carbide lime. Quicklime is commonly used because it has a high heat of hydrolysis (491 British thermal units) and can significantly enhance pathogen destruction. Fly ash, lime kiln dust, or cement kiln dust are often used for alkaline stabilization because of their availability and relatively low cost.

The alkaline stabilized product is suitable for application in many situations, such as landscaping, agriculture, and mine reclamation. The product serves as a lime substitute, source of organic matter, and a speciality fertilizer. The addition of alkaline stabilized biosolids results in more favorable conditions for vegetative growth by improving soil properties such as pH, texture, and water holding capacity. Appropriate applications depend on the needs of the soil and crops that will be grown and the pathogen classification. For example, a Class B material would not be suitable for blending in a top soil mix intended for use in home landscaping but is suitable for agriculture, mine reclamation, and landfill cover where the potential for contact with the public is lower and access can be restricted. Class A alkaline stabilized biosolids are useful in agriculture and as a topsoil blend ingredient. Alkaline stabilized biosolids provide pH adjustment, nutrients, and organic matter, reducing reliance on other fertilizers.

Alkaline stabilized biosolids are also useful as daily landfill cover. They satisfy the federal requirement that landfills must be covered with soil or soil-like material at the end of each day (40 CFR 258). In most cases, lime stabilized biosolids are blended with other soil to achieve the proper consistency for daily cover.

As previously mentioned, alkaline stabilized biosolids are excellent for land reclamation in degraded areas, including acid mine spoils or mine tailings. Soil conditions at such sites are very unfavorable for vegetative growth often due to acid content, lack of nutrients, elevated levels of heavy metals, and poor soil texture. Alkaline stabilized biosolids help to remedy these problems, making conditions more favorable for plant growth and reducing erosion potential. In addition, once a vegetative cover is established, the quality of mine drainage improves.

APPLICABILITY

Where lime or another alkaline additive (for example, recycled kiln dust), is relatively inexpensive, alkaline stabilization is often the most cost-effective process for wastewater solids stabilization. This is particularly true where dependable markets for the alkaline product can be developed, such as in areas where alkaline materials are routinely applied to agricultural soils to maximize crop yields.

Alkaline stabilization is practical at small wastewater treatment plants that store wastewater solids for later transportation to larger facilities for further treatment. It is also applicable as an expansion of existing facilities or as a new facility to reduce odors and pathogens. The technology is especially useful at wastewater treatment facilities with flows that vary greatly since the process adjusts easily to changing flows. This adaptability also makes alkaline stabilization an appropriate choice as a secondary or backup stabilization method because these facilities can be started and stopped relatively quickly and easily. Facilities can also be designed to handle either liquid or dewatered wastewater solids.

In general, alkaline stabilization is not a proprietary process, meaning that no fee is required to be paid to a patent holder to use the process. However, several variations on the basic process are proprietary, such as:

- BioFIX Process (marketed by Bio Gro Division of Wheelabrator Clean Water Systems, Inc.)
- RDP En-Vessel Pasteurization System (marketed by RDP Company.)
- N-Viro Advanced Alkaline Stabilization with Drying (marketed by N-Viro International Corporation.)

ADVANTAGES AND DISADVANTAGES

Alkaline stabilization offers several advantages, including:

- Consistency with the EPA's national beneficial reuse policy. Results in a product suitable for a variety of uses and is usually able to be sold.
- Simple technology requiring few special skills for reliable operation.
- Easy to construct of readily available parts.
- Small land area required.
- Flexible operation, easily started and stopped.

Several possible disadvantages should be considered in evaluating this technology:

- The resulting product is not suitable for use on all soil. For example, alkaline soils common in southwestern states will not benefit from the addition of a high pH material.
- The volume of material to be managed and moved off-site is increased by approximately 15 to 50 percent in comparison with other stabilization techniques, such as digestion. This increased volume results in higher transportation costs when material is moved off-site.
- There is potential for odor generation both at the processing and end use site.
- There is a potential for dust production.
- There is a potential for pathogen regrowth if the pH drops below 9.5 while the material is stored prior to use (U.S. EPA, 1992.)
- The nitrogen content in the final product is lower than that in several other biosolids products. During processing, nitrogen is converted to ammonia, which is lost to the atmosphere through volatilization. In addition, plant available phosphorous can be reduced through the formation of calcium phosphate.
- There are fees associated with proprietary processes (Class A stabilization.)

Environmental Impacts

There are several potential environmental impacts associated with alkaline stabilization of wastewater solids. Odor problems may occur at the point of processing or use due to the release of ammonia and ammonia related compounds and amines. These are generally considered nuisance issues without long-term environmental impact. Handling of the material, such as loading, unloading, or spreading, all potentially cause release of ammonia and amines. The amount of ammonia released from the alkaline stabilized product depends on the nitrogen content of the wastewater solids and the pH and temperature achieved through the process. The extent of amine released will depend in part on the nature of the dewatering chemicals used.

In addition, small amounts of particulate matter may be emitted by the processing facility, but these are easily mitigated.

Land application of any biosolid product can increase the concentrations of trace elements in the soil. Alkaline stabilized biosolids help to create soil pH conditions in which metals are insoluble, minimizing plant uptake and movement of metals to groundwater.

Soils which have a low pH will benefit greatly from the alkaline material and will be more fertile. Lime is usually low in metals and, when blended with wastewater solids, can improve the quality of the product with respect to metals.

DESIGN CRITERIA

There are many factors that must be considered in designing an alkaline stabilization facility for biosolids. The most critical are:

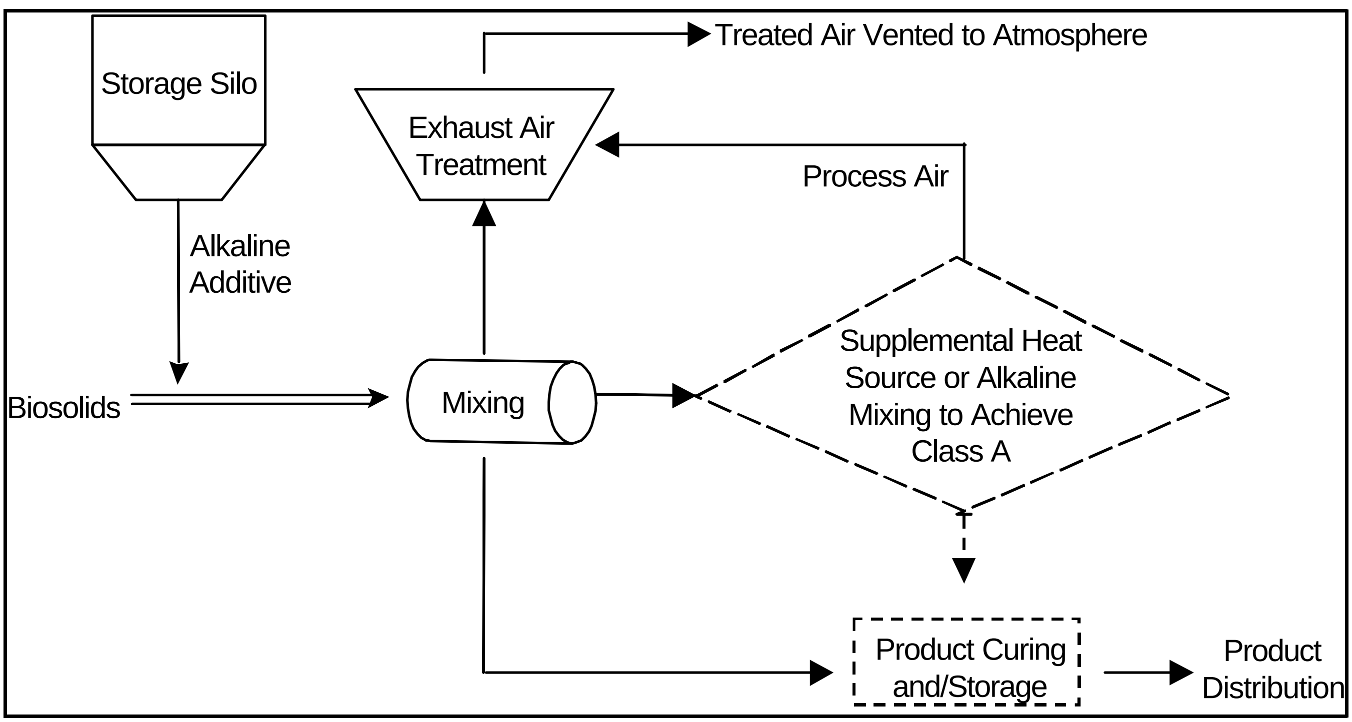
- Percent solids of infeed wastewater solids.
- Desired results (Class A versus Class B) which affect the amount of alkaline material needed and mixing time, which, in turn, impacts equipment size.
- Source and volume of alkaline material to be used.
- Odor control equipment at the processing facility.
- Storage and curing areas.

The equipment necessary for alkaline stabilization is relatively easy to install and operate. Typical equipment includes the following:

- Wastewater solids feed/conveyance mechanism.
- Lime storage (silo, 1000 or 50 pound bags, etc.)
- Lime transfer conveyor.
- Mixer.
- Air emission control equipment to minimize odors and dust.

Figure 2 presents a typical flow diagram for alkaline stabilization. A list of general design parameters and criterion for Class B alkaline stabilization is found in Table 1.

Designing a facility to meet Class A stabilization requirements may require additional lime storage to allow an increased lime dose, additional curing capacity, and/or the provision of supplemental heat.



Source: Parsons Engineering Science, Inc., 1999.

Note: Dashed lines indicate optional equipment.

FIGURE 2 FLOW DIAGRAM OF A TYPICAL ALKALINE STABILIZATION OPERATION

TABLE 1 TYPICAL DESIGN CRITERIA FOR CLASS B ALKALINE STABILIZATION

Parameter	Design Criterion
Alkaline dose	0.25 pound per pound of wastewater solids at 20 percent solids
Retention time in mixer	1 minute
Retention time in curing vessel	30 minutes

Source: National Lime Association, undated.

The end use of the material is another important factor when designing a biosolids management program, including alkaline stabilization. The resulting material is suitable for many uses, including agricultural application, mine reclamation and landfill cover. The amount of land that must be available differs with the use. Alkaline stabilized biosolids are generally lower in nitrogen than other biosolids products because nitrogen is converted to ammonia during processing. The material contains approximately one to two percent nitrogen; one percent phosphorus; and negligible potassium, nutrients of primary importance for vegetative growth. In agricultural application, alkaline stabilized biosolids are often applied more for their pH adjusting characteristics at a typical application rate of two to five tons per acre. Nutrients supplied to the crop are a secondary benefit. In reclamation applications, the material is often applied only once rather than annually or periodically as in agricultural applications. Therefore, the material is usually applied at a higher rate of between 60 to 100 dry tons per acre. In landfill cover applications, the amount of material used is dictated more by regulatory requirements than nutrient content. Alkaline stabilized biosolids can be used as daily cover, or to amend the final cover, in accordance with federal regulations which require material to enhance conditions for vegetative growth. For daily cover, a minimum of six inches of soil is required. Equivalent thickness of alkaline stabilized material must be approved on a case by case basis. Typical application rates for incorporation into final cover material are similar to those at mine reclamation sites.

PERFORMANCE

Alkaline stabilization is frequently selected by wastewater treatment facilities in regions where soils have a tendency to be acidic and where low cost alkaline materials are readily available. In areas where soils are acidic, the end product has greater value. Table 2 shows location, size, and end use for representative alkaline stabilization facilities.

Alkaline stabilization systems are generally quite reliable and flexible. The same equipment can often be used to produce either Class A or B biosolids with minor process modifications, such as a larger dosage of alkaline material or the addition of supplemental heating (pasteurization.)

With respect to pathogen reduction, Class B alkaline stabilization has been demonstrated to reduce total coliform, fecal coliform, and fecal streptococci bacterial concentrations by more than 99.9 percent. Concentrations of *Salmonella* and *Pseudomonas aeruginosa* have been shown to be reduced below the level of detection. Pathogen concentrations in Class B alkaline stabilized biosolids range from 10 to 1,000 times less than those in anaerobically digested sludge (U.S. EPA, 1979.) Alkaline stabilization can result in an exceptional quality product when it meets Class A pathogen reduction, vector attraction reduction and the highest standards for metal concentrations. This higher level of processing can result in a more valuable product because there are no restrictions on end use. The high level of disinfection achieved in Class A products makes them easier to handle and apply. For example, if a farmer purchases an exceptional quality product, he will not have to restrict access or limit grazing and harvesting times.

The appearance, odor causing potential, and handling characteristics can vary greatly depending on the type of alkaline stabilization process used. Processes that add larger amounts of alkaline material or include added heat, drying, or curing will produce a drier product that resembles topsoil. Other alkaline stabilization processes that simply

TABLE 2 REPRESENTATIVE LIME STABILIZATION FACILITIES

Location	Solids Production (dry tons/day)	Disposal/End Use	Pathogen Reduction	Process Employed
Hampton Road, VA	8	Land Application	Class A	Bio*Fix
Reedsville, WI	1-2	Land Application	Class A	EnVessel Pasteurization™
Lancaster, OH	3	Land Application	Class A & B	Bio*Fix
Raleigh, NC	20	Land Application	Class A	N-Viro AASAD
Howard Co., MD	20	Land Application	Class A & B	Bio*Fix
Cookeville, TN	<1	Land Application	Class A	EnVessel
Charlotte, NC	20	Agricultural Liming Agent	Class A	Bio*Fix
Washington, DC	270	Land Application	Class B	Post-Lime Stabilization
Middlesex, NJ	146	Landfill Cover Agricultural Liming Agent	Class A	N-Viro AASAD
Toledo, OH	63	Agricultural Liming Agent	Class A	N-Viro AASAD
Greenville, SC	10	Landfill Cover	Class A	N-Viro AASAD
Tarpon Springs, FL	3	Land Application	Class A	N-Viro AASAD
Syracuse, NY	30	Agricultural Liming Agent	Class A	N-Viro AASAD
Urbana-Champagne, IL	5	Land Application	Class B	N-Viro
Upper Gwynedd, PA	2-3	Land Application	Class B	Generic
Bergen County, NJ	45	Landfill Cover	Class A	Bio*Fix

Source: National Lime Association, 1995; RDP Technologies, Inc. web site, 1999; N-Viro International Corp. web site, 1999, and personal communication with facility operators.

add enough lime to increase pH to 12 for 2 hours may still resemble biosolids cake from the dewatering equipment. The characteristics of the end product should be considered when evaluating the methods and feasibility of storage. Drier alkaline stabilized products tend to have fewer odors after 30 days or more of storage. On the other hand, cake-like products should be used as soon as possible to minimize odor complaints at the application sites.

The odors associated with alkaline stabilized products are also dependent on the characteristics of the wastewater solids. Plant operators who minimize sludge age in the their wastewater treatment facility will also minimize odor generation both at the processing facility and at the end use site. In addition, 25 percent total solids cake is easier to process and requires less lime than 20 percent total solids cake. The odors also result from the dewatering chemicals used.

OPERATION AND MAINTENANCE

Alkaline stabilization systems are relatively uncomplicated facilities operated with the skills found in typical wastewater treatment plant personnel. Labor requirements include heavy equipment operators, maintenance personnel, and instrumentation/computer operators.

The caustic nature of the alkaline additive requires higher maintenance on these systems than on stabilization systems that do not involve caustic materials. Proper design and operation of the mixing equipment is necessary to ensure a consistent, homogeneous product.

COSTS

It is difficult to estimate the costs of stabilizing biosolids with alkaline materials without specific details, such as wastewater solids characteristics and quantities. One study estimated costs for Class A alkaline stabilization ranging from $139 to $312 per dry ton of wastewater solids processed by facilities designed to serve wastewater treatment plants ranging in capacity from 10 to 60 million gallons per day. This estimated range demonstrates the economy of scale associated with larger systems. The capital costs cited in this same study ranged from $1.5 to $4.0 million and annual costs were estimated to range from $1 million and $4 million. This study concluded that alkaline stabilization was less expensive than composting or thermal drying (Sullivan, 1996.)

Although exact costs for alkaline stabilization cannot be provided, the following items must be considered in estimating costs for any alkaline stabilization facility:

- Processing equipment purchase and installation.
- Product curing and storage facilities.
- Loading facilities.
- Transport of product to point of use.
- Royalty and operating fees for proprietary processes.
- Equipment maintenance and fuel.
- Alkaline additive.
- Labor.
- Odor control equipment and chemicals.
- Marketing costs/revenues.
- Regulatory compliance, such as permit applications, site monitoring, biosolids analyses, and regulatory record keeping and reporting.

The incremental capital cost for meeting Class A requirements through alkaline stabilization is the lowest among stabilization alternatives such as thermal drying and anaerobic and aerobic digestion. The incremental unit cost (including capital and operation and maintenance) associated with creating a Class A product from a system currently making a Class B product and serving a 5 million gallon per day wastewater treatment facility was estimated to be $39 per dry ton. Again, this is significantly less than the unit costs to increase pathogen treatment through aerobic or anaerobic digestion, which were cited as $88 and $103 per dry ton, respectively (National Lime Association, 1998.)

Some generators of alkaline stabilized biosolids sell the product for approximately $3 to $5 per wet ton.

REFERENCES

Other Related Fact Sheets

Odor Management in Biosolids Management
EPA 832-F-00-067
September 2000

Centrifugal Dewatering/Thickening
EPA 832-F-00-053
September 2000

Belt Filter Press
EPA 832-F-00-057
September 2000

Land Application of Biosolids
EPA 832-F-00-064
September 2000

Other EPA Fact Sheets can be found at the following web address:
http://www.epa.gov/owmitnet/mtbfact.htm

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ADDITIONAL INFORMATION

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MUNICIPAL TECHNOLOGY BRANCH

From: Mark Nihart
To: CityClerk; CityClerk
Cc: Mark Nihart
Subject: SGA Comments - R1 Zone Protection / Permit Processing Streamlining Hearing
Date: Saturday, September 12, 2026 4:44:43 PM
Attachments: image
SGA_R1_Zone_Protection Final 9-5-2026 (4).pdf
10172024_Reconnaissance Report FACET Zone 1 BAS (1).pdf
Shoreline Master Program Compliance Assessment_FACET 2024.06.21 (1).pdf

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Mr. Hoglund:

Would you please see this email and attachments are sent to the City Council and the Mayor, and are part of the written public comment for Monday September 14th, 2026 Council Meeting. Thanks. As always, your help is much appreciated.

Smart Growth Anacortes

Council Members and Mayor:

Please see attached documents. They are part of a new SGA comment and support documents for the Proposed Code Amendment: Executive Order 2026-02 – Permit Process Streamlining hearing September 15th 2026.

SGA Authored, Respectfully submitted by,

Mark B. Nihart
President, Smart Growth Anacortes
https://smartgrowthanacortes.com/

Smart Growth Anacortes

To: John Coleman, Libby Grange
cc: Planning Commission, City Council, Mayor Ryan
Subject: SGA's Position on Protecting and Restoring Critical Areas in the R1 Low Density Residential Zone
Date: September 8, 2026

To all concerned:

Smart Growth Anacortes supports the City's goal of improving the development permit process to be more predictable, efficient, and easier for staff to administer. However, a quality process must include meaningful public participation and adherence to Best Available Science. In SGA's September 3, 2026 comments we offered a three-stage model that invites public input at key checkpoints during permit review. Public engagement and transparency are essential to responsible housing choices and protection of the ecological systems that serve the whole community.

Today, SGA speaks to protect the 298-acre R1 Low Density Residential Zone from piecemeal development that will undermine its value and the City's climate resiliency. The R1 Zone is not a typical urban development area and should not be reduced to a simple calculation of how many houses can fit on each lot. Its streams, wetlands, habitat, drainage systems, and trees help buffer, protect, and beautify the City. Its value has been recognized since Anacortes' first Growth Management Act Comprehensive Plan in 1993. It is a valuable and scarce asset that must be preserved.

Before approving more development in R1, the City should determine how much the R1 landscape can absorb without losing the ecological functions that make it valuable. This is not opposition to all R1 development. It is a responsible and practical request to establish the environmental and infrastructure baseline first, then decide what development can proceed with no net loss of critical-area functions and values. R1 must be evaluated not only for housing capacity, but also for its ecological functions that make the City more climate resilient, livable, and better prepared for future growth. R1 development applications need early, meaningful, and recurring public comment. Neighborhood meetings should be required, and residents should have prompt access to the information behind City decisions.

Smart Growth Anacortes offers our attached proposal in the spirit of collaboration and to build community trust. Should the enhanced review require additional staff time, we recommend that any associated costs be incorporated into permit fees paid by applicants rather than by City taxpayers and ratepayers.

SGA authored, Respectfully submitted by,

Mark B. Nihart
President, Smart Growth Anacortes
https://smartgrowthanacortes.com

Vision Statement
We strive to create a more transparent, collaborative partnership in which Anacortes residents - its owners and financers – set community priorities and help our city implement them.

SGA POSITION - Protecting and Restoring Critical Areas in the R1 Low Density Residential Zone

Executive Summary — What This Means for Residents

Piecemeal development will erode the long-established neighborhood character and ecological functions of the R1 Low Density Residential Zone (R1). Updates to the Critical Areas Regulations should strengthen protections and mandate restoration for R1 to preserve its contribution to Anacortes' long-term climate resilience and environmental infrastructure.

The City Comprehensive Plan recognizes the unique value of the R1. It states:
(R1) "Provides for low density residential development in the southern end of the city that is inappropriate for more intensive urban development due to topography, the frequent presence of wetlands, the high cost in extending public facilities, and the desire to create a lower intensity transitional area between the city and the surrounding unincorporated rural pasture, forest, and agricultural land."

The R1 should not be evaluated simply by asking how many houses can fit on each lot. The area contains wetlands, streams, drainage pathways, habitat, steep or constrained land, and infrastructure limitations that work together as one system.

The Best Available Science (BAS) Report for the R1 documents these connections and identifies conditions that can make additional clearing, pavement, drainage changes, and buffer encroachment more consequential. So, adding development in one place can affect water, habitat, and flooding conditions somewhere else.

Smart Growth Anacortes (SGA) is not saying that R1 housing development must stop or that every R1 parcel is undevelopable. However, the City should establish the environmental and infrastructure baseline first, then determine what level of additional development can occur while protecting "no net loss" of critical-area functions and values.

Where the science or mapping is uncertain, the City has a duty to verify the facts before relying on an uncertain baseline to justify additional development. Where impacts cannot be avoided, the City should require measurable mitigation, restoration, monitoring, and corrective action.

The R1 landscape should be evaluated not only for residential capacity but also for the ecological functions that contribute to community resilience.

The public must be engaged early and periodically in the process to provide input on all applications in R1. The public must be able to see the technical information used to make decisions and understand why the City accepted, modified, or rejected each material recommendation.

Finally, the costs associated with this level of review belong to the applicant and not to City taxpayers and ratepayers and need to be reflected in permit fees.

Smart Growth Anacortes' Position

Before the City allows more residential intensity, it should know what the R1 landscape can absorb without losing the wetlands, streams, habitat, drainage functions, environmental infrastructure capacity, and other critical-area values that make the area different from a conventional urban development site.
The R1 status has been recognized since the City's first Growth Management Act (GMA) compliant Comprehensive Plan in 1993.

SGA's position is that any R1 development should be based on the City's own technical record — not on dwelling counts alone. The record shows R1 must be evaluated on a zone-wide basis with cumulative, offsite impacts considered to ensure that the integrity of the zone is preserved.

The R1 landscape should be evaluated not only for residential capacity but also for the ecological functions that contribute to community resilience. There must be "no net loss" of critical-area functions and values.

The public must be engaged early and periodically in the process to provide input on all applications in R1.

The public must be able to see the technical information used to make decisions and understand why the City accepted, modified, or rejected each material recommendation.

Finally, the costs associated with this level of review belong to the applicant and not to City taxpayers and ratepayers and need to be reflected in permit fees.

Science and Legal Support for Smart Growth Anacortes' Position

The Best Available Science (BAS) Report for the R1 (commissioned and paid for by R1 neighbors) strengthens SGA's position.[1] It documents connected stream and wetland systems, variable buffer conditions, existing degradation and fragmentation, impervious-surface and stormwater relationships, fish-passage issues, restoration opportunities, and limitations in some mapping.

Best Available Science surely requires that the City explain, in writing, how its R1 standards account for material BAS findings.

Legal framing is equally important.

SGA's position does not ask the City to choose environmental protection instead of housing.
The Growth Management Act (GMA) goals must be read together. Critical-area protection, housing, environmental protection, climate resilience, stormwater, and applicable shoreline requirements must be implemented in a coordinated way.

The technical analysis below identifies the principal GMA requirements and explains how the BAS can be used to build that record.

[1] FACET Online Reconnaissance Report for Anacortes, WA, October 2024.

Conclusion — A Practical and Transparent Standard

The R1 issue can be reduced to a practical principle: the City should know what must be protected before it decides how much additional development the landscape can carry.

The BAS Report gives the City a stronger scientific record for making that determination. It identifies connected streams and wetlands, buffer functions, stormwater and impervious-surface relationships, existing degradation, restoration opportunities, and areas where mapping still requires verification.

There must be “no net loss” of critical-area functions and values.
SGA therefore asks the City to establish the R1 baseline first; verify material uncertainties; evaluate cumulative and off-site effects; measure impervious surface and stormwater consequences; require avoidance and minimization before mitigation; require restoration and compensation where appropriate; and make mitigation enforceable through monitoring, reporting, maintenance, corrective action, and appropriate financial security.

If the City reaches a different conclusion, the public should be able to see the evidence behind it.
For each material recommendation, Staff should state whether it is accepted, modified, or rejected -- and identify the applicable policy, code, BAS finding, legal authority, data, or professional analysis supporting that result. That approach does not predetermine the outcome. It makes the outcome transparent, scientifically traceable, and more defensible under the GMA.

SGA's position is not 'no housing.' It is 'no unsupported increase in effective intensity.'
Housing, environmental protection, infrastructure, stormwater management, and resilience must be addressed together—and the City's scientific record must be reflected in the standards that govern the R1.

Technical Analysis

1. The R1 BAS Report Changes the Analysis

SGA is asking Staff to reconcile proposed R1 standards with the City's current scientific record. The BAS expressly identifies Happy Valley Stream, Ace of Hearts Creek, Beaver Brook, Cranberry Creek, Clyde Creek, Anaco Bourn, Cedar Springs, and other streams as riparian management zones (RMZ) or waters of the state within the City's critical-area framework. It further identifies multiple wetlands, forested wetland headwaters, and stream/wetland complexes. The BAS explicitly lists Ace of Hearts Creek and Happy Valley Stream as Riparian Management Zones (RMZs) and Fish and Wildlife Habitat Conservation Areas (FWHCAs). This listing is stronger than a generalized 'wetland concern.' The R1 record should therefore identify every BAS-mapped critical-area feature occurring in, draining from, or functionally connected to the R1 study area and show how proposed development standards protect those functions.

The BAS also acknowledges that some stream alignments were derived from GIS, LiDAR, and aerial photography without field-based ground truthing. That limitation is important rather than incidental. Where mapped constraints are incomplete or not field verified, the City should not convert mapping uncertainty into a presumption of development capacity. Instead, applications in potentially affected areas should require field verification by qualified professionals before approval.

GMA / ADMINISTRATIVE-RECORD NOTE. RCW 36.70A.172(1) requires the City to include BAS in policies and development regulations protecting critical-area functions and values. WAC 365-195-905 calls for a BAS review proportionate to the scope of the amendment and requires scientific information to be weighed for validity, methods, quantitative analysis, context, and references.

2. BAS Supports a Zone-Scale, Not Merely Parcel-Scale, Analysis

The BAS states that a multi-function riparian buffer should be sized to meet all functions identified as locally important and that buffer effectiveness depends on watershed characteristics and adjacent land-use intensity. This is direct scientific support for evaluating R1 as a connected landscape rather than as unrelated development lots.

The BAS documents existing cumulative alterations: numerous stream reaches have been ditched or piped; several creek mouths have long piped sections; some residential stream reaches receive lawn and roadside runoff; and some stream corridors have narrow or degraded buffers. These are precisely the circumstances in which additional incremental clearing, impervious surface, drainage concentration, and buffer encroachment can compound existing impairment. Accordingly, the City's project review should include a cumulative-effects accounting framework. At minimum, each materially intensifying proposal should identify existing and proposed impervious surface; clearing and tree removal; wetland and buffer disturbance; stormwater discharge points; drainage changes; stream crossings; access improvements; and the relationship of those impacts to upstream and downstream critical areas. The City should explain how the aggregate effect remains compatible with the R1 purpose.

GMA / ADMINISTRATIVE-RECORD NOTE. RCW 36.70A.030 (12) defines multiple critical-area categories, while RCW 36.70A.060(2) requires development regulations to protect them. RCW 36.70A.070 identifies land-use requirements concerning stormwater, flooding, and drainage. A parcel-scale zoning decision should therefore demonstrate that the critical-area and stormwater functions affected by the regulation have been considered.

3. Wetland Buffer Science Supports Stronger R1 Protection

The BAS Report indicates that wetland buffers vary with habitat function and adjacent land-use intensity, with cited ranges of 25–75 feet for minimal habitat functions and low-intensity adjacent uses, 50–150 feet for moderate functions or higher-intensity adjacent uses, and 150–300 feet for high habitat functions. It also reports that water-quality protection may require substantially wider buffers for higher pollutant-removal performance.

The BAS further reports research showing increasing nutrient-removal effectiveness as riparian buffer width increases. The reported study found substantially greater nitrogen and phosphorus reductions at approximately 40- and 60-meter buffers than at 20 meters. SGA does not propose importing those study widths automatically into the Anacortes code. Instead, the City should require the applicable wetland and buffer function, adjacent land-use intensity, and water-quality objectives to be documented before a buffer reduction or averaging decision is made.
This is particularly important for R1 because the Comprehensive Plan itself identifies frequent wetlands as a reason that more intensive urban development is inappropriate. A proposal that relies on buffer reduction, averaging, or development near a wetland should therefore demonstrate why the reduction will not compromise the wetland's identified functions and should document feasible alternatives considered and rejected.

GMA / ADMINISTRATIVE-RECORD NOTE. RCW 36.70A.172(1) requires BAS to protect critical-area functions and values; WAC 365-195-905 requires evaluation of scientific validity and applicability. When Staff selects a buffer width, reduction, or averaging standard, the record should identify the scientific basis and explain why it protects the functions at issue.

4. Stream and Riparian Conditions Demand Restoration, Not Merely Avoidance

The BAS describes existing degraded and fragmented stream conditions and states that the City's long-term goal is to restore riparian corridors and protect salmon passage where scientifically justified through buffer restoration, buffer mitigation, and stream daylighting. This converts restoration from a generalized policy preference into an objective identified in the City's own scientific record.

For R1, the implication is straightforward: where new development affects a degraded riparian corridor, the City should not treat the existing degraded condition as a reason to permit further incremental loss. Instead, the regulatory framework should establish restoration obligations commensurate with the proposed impact and should prioritize removal of invasive vegetation, replanting native trees and shrubs, reconnection of hydrology where feasible, and restoration of degraded buffer functions.

The BAS also describes Ace of Hearts Creek as a combination of wetland, ditched stream, and natural channel, with generally 25-foot buffers in some shrub/forest areas and limited 50-foot areas, while a portion within the Anacortes Community Forest Land (ACFL) has a much larger forested buffer. Cedar Springs includes a wetland/stream complex with substantial flow from an artesian well. These conditions demonstrate why uniform parcel setbacks cannot substitute for site-specific functional analysis.

GMA / ADMINISTRATIVE-RECORD NOTE. There are special considerations for conservation measures necessary to preserve or enhance anadromous fisheries under RCW 36.70A.172(1). Where the BAS identifies fish use, passage barriers, riparian degradation, or restoration opportunities, the R1 record should explain how proposed regulations preserve or enhance those functions.

5. Happy Valley Stream and Ace of Hearts Creek Should Be Explicit R1 Review Triggers

The BAS identifies Happy Valley Stream as a combination of wetland, ditched stream, and natural channel beginning in a shrub and forest wetland complex. It documents 25–50-foot forested and shrub buffer sections in portions of the watershed and a piped urban section that is mostly impervious. The BAS also identifies fish-passage barriers along the alignment.

The BAS identifies Ace of Hearts Creek as a wetland/stream system extending from Heart Lake through natural, ditched, and stormwater-conveyed reaches. It identifies fish-bearing mapping and a long, piped section before discharge to Fidalgo Bay. These characteristics establish a strong factual basis for treating development affecting these systems as requiring heightened critical-area review, regardless of whether the individual parcel contains only a small visible segment. This is exactly the kind of approach that was taken with the Orchards and Cedar Springs subdivisions.

SGA therefore recommends an explicit R1 rule: any proposal within the mapped drainage, riparian-management, wetland, or functional buffer area of these streams—or any proposal whose stormwater, access, clearing, or grading could materially affect them—should require a documented critical-area analysis addressing upstream/downstream and cumulative effects along with feasible avoidance and restoration measures.

GMA / ADMINISTRATIVE-RECORD NOTE. Because wetlands and fish-and-wildlife habitat conservation areas are statutory critical-area categories under RCW 36.70A.030(12), and RCW 36.70A.060(2) requires protective development regulations, the City should identify whether proposed R1 standards provide adequate review where development affects a connected critical-area system.

6. Impervious Surface Is a Critical R1 Control Variable

The BAS states that stream biological condition declines as impervious area increases and emphasizes that adjacent land use and basin-wide stormwater detention and treatment can have disproportionate effects on stream health. It also notes that impervious surfaces, soil compaction, gullying, and loss of leaf litter or ground cover can reduce the long-term nitrogen-removal effectiveness of buffers.

This supports a stronger R1 requirement to regulate effective imperviousness rather than dwelling count alone. A two-unit parcel and a four-unit parcel may have very different ecological consequences depending on building footprints, driveways, parking, access roads, grading, lawn conversion, and stormwater facilities. The City should therefore require an impervious-surface budget and a stormwater performance demonstration for any proposal that materially increases site intensity.

The City should also explain how its R1 land-capacity assumptions account for these physical constraints. A capacity number derived from gross acreage is not equivalent to feasible environmental capacity if critical areas, buffers, access, stormwater facilities, and infrastructure constraints materially reduce the developable footprint.

The BAS and 2024 Shoreline Master Program (SMP) Compliance Assessment reports independently point toward the same mitigation-sequencing, monitoring, and documentation framework. [2]

GMA / ADMINISTRATIVE-RECORD NOTE. HB 1181 amended RCW 36.70A.070(1) to require the land-use element to review drainage, flooding, and stormwater runoff and provide guidance for corrective actions addressing pollution of waters of the state. Combined with BAS findings on impervious surface and stream condition, this supports a direct R1 impervious-surface and stormwater analysis.

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[2] FACET Online Reconnaissance Report for Anacortes, WA, October 2024 (BAS).
FACET Shoreline Master Program Compliance Assessment for Anacortes, WA, June 21, 2024.

7. Mitigation Sequencing Should Be Operationalized

The BAS describes mitigation sequencing as: avoid; minimize; rectify or restore; reduce or eliminate impacts over time through preservation and maintenance; compensate; and monitor, measure, report, and take corrective measures. It also states that mitigation plans should document existing wetland and buffer conditions, proposed mitigation, construction timing, ongoing management, monitoring, maintenance, and site protections.

The City's 2024 SMP Compliance Assessment independently found that mitigation sequencing was not consistently documented in shoreline permits and recommended clearer sequencing, critical-area reports, as-built documentation, monitoring, checkpoints, and performance bonds where appropriate.

The BAS and SMP assessment therefore converge on the same administrative lesson: environmental protection cannot depend on an undocumented staff judgment that impacts are 'adequately mitigated.'

SGA recommends carrying this documented lesson into the R1 regulatory framework. Every application requiring critical-area mitigation should contain a written sequencing analysis, quantified impacts, mitigation commitments, measurable performance standards, as-built verification, and a defined monitoring period with corrective action.

GMA / ADMINISTRATIVE-RECORD NOTE. RCW 36.70A.172(1) requires BAS to be included in developing protective policies and regulations. WAC 365-195-905 directs jurisdictions to weigh scientific information in the record. Staff should show how BAS findings were translated into actual standards, mitigation, monitoring, and enforcement.

8. Buffer Reductions and Averaging Require a Higher Evidentiary Burden

The BAS notes that Anacortes allows buffer reduction and buffer averaging under specified conditions. It also identifies the ecological functions performed by buffers and explains that effectiveness depends on physical and land-use conditions. SGA therefore recommends that any proposed buffer reduction or averaging in R1 be accompanied by a written alternatives analysis and functional-equivalence demonstration—not merely a statement that the code permits the request.

The record should identify the standard buffer, the proposed reduced/averaged buffer, the functions being protected, the development intensity adjacent to the buffer, existing vegetation condition, expected impervious surface, stormwater pathway, and the mitigation/restoration measures that will maintain or improve function. If the applicant relies on existing degradation, the City should distinguish between documenting existing condition and using degradation as a basis for further loss.

The BAS gives direct support for monitoring/corrective action, while the SMP assessment documents why implementation controls matter in practice.

GMA / ADMINISTRATIVE-RECORD NOTE. WAC 365-195-905 calls for evaluation of scientific validity and applicability. A functional-equivalence record gives Staff a defensible way to show that a reduction protects the relevant critical-area functions.

9. Monitoring and Adaptive Management Should Be Built Into R1 Approvals

The BAS expressly incorporates monitoring and corrective measures into mitigation sequencing. It also identifies a City recommendation for restoration language that includes a five-year monitoring and maintenance plan for certain degraded riparian-management-zone conditions. The 2024 SMP Compliance Assessment likewise recommended periodic monitoring for up to five years and annual monitoring reports.

SGA therefore recommends that R1 mitigation be enforceable over time. Approval conditions should identify who monitors, what is measured, when reports are due, what constitutes failure, what corrective action is required, and what financial security or checkpoint is available to ensure performance. This is particularly important where ecological performance cannot be verified at the time of permit issuance.

GMA / ADMINISTRATIVE-RECORD NOTE RCW 36.70A.060(2) and RCW 36.70A.172 apply here. Where scientific uncertainty exists and mitigation performance cannot be verified at issuance, measurable monitoring and corrective-action provisions strengthen the City's ability to demonstrate that its development regulations actually protect critical-area functions.

10. The City's Existing Scientific Uncertainty Should Increase Caution, Not Reduce It

The BAS states that some stream mapping was based on GIS, LiDAR, and aerial photography and was not field-ground-truthed. It also identifies complex transitions among wetlands, ditches, natural channels, pipes, and developed areas. That means the City's current map is an important screening tool, but not necessarily a parcel-level substitute for field verification.

SGA therefore recommends an evidence rule for R1: where available mapping indicates a potential critical area but its precise boundary or function has not been field verified, the applicant should provide the qualified-professional verification necessary to establish the actual baseline before approval. The City should not resolve scientific uncertainty by assuming the absence of a critical-area constraint.

GMA / ADMINISTRATIVE-RECORD NOTE. WAC 365-195-905 requires scientific information to be evaluated for validity, methods, quantitative analysis, context, and citations. The City should establish the evidentiary basis for the boundary or function it relies upon before using an uncertain baseline to establish development capacity.

11. R1 Should Be Evaluated as Climate-Resilience and Ecological Infrastructure

The R1 landscape should be evaluated not only for residential capacity but also for the ecological functions that contribute to community resilience. The City's 2025–2045 Comprehensive Plan calls for protection and restoration of streams, riparian zones, and wetlands to increase resilience of species, habitats, and communities and to achieve a healthy watershed. It also identifies riparian vegetation as important for erosion control, shade, habitat connectivity, and stream resilience. The Comprehensive Plan also recognizes urban tree canopy as a climate-resilience asset because it supports watershed health, carbon sequestration, heat reduction, air quality, stormwater filtration, and biodiversity. These functions are directly relevant to R1 where additional clearing, grading, impervious surface, and fragmentation can reduce the landscape's ability to perform them.

Accordingly, R1 development capacity should account for the preservation or loss of these functions. Where development would materially reduce riparian vegetation, wetland function, tree canopy, infiltration, or connected habitat, the City should require the impact to be identified and addressed through avoidance, minimization, restoration, enhancement, or other measures supported by the applicable regulatory framework.

12. Public Participation Should Be Elevated in R1 Decision Process and Tied to Technical Record

The R1 issue is not only a technical and regulatory question. It is also a question of how the City makes land-use decisions that can alter the future character, environmental condition, and development pattern of a defined part of Anacortes. The City's 2025–2045 Comprehensive Plan identifies citizen participation as a GMA planning goal and describes public involvement as part of the City's planning practice.

For R1 policy, zoning, critical-area standards, density standards, or other legislative development-regulation changes, meaningful public involvement should occur before the City effectively locks in the policy. The public should have early access to the same technical record used by Staff—including BAS findings, stream and wetland mapping, mapping limitations, land-capacity assumptions, alternatives, proposed code language, and Staff analysis—and should have a genuine opportunity to identify errors, omissions, affected off-site conditions, and alternative safeguards.

The City's public-participation commitment is strengthened when the City provides the public with early notification and the same technical record that Staff uses to make R1 policy and code and application recommendations. SGA requests that the R1 review identify the BAS findings relied upon, the mapping used, the assumptions behind capacity calculations, and the reasons for accepting or rejecting recommendations.

A defensible public process should permit the public to test the technical record before the City locks in development standards. Where a BAS finding identifies a function, constraint, uncertainty, or recommended code change, Staff should either incorporate it or explain why it is not applicable to R1.

Proper public participation requires early notice with opportunity for two-way dialogue. Neighborhood meetings early and periodically in the application process are a good mechanism in addition to the SEPA-required public hearings.

SGA recommends early notification with at least 45 days for public review and response to the initial technical and policy material, followed by neighborhood meetings at meaningful points throughout the process. Meetings should occur early enough to influence the baseline and alternatives, after material technical or policy changes, and before final adoption. Material revisions should be disclosed with enough time for meaningful review.

Public comments should not be treated as a simple vote and should not replace technical evidence. Instead, the City should use a transparent decision protocol: identify the material issue raised; determine whether it supplies new factual or technical information, identifies a policy or implementation conflict, or identifies a material community impact; evaluate the issue against the BAS, Comprehensive Plan, CAO, stormwater requirements, and applicable SMP provisions; modify the Staff recommendation when the comment identifies a material deficiency or better-supported alternative; and, when the recommendation is not changed, explain the evidence and criteria supporting that decision.

This approach gives neighbors a direct and meaningful influence on decisions without converting public participation into a substitute for professional judgment. It also creates a traceable record showing how public input was considered, what changed, and why.

GMA / ADMINISTRATIVE-RECORD NOTE. Add RCW 36.70A.140 states that the City must provide for early and continuous public participation in the development and amendment of comprehensive plans and development regulations. The public should be able to evaluate the BAS, capacity assumptions, mapping, and proposed R1 standards for an application before adoption.

13. Requested R1 Decision Framework

Before approving materially greater effective residential intensity, SGA requests the following sequence:

(1) assemble the City's current R1 critical-area and infrastructure baseline;
(2) field-verify material mapping uncertainties;
(3) identify functional wetland, stream, riparian, recharge, habitat, stormwater, and hazard connections;
(4) establish development-specific impact metrics;
(5) require avoidance and minimization before mitigation;
(6) require restoration and compensatory mitigation where applicable;
(7) establish monitoring and corrective-action requirements;
(8) reconcile the resulting constraints with the City's land-capacity model; and
(9) conduct meaningful public review before finalizing code changes.

If Staff concludes that a less protective framework is sufficient, SGA requests a written reconciliation identifying the specific BAS evidence, City technical study, adopted policy, code authority, or professional analysis supporting that conclusion. A generalized statement that existing regulations are 'adequate' should not be treated as sufficient without identifying the criteria and evidence used to reach that conclusion.

GMA / ADMINISTRATIVE-RECORD NOTE. RCW 36.70A.130 requires periodic review and update of comprehensive plans and development regulations, including consideration of CAOs under RCW 36.70A.130(1)(d). The requested sequence is a method for demonstrating GMA consistency.

14. Staff Response Standard Requested by SGA

For each recommendation in this paper, SGA requests that the Staff report identify one of three outcomes: (A) accept the recommendation and identify the proposed code, policy, map, or procedure change; (B) modify the recommendation and explain the modification using adopted policy, code, BAS, or other technical evidence; or (C) reject the recommendation and identify the specific evidence, legal authority, or technical analysis supporting rejection.

For any statement that additional R1 intensity is compatible, adequately mitigated, within capacity, or unlikely to affect critical-area functions, Staff should identify the underlying baseline, assumptions, applicable criteria, and supporting technical record. This response structure is intended to improve the administrative record and allow the public and decision-makers to evaluate whether the City's conclusions follow from its own evidence.

GMA / ADMINISTRATIVE-RECORD NOTE. Staff should respond to each recommendation using the applicable GMA section —RCW 36.70A.060(2), RCW 36.70A.070, RCW 36.70A.130, RCW 36.70A.140, RCW 36.70A.172, and, where applicable, RCW 36.70A.480. This creates a traceable record showing which statutory obligation Staff believes is satisfied and what evidence supports that conclusion.

Integrated BAS Evidence Matrix — Core Questions for the R1 Record

R1 Issue	What the City should document	Decision implication
Connected landscape	Watershed/drainage relationship; offsite and cumulative effects of clearing, impervious surface, and drainage.	Do not evaluate capacity solely by dwelling count.
Buffer reduction or averaging	Protected function, standard and proposed buffer, alternatives, enhancement, and evidence of functional equivalence.	Require function-specific justification.
Existing degraded stream	Baseline condition, impact analysis, restoration/mitigation plan.	Avoid compounding impairment; prefer restoration or enhancement where feasible.
Impervious surface	Existing/proposed impervious area, runoff pathways, treatment, infiltration, and downstream effects.	Treat impervious surface as a core intensity metric.
Mapping uncertainty	Map source, uncertainty, field verification, and qualified-professional evidence.	Do not treat mapping uncertainty as available development capacity.
Fish use/passage	Fish-use source, barriers, passage analysis, and mitigation.	Preserve or enhance function where scientifically justified.
Public participation	Technical record disclosed early; comments and responses documented before decision.	Public involvement should influence the record and recommendation, not merely follow it.

FACET
Formerly DCG / Watershed

Shoreline Master Program Compliance Assessment

CITY OF ANACORTES

JUNE 21, 2024

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This report was prepared by Facet and the City of Anacortes using federal funds under Washington State Coastal Zone Management Award NA20NOS4190065 from the NOAA Office for Coastal Management, U.S. Department of Commerce. The statements, findings, conclusions, and recommendations are those of the authors and do not necessarily reflect the views of NOAA or the U.S. Department of Commerce.

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1. Project Overview

1.1 Background

In 2022, the Washington State Department of Ecology (Ecology) awarded funding to jurisdictions across the state under the Shoreline Planning Competitive Grant Program to be used to support local government shoreline planning efforts. The City of Anacortes (City) elected to use awarded funds to implement a Shoreline Permit Monitoring Program to better assist the City with tracking and implementation of shoreline permits. The City contracted Facet[1] to assist with the project and determine if development within shoreline jurisdiction is being authorized consistent with regulations of the City's Shoreline Master Program (SMP) and whether completed authorized projects are compliant with issued permits.

The primary focus of the project was to ascertain whether SMP requirements are achieving no net loss of shoreline ecological functions (NNL). To determine this, shoreline authorizations issued over the past 14 years (since SMP adoption in 2010) were reviewed for SMP compliance and compensatory mitigation. A summary of findings from this review was compiled into a spreadsheet and analyzed to help identify compliance gaps. A permit tracking system was developed to collect important project details, assist City staff in determining if mitigation sequencing and compensatory mitigation are required, track receipt of as-built and monitoring reports (when required), and ultimately help to ensure no net loss of shoreline ecological functions.

1.2 Applicability

The current SMP is the September 2010 City of Anacortes Shoreline Master Program. The SMP applies to the waters within City limits, all lands extending landward 200 feet in all directions from the ordinary high-water mark (OHWM), and associated wetlands. Waterbodies and shorelines regulated under the City's SMP include the following:

- Lake Shannon
- Little Cranberry Lake
- Heart Lake
- Lake Erie
- Whistle Lake
- Burrows Bay
- Fidalgo Bay
- Flounder Bay
- Guemes Channel
- Padilla Bay

[1] *Formerly DCG/Watershed*

1.3 SMP No Net Loss Standards

No net loss provisions are located throughout the City's SMP, including the following sections:

- 6.3 – Impacts, Mitigation, Bonding
- 6.5 – Vegetation Conservation
- 6.6 – Critical Areas – General
- 6.7 – Fish and Wildlife Habitat Conservation Areas
- 6.8 – Frequently Flooded Areas and Tsunami Inundation Areas
- 6.9 – Geologically Hazardous Areas
- 6.10 – Wetlands
- Chapter 9 – Specific Shoreline Modification Policies and Development Regulations

2. Methodology

Shoreline permits issued within the past 14 years were selected using a randomized Microsoft Excel spreadsheet. A total of 35 issued permits were reviewed, including six pilot permits to establish a permit evaluation methodology, followed by 29 additional permits. A review of all permit documents provided by the City, such as site plans, supplemental reports, findings of fact, and issued permits, was completed to assess whether issued permits have been meeting the no net loss standards established in the City's 2010 SMP. The results of each permit review were compiled into a spreadsheet for consistency. Information collected included permit number, permit type, project description, if mitigation sequencing was necessary/provided, if mitigation was required/provided, if as-built documentation was provided, and no net loss observations. It should be noted that of the permits reviewed, one was denied (SDP-2015-0004a), one permit has not yet been issued (SLX-2022-0030), and two permits have not been started/completed to date (SDP-2020-0002 and SDP-2015-0001). Upon reviewing permits, information gathered was analyzed and documented in a Memo of Shoreline Permit Review Findings (Appendix A) and further used to develop a permit tracking spreadsheet using Microsoft Excel.

3. Compliance Assessment

3.1 Permit Review Findings

Of the 35 permits reviewed, 20 were substantial shoreline development permits and 15 were letters of shoreline exemption. Issued letters of shoreline exemption were found to meet the exemption criteria listed in SMP Section 2.4. Twenty-five permits required a demonstration of mitigation sequencing based on the type of development, proposed impacts, and/or presence of critical areas; however, 68%

of these permits did not include documentation that demonstrated mitigation sequencing was performed. Submitted site plans generally lacked existing and proposed conditions, identification of critical areas, and/or quantified impacts, making project-related impact assessments difficult to determine. When landscape and mitigation plans were included with the permit application, they did not consistently meet landscaping standards outlined in the Vegetation Conservation Regulations subsection (SMP 6.5(C)), specifically Development Regulations (DR) DR-6.5.7 and DR-6.5.8.

Many of the projects reviewed appeared to be within 300 feet of a Fish and Wildlife Habitat Conservation Area (FWHCA), though it was unclear from the application packages whether this possible critical area impact was fully understood. Per the Critical Areas Regulations in Appendix A of the SMP, a critical areas report is required for projects located within 300 feet of a critical area. Pursuant to SMP Appendix A, Section A-5.2.C.(5), a critical area report for projects adjacent to FWHCAs require a discussion addressing avoidance, minimization, and mitigation measures proposed to preserve existing habitats and restore any habitat that was degraded prior to the current proposed land use activity. Further, SMP DR-6.7.6 relies on a critical area report to establish the extent of additional vegetated buffer areas adjacent to FWHCAs. Based on our review, critical area reports were infrequently required by the City and were often not included in the application materials to determine whether there was a species with primary association to or adjacent to a given project site. While some permit submittals included a Biological Evaluation (BE) or Habitat Assessment, these reports inconsistently provided an impact analysis and/or mitigation recommendations. BEs generally assess project impacts associated with federally listed and endangered species and are not a substitute for a critical areas report to demonstrate compliance with the SMP.

Based on the SMP development regulations (SMP Section 6.3), mitigation for shoreline impacts was required for 21 permits. However, mitigation plans and as-built reports were inconsistently provided. Further, DR-6.3.10 requires periodic monitoring for up to five years as a condition of approval. These requirements appear to be lumped into a blanket condition of approval that states, "*The Project shall comply with all applicable SMP regulations, including Chapter 5, Shoreline Environments and Associated Polies and Regulations, Chapter 6, Environmental Protection General Regulations, Chapter 8, Specific Use Policies and Development Regulations and Chapter 9, Specific Shoreline Modification Policies and Development Regulations.*" Given these requirements do not appear to be consistently met from project to project, it may be beneficial to clearly require as-built documentation within six months of installation (tied to the project's clearing and grading or construction permit) and periodic monitoring reports for up to five years as individual conditions of permit, rather than grouped into a general statement.

3.2 Project Tracking Spreadsheet

The permit tracking spreadsheet was designed to capture project details and specific information to help City staff consistently administer SMP standards through shoreline permit approvals and ensuring no net loss of ecological functions. Some of the fields listed in the permit tracking spreadsheet can be included as required fields on the permit application so the onus of providing the information is on the applicant. See Section 3.3 below for suggestions on information to be collected by applicants. While completing the project tracking spreadsheet will require additional work from City staff, in the long term it will help ensure the City is receiving required documentation consistent with SMP provisions and no net loss standards.

Additionally, the spreadsheet has a tab dedicated to tracking monitoring requirements. As built documentation and monitoring reports were inconsistently provided to the City. Based on the response to *Mitigation Required* in the permit database tab, the permits requiring as built and monitoring reports will populate in the Monitoring Tracking tab with additional details to be filled in. Should the City upgrade to a different permitting software in the future, this information could be used to send email or notification reminders to permit applicants whose projects require mitigation monitoring for up to five years.

3.3 Permit Applications

The City uses SmartGOV software for permit applications. SmartGOV allows the City to add custom fields, additional text, or drop-down options for the applicant to fill out. Some of the required fields that are currently under the Details tab include:

- Present zone designation
- Are there critical areas or buffers on site?
- Shoreline Environment Designation
- Shoreline Substantial Development type
- Flood Zone

Based on our review of recent permits and development of the permit tracking spreadsheet, modifications to the Details tab that would benefit City staff and help ensure no net loss of shoreline ecological functions could include the following:

- An additional field that asks for the waterbody (For example: *List the waterbody the project is within or adjacent to*.)
- A drop down to the question, *Are there critical areas or critical area buffers on site?* If the answer is Yes, a Yes/No drop down asking *Has a Critical Areas Report been prepared by a Qualified Professional? s*hould follow. If an applicant selects No to this question, a second drop-down asking, *Explain why a Critical Areas Report is not applicable* could follow.
- An additional field that asks, *Does the project have unavoidable impacts to the shoreline setback?* If the answer is Yes, a Yes/No drop-down asking, *Has a mitigation plan been prepared to compensate for unavoidable impacts?* If an applicant selects No to this question, a second drop-down asking, *Explain why mitigation is not required* could follow.
- An additional field that asks, *Does the project result in new clearing of vegetation within a critical area buffer or shoreline setback?* If the applicant selects Yes to this question, a drop-down asking, *Explain*, should follow.

Ultimately, the City could require the applicant to provide some or all of the details identified on the permit tracking spreadsheet. The more information the City requires the applicant to provide during the applicant process, the more efficient filling out the spreadsheet will be for City staff. However, the application process should be fairly straightforward so that it does not become burdensome to applicants. Handout type documents like Frequently Asked Questions, permit flow charts, and other guidance documents may be useful in assisting applicants with providing the necessary information and submitting the appropriate documentation.

3.4 SMP Review

SMP Section 6.5 – Vegetation Conservation

The vast majority of upland development requires some form of clearing and grading to establish a development footprint. For development (including replacement of structures) of any kind within 200-feet of a marine or lake OHWM, a landscape plan must be provided unless explicitly waived by the City. This is supported by DR—6.5.7 stating, *"Clearing and grading within shoreline jurisdiction shall only be permitted upon approval of a detailed landscape plan for revegetation."*

Based upon the review of shoreline permits, the City is not consistently requiring or receiving landscape plans. Separate standards under DR-6.5.8 dictate that for any project abutting a shoreline, a project's length in total linear feet must provide a 10-foot wide by 10-foot long minimum vegetation conservation area within 15-feet of the OHWM consisting of native plantings that are saltwater tolerant if adjacent to marine shorelines. For new development, this includes 50% of project's shoreline length in linear feet and 25% of project's shoreline length for redevelopment projects. The DR 6.5.8 requirement only occurs when a project 'abuts' or is adjacent to the OHWM, whereas clearing and grading requires a landscape plan for any new development within shoreline jurisdiction, per DR-6.5.7. Abut is not defined within the SMP, whether this is exclusively within the shoreline setback or not.

Further, DR-6.5.7 includes specific revegetation landscaping standards, such as nursery stock requirements and survival standards. However, much of the project work is varied in how mitigation is considered. For example, there were several projects including derelict creosote-treated pile removal that were considered self-mitigating, and spawning gravel placement for bulkhead repair where no landscape plan was submitted. Based on the provision above, a landscape plan was required in 61% of the permits reviewed; with 42% of permits reviewed included a landscape or planting plan. The remaining 39% of permits (14 total) reviewed were either self-mitigating, repair, or included beach nourishment and did not appear to trigger mitigation within the vegetation conservation area or waterward of the OHWM.

To establish a more bright line standard improving degraded shoreline vegetation City-wide, the City could also be more explicit in the status of shoreline vegetation (or lack thereof) and establish that degraded shoreline setbacks represent a nonconforming situation relating to the policies and development regulations within SMP 6.5 Vegetation Management. A definition would need to be more readily established for what this condition constitutes, followed by more specific instructions for revegetation plans, including whether the entire shoreline setback (save for proposed development) should be revegetated to alleviate a nonconforming condition. This has parallels with the existing Critical Areas Appendix A (SMP A-5.3(G)), specifically establishment of Fish and Wildlife Habitat Conservation Area buffers by a qualified professional's critical areas report establishing that, "…*buffer widths shall reflect the nature of existing vegetation, sensitivity of the habitat, and the type and intensity of human activity proposed to be conducted nearby*."

SMP Section 5.9 – Shoreline Residential

For developments within the shoreline residential environment, DR-5.9.11 requires lots where riparian vegetation does not exist or is degraded to replant or retain at least 15 percent of the total lot area with native vegetation. This regulation further specifies that for lots that border the OHWM, all revegetation must take place within the shoreline setback. Of the permits reviewed, eight were within the shoreline residential environment. Only one permit included riparian plantings and the plantings did not constitute 15 percent of the lot size. Submitted site plans did not contain comprehensive existing conditions and vegetation was not included; therefore, determining existing riparian conditions and compliance with the above regulations was not possible.

To ensure no net loss of shoreline ecological functions, it is good practice to require native vegetation to be maintained or planted within shoreline setbacks. For example, the Restoration and Permitting Program for Lake Washington and Lake Sammamish in King County requires a minimum of two trees and three shrubs to be planted within 10 feet of the OHWM for all shoreline related projects. Based on aerial photographs and site plans that were submitted, residential shorelines in the City generally lack riparian vegetation and are often already developed, which could be interpreted as degraded conditions.

The City may consider amending the SMP to include a simpler requirement for riparian revegetation in the shoreline residential environment. Additionally, the City should require a separate revegetation calculation that quantifies 15 percent of the lot area and demonstrates compliance with the standards of DR-5.9.11 through retention or replanting. Until this amendment/clarification to the SMP is made, the City should require site plans to include existing vegetative conditions for all projects within the shoreline residential environment, regardless of impacts proposed to clearly establish baseline conditions.

SMP Section 6.3 – Impacts, Mitigation, and Bonding

SMP Section 6.3 includes development regulations that state all shoreline development and activity must be located, designed, constructed, and managed in a manner that avoids, minimizes and/or mitigates adverse impacts to the environment and that the preferred mitigation sequence shall follow that listed in WAC 173-26-201((2)(e) [DR-6.3.1]. Additionally, Section DR-6.3.2 states, "*If impacts cannot be avoided through design modifications, the City shall require mitigation commensurate with the project's adverse impacts*." However, the SMP is not clear on *when* a demonstration of mitigation sequencing and no net loss is required. The lack of mitigation sequencing and mitigation plans received by the City from permit applicants indicates this is likely unclear for both applicants and City staff.

Per Shoreline No Net Loss and Mitigation guidance published by Ecology (May 2023), applicants must demonstrate how mitigation sequencing will be applied to achieve no net loss. Further, unavoidable impacts within the shoreline setback generally require compensatory mitigation. Project categories that require a NNL analysis because they do not typically avoid all impacts include:

- Use or development occurring waterward of the OHWM;
- Use or development occurring within a shoreline buffer (or setback);
- Use or development occurring on a site with a critical area or critical area buffer;
- Use or development requiring a shoreline conditional use permit or shoreline variance; and
- Use or development required by the SMP to document mitigation sequencing.

A demonstration of mitigation sequencing can be documented through a number of means but is most commonly provided through a combination of application materials, such as site plans, project narratives, and SEPA checklists. For some projects, the City may want to require a more robust demonstration of how mitigation sequencing was applied to achieve no net loss, such as a No Net Loss Analysis. The City should consider including an amendment to the SMP that clearly states a demonstration of mitigation sequencing is always required for shoreline developments to ensure the proposal meets no net loss standards. The SMP should also specify when a more detailed demonstration, such as a NNL Analysis, is required. The City could consider adding similar language to its SMP to provide clarity and guidance on when an analysis of no net loss is required and what the report shall entail.

4. Conclusions

Overall, the City does not always receive appropriate documentation that demonstrates mitigation sequencing or addresses critical areas pursuant to the SMP. Several existing permits within initial permit review note that conditioning SMP mitigation requirements is inconsistently done. Finally, few as-built reports and no monitoring reports verifying mitigation installation, maintenance, and monitoring were included in the permit materials, though they may exist within other e-mail accounts at the City. The SMP itself is not clear on when a demonstration of mitigation sequencing and no net loss is required, nor does it describe what a no net loss analysis should include. As a result, City compliance with no net loss standards of the SMP is inconclusive but is most likely not being achieved.

The City can begin implementation of the permit tracking spreadsheet and make adjustments to the permit application itself in SmartGOV to require more specific information and project details that will ultimately assist the City in determining if a project is meeting no net loss of shoreline ecological functions. Specifically, the SmartGOV application must require applicants to enter existing conditions, quantified impacts, subsequent mitigation area, and details regarding landscape or planting plans. Further, the developed permit monitoring spreadsheet can track and remind staff of as-built and maintenance and monitoring deadlines.

Finally, the City may consider amendments to the SMP in its Periodic Update to provide clarity on what is considered a nonconforming situation regarding vegetation conservation areas within the shoreline setback, as well a demonstration of mitigation sequencing for all new shoreline development and addressing no net loss of shoreline ecological function for critical area reports.

5. Recommendations

1. Amend the SMP to clearly state that a demonstration of how mitigation sequencing will be applied to achieve no net loss is always required and when a more detailed demonstration of how a project meets no net loss is required.
2. Require necessary documentation during application submittal:
    a. Critical Area Reports for projects adjacent to or within Fish and Wildlife Habitat Conservation Areas (and other projects with critical areas) in order to assess impacts to species that have a primary association to the project area.
    b. Site plans must include a description of existing conditions, including existing vegetation.
    c. Landscaping plans for revegetation.
3. Require a project's length in total linear feet to meet compliance with vegetation conservation standards for new development (50% of project's shoreline length in linear feet) and redevelopment (25% of project's shoreline length) (DR-6.5.8).
4. Require a revegetation calculation for projects in the shoreline residential environment to demonstrate retention or planting area that equates to 15 percent of the lot size.
    a. Consider establishing a clear nonconforming definition as it relates to degraded vegetation conservation areas within shoreline setbacks, and what constitutes conformance with the SMP in development scenarios.
5. Require as-built documentation and annual monitoring reports as separate conditions of permit to ensure mitigation was implemented according to the approved plans, including installation of native plantings.
    a. Consider requiring performance bonds, as necessary.
    b. Establish checkpoints within the permitting documentation to ensure monitoring performance standards are met prior to release of maintenance bonds, as applicable.
6. Add fields to permit application to collect additional details from the applicant.
7. Develop handouts like Frequently Asked Questions, permit submittal checklists, permit flow charts, and other guidance documents.

References

City of Anacortes Shoreline Master Program. September 2010. (anacorteswa.gov/1095/SMP-Update).

Washington State Department of Ecology. Shoreline No Net Loss and Mitigation Guidance for Local Governments. May 2023.

APPENDIX A: Review of Permit Findings

TECHNICAL MEMORANDUM

DCG WATERSHED

Date: February 26, 2024

To: Libby Grage, City of Anacortes Planning Manager

From: Alex Capron, AICP, Senior Planner | Devin Melville, Environmental Planner

Project Name: City of Anacortes SMP Permit Monitoring

Project Number: 2108.0182.00

Subject: Shoreline Permit Review Findings

The City of Anacortes contracted DCG/Watershed to assist with implementation of the City's Shoreline Permit Monitoring Program project to determine if development within shoreline jurisdiction is being authorized consistent with regulations of the City's Shoreline Master Program (SMP) and whether completed authorized projects comply with the issued permits. The project primarily focuses on whether SMP requirements are achieving no net loss of shoreline ecological functions (NNL). Information gathered during permit review was analyzed for compliance with the SMP and to help identify compliance gaps. Ultimately, the City will develop a final report that documents methods and results for the proposed permit tracking system, as well as adaptive management techniques to address any compliance gaps identified.

Methodology

Shoreline permits issued within the past five years were selected using a randomized Microsoft Excel spreadsheet. A review of all permit documents, including site plans, supplemental reports, findings of fact, issued permits, as-builts, and monitoring reports was completed to assess whether the issued permits have been meeting no net loss standards established in the City's 2010 SMP. The results of each review were compiled into a spreadsheet for consistency.

Findings

A total of 36 issued permits were reviewed, including six pilot permits and 30 additional permits. Of the 36 permits, 21 were substantial shoreline development permits and 15 were shoreline exemption permits. Issued shoreline exemptions met the exemption criteria listed in Section 2.4 of the SMP. 26 permits required mitigation sequencing based on the type of development, proposed impacts, and presence of critical areas. Our review found that 42% of the permits included documentation that demonstrated mitigation sequencing, while 58% of the permits did not. It should be noted that one of these permits was denied (SDP-2015-0004a).

Site plans generally lacked existing and proposed conditions, identification of critical areas, and/or quantified impacts, making project-related impact assessments difficult to determine. When landscape and mitigation plans were included in the permit application, they did not always appear to meet species and density criteria outlined in the Environmental Protection General Regulations section of the SMP. Based on the SMP development regulations, mitigation for shoreline impacts was required for 21 permits. However, mitigation was infrequently included in the conditions for approval and only a handful of as-built reports were provided. Further, Development Regulation 6.3.10 of the SMP requires periodic monitoring for up to five years as a condition of approval. This requirement was not included as a condition of approval on any of the shoreline permits reviewed. It should be noted that of these permits, one permit has not yet been issued (SLX-2022-0030) and two permits have not been started/completed to date (SDP-2020-0002 and SDP-2015-0001). Thus, no as-built or monitoring reports would even be possible for these permits. This may also be the case for other projects.

Most of the projects reviewed were within 300 feet of a Fish and Wildlife Habitat Conservation Area (FWHCA). Per the Critical Areas Regulations in Appendix A of the SMP, a critical area report is required for projects located within 300 feet of a critical area. Pursuant to SMP Appendix A, Section A-5.2(C)(5), a Critical Area Reports for projects adjacent to FWHCAs require a discussion addressing avoidance, minimization, and mitigation measures proposed to preserve existing habitats and restore any habitat that was degraded prior to the current proposed land use activity. Further, SMP DR-6.7.6 relies on a Critical Areas Report to establish the extent of additional vegetated buffer areas adjacent to FWHCAs. Based on our review, Critical Area Reports were infrequently required by the City and therefore were not often included in the application materials. Some permit submittals included a Biological Evaluation (BE) or Habitat Assessment, however these reports inconsistently provided an impact analysis and/or mitigation recommendations. BEs typically assess project impacts associated with federally listed and endangered species and do not address project impacts specific to shoreline ecological functions.

Conclusions

The City is not always consistently receiving documentation that demonstrates mitigation sequencing or addresses critical areas pursuant to the SMP. Further, conditioning these requirements within shoreline authorizations is also inconsistently done. Submitted documents sometimes lack required information, such as quantified impacts, subsequent mitigation, and landscape or planting plans. Finally, few as-built reports and no monitoring reports verifying mitigation installation, maintenance, and monitoring were included in the permit materials. Therefore, it cannot be concluded that the City is meeting no net loss standards of the SMP.

Recommendations

To ensure no net loss of shoreline ecological functions during future development activities, the following recommendations should be considered:

1. Require that mitigation sequencing be clearly demonstrated for the entire shoreline environment, or reasons why it isn't applicable.
2. Require Critical Area Reports for projects adjacent to Fish and Wildlife Habitat Conservation Areas in order to assess impacts to species that have a primary association to the project area.
3. Require as-built documentation as a condition of permit to ensure mitigation was implemented according to the approved plans, including installation of native plantings.
    a. Consider requiring performance bonds, as necessary.
4. Require periodic monitoring for up to five years and annual monitoring reports to ensure success of the required mitigation.
    a. Establish checkpoints within the permitting documentation to ensure monitoring performance standards are met prior to release of maintenance bonds, as applicable.

APPENDIX B: Shoreline Permit Checklist

APPLICATION CHECKLIST
Please use the following checklist to ensure you provide all the items required under the City of Anacortes SMP (2010 Adopted SMP, and Shoreline Environment Designation Map). If you believe that an item is not applicable, write N/A and explain why in the blank. <u>All of the blanks under "Applicant Use" must be filled in for this application to be accepted as complete and for the review process to begin.</u>

Applicant Use	Application Requirements	City Use Only
☐	Assessor's Map that clearly identifies the subject site and any contiguous properties in the same ownership. To find your parcel, click here to go to the City's interactive map gallery page.	
☐	Site Plan no larger than 11" x 17" on paper showing the following: (See attached example) ☐ Drawn to standard engineering scale, e.g., 1"= 20". Provide scale bar and north arrow ☐ Parcel/property boundaries, lot dimensions, and area of lot (square feet or acres) ______ Square footage of new or replaced impacts (i.e. vegetation conversion, construction, impervious surface) to shoreline setback (landward of Ordinary High Water Mark (OHWM)) ______ Square footage of new in-water impacts ______ Linear feet distance between OHWM and proposed landward development ______ Square footage of mitigation area proposed ______ Linear feet of new or replaced shoreline stabilization ☐ Name of all roads bordering the property and beach access if applicable ☐ Where appropriate, proposed land contours using five-foot intervals in water area below the OHWM and ten-foot intervals on areas beyond the OHWM, if development involves grading, filling, or other alteration of land contours. ☐ Location of existing and proposed utilities such as sewer, septic tank(s), drainfield(s), water, gas, electric, etc. ☐ Location of the OHWM of the regulated waterbody ☐ Waterbody buffer, steep slope buffer, and shoreline setback relevant to the shoreline designation for the parcel(s) ☐ Location and square footage of all existing and proposed structures (including decks) ☐ Distance from any existing and proposed structures to the OHWM and property lines ☐ If reduced setback is proposed, structures on adjacent lots must be shown ☐ Source, composition, and volume of fill materials ☐ Composition and volume of any extracted materials and proposed disposal area. ☐ Location of known wetlands, wildlife habitats, or other critical areas ☐ Top of toe of all slopes/bluffs and distance of proposed development to these features ☐ Existing and proposed impervious surfaces: Location and amount (includes building footprint, roof overhangs, driveways, walkways) within 200 feet of the OHWM. ☐ Show which areas are within shoreline jurisdiction. Click here to view the Shoreline Jurisdiction and Environment Designation Map.	
☐	Vicinity Map ☐ Indicated site location using natural points of reference (roads, state highways, etc.) ☐ If the development involves the removal of any soils by dredging or otherwise, identify the proposed disposal site on the vicinity map. If the disposal site is beyond the confines	

	of the map, provide another vicinity map showing the locations of the site and its distance to the nearest city or town. ☐ Provide a brief narrative description of the general nature of the improvements and land use within 1000 feet in all directions from the development site (i.e. residential to the north, commercial to the south, etc).	
☐	Basic Elevation/Cross Section drawings that provide a visual diagram of the finished project (paper size no larger than 11"x17"). Elevation drawings need to include: • Existing ground elevations • Proposed ground elevations • Height of existing structures • Height of proposed structures	
☐	Septic System: For septic systems, Skagit County Health Department Permit.	
☐	Shoreline Buffer Enhancement may be required for proposed developments within the river buffer and/or shoreline setbacks, including addition of 200 + sf of impervious areas.	
☐	Shoreline designations for subject parcel(s): (Click here for map) ____	

*Please contact CED for assistance locating the Ordinary High Water Mark

In filing this checklist, the applicant agrees to notify CED if, during excavation or development, objects or materials of possible historical or archaeological significance are uncovered; and to cease all work in the discovery area, until such time as a site inspection can be accomplished by a licensed archaeologist or qualified historian.

Formerly DCG/Watershed

Online Reconnaissance

ANACORTES, WA

OCTOBER 2024

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ACRONYMS AND ABBREVIATIONS

AMC	Anacortes Municipal Code
BMP	Best Management Practices
City	Anacortes
DNR	Washington Department of Natural Resources
ESA	Endangered Species Act
FWHCA	Fish and Wildlife Habitat Conservation Area
NHP	Natural Heritage Program
NMFS	National Marine Fisheries Service
NRCS	Natural Resources Conservation Service
NWI	National Wetlands Inventory
PHS	Priority Habitats and Species
PS	Puget Sound
SMP	Shoreline Master Program
SWIFD	Statewide Washington Integrated Fish Distribution
USFWS	U.S. Fish and Wildlife Service
WAC	Washington Administrative Code
WDFW	Washington Department of Fish and Wildlife

1. INTRODUCTION

The purpose of this report is to present the best available science and findings of an online reconnaissance conducted for a study area located in Anacortes, Washington. The study area is located in the southern portion of the city and is approximately 297 acres (Figure 1). The investigation, performed by Facet, was limited to the study area in question and the immediate surrounding area.

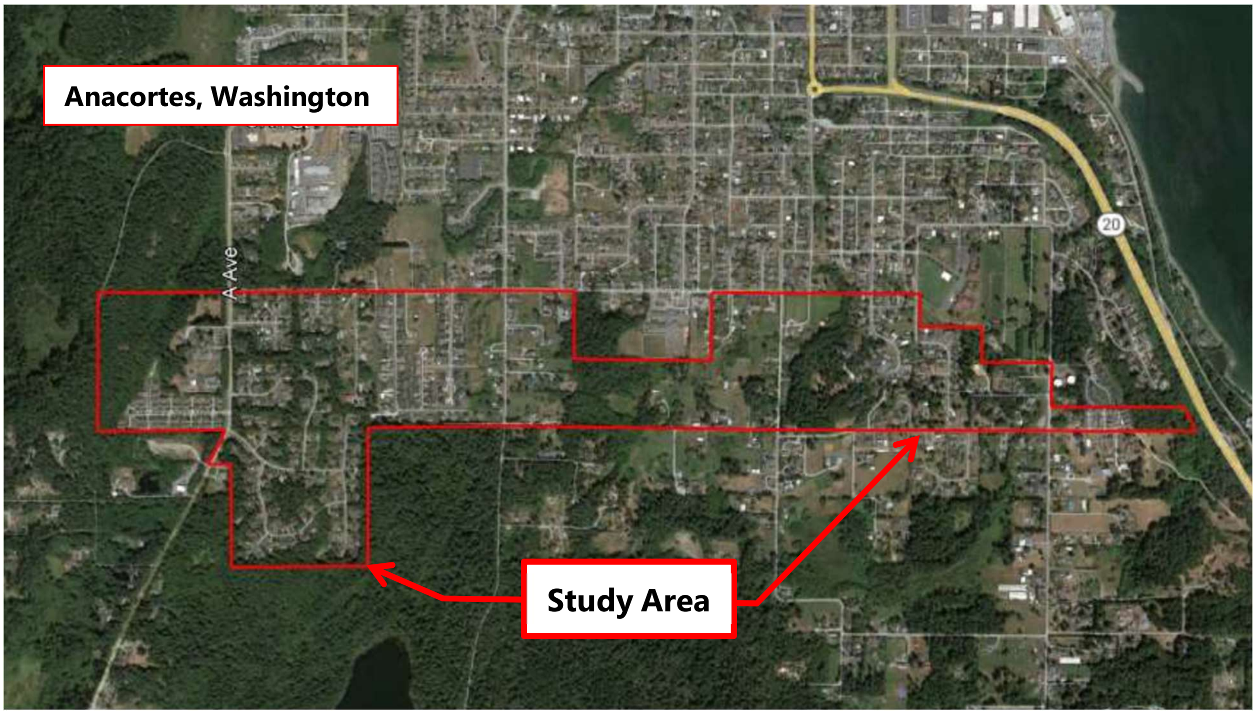

Figure 1. Site Map

1.1 Project Description

The study area consists of approximately 297 acres along the southerly edge of the city of Anacortes urban area located on Fidalgo Island. The entirety of the study area is zoned as R1- residential low density. It is bordered by large lot public use sectors to the south and east that are considered habitats of local importance. To the north of the study area is the R2A- residential low-density zoning and old town Anacortes zoned to the east.

The R1-residential low-density zone provides the City of Anacortes with low density residential development in the southern end of the city that is inappropriate for more intensive urban development due to topography, the frequent presence of wetlands, the high cost and difficulty in extending public facilities, and the desire to create a lower intensity transitional area between the city and the surrounding forest and hillsides. Under Anacortes Municipal Code (AMC) 19.70, any critical areas within the R1 zone are protected in order to maintain and restore healthy, functioning ecosystems through the protection of unique, fragile, and valuable elements of the environment, including, but not limited to, ground and surface waters, wetlands, and fish and wildlife and their habitats, and to conserve the biodiversity of plant and animal species.

2. CRITICAL AREA REVIEW

Facet staff conducted background research using a variety of online sources, literature, and maps to identify wetlands, streams, and site characteristics indicative of critical area features in the study area (Appendix II). Key sources of information included the following:

- Department of Ecology Water Quality Atlas
- Department of Natural Resources (DNR) Natural Heritage Program (NHP) Mapper
- City of Anacortes Critical Areas Map
- National Wetlands Inventory (NWI) Mapper
- Natural Resources Conservation Service (NRCS) Web Soil Survey
- Washington Department of Fish and Wildlife's (WDFW) Priority Habitats and Species (PHS) Mapper
- WDFW Statewide Washington Integrated Fish Distribution (SWIFD) Mapper
- Stream Buffer Best Available Science Review and Buffer Recommendations Report
- Bachman Environmental 2019 Critical Area Report

2.1 Level of Development

The level of development in Anacortes, Washington, reflects a balance between urban growth and the preservation of its natural environment. Specifically, within the R1 zone, homes are on large lots with a maximum density of two units per acre. The R1 zone fosters a sense of an intimate residential sector that preserves the area's open space for its well-known natural habitats.

2.2 Fish and Wildlife Habitat Conservation Areas

There are two streams mapped within the study area that are considered Fish and Wildlife Conservation Areas (FWHCA) per AMC 19.70.330. Ace of Hearts Creek is mapped as a Type F (fish-bearing) stream. It passes north to south through the center of the R1 zone. The second stream, Happy Valley Stream, is a non-classified stream that also runs north to south through the west side of the study area. Happy Valley Stream is not classified by the City of Anacortes or the DNR. FWHCAs require a fifty-foot buffer, on each side of the creek, measured from the top of the bank per AMC SMP A-5.1(7)(b).

According to the Stream Buffer Best Available Science Review and Buffer Recommendations Report conducted by GeoEngineers for the City of Anacortes in 2019, FWHCA's serve as critical role in sustaining needed habitats and species for the functional integrity of the ecosystem, and which, if altered, may reduce the likelihood that the species will persist over the long term. These areas may include, but are not limited to, rare or vulnerable ecological systems, communities, and habitat or habitat elements including seasonal ranges, breeding habitat, winter range, and movement corridors, and areas with high relative population density or species richness.

Priority Habitats and Species (PHS) Mapper (2024) depicts the study area to potentially contain freshwater emergent wetlands and the bat species, Yuma myotis. There are no known habitats or species of local importance per AMC 19.70.315(A)(9) within the study area. The DNR Natural Heritage Mapper (2024) does not depict any critical habitats within the study area.

2.3 Wetlands

Wetland maps prepared by NWI (2024), depict the presence of one 0.26-acre freshwater emergent wetland, located in the central region of the study area. Anacortes Critical Area Map (2024) depicts nine wetlands within the study area. Two additional wetlands were identified in the 2019 Bachman Environmental Report. A summary of these wetlands is provided in Table 1 and demonstrated on the map included in Appendix A. Wetland buffers were based on wetland category and a high intensity land use as the study area is residential (AMC 19.70.235).

Table 1. Wetland Overview

#	ID	Location	Category/Type*	Buffer (ft)		
				Habitat Score 8 or 9	Habitat Score 6 or 7	Habitat Score ≤5
1	WET-044	Westwood/Forest Ridge Lowland	III	300	150	80
2	WET-075	41st ST & H Ave SW side	Palustrine Emergent	50 – 300		
3	WET-010	Quail Drive South	III	300	150	80
4	WET-011	Quail Drive North	III	300	150	80
5	WET-012	Quail Drive East	III	300	150	80
6	Wetland A	Quail Drive & H Ave	III	300	N/A	N/A
7	Wetland B	Quail Drive & H Ave	IV	50	50	50
8	WET-014	41st Street	III	300	150	80
9	WET-013	SW Corner of 41st St & O Ave	IV	50	50	50
10	WET-015	West of R Ave. & 41st Place	III	300	150	80
11	WET-042	4820 Whistle Lake Rd	Palustrine Emergent	50 – 300		
12	WET-043	Fir Crest West Wetland	III	300	150	80

*Category or type of wetland is based on data provided by the City.

Buildings, structures, paving, and other hard surfacing must be set back a minimum distance of 10 feet from the edge of the wetland buffer, or edge of the wetland if no buffer is required, per AMC 19.70.235. This setback is to avoid conflicts with tree branches and/or critical root zones of trees that are in the buffer or will be planted in the buffer. Landscaping, uncovered decks, roof eves and overhangs may be allowed in the building setback from the buffer if they do not cause damage to the critical root zone of trees in the buffer. Landscaping can be defined as areas that consist of grade level or elevated planting beds featuring trees, shrubs, flowers, ferns, groundcover, lawn grass, and other vegetation.

2.3.1 Soils

The NRCS soil survey map identifies 17 soil types within the study area. 15 of which are listed as hydric per the Skagit County Hydric Soils List. A summary of the map unit is provided in Table 1. The DNR Washington Natural Heritage Program Data Explorer does identify the center section of the study area as containing hydric soils.

Table 2. Soil Unit Hydric Ratings

Map Unit Symbol	Map Unit Name	Unit Considered Hydric in Skagit County
10	Bellingham silt loam	Yes
11	Bellingham mucky silt loam	Yes
17	Bow gravelly loam, 3 to 8 percent slopes	Yes
18	Bow gravelly loam, dry, 0 to 3 percent slopes	Yes
19	Bow gravelly loam, dry, 3 to 8 percent slopes	Yes
20	Bow-Urban land complex, 0 to 8 percent slopes	Yes
26	Catla gravelly fine sandy loam, 8 to 15 percent slopes	Yes
29	Clallam gravelly loam, 0 to 8 percent slopes	Yes
30	Clallam gravelly loam, 8 to 15 percent slopes	Yes
35	Coveland gravelly loam, 0 to 3 percent slopes	Yes
55	Fidalgo-Lithic Xerochrepts-Rock outcrop complex, 3 to 30 percent slopes	No
78	Keystone loamy sand, 0 to 8 percent slopes	Yes
79	Keystone loamy sand, 8 to 30 percent slopes	Yes
102	Norma silt loam	Yes
106	Pits	No
140	Swinomish-Fidalgo-Rock outcrop complex, 3 to 30 percent slopes	Yes
156	Whistle-Fidalgo-Rock outcrop complex, 30 to 65 percent slopes	Yes

2.4 Geologically Hazardous Areas

The Anacortes Critical Areas Map (2024) does not identify any geologically hazardous areas per AMC 19.70.410. The most easterly portion of the study area is along the shoreline and identified as stable.

2.5 Critical Aquifer Recharge Areas

Per AMC 19.70.535, areas with soils that have moderate to rapid permeability (greater than two inches per hour) and sources for identifying drinking water supply wells identified by agencies such as Washington Department of Ecology and Skagit County Health Department are considered critical aquifer recharge areas.

The Anacortes Critical Areas Map (2024) identifies the easterly half of the study area as containing soils with high permeability. These areas have a critical recharging effect on aquifers used for potable water, including areas where an aquifer that is a source of drinking water, like a well, is vulnerable to contamination that would affect the potability of the water, or is susceptible to reduced recharge.

Per AMC 19.70.520, areas designated as "wellhead protection areas" are groundwater contribution areas pursuant to WAC 246-291-125(3)(d)(iii). These areas include a 1,000-foot radius for individual private drinking water supply wells. The Anacortes Critical Areas Map (2024) identifies the majority of the study area as being located within 1,000 feet of a well.

Regulated activities/facilities may be permitted in a critical aquifer recharge area only if the applicant can demonstrate that the proposed activity will not cause contaminants to enter the aquifer and that the proposed activity will not adversely affect the recharging of the aquifer per AMC 19.70.530.

2.6 Frequently Flooded Areas

Flood maps prepared by FEMA do not identify any frequently flooded areas within the study area.

3. SPECIES INFORMATION

The following species listed under the federal Endangered Species Act may occur in the vicinity of the study area:

1. Puget Sound Steelhead Trout (*Oncorhynchus mykiss*)
2. Puget Sound Chinook (*Oncorhynchus tshawytscha*)
3. Hood Canal Summer Chum Salmon (*Oncorhynchus keta*)
4. Puget Sound/Georgia Basin Yelloweye Rockfish (*Sebastes ruberrimus*)
5. Puget Sound/Georgia Basin Bocaccio (*Sebastes paucispinis*)
6. Coastal Puget Sound Bull Trout (*Salvelinus confluentus*)
7. Marbled Murrelet (*Brachyramphus marmoratus*)
8. Yellow-billed Cuckoo (*Coccyzus americanus*)
9. Dolly Varden (*Salvelinus malma)*

3.1 Puget Sound Chinook and Steelhead Trout

Most Chinook in the Puget Sound are "ocean-type" and migrate to the marine environment during their first year (Myers et al. 1998). They may enter estuaries immediately after emergence as fry from March to May or they may enter the estuaries as fingerling smolts during May and June of their first year (Healey, 1982). Chinook use estuaries as rearing areas and are the most dependent of all salmon species on estuaries for survival. There are estuaries present in the action areas. As they grow and move into neritic habitats, they feed on decapod larvae, larval and juvenile fish, drift insects, and euphausiids (Simenstad et al., 1982).

Steelhead trout exhibits perhaps the most complex suite of life-history traits of any of the Pacific salmon. Steelhead can be anadromous or freshwater residents and, in some circumstances, yield offspring of the opposite life-history form. The anadromous form can spend up to seven years in freshwater prior to smoltification, although two years is most common, and then spend up to four years in saltwater prior to first spawning. Unlike the Pacific salmon species, steelhead are iteroparous (individuals can spawn more than once). The adult winter steelhead run is generally from December to February, and spawning occurs from March through June (Wydoski and Whitney, 1979). Juvenile steelhead out-migrate from April through June and are not anticipated in the nearshore in large numbers because the majority of steelhead smolts migrate directly to the open ocean (i.e., they are not nearshore dependent) and do not rear extensively in the estuarine or coastal environments (Burgner et al., 1992).

Critical habitat was designated for Puget Sound Chinook salmon on February 16, 2000, and Puget Sound steelhead on March 25, 2016 (Federal Register / Vol. 65, No. 32 / 2000; Federal Register / Vol. 81, No. 36 / 2016). Critical habitat is designated for areas containing the physical and biological habitat features, or PCEs (Primary Constituent Elements) essential for the conservation of the species or which require special management considerations. PCEs include sites that are essential to supporting one or more life stages of the species and that contain physical or biological features essential to the conservation of the species.

3.2 Hood Canal Summer Chum Salmon

Chum Salmon may historically have been the most abundant of all Pacific Salmonids. They are an anadromous fish, which means they can live in both fresh and saltwater. Chum Salmon typically weighs on average 8-15 pounds and are up to 3.6 feet long with a lifespan of about 4 years (NOAA, 2024). Chum salmon have a relatively complex life history that includes spawning and juvenile rearing in rivers followed by migrating to saltwater to feed, grow, and mature before returning to freshwater to spawn (NOAA, 2024). Chum can be found in virtually every small coastal stream. In the fall, large numbers of Chum can often be seen in the lower reaches of these streams. Chum fry do not rear in freshwater for more than a few days. Shortly after they emerge, Chum fry move downstream to the estuary and rear there for several months before heading out to the open ocean (WDFW, 2024).

3.3 Coastal Puget Sound Bull Trout

The Coastal Puget Sound bull trout population is thought to contain the only anadromous forms of bull trout in the contiguous United States (Federal Register / Vol. 64, No. 210 / 1999). Spawning occurs typically from August to November in streams and migration to the open sea (for anadromous populations) takes place in the spring. Following this season, Bull Trout migrate to freshwater river systems to overwinter. Bull trout prefer colder water temperatures than most salmonids, and clean water substrates for spawning and rearing. They require complex habitats such as streams with riffles, deep pools, and undercut banks.

Critical habitat was designated for the bull trout was designated on November 17, 2010 (Federal Register / Vol. 75 No. 200 / 2010). Critical habitat is designated for areas containing the physical and biological habitat features, or PCEs essential for the conservation of the species or which require special management considerations. PCEs include sites that are essential to supporting one or more life stages of the species and that contain physical or biological features essential to the conservation of the species.

3.4 Marbled Murrelet

Marbled murrelets are small marine birds in the Alcidae family that nest in the coastal old-growth forests of the Pacific Northwest. The breeding season of the marbled murrelet generally begins in April, with most egg laying occurring in late May and early June. By the end of August, chicks have fledged and dispersed from nesting areas Marbled murrelets differ from other seabirds in that their primary nesting habitat is old-growth coniferous forest within 50 to 75 miles of the coast. The nest typically consists of a depression on a moss-covered branch where a single egg is laid. When not nesting, the birds live at sea, spending their days feeding and then moving several miles offshore at night (Marks and Bishop, 1999).

3.5 Yellow-Billed Cuckoo

The yellow-billed cuckoo is a relatively large riparian bird that is distributed throughout the U.S., however, due to reductions in habitat, are very rare in Washington State (WDFW, 2024). Breeding season typically occurs in late spring to early summer. During this period, they tend to move around and have large home ranges but are mostly found in areas with more than 200 acres of deciduous forests (USFWS, 2024). Nesting habitat usually occurs at lower elevation riparian woodlands that contain willow trees, alders, or cottonwoods that are close to streams or rivers. Though there are no recent documents of yellow-billed cuckoo nesting in Washington, it can occur anywhere in the state as much would be considered generally good habitat for nesting.

4. CRITICAL AREA FINDINGS

The study area provides unique and critical area ecological functions the R1 – low density residential area, including two streams, 12 wetlands, and 16 well-head protection areas. These areas serve as essential habitats for various species, including fish, birds, and other wildlife. They provide nesting, breeding, and foraging grounds that support local biodiversity and ecosystem health. Wetlands and stream riparian zones act as natural filters, absorbing pollutants and sediment from runoff before it enters the major water bodies surrounding Anacortes. This helps improve the overall water quality of the area. Buffers should not be encroached on unless the action is unavoidable or has been determined to have no impact on the function of the critical area. Based on the analysis of this document, further and more condensed project development within the R1 zone may have a significant impact on the identified critical areas, species, or vegetation. It is recommended that the R1 zone is thoughtfully and carefully developed at the current density of two units per acre.

Within the limitations of schedule, scope of work, and seasonal constraints, Facet warrants that this study was conducted in accordance with generally accepted investigation practices, including the technical guidelines and criteria in effect at the time this study was performed.

**Disclaimer – Additional critical areas may be present if the area were to be fully delineated by a qualified professional.*

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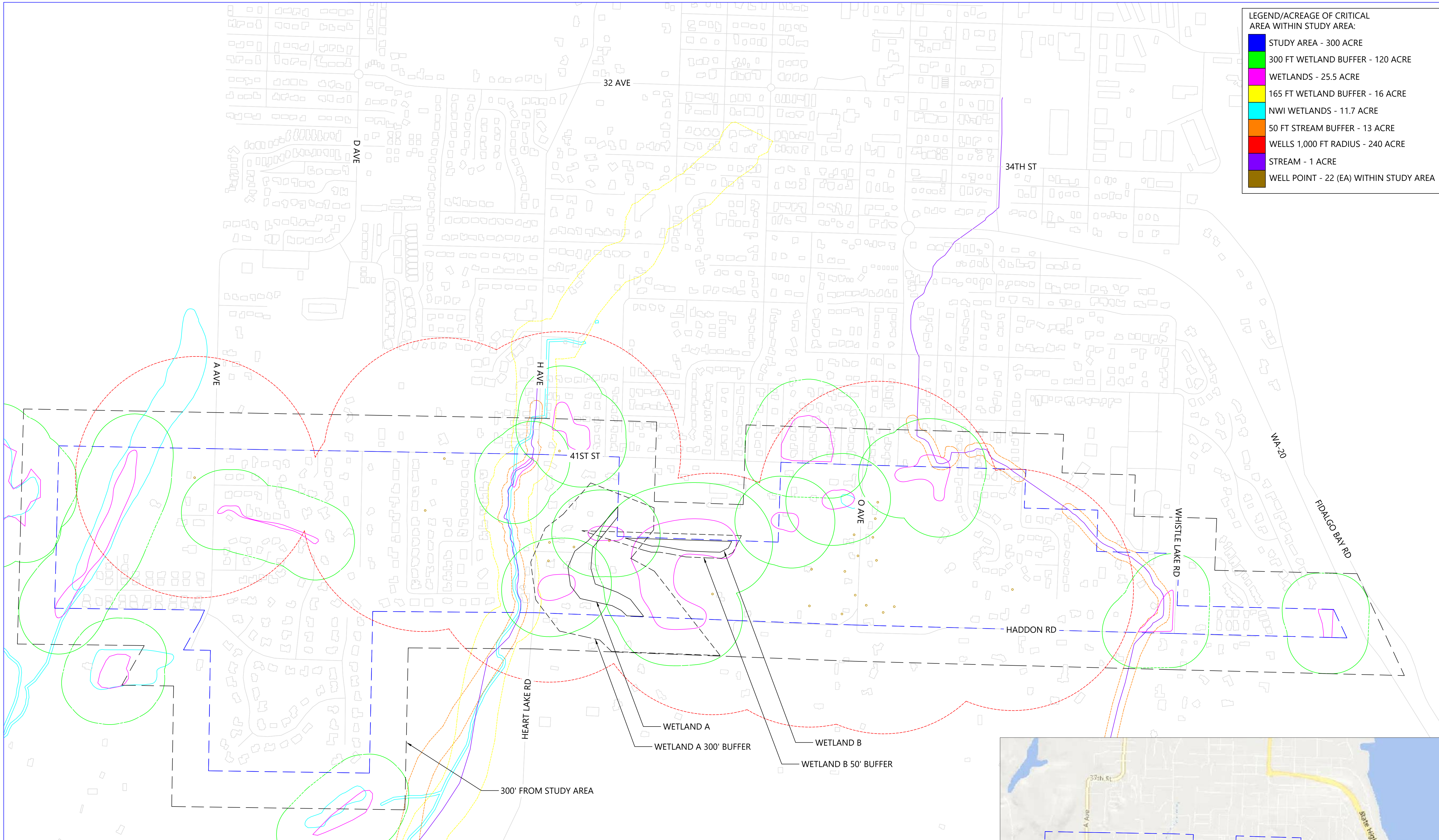
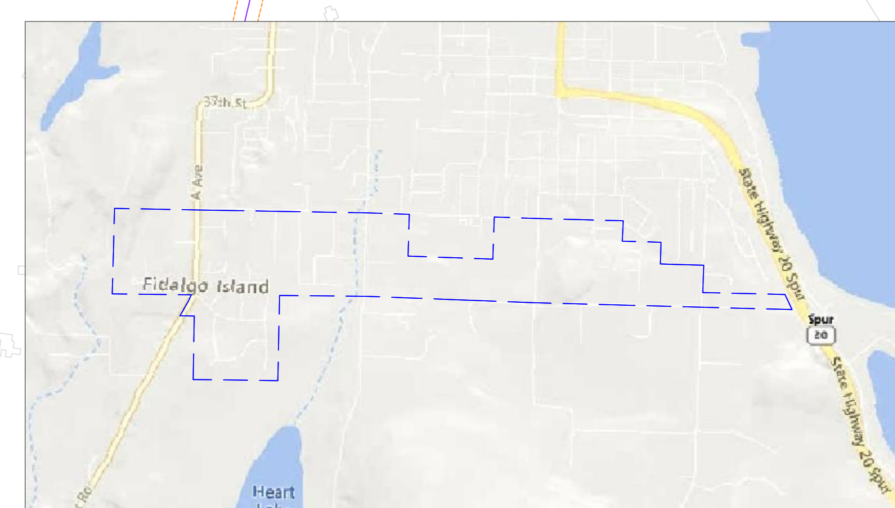
APPENDIX I: Critical Area Map Overlay



CRITICAL AREA SITE MAP

400 200 0 400 800

SCALE IN FEET



VICINITY MAP

CALL 811
2 BUSINESS DAYS BEFORE YOU DIG
(UTILITY LOCATIONS ARE APPROX.)

#	DATE	BY	REVISION

BASE MAP/TOPOGRAPHY PROVIDED BY OTHERS. FACET CANNOT BE HELD LIABLE FOR ACCURACY. CONTRACTOR SHALL FIELD VERIFY GRADES, UTILITIES, AND ALL OTHER EXISTING FEATURES AND CONDITIONS. IF CONDITIONS ARE NOT AS SHOWN AND/OR PLANS CANNOT BE CONSTRUCTED AS SHOWN, CONTACT FACET PRIOR TO CONSTRUCTION.

FACET
www.facetnw.com
9706 4th Ave NE, Suite 300
Seattle, WA 98115
P: 206.523.0024
SEATTLE | KIRKLAND | MOUNT VERNON | WHIDBEY ISLAND | FEDERAL WAY | SPOKANE

STEVEN MICHAEL ROBERT
STATE OF WASHINGTON
REGISTERED PROFESSIONAL ENGINEER

ANACORTES 300 ACRE
CRITICAL AREA SITE PLAN
QUAIL DR
ANACORTES, WA 98221

ISSUED FOR PERMIT

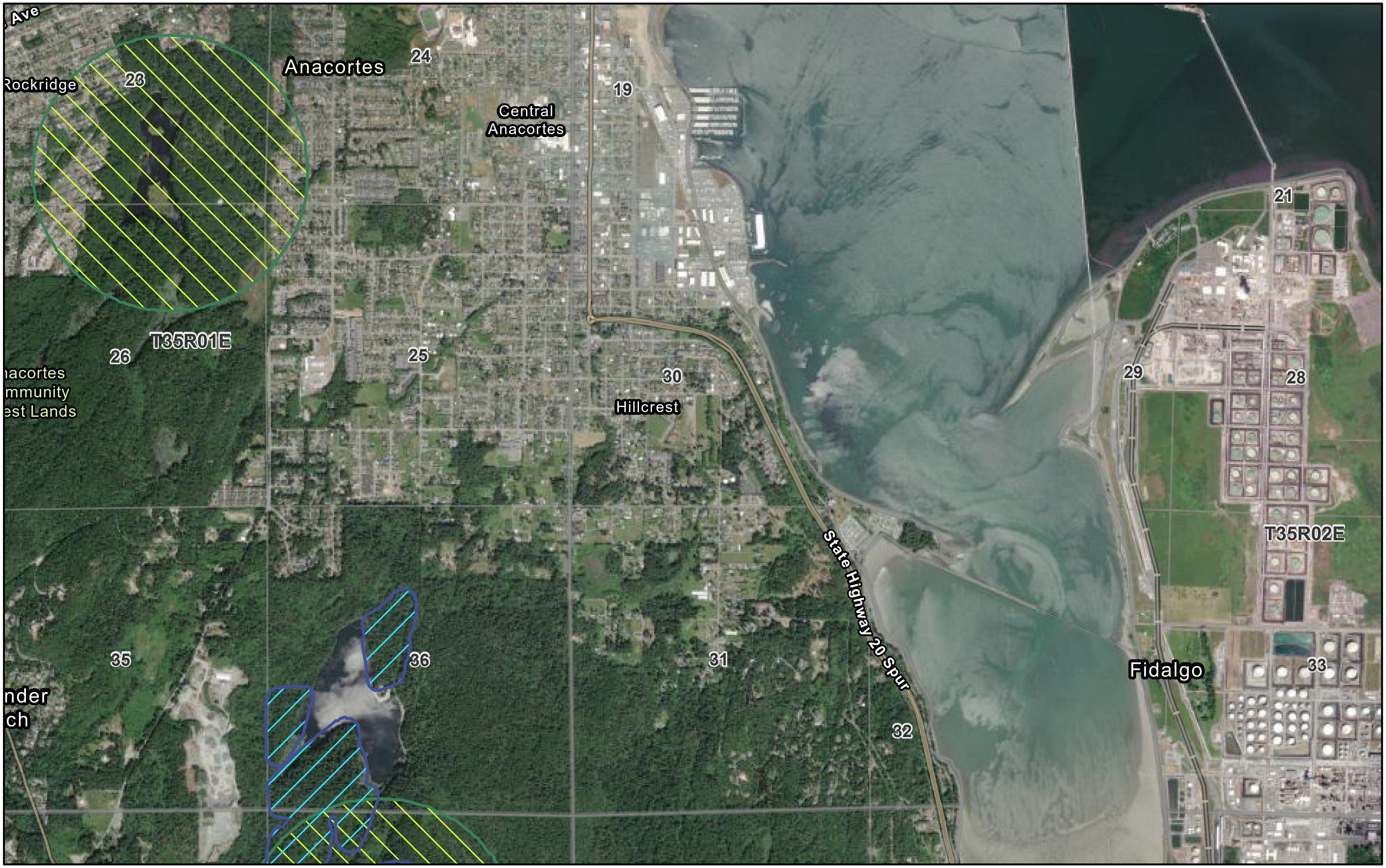
CRITICAL AREA SITE PLAN

DATE: OCT. 2024
PLAN NUMBER:
S1.01
SHEET: 2 OF 6

10/10/24 - ISABELLA - Z:\SHARED\PROJECTS\ACTIVE\2024\092409.0334.00 - IAN MUNCE - ANACORTES 300 ACRES\DRAWINGS\CAD-REVIT\ACTIVE\FELIAN MUNCE - ANACORTES 300 ACRE CRITICAL AREA MAP.DWG

APPENDIX II: Critical Area Review

WNHP Rare Plant and Ecosystem Locations



10/1/2024, 1:42:09 PM

Known Rare Plants and Rare & High-quality Ecosystems

Rare Plant

Rare and/or High Quality Ecosystem

Public Land Survey Sections

Public Land Survey Townships

State Boundary

County Boundaries

1:44,131

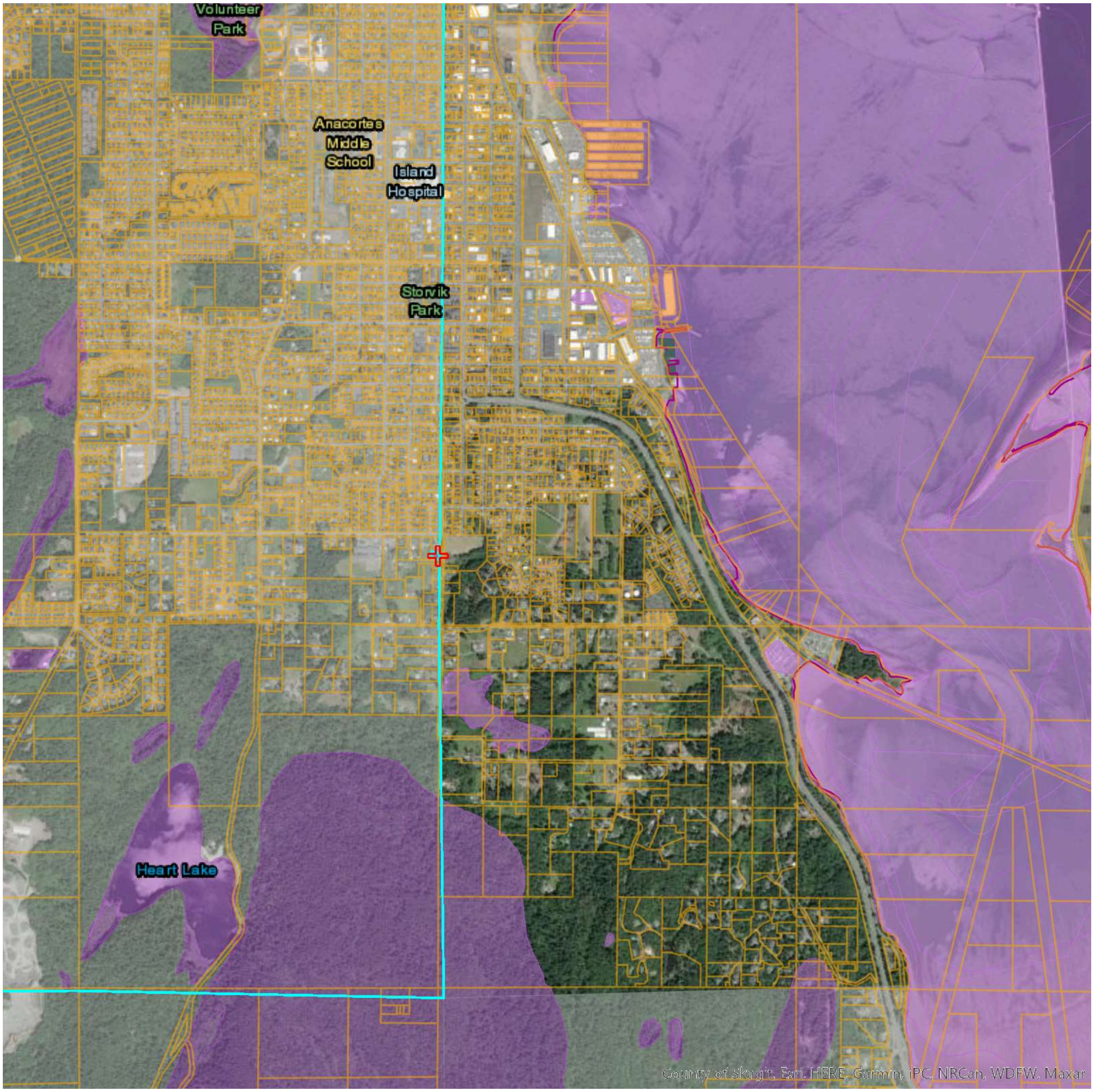
0 0.25 0.5 1 mi

0 0.4 0.8 1.6 km

County of Skagit, WA State Parks GIS, Esri Canada, Esri, TomTom, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, Bureau of Land

WNHP Plant & Ecosystem Map Viewer

KNOWN PLANT AND ECOSYSTEM LOCATIONS REFLECT KNOWN OCCURRENCE LOCATIONS BUT MAY NOT REFLECT ALL OCCURRENCES OF RARE PLANTS OR ECOSYSTEMS.



Report Date: 10/01/2024

PHS Species/Habitats Overview:

Occurence Name	Federal Status	State Status	Sensitive Location
Freshwater Emergent Wetland	N/A	N/A	No
Yuma myotis			Yes

PHS Species/Habitats Details:

Freshwater Emergent Wetland	
Priority Area	Aquatic Habitat
Site Name	N/A
Accuracy	NA
Notes	Wetland System: Freshwater Emergent Wetland - NWI Code: PEM1C
Source Dataset	NWIWetlands
Source Name	Not Given
Source Entity	US Fish and Wildlife Service
Federal Status	N/A
State Status	N/A
PHS Listing Status	PHS Listed Occurrence
Sensitive	N
SGCN	N
Display Resolution	AS MAPPED
ManagementRecommendations	http://www.ecy.wa.gov/programs/sea/wetlands/bas/index.html
Geometry Type	Polygons

Yuma myotis	
Scientific Name	*Myotis yumanensis*
Notes	This polygon mask represents one or more records of the above species or habitat occurrence. Contact PHS Data Release at phsproducts@dfw.wa.gov for obtaining information about masked sensitive species and habitats.
PHS Listing Status	PHS Listed Occurrence
Sensitive	Y
Display Resolution	TOWNSHIP
ManagementRecommendations	http://wdfw.wa.gov/publications/pub.php?id=00605

APPENDIX V: Author Qualifications

Statement of Qualifications

ALLISON (MARTIN) LISI, ECOLOGIST

Professional Experience: 9 years

Allison Lisi is an Ecologist for Facet. Allison provides a wide range of consulting experience in environmental compliance, permitting, planning, restoration, and management. She has worked on a variety of habitat restoration projects throughout the Midwest, Tennessee, and Washington.

Allison earned a Bachelor of Science degree in Biology and Environmental Studies from the University of Cincinnati. She holds credentials as an ISA Certified Arborist and a Qualified Hydrologic Professional In-Training. Allison has also completed her certification in wetland delineations and watershed management.

HILARY HAHN, ENVIRONMENTAL COORDINATOR

Hilary Hahn is an Environmental Coordinator for Facet with ten years of experience in the engineering, development, and surveying sector. Hilary is currently pursuing a bachelor's degree in environmental science, where she has demonstrated an understanding of key environmental principles, such as biodiversity conservation, ecological systems, and environmental policy. Her studies have also exposed her to various scientific research techniques and methodologies, further fueling her drive to find innovative solutions to pressing environmental challenges.

Hilary is currently a certified wetland delineator and is looking forward to continuing her education by obtaining advanced credentials and professional certifications in the environmental field.

JAY DALLY, ECOLOGIST

Jay Dally is an Ecologist for Facet who recently graduated from Western Washington University with a Bachelor of Science degree in Environmental Science with a Freshwater and Terrestrial Ecology emphasis. His degree included a wide range of exposure to ecological principles and skills such as Pacific salmon habitat assessment, watershed delineation, soil science, aquatic toxicology, and wetland plant identification. Being in the early stages of his career as an ecologist, Jay is excited to build his skillset by participating in training to gain relevant credentials and by putting his education to use to provide excellent services to the Facet client base.

Anacortes City Council Minutes - September 8, 2026

Call to Order
Mayor Ryan Walters called the September 8, 2026, Anacortes City Council meeting to order at 6:02pm Councilmembers Marcia Hunt, Luke Currier, Anthony Young, Christine Cleland-McGrath, Carolyn Moulton, and TJ Fantini were present. Councilmember Bruce McDougall participated in the meeting remotely via Zoom (left the meeting at approximately 6:35pm).

Pledge of Allegiance
The assembly joined in the Pledge of Allegiance.

Announcements and Committee Reports

Wastewater Treatment Plant Outstanding Performance Award

Mayor Walters announced that the Washington State Department of Ecology recognized the Wastewater Treatment Plant for outstanding performance in 2025 and presented the award to Public Works Director Logan Lee and Wastewater Treatment Plant Manager Brian Walker.

Mayor's Announcements
Mayor Walters made announcements regarding the 12th Street and Commercial Avenue improvement project; the 2027 budget process, including an Open House on September 30th at 5pm, an associated online feedback form, and public hearings (revenue October 12th, budget / capital facilities plan November 16th); a recap of the successful Open Streets event where more than 55 bicycle helmets were distributed to those in need; Residential Clean-up day on Saturday, September 19th from 9am-12pm; a conversation with the mayor on September 24th at the Rockfish Grill from 5-7pm; and Fidalgo Bay Day on Saturday, September 26th from 11am-3pm at Fidalgo Bay Resort; and the 60th anniversary of the beginning of the Star Trek television and movie series that presented a hopeful vision of meeting the challenges that we face as community; referring to a slide presentation that was added to the packet materials for the meeting.

Information Technology and ACCESS Anacortes Fiber Internet Committee
Mr. McDougall reported from the Information Technology and ACCESS Anacortes Fiber Internet Committee meeting held September 1st. The information technology topics discussed included the Tyler EERP system migration to utility billing and a Criminal Justice Information Systems security audit. Fiber topics included that the system is $60-$70k ahead of revenue projections for the current year due to a larger than expected percentage of gigabit customers, and the recent successful optical line terminal (OLT) migration.

Finance Committee
Ms. Hunt reported from the Finance Committee meeting held August 27th. The topics discussed included the budget policies that come before the council tonight as Resolution 3226. She pointed out that the resolution reflects the intent of the policies established under Ordinance 4003 that the council would consider for repeal later in the agenda. The committee also discussed ordinances 5036 and 5037 that would amend the code to eliminate elements that are no longer applicable. Ms. Cleland-McGrath added that on August 25th the city was served with two new lawsuits filed by Ian Munce in Skagit County Superior Court regarding the 2025 Comprehensive Plan and Development Regulations and the Stormwater Master Plan, appealing decisions of the Growth Management Hearings Board on both matters that were granted in favor of the city. She added that both appeals will require significant staff time and additional general fund monies for outside counsel, which the council would need to consider during the 2027 budget process.

Housing Affordability and Community Services and Planning Committee
Mayor Walters announced that the Housing Affordability and Community Services and Planning Committee did not meet as scheduled.

Public Works Committee

Mr. Fantini reported from the Public Works Committee meeting held earlier in the evening. The topics discussed included a mailer to residents regarding the identification of galvanized pipes on structures whose construction predates 1986, encouraging those who receive the mailer to contact the city, pending stormwater projects on West 5th Street between Kansas Avenue and Illinois Avenue and the Yorkshire area that will be funded using funds that were allocated for a project that was undertaken by the port, and an expected November response to the grant application for the Safe Routes to School project on 22nd Street between M Avenue and J Avenue. Ms. Cleland-McGrath added that the issue regarding galvanized pipes stemmed from the water contamination issues that came up in Flint, Michigan, and that this effort is being led by the federal Environmental Protection Agency, and she urged homeowners who received the mailer to contact the city, and that affected residents are responsible for any repairs from the water meter to the structure and the city would repair any issues from the water meter to the main water line. Mr. Young mentioned that this information was helpful in having conversations with concerned citizens. Ms. Hunt added that homeowners are not obligated to replace a water pipe even if issues are identified and the city can provide guidance on how to minimize lead exposure.

Economic Development Committee

Mr. Young reported from the Economic Development Committee meeting held earlier in the day. The topics discussed included a presentation from Skagit Tourism Bureau Chief Executive Officer Kristen Keltz that provided a positive outlook on economic development related to tourism. Ms. Cleland-McGrath added that Terica Ginther from Deception Pass Tours and Pacific Whale Watch Association Executive Director Erin Gless, who are members of the outdoor recreation committee that received a state rural tourism grant to help identify potential tourism growth in Skagit County were also present. Their committee produced focus areas such as outdoor recreation, food and farm, arts, culture and heritage, and sports tourism. She added that there are six whale-watching tour operators based in Anacortes that provide a significant positive impact on the local economy in an industry that provides $200 million in economic activity statewide. Mr. Fantini asked for clarification regarding the sports tourism focus area. Ms. Cleland-McGrath clarified that the committee had met with members of the outdoor recreation committee and was not aware of the progress or initiatives associated with sports tourism. She added that areas of interest for the outdoor recreation committee include unique Skagit County experiences such as whale watching, cycling, hiking, birding, and recreational boating (fishing, yacht charters and kayaking). Mr. Fantini asked if there could be a work session or some other forum that the council could engage in collectively to discuss these matters further. Mayor Walters responded that these issues could be discussed in forums other than city council meetings. Mr. Young responded that the county-wide effort to spur tourism development is in the early stages, and that there would be a forthcoming discussion that would be informed by the committee's ongoing engagement with local stakeholders. Mr. Currier added that it would be beneficial to have a broader discussion with the full council focusing on revenue generation that would help inform the committee's work.

Port / City Liaison Committee

Mr. Fantini reported from the Port / City Liaison Committee meeting held September 1st. The topics discussed included the port's ongoing review of proposal submissions for hotel development, the upcoming visit of a delegation from the Alaska state legislature, the 9th Street vacation, a joint special meeting with the Port Commission on October 5th to discuss the event facility project, the city's ongoing review of permit submissions for the event facility, an update on the Anacortes Housing Authority Olson Building project, the port's hiring of a new project manager, and an update on Altair-Americus Memorial Park improvements.

Public Comment

Mayor Walters invited the public to comment on any item not on the agenda. No one present wished to address the Council on any topic not already on the agenda.

Consent Agenda

Ms. Hunt moved, seconded by Mr. Young, to approve the following Consent Agenda items. The motion carried

unanimously by voice vote.
a. Minutes of August 24, 2026
b. Approval of claims in the amount of $1,737,261.62
The following vouchers/checks were approved for payment:
EFT numbers: 471 through 531, total $1,623,747.45
Check numbers: 116174 through 116217, total $86,944.16
Wire transfer numbers: 389 through 470, total $26,570.50
c. Grant Agreement #C2026-0244 with Island County for the 2025 Operation Stonegarden Program
d. Contract Modification: Electrical Work at WWTP and Pump Stations 13 And 15 #26-173-SEW-001
e. Contract Approval: Municipal Court Language Access and Interpreter Reimbursement #C2026-0248
f. Contract Award: 2027 Fourth of July Fireworks Display #C2027-0002
g. Contract Award: West 5th Stormwater Improvement Project #C2026-0253

Other Business

Resolution 3227: Confirmation of Appointment to the Library Board of Trustees

Library Director Jeff Vogel introduced Amanda Baltazar as the mayor's appointee to the Library Board of Trustees to fill a vacancy created by the departure of Alethea Fleming, who he thanked for her many years of service to the library. He also mentioned that he and Mayor Walters had interviewed Ms. Baltazar and that the Library Board of Trustees had voted to approve her appointment. He recommended that the council approve Resolution 3227 confirming the mayor's appointment of Ms. Baltazar to a term that would end on December 31, 2030. Ms. Baltazar thanked the mayor and council for the appointment and expressed her desire to advocate for the library as a great community resource.

Luke Currier moved, seconded by Anthony Young, to approve Resolution 3227 confirming the appointment of Amanda Baltazar to the Library Board of Trustees. The motion carried unanimously by voice vote.

Contract Award: 12th Street & K Avenue Intersection Improvements — Design #C2026-0213

Public Works Director Logan Lee introduced proposed contract #C2026-0213 with Kimley-Horn and Associates for the 12th Street & K Avenue Intersection Improvements design project, referring to a slide presentation that was added to the packet materials for the meeting. He then introduced project consultant Brad Lincoln of Kimley-Horn and Associates, who detailed the design process, referring to a slide presentation that was added to the packet materials for the meeting.

Discussion topics included:

- Preliminary discussions with the Washington State Department of Transportation (WSDOT).
- Could keeping the current design be an outcome?
    - Any alternative(s) must be feasible.
- Appreciation for Mr. Lincoln's presence.
- Triggering the 5,000 square-foot permeable surface requirement.
- Integrating a potential signal's timing with the M Avenue intersection.
- Accounting for the possibility that motorists would take a different route and ensuring that the problem does not move to a second intersection.
- The city/consultant has to justify that a design that is preferable to WSDOT (e.g. a roundabout) is not appropriate at the project location.
- Is this location the most urgent location on which to spend limited construction funds?
- The intersection is not currently failing, but it will fail.
- Definition of a failing intersection.
- This intersection is the only projected failing intersection in the city.

- Grant funding would be lost if this contract is not approved now and there is significant risk of not getting funding again.
- The $35,000 matching funds for the city comes from real estate excise tax, not general funds.
- Youngest and most inexperienced drivers are the heaviest users of the intersection.
- The city has a duty to make the intersection as safe as possible.
- Obligation to build within 10 years of the design.
- Justification of the total cost of the project versus other public works priorities.
- Approving the design contract and accepting the grant means the city is committing to improving the intersection.

Carolyn Moulton moved, seconded by Christine Cleland-McGrath, to authorize the mayor to sign contract C2026-0213 with Kimley-Horn and Associates, Inc. in the amount of $259,000.00 to perform the design of the 12th Street & K Avenue Intersection Improvements. The motion carried unanimously by voice vote.

Resolution 3226: Budget Policies

Finance Director Steve Hoglund introduced Resolution 3226 that would codify budget policies in the Anacortes Municipal Policies, referring to a slide presentation that was included in the packet materials for the meeting.

Discussion topics included:

- Appreciation for restoring the fund balance and the 5-year look ahead.
  - The general fund will be adopted at the department level.
- Equipment rental and replacement funding over the last five years.
  - Future cash flow assessments.
  - Utilities are funded at 100%.
  - Cuts to the fund.
  - How much to fund equipment rental and replacement going forward.
  - Must be included as a recital in the budget ordinance.

Christine Cleland-McGrath moved, seconded by Marcia Hunt, to approve Resolution 3226 creating Anacortes Municipal Policies Chapter 3-10 for Budget Policies. The motion carried unanimously by voice vote.

Ordinance 5039: Repealing Ordinance 4003 that adopted a Fund Balance Policy

Mr. Hoglund introduced Ordinance 5039 that would repeal Ordinance 4003, which established the fund balance policy. The fund balance policy will now be part of the Anacortes Municipal Policies as adopted in Resolution 3226.

Marcia Hunt moved, seconded by TJ Fantini, to adopt Ordinance 5039 repealing Ordinance 4003.
Vote: Ayes - Carolyn Moulton, Anthony Young, Christine Cleland-McGrath, TJ Fantini, Luke Currier, Marcia Hunt. Nays - None. Abstentions - None. Result: Passed

Ordinance 5036: Repealing AMC 2.84 related to City credit cards

Mr. Hoglund introduced Ordinance 5036 that would repeal AMC chapter 2.84 related to city credit cards, referring to a slide presentation that was included in the packet materials for the meeting.

Marcia Hunt moved, seconded by Anthony Young, to approve ordinance 5036 repealing Anacortes Municipal Code Chapter 2.84.
Vote: Ayes - Carolyn Moulton, Anthony Young, Christine Cleland-McGrath, TJ Fantini, Luke Currier, Marcia Hunt. Nays - None. Abstentions - None. Result: Passed

Ordinance 5037: Amending AMC 3.10 related to donations

Mr. Hoglund introduced Ordinance 5037 that would amend AMC chapter 3.10 related to donations that would relieve the City Clerk from maintaining a continuous list of all donations accepted by the city, referring to an electronic copy of the draft ordinance.

Mayor Walters invited members of the audience to comment on this agenda item. No one present wished to address the Council.

Discussion topics included:

- Councilmembers are willing to sign thank you letters to donors.

Marcia Hunt moved, seconded by Anthony Young, to approve Ordinance 5037 amending Anacortes Municipal Code Chapter 3.10 related to donations.
Vote: Ayes - Carolyn Moulton, Anthony Young, Christine Cleland-McGrath, TJ Fantini, Luke Currier, Marcia Hunt. Nays - None. Abstentions - None. Result: Passed

Ordinance 5038: Waiver of Salary for Councilmembers

Ms. Hunt introduced Ordinance 5038 that would allow a councilmember to waive their salary, which would ensure that community members of all financial situations are able to serve on the City Council without incurring a financial cost.

Mayor Walters invited members of the audience to comment on this agenda item. No one present wished to address the Council.

TJ Fantini moved, seconded by Luke Currier, to adopt Ordinance 5038, creating a new AMC Section to authorize Council waiver and election not to receive compensation.
Vote: Ayes - Carolyn Moulton, Anthony Young, Christine Cleland-McGrath, TJ Fantini, Luke Currier, Marcia Hunt. Nays - None. Abstentions - None. Result: Passed

Closed Session

Collective Bargaining topics per RCW 42.30.140(4)(b)

At approximately 7:55pm, Mayor Walters announced that the City Council, City Attorney Darcy Swetnam, and Human Resources and Labor Relations Director Kendall Moyle would convene in Closed Session per RCW 42.30.140(4)(b) for approximately 10 minutes to discuss collective bargaining topics. The mayor advised that the council would then reconvene with no final action having been taken. Councilmembers TJ Fantini, Anthony Young, Christine Cleland-McGrath, Carolyn Moulton, Luke Currier, and Marcia Hunt attended the closed session. Mr. Hoglund also attended the closed session.

At 8:09pm, the City Council returned from closed session.

Other Business Continued

Resolution 3225: Anacortes Police Services Guild Commissioned Employees Collective Bargaining Agreement

Ms. Moyle introduced Resolution 3225 that would approve a collective bargaining agreement with the Police Services Guild Commissioned Employees, referring to a slide presentation that was included in the packet materials for the meeting.

Luke Currier moved, seconded by Anthony Young, to adopt Resolution 3225 authorizing the signature and execution of a Collective Bargaining Agreement between the City of Anacortes and Anacortes Police Services Guild Commissioned Employees from January 1, 2025, to December 31, 2028. The motion carried unanimously by voice vote.

Adjournment

There being no further business, at approximately 8:15pm, the Anacortes City Council meeting of September 8, 2026, was adjourned.

The following claims against the City of Anacortes have been preaudited and certified by the Clerk-Treasurer as ready for City Council approval at the September 14, 2026 City Council meeting:

Download this file in OpenDocument spreadsheet format.

Invoice Doc #	Invoice Date	Invoice #	Vendor Full Name	Description	Total Amount	Department
402137	5/7/2026	15386	MACKAY SPOSITO	BEN ROOT SKATE PARK RSTRM & PARKING - THRU 4/25/26	$ 9,256.00	PARKS
402117	6/10/2026	15832	MACKAY SPOSITO	BEN ROOT SKATE PARK RSTRM/PARKING -through 5/30/26	$ 2,194.00	PARKS
402060	7/9/2026	834767	BLADE CHEVROLET, INC	PART FOR VEHICLE #194 - APPLIQUE	$ 67.92	FLEET
401973	7/14/2026	0121052	FERGUSON ENTERPRISES #3156	Inventory Restock	$ 20,423.11	WDIST
402145	7/14/2026	7-14-26	SIGNATURE TREE SERVICE	HAZARDOUS TREE REMOVAL - OAKES AVE	$ 890.10	STREE
402096	7/15/2026	70135	SKAGIT PUBLISHING ACCT 46833	PUBLISH AA-761021	$ 203.00	PLAN
402098	7/15/2026	70156	SKAGIT PUBLISHING ACCT 46833	PUBLISH AA-759425	$ 89.32	PLAN
401966	7/21/2026	9316	LOGIC NETWORKS LLC	Fiber optic network equipment	$ 34,222.30	FIBER
402100	7/22/2026	70288	SKAGIT PUBLISHING ACCT 46833	PUBLISH AA-762212	$ 44.66	FIN
402102	8/5/2026	70797	SKAGIT PUBLISHING ACCT 46833	PUBLISH AA-766226	$ 40.60	FIN
402095	8/8/2026	32610606-274745044	HARTFORD FIRE INSURANCE CO	FLOOD INSURANCE - WTP INTAKE P	$ 1,162.00	WDIST
402094	8/9/2026	32610602-274756996	HARTFORD FIRE INSURANCE CO	FLOOD INSURANCE - WTP POWER SU	$ 2,301.00	WDIST
402097	8/12/2026	10114409	MILES SAND & GRAVEL CO.	SUPPLIES FOR STREET DEPT - ECO BLOCKS	$ 130.68	STREE
401959	8/14/2026	137889	VECA ELECTRIC & TECHNOLOGIES	ELECTRICAL WORK AT WWTP AND PUMP STATIONS 13/15	$ 5,178.56	WWTP
402133	8/21/2026	0218507	GEOENGINEERS, INC.	2025 CRITICAL AREAS REGS BAS UPDATE 2/14/26-8/7/26	$ 1,546.50	PLAN
402046	8/21/2026	2026-015	BILL BENHAM CONSULTING LLC	Permit Required Confined Space Training	$ 696.96	WTP
402111	8/21/2026	4646603188	SCHINDLER ELEVATOR CORPORATION	ELEVATOR SERVICE - August 2026	$ 540.00	FAC
401929	8/24/2026	B21601686	SHI INTERNATIONAL CORP.	Microsoft Select Licenses	$ 242.11	IT
402136	8/24/2026	20943	WILSON ENGINEERING, LLC	29TH ST RESERVOIR REPLACEMENT DESIGN -THRU 8/21/26	$ 36,016.47	PWENG

Invoice Doc #	Invoice Date	Invoice #	Vendor Full Name	Description	Total Amount	Department
402059	8/28/2026	836367	BLADE CHEVROLET, INC	PART FOR VEHICLE #194 - APPLIQUE	$ 67.98	FLEET
402134	8/28/2026	18612	MATERIALS TESTING & CONSULTING	ON-CALL MATERIALS TESTING - Commercial Ave/12th St	$ 3,082.50	PWENG
401992	8/31/2026	INV971241	NOANET	DEDICATED INTERNET ACCESS, Aug 2026	$ 4,310.00	FIBER
401982	8/31/2026	AUG 26	THE LAW OFFICE OF JULIE C. WALTERS, LLC	Prosecution Services Aug 26	$ 12,500.00	LEGAL
402019	8/31/2026	1908795	SKAGIT COUNTY TRANSFER STATION	WTP Disposal Run @ 0.23 tons	$ 33.60	WTP
402067	8/31/2026	CL20303	NELSON-REISNER DISTRIBUTOR INC	VEHICLE FUEL - AUGUST	$ 38,256.33	FIN
402085	8/31/2026	INV3238026	COPIERS NORTHWEST, INC	APD HALLWAY COPIER	$ 49.07	APD
402106	8/31/2026	2964093	FOSTER GARVEY PC	WWTP SLUDGE INCINERATOR AND OPERATING PERMIT	$ 150.00	LEGAL
402107	8/31/2026	2964092	FOSTER GARVEY PC	Ellwood Holdings Appeal	$ 69.00	LEGAL
402131	8/31/2026	15520	PETDATA, INC	Dog Licenses August 2026	$ 500.00	FIN
402020	8/31/2026	INV-6306103	UNITED SITE SERVICES, INC	Penn Ave Porta Potty Rental 8/1/26 - 8/31/26	$ 210.25	WTP
402150	8/31/2026	693328	MOMENTUM TELECOM INC	SIP TRUNKS 9/1-9/30/26	$ 1,085.71	FIN
402044	9/1/2026	PS-INV116941	WHITNEY EQUIPMENT CO INC	Outside Service - Start Up Fee	$ 2,768.24	WWTP
402083	9/1/2026	5073782732	RICOH USA, INC	FROT OFFICER COPIER	$ 40.57	APD
402084	9/1/2026	5073782394	RICOH USA, INC	HALLWAY COPIER - SINCE REPLACED	$ 50.69	APD
402112	9/1/2026	0002795836	CENTRAL WELDING SUPPLY CO, INC	O2 for Ambulances	$ 146.71	FIRE
402125	9/1/2026	ReimbScheepers	EDWIN SCHEEPERS	Reimburse Employee for Frames/Lens	$ 320.17	APD
402139	9/1/2026	38472	TRANSPO GROUP USA, INC.	TRANSPORT ELEMENT - 2025 COMP PLAN - THRU 8/28/26	$ 1,741.46	PWENG
402022	9/1/2026	September 2026	COMMUNITY ACTION OF SKAGIT CTY	ANACORTES COMMUNITY ACTION OFFICE - September 2026	$ 6,666.66	PLAN
402057	9/1/2026	INV-29105	SKAGIT SIGN CO	SERVICE FOR VEHICLE #3014 - VINYL PRINT	$ 2,190.68	FLEET
402058	9/1/2026	INV-29104	SKAGIT SIGN CO	SERVICE FOR VEHICLE #3013 - VINYL PRINT	$ 2,190.68	FLEET
402088	9/1/2026	I2701044	WASHINGTON STATE PATROL	BACKGROUND CHECKS; AUGUST 2026	$ 132.00	APD
402054	9/1/2026	220025931985	PUGET SOUND ENERGY INC	STREET LIGHTS: 8/1-9/1/26	$ 13.42	FLEET
402055	9/1/2026	220030712800	PUGET SOUND ENERGY INC	STREET LIGHTS: 8/1-9/1/26	$ 8.73	FLEET
402090	9/1/2026	200000666863 9-1-26	PUGET SOUND ENERGY	6863 Library LED 8/1-9/1/26	$ 19.86	LIBR

Invoice Doc #	Invoice Date	Invoice #	Vendor Full Name	Description	Total Amount	Department
4020711	9/1/2026	1764873	GUARDIAN SECURITY SYSTEMS INC	CLOUD STORAGE/VIDEO FEED/Shop 10/1-12/31/26	$ 824.59	FIN
4020721	9/1/2026	1764878	GUARDIAN SECURITY SYSTEMS INC	ALARM MONITORING - MUSEUM 10/1-12/31/26	$ 215.98	FIN
4020731	9/1/2026	1764879	GUARDIAN SECURITY SYSTEMS INC	ALARM MONITORING - WTP 10/1-12/31/26	$ 156.79	FIN
4020741	9/1/2026	1764872	GUARDIAN SECURITY SYSTEMS INC	ALARM MONITORING STA 1 10/1-12/31/26	$ 215.98	FIN
4020751	9/1/2026	1764877	GUARDIAN SECURITY SYSTEMS INC	ALARM MONITORING - ASAC 10/1-12/31/26	$ 215.98	FIN
4020761	9/1/2026	1764874	GUARDIAN SECURITY SYSTEMS INC	ALARM MONITORING - WT Preston 10/1-12/31/26	$ 215.98	FIN
4020771	9/1/2026	1764875	GUARDIAN SECURITY SYSTEMS INC	ALARM MONITORING - APD 10/1-12/31/26	$ 215.98	FIN
4020781	9/1/2026	1764880	GUARDIAN SECURITY SYSTEMS INC	ALARM MONITORING - CITY HALL10/1-12/31/26	$ 200.17	FIN
4020791	9/1/2026	1764876	GUARDIAN SECURITY SYSTEMS INC	ALARM MONITORING - Intrp Ctr 10/1-12/31/26	$ 215.98	FIN
402114	9/1/2026	6560820432	VESTIS SERVICES LLC	Mat/Mop Service 29-2: 9/1	$ 17.39	FIRE
402049	9/2/2026	SFY 2023 GEMT Final	OFFICE ACCOUNTING SERVICE HEALTH CARE AUTHORITY	City of Anacortes SFY 2023 GEMT Final Settlement	$ 9,479.39	FIN
402115	9/2/2026	2196344	LIFE ASSIST, INC	Endotracheal Tube, Sharps Container, Nebulizer, To	$ 1,676.81	FIRE
402108	9/2/2026	7489933060	CARDINAL HEALTH 110, INC.	Pharma: Diltiazem, Succinycholine, Amiodarone, Nit	$ 3,752.38	FIRE
402109	9/2/2026	1331	BE ENTERPRISES LLC	2026 WTP JANITORIAL SERVICES - August 2026	$ 1,120.00	FAC
402110	9/2/2026	1333	BE ENTERPRISES LLC	2026 JANITORIAL SERVICES - August 2026	$ 8,941.80	FAC
402052	9/2/2026	2502440	T-SHIRTS BY DESIGN		$ 357.19	PARKS
402082	9/2/2026	2502454	T-SHIRTS BY DESIGN	Printing of county league soccer jerseys	$ 2,417.58	PARKS
402126	9/2/2026	3	SKAGIT VALLEY SOFTBALL	Umpires for Adult Co-ed Softball League	$ 2,930.00	PARKS
402132	9/2/2026	008	VICKIE CORLEY	YOUTH ART CLASSES - August 2026	$ 795.00	PARKS
402062	9/3/2026	C2022-0042	SKAGIT COUNTY SHERIFF'S OFFIC	JAIL FACILITY USE AGREEMENT AUGUST	$ 105,394.49	FIN
402065	9/3/2026	C2021-0036	ANACORTES HOUSING AUTHORITY	SALES AND USE TAX REVENUE AGRE AUGUST	$ 41,640.04	FIN
402063	9/3/2026	C2021-0008	ANACORTES FAMILY CENTER	AGREEMENT ON SALES AND USE TAX AUGUST	$ 41,640.04	FIN
402092	9/3/2026	2076	FIDALGO CLEANING	Carnegie Museum Cleaning 9/3-9/17/26	$ 200.00	MUS

Invoice Doc #	Invoice Date	Invoice #	Vendor Full Name	Description	Total Amount	Department
402093	9/3/2026	2077	FIDALGO CLEANING	Maritime Cleaning 9/3-9/17/26	$ 140.00	MUS
402135	9/3/2026	246498	BLYTHE MECHANICAL, INC	ON-CALL HVAC REPAIR - WTP CHILLER REPAIR	$ 697.72	FAC
402118	9/3/2026	2197313	LIFE ASSIST, INC	MegaMovers, Exam Gloves, Suction Canister	$ 1,652.56	FIRE
402103	9/3/2026	Pay App 1	RAW LAND CONSTRUCTION LLC	2026 DOON WAY WATERLINE REPLACEMENTS	$ 348,371.92	PWENG
402116	9/3/2026	CR3BKVC3-0001	HELIX BUILD, LLC	Rhizar Platform Subscription - 9/3/26-9/3/27	$ 4,788.00	PLAN
402056	9/3/2026	INV-29106	SKAGIT SIGN CO	SERVICE FOR VEHICLE #3015 - VINYL PRINT	$ 2,190.68	FLEET
402086	9/3/2026	792108593	VESTIS SERVICES LLC	APD CARPETS/MATS	$ 17.38	APD
402099	9/3/2026	6560821759	VESTIS SERVICES LLC	OPS & PARKS LAUNDRY SERVICE	$ 68.55	FLEET
402122	9/4/2026	2198333	LIFE ASSIST, INC	Pharma: Dextrose, NaCl	$ 465.86	FIRE
402087	9/4/2026	CPLS-AUG	DEPARTMENT OF LICENSING	CPLS TO DOL - AUGUST 2026	$ 609.00	APD
402091	9/4/2026	200000667218 9-1-26	PUGET SOUND ENERGY	7218 Library 10th & M 8/1-9/1/26	$ 34.23	LIBR
402123	9/4/2026	154 700 0000 9	CASCADE NATURAL GAS CORP.	Library 7/11-8/10/26	$ 108.78	LIBR
402124	9/4/2026	6560822552	VESTIS SERVICES LLC	Sta 3 Mat/Mop Service: 9/4	$ 17.39	FIRE
402141	9/7/2026	045-578288	TYLER TECHNOLOGIES INC.	EERP SOFTWARE/IMPLEMENTATION SERVICES	$ 15,246.00	FIN
402146	9/8/2026	26-171-FAC-001	DOORMAN COMMERCIAL, LLC	Contract Retainage: 26-171-FAC-001	$ 485.37	PUBWR
402148	9/8/2026	26-182-TRN-001	PRECISION CONCRETE CUTTING INC	Contract Retainage: 26-182-TRN-001	$ 1,865.00	PUBWR
402151	9/8/2026	4727	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 5A0322857	$ 30.00	PUBD
402152	9/8/2026	4728	LAW OFFICE OF CARA LORENZO	Public Conflict Defense Case No 5A03322858	$ 30.00	PUBD
402153	9/8/2026	4729	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case NO 5A0221493	$ 40.00	PUBD
402154	9/8/2026	4730	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 5A0561871	$ 40.00	PUBD
402155	9/8/2026	4731	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case NO 5A0511774	$ 50.00	PUBD
402156	9/8/2026	4732	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 4A0545907	$ 160.00	PUBD
402157	9/8/2026	4733	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 5A0355051	$ 50.00	PUBD
402158	9/8/2026	4734	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 5A0242860	$ 220.00	PUBD

Invoice Doc #	Invoice Date	Invoice #	Vendor Full Name	Description	Total Amount	Department
402159	9/8/2026	4735	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 5A0447346	$ 70.00	PUBD
402160	9/8/2026	4736	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 5A0182238	$ 80.00	PUBD
402161	9/8/2026	4737	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 6A0128117	$ 40.00	PUBD
402162	9/8/2026	4738	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 5A0413675	$ 30.00	PUBD
402163	9/8/2026	4739	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 4A0494646	$ 70.00	PUBD
402164	9/8/2026	4740	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 5A0913128	$ 50.00	PUBD
402165	9/8/2026	4741	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 6A0228034	$ 140.00	PUBD
402166	9/8/2026	4742	LAW OFFICE OF CARA LORENZO	Public Defense Conflict Case No 6A0110476	$ 80.00	PUBD
402167	9/9/2026	INV3243448	COPIERS NORTHWEST, INC	CANON/IRC5560I FINANCE/OPS/WWTP 8/8-9/7/26	$ 668.94	FIN
402168	9/9/2026	131	SKAGIT COUNTY OFFICE OF ASSIGNED COUNSEL	Indigency Screening August 206	$ 1,587.60	PUBD
	Total				**$ 794,884.12**	

City Council Agenda Bill

September 14, 2026

Action Type: Contract Modification **Item:** 6.c.

Title: Contract Modification: CivicPlus Web Services Consolidation #26-023-ITS-001

Staff Contact(s): Jose Cervantes

Approved for Submittal to Council by:
Jose Cervantes

Summary: City staff seeks City Council consent to issue a contract modification to CivicPlus, LLC in the amount of $10,580.91 to create custom banners on the City website for the Anacortes Public Library and Anacortes Museum, increasing the total contracted year-1 price to $46,588.37.

Reason for Change: This additional service will allow the City to create custom banners on the city website for the Anacortes Public Library and Anacortes Museum. The cost for implementation services is $9,030.00; and the initial annual fee of $1,876.00 will be pro-rated based on the number of months remaining from signature date.

History: Before this contract the City managed multiple CivicPlus contracts for various web services, each with different scopes of work, expiration dates, and points of contact. This results in inefficient oversight, redundant administrative effort, and potential for service gaps. To address this, the City consolidate all existing web services under a single, comprehensive contract which provides for streamlined management, improved oversight, and a single expiration date and clear, unified terms mitigate the risk of contracts lapsing and ensure continuous service. Staff removed the renewal of Communicator Unlimited SMS+Unlimited Emergency Voice from the order before the new service term began for a savings of approximately $8500.

Key Terms:

- The terms and conditions of the Master Services Agreement #23-314-ITS-002 which was negotiated by both parties and executed in 2024 apply.
- The cost for the Premium Department Header Implementation is $9,030.00. The Library and Museum Foundations have agreed to cover the full cost of

implementation.
- The estimated pro-rated fee annual fee for Premium Department Header Annual is $1,550.91 but will be adjusted based on the signature date.
- The 12-month annual fees will have an uplift of 5% applied after the initial term.

Competitive Bidding: Ongoing software subscriptions are considered a service and therefore not subject to any competitive bidding requirements.

Budget Impact:

Vendor	CivicPlus, LLC
Contract Amount	$9,030.00 for implementation; $37,588.37 for the initial term, 5% increase thereafter
BARS #	001.220.518.41.5188041.00.54100.
Budget Amendment Required?	No

Previous Action: Council approved contract #26-023-ITS-001 at the 12/15/2025 meeting.

Recommended Motion: I move that City Council authorize the Mayor to sign a contract modification with CivicPlus, LLC under Contract #26-023-ITS-00, in the amount of $10,580.91 increasing the total contract price to $46,588.37.

Alternative Actions: Not approved the contract modification.

Attachments (listed in order presented):
1. 26-023-ITS-001 - Modification 01

CivicPlus
302 South 4th St. Suite 500
Manhattan, KS 66502
US

Statement of Work

Quote #: Q-152544-1
CivicPlus Pricing Approval Date: 9/2/2026 2:05 PM
Expires On: 11/1/2026

Client:
City of Anacortes, WA

Bill To:
ANACORTES CITY, WASHINGTON

SALESPERSON	Phone	EMAIL	DELIVERY METHOD	PAYMENT METHOD
Drew Anderson	(203) 349-6549	drew.anderson@civicplus.com		Net 30

One-time(s)

QTY	PRODUCT NAME	DESCRIPTION	12 Month Value
2.00	Premium Department Header Implementation - Municipal Websites	Premium Department Header Implementation	USD 9,030.00

Recurring Service(s)

QTY	PRODUCT NAME	DESCRIPTION	12 Month Value
2.00	Premium Department Header Annual Fee - Municipal Websites	Premium Department Header Annual Fee: Library / Museum	USD 1,876.00

Total Investment - Prorated Year 1	USD 10,580.91
Annual Recurring Services (Subject to Uplift)	USD 1,876.00

Total Days of Quote:301

Initial Term	Beginning at signing and ending 6/29/2027, Renewal Term 6/30 each calendar year
Initial Term Invoice Schedule	100% invoiced at signing, to be prorated based on signature date.

The Annual Recurring Services subscription fee for the Products (as described above) included in this SOW are prorated and co-termed to align with the Client's current billing schedule and the Annual Recurring Services amount will subsequently be added to Client's Term and regularly scheduled annual invoices under the terms of the Agreement. This Statement of Work ("SOW") shall be subject to the terms and conditions of Master Services Agreement signed by and between the Parties on May 30, 2024 (COA-#23-314-ITS-002) and the applicable Solutions and Services Terms and Conditions located at: https://www.civicplus.help/docs/civicplus-legal-stuff (collective, the "Agreement"). By signing this SOW, Client expressly agrees to the terms and conditions of the Agreement, as though set forth herein.

Please note that this document is a SOW and not an invoice. Upon signing and submitting this SOW, Client will receive the applicable invoice according to the terms of the invoicing schedule outlined herein.

Client may issue purchase orders for its internal, administrative use only, and not to impose any contractual terms. Any terms contained in any such purchase orders issued by the Client are considered null and will not alter the Binding Terms, the Agreement or this SOW.

Acceptance of Quote # Q-152544-1

The undersigned acknowledges having read, understood, and agreed to be bound by the binding terms and conditions incorporated into this SOW. This SOW shall become effective as of the date of the last signature below ("Effective Date").

For CivicPlus Billing Information, please visit https://www.civicplus.com/verify/

Authorized Client Signature

By (please sign):

Printed Name:

Title:

Date:

CivicPlus

By (please sign):

Printed Name:

Title:

Date:

Organization Legal Name:

City of Anacortes

Billing Contact:

Megan Angier

Title:

Accounts Payable

Billing Phone Number:

360-854-4074

Billing Email:

accountspayable@anacorteswa.gov

Billing Address:

PO Box 547

Anacortes, WA 98221

Mailing Address: (If different from above)

PO Number: (Info needed on Invoice (PO or Job#) if required)

26-023-ITS-001

City Council Agenda Bill

September 14, 2026

Action Type: Resolution **Item:** 7.a.

Title: Resolution 3229: Adopting AMP Chapter 3–90 Purchase Cards

Staff Contact(s): Steve Hoglund

Approved for Submittal to Council by:
Steve Hoglund
Darcy Swetnam

Summary: The City Purchase Card policy provides guidelines for acceptable use of City-issued credit cards, generally referred to as P-cards. We have revisited the policy to incorporate changes consistent with recent edits to the Anacortes Municipal Code, as well as other housekeeping edits, including deletion of the requirement for employee acknowledgment of the policy. Staff propose this resolution to incorporate the P-card policy into the Anacortes Municipal Policies as Chapter 3-90 Purchase Cards for ease of distribution, staff accessibility, and future updates.

Budget Impact:
NA

Previous Action: September 8, 2026, Ordinance 5036 repealing AMC 2.84 regarding city credit cards

Recommended Motion: I move to approve Resolution 3229 adopting Chapter 3-90 Purchase Cards of the Anacortes Municipal Policies.

Alternative Actions: Do not approve

Attachments (listed in order presented):
1. Resolution Adopting Pcard Policy

Resolution 3229

A Resolution Adopting the City's Purchase Card (P-Card) Policy

Whereas the City issues credit cards, generally known as P-Cards, short for Purchase Cards, to most City employees to bolster control and accountability over purchases that frequently need to be made expeditiously at a local vendor to mitigate workflow disruption;

Whereas the City Council adopted Ordinance 5036 repealing AMC 2.84 which was the credit card section of city code that contained outdated language;

Whereas the repeal of AMC 2.84 was reasonable because the existing P-Card policy provides much more comprehensive guidance over the use of city cards;

Whereas incorporating the P-Card policy into the Anacortes Municipal Code (AMP) will strengthen transparency, create efficiency, and simplify future edits;

Now, therefore, the City Council does resolve as follows:

Section 1. The City's P-Card Policy is adopted as new Chapter 3-90 in the Anacortes Municipal Policies, as shown in Exhibit A.

ADOPTED by the City Council of the City of Anacortes this 14th day of September 2026.

CITY OF ANACORTES:

____

Ryan Walters, Mayor

Attest:

____

Steven D. Hoglund, City Clerk-Treasurer

Approved as to Form:

____

Darcy Swetnam, City Attorney

Exhibit A

Chapter 3-90 Purchase Cards (P-Cards)

3-90-010 Purpose

(1) The City of Anacortes P-Card is a commercial credit card to be used specifically for purchasing goods and services for the City. The P-Card is confined to official use only and must never be used for personal expenditures.

(2) The City P-Card is intended to:

(a) expand purchasing options

(b) reduce the risk of unauthorized purchases

(c) generate revenue for the City of Anacortes through a rebate

(d) reduce the use of petty cash funds

(e) streamline the small dollar purchasing process by making it simpler and faster

(f) reduce the number of requests for special checks

(g) reduce paperwork, transactions and checks associated with standard purchasing and payments

(h) eliminate the need to use personal funds

(i) allow for some purchases under emergency conditions with approval

(3) Employees must be sensitive to public expectations regarding the use of public funds and are expected to use good judgment when conducting City business.

3-90-020 What can be purchased with a P-Card?

(1) An employee may use a P-Card to purchase:

(a) Advertising (no monetary limit when pre-approved)

(b) Airfare

(c) Books or manuals

(d) Car rental

(e) Conference services/registrations

(f) Copier rentals/ monthly maintenance agreements

(g) Event planning

(h) Food (when allowed by City policy, per diem is not allowed if P-Card is used to purchase food while in travel status)

(i) Fuel (only if you cannot use a "Pacific Pride" card)

(j) Express mail

(k) Lodging

(l) Mat cleaning

(m) Materials and supplies

(n) Memberships

(o) Office Supplies

(p) Postage

(q) Printing/Copying services

(r) Professional licenses

(s) Registrations

(t) Software (must have IT approval before purchasing)

(u) Safety boots

(v) Tools

(w) Training

(x) Utilities

(2) An employee must not use a P-Card to purchase:

(a) Alcohol

(b) Contract payments (all payments on contracts are processed by the Legal Department)

(c) Any other item prohibited by law or City purchasing policies

3-90-030 When can a P-Card be used for travel?

(1) A P-Card may be used for the following travel expenses:

(a) Conference registration

(b) Airfare

(c) Lodging

(d) Room rental for meetings

(e) Meals, but only when per diem is not requested (employee is responsible for purchase amount greater than allowed for geographic area of travel and must reimburse City at time of reconciliation)

(f) Tips, but only within the allowable per diem.

(g) Required transportation (i.e. rental cars, taxi, bus, shuttle)

(h) Fuel (only if you cannot use a "Pacific Pride" card)

(i) Parking

(j) Tolls and ferries

(2) A P-Card must not be used for the following travel expenses:

(a) Meals when a per diem meal allowance is requested by the traveler

(b) Alcohol, even when included in a meal

(3) All listed permissible travel-related purchases MUST be accompanied by an itemized receipt, not just the credit card receipt. All receipts (and especially on-line orders) must show the name, address, and phone number of the vendor.

(4) All expenses not approved must be paid back to the City in a timely manner or deducted immediately from an employee’s paycheck.

(5) All City personnel in travel status are accountable for Travel Policy compliance. See the City's Travel Policy.

3-90-040 Receipts

(1) The cardholder must provide supporting documentation for each transaction listed on the bank card statement. Examples of acceptable documentation include:

(a) Invoice

(b) Email receipt or confirmation

(c) Meal receipts

(2) A copy of the “Travel Authorization Request” (TAR) form needs to be attached for registration and travel receipts.

(3) For any lost receipt, an “Affidavit of Lost or Destroyed Receipts” must be completed by the cardholder and signed by a Manager and P-Card Administrator. Multiple lost receipts will result in cancellation of the P-Card and disciplinary action.

(4) A cardholder is not required to save the original receipt or invoice after it has been attached in the financial software. However, you should keep original documents until the monthly statement has been reconciled, and you may wish to keep documents as long as you think there is a possibility that you may have to return the item.

3-90-050 General Purchasing Rules

(1) Purchasing Ethics

(a) As a public employee, you are responsible for following the City of Anacortes and State of Washington's ethics rules.

(b) Do not conduct any business with members of your family or with businesses with which you have a financial interest.

(c) Any questions about this should be directed to your supervisor or department director.

(2) Purchasing Policy Applies

(a) Normal requirements (when applicable) for written quotes, competitive bidding, waiver justification, dollar limits, necessary approvals, etc., cannot be circumvented by use of a P-Card.

(b) The P-Card does not relieve City employees from prudent expenditure of City funds and obtaining the best value for goods and services.

(3) Split Purchasing

(a) Splitting purchases to circumvent transaction limits are prohibited.

(b) A split purchase is defined as multiple transactions with the same vendor for a single purchase on the same date when the combined purchase exceeds the single transaction limit on a card.

(c) Contact the P-Card Administrator if you require a temporary change to P-Card single purchase limits.

(4) Agreements

(a) Do not sign any supplier agreement.

(b) If the supplier requires a standard form to be signed, send the agreement to the Finance Department for review. Supplier agreements protect their interests and may need to be revised in order to protect the City.

(5) Returns

(a) Receiving cash or checks to resolve a return credit is prohibited.

(b) The vendor must credit your purchase card.

3-90-060 P-Card Roles and Responsibilities

There are five roles within the P-Card process, the duties and responsibilities of each are described in this section.

(1) Cardholder

(a) The department purchasing agents are responsible for appropriate purchases, obtaining sufficient documentation for purchases and performing the first level of transaction review of their P-Card purchasing accounts.

(b) Responsibilities:

(i) Familiarize yourself with the City’s administrative policies and procedures for purchasing goods and services.

(ii) Make responsible and appropriate purchases.

(iii) Maintain all supporting documentation (receipts/confirmations for each transaction).

(iv) Provide your department reconciler with all the necessary paperwork to edit transactions in the financial software.

(v) Safeguard the card and ensure its proper use.

(c) Cardholder and Reconciler may be same individual.

(2) Reconciler

(a) Responsible for collecting cardholders' supporting documentation at the end of each transaction period. They will reconcile cardholder P-Card purchases as determined by the Manager. This includes ensuring each transaction has the correct scanned supporting documentation attached and the correct BARS number listed on the statement. They will work directly with the accounts payable team.

(b) Responsibilities:

(i) Familiarize yourself with the City's administrative policies and procedures for purchasing goods and services.

(ii) Develop procedures within your department for managing and gathering all data pertaining to a P-Card purchase.

(iii) Collect all supporting documentation for all cardholders within your department.

(iv) Timely review and approve transactions and payments.

(v) Help manage those individual accounts where computer access is not available.

(vi) Edit and finalize invoices in the financial software (adjust and/or verify invoice number, description, cost, tax calculation, BARS numbers, attach scanned receipts).

(vii) Reconcile all monthly charges for each card holder to the bank statement or P-Card Transaction Log and verify supporting documentation is attached by the end of the last business day of the month.

(3) Department Manager/Director/Delegated Approver

(a) Responsible for expenditures by cardholders within their department, and is ultimately responsible for the management and success of the P-Card Program in their Department. The Department Director or delegated approver will have the final approval of all P-Card purchases for their department.

(b) Responsibilities:

(i) Be familiar with the City's administrative policies and procedures for purchasing goods and services.

(ii) Determine who should have a P-Card within their department.

(iii) Delegate P-Card roles and responsibilities for the department.

(iv) Establish internal procedures and identify P-Card responsibilities for participating department individuals.

(v) Approve all card charges in the financial software for purchases and proper G/L accounting by end of the 10th day of the month. Confirm purchased items are received and used for City of Anacortes business purposes only.

(vi) Ensure safeguarding of the card and ensure its proper use, including appropriate and timely review/approval of transactions and payments, reconciliation of statements, maintenance of records and documentation, and compliance with the P-Card Policy.

(vii) Establish appropriate internal control and monitoring procedures that provide for review of a cardholder's transactions, proper receiving of goods ordered and periodic review of overall P-Card program activity for their department.

(4) Accounts Payable

(a) The Accounts Payable position within the Finance Department is responsible for providing training to employees. They are responsible for processing invoices and reconciling/paying the bank statement.

(b) Responsibilities:

(i) Provide training to employees for the P-Card program.

(ii) Reconcile the invoices in the financial system to the card statement.

(iii) Pay the card statement.

(5) Administrator

(a) The P-Card Administrator oversees and manages the P-Card program for the City of Anacortes. They are responsible for program functions of the P-Card process and working directly with bank.

(b) Responsibilities:

(i) Maintain and establish guidelines for P-Card program.

(ii) Establish the policies and procedures for the P-Card process.

(iii) Request all new P-Cards through the bank.

(iv) Maintain all cardholder information through the banking online program.

(v) Upon request from a Department Director, and approval from Finance Director, this individual will make a change to a cardholder's monthly or individual transaction limit.

3-90-070 Modifying Cards or Transaction Limits or Defaults

(1) An employee who has an existing card and transfers to another City position under a different supervisor or budget authorization requires an updated card approval to change approver contacts and card authorizations. It is not necessary to reissue new cards for transferring employees.

(2) All requests for increasing single or monthly transaction limits need to be approved by a Department Director, Finance Director, and emailed to the P-Card Administrator.

(a) A temporary monthly limit increase requires written approval of a Manager or department personnel with delegated department budget authority in their absence.

(b) A temporary single transaction limit increase requires written approval of a Department Manager or department personnel with delegated department budget authority in their absence.

(c) A permanent monthly or single transaction limit increase requires a written approval of a Department Head and the Finance Director.

(3) Changing employee profile information can be accomplished by emailing the P-Card Administrator with the information request.

(4) Reconciling access requests need to be requested with the approval of a Department Manager or an employee with delegated department budget authority. The Department Manager or designated employee sends an email request to the P-Card Administrator, noting required access changes.

3-90-080 Lost, Stolen, or Cancelled Cards

(1) The cardholder is responsible for all transactions until the P-Card is reported compromised, lost or stolen. It is therefore paramount that the cardholder immediately report fraudulent charges, lost or stolen cards to either the issuing bank or the P-Card Administrator.

(2) To cancel a card, email the P-Card Administrator in the Finance Department at City of Anacortes.

3-90-090 Card Misuse

(1) Since the card is issued in the cardholder's name, all purchases are assumed to be made by the cardholder. The cardholder is responsible for the safekeeping of the card and its proper usage.

(2) The cardholder is accountable for the expenditures and use of City funds. The cardholder is liable for any purchases made in violation of this policy and for their fraudulent use of the P-Card.

(3) Misuse of the P-Card will result in the cancellation of the P-Card and may be grounds for disciplinary action, up to and including termination. The P-Card Administrator has final authority for revoking an employee's card.

(4) Misuse includes:

(a) Personal purchases

(b) Allowing others to use an individual card or using someone else's card

(c) Using card in violation of policies, directives or procedures

(d) Allowing improper charges to go undetected or unresolved

(e) Using card to make purchases through a merchant that may constitute a conflict of interest (ethics violation)

(f) Repeated incidents of missing receipts, disputed charges, lost or stolen cards

(g) Splitting charges

(h) Delivery of goods to location other than City workstation

(i) Not maintaining necessary documentation of card transactions and purchases

(j) Not submitting documentation in a timely manner for transaction approvals

(k) Not properly and promptly reviewing/reconciling transactions prior to payment

(l) Using card to circumvent other City ordinances, policies, rules or procedures

(m) Any other violation of this policy

City Council Agenda Bill

September 14, 2026

Action Type: Resolution **Item:** 7.b.

Title: Resolution 3230: Adopting AMP Chapter 3-20 Investments

Staff Contact(s): Steve Hoglund

Approved for Submittal to Council by:
Steve Hoglund
Steve Hoglund
Darcy Swetnam

Summary: This resolution would migrate the City's investment policy, currently found in AMC Chapter 3.20, to the Anacortes Municipal Polices in Chapter 3-20. The substance of the policy would remain unchanged except for new section AMP 3-20-200, which would allocate all investment income to the Current Expense Fund (the General Fund), which is authorized by RCW 35A.40.050 and BARS Manual section 3.2.3.

Budget Impact:
The policy recodification would have no budget impact. The policy change to sweep investment income to the general fund will benefit the general fund by an estimated $500,000 annually, on average. Investment income is not currently used in the calculation of utility rates, so will not directly affect those rates.

Previous Action:

Recommended Motion: I move approval of Resolution 3230 as presented.

Alternative Actions:

Attachments (listed in order presented):
1. Resolution 3230 - AMP 3-20 Investments

Resolution 3230

A Resolution Adopting AMP 3-20 Investments

Whereas the City is migrating its internal financial policies from the Anacortes Municipal Code (adopted by ordinance) to the Anacortes Municipal Policies (adopted by resolution);

Whereas the City has repealed AMC Chapter 3.20 Investment Policy by Ordinance 5040;

Whereas the City invests excess and unused cash to earn interest as allowed under RCW 35A.40.050 and Anacortes Municipal Code (AMC) section 3.20;

Whereas historically the investment income derived has been apportioned among the various participating funds;

Whereas RCW 35A.40.050 allows for the distribution of said investment income to be allocated to the Current Expense Fund (also known as the "General Fund") if the governing body of the code city determines such by ordinance or resolution;

Whereas because of the tenuous fiscal situation the city faces in budget development, even after availing itself of other revenue and cost saving measures, the city finds it necessary to allocate all investment income to the Current Expense Fund;

Now, therefore, the City Council does resolve as follows:

Section 1. AMP Chapter 3-20 is adopted to read as shown in Exhibit A.

ADOPTED by the City Council of the City of Anacortes this ___ day of ________, 2026.

CITY OF ANACORTES:

____

Ryan Walters, Mayor

Attest:

____

Steven D. Hoglund, City Clerk-Treasurer

Approved as to Form:

____

Darcy Swetnam, City Attorney

Exhibit A

Chapter 3-20 Investments

3-20-010 Policy

It is the policy of the City of Anacortes to invest public funds in a manner which will provide maximum safety with a market rate of return over interest rate cycles, while meeting the daily cash flow demands of the city and conforming to all state and local statutes governing the investment of public funds. Cash may, at the discretion of the city treasurer, be invested separately by fund or be commingled into a common investment portfolio.

3-20-020 Scope.

This investment policy applies to all financial assets for the City of Anacortes. These funds are accounted for in the city's annual financial report and include:

(1) General fund;

(2) Special revenue funds;

(3) Debt service funds;

(4) Capital project funds;

(5) Enterprise funds;

(6) Internal service funds;

(7) Trust and agency funds;

(8) Any new funds created by the City Council unless specifically exempted by the City Council.

3-20-030 Definitions.

"Bankers' acceptances (BAs)" means a form of a loan used in import-export financing transactions which become negotiable when accepted by a bank. The issuing bank is liable for the payment at its maturity. Terms vary but normally they are under six months and are purchased on a discount basis.

"Broker" means an intermediary who brings buyers and sellers together, handling their orders, and generally charging a commission for their services.

"Certificate of deposit" means an instrument issued by a bank specifying that a sum of money has been deposited, payable with interest to the bearer of the certificate on a certain date.

"Collateral" means securities evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

"Commercial paper" means a short-term promissory note issued by a bank holding company for the purpose of financing current transactions. Issues are sold on a discount basis with maturities up to two hundred and seventy days.

"Dealer" means a person, as opposed to broker, who acts as a principal in all transactions, buying and selling for his or her own account.

“Delivery-versus-payment basis” means securities are transferred over the federal wire system from one bank to another. Under this system funds are not transferred until the securities are delivered. If a third party acts as custodian, funds are released by the custodian only when delivery is accomplished.

“Depository” means a bank or financial institution accepting cash deposits and investments.

“Derivative” means structured securities whose performance is based on the actions of similar underlying securities. The structured securities “derive” their value from the underlying securities. The structural securities pay interest rates that vary and are based on formulas that can be quite complex.

“Diversification” means dividing available funds among a variety of securities and institutions so as to minimize market risk.

“Federal agency securities” means the Federal agency issues most actively traded are interest bearing obligations of four agencies, Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Banks (FHLB) and Federal Farm Credit Banks (FFCB). Agency issues usually offer higher yields than treasury issues with comparable maturities. All new issues are now in book entry form only.

“Federal funds rate” means the rate of interest at which Federal funds are traded between banks. Federal funds are excess reserves held by banks that desire to invest or lend them to banks needing reserves. The particular rate is influenced through open market operations of the Federal Reserve Board (purchases and sales of government and other securities to stimulate or lessen money growth).

“Liquidity” means the length of time required to convert any investment to cash.

“Local government investment pool” means the aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

“Market value” means the market value of a security is the price at which the last sale of the same issue was sold.

“Maturity” means the date upon which the principal or stated value of an investment becomes due.

“Principal” means the invested amount on which interest is earned.

“Repurchase agreement” range in maturity from overnight to fixed time to open end. Repos involve a simultaneous sale of securities by a bank or government securities dealer to a city with an agreement for the bank to repurchase the securities at a fixed date at a specified rate of interest.

“Safekeeping” means an arrangement under which an organization’s securities are kept in a bank vault or in the case of book entry securities, are held and recorded in the customer’s name evidence of this arrangement is a safekeeping receipt.

“Secondary market” means a market where certain securities may be bought and sold at prevailing market prices after their initial distribution but before their stated maturity date.

"Treasurer" means the City's clerk-treasurer.

“Treasury bills” means short-term marketable securities issued by the U.S. Treasury and secured by the Federal Government and have maximum liquidity.

“Treasury notes and bonds” means direct obligations of the U.S. Government with maturities from one to ten years on the notes and ten to thirty years on the bonds.

“Yield” means the rate of annual return on an investment expressed as a percentage.

3-20-040 Prudence.

Investments must be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by the treasurer is the “prudent person standard” defined above and must be applied in the context of managing an overall portfolio. The treasurer acting in accordance with written procedures and the investment policy and exercising due diligence is relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported to the mayor in a timely fashion and appropriate action is taken to control adverse developments.

3-20-050 Objectives.

(1) The primary objectives, in order of priority, for the City of Anacortes' investment activities are as follows:

 (a) Legality. The city’s investments will be in compliance with all statutes governing the investment of public funds in the State of Washington.

 (b) Safety. Safety of principal is the foremost objective of the investment program. Investments of the city must be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

(c) Liquidity. The city's investments will remain sufficiently liquid to enable the city to meet all operating requirements which might be reasonably anticipated.

(d) Return on investments. The city's investments must be designed with the objective of attaining a market rate return throughout budgetary and economic cycles, taking into account the city's investment risk constraints and cash flow characteristics of the portfolio.

(2) The investments are limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities must generally be held until maturity with the following exceptions:

(a) A security with declining credit may be sold early to minimize loss of principal.

(b) A security swap that would improve the quality, yield or target duration in the portfolio.

(c) Liquidity needs of the portfolio require that the security be sold.

3-20-060 Delegation of authority.

> ℹ The next line replaces a portion of the old code provision, which is now migrated to AMC 2.12.080. The remainder of this section is the same.

The city clerk-treasurer is authorized to manage the city's investment program pursuant to AMC 2.12.080.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the finance director. The treasurer is responsible for all transactions undertaken and must establish a system of controls to regulate all investment activities.

Subject to required procurement procedures, the city may engage the support services of outside professionals in regard to its financial program, so long as it can be demonstrated or anticipated that these services produce a net financial advantage or necessary financial protection of the city's resources. External service providers are subject to Washington state law and the provisions of this investment policy.

3-20-070 Ethics and conflicts of interest.

(1) The treasurer and all officers/employees involved in the investment process must refrain from personal business activity that may conflict with the proper execution of the investment program, or may impair their ability to make impartial investment decisions. Employees and investment officials must disclose to the mayor and council any material

financial interests in financial institutions that conduct business within this jurisdiction, and they must further disclose any personal financial/investment positions that could be related to the performance of the city's portfolio.

(2) The city treasurer is required by state law (RCW 29B.45.040) to annually submit to the State Public Disclosure Commission a statement under oath, that no public funds under the treasurer's control were invested in any financial institution where the treasure held an office, directorship, partnership interest or ownership.

3-20-080 Authorized financial dealers and institutions.

(1) The treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness. These may include "primary" dealers or regional dealers that qualify under securities and exchange commission rule 15C3-1 (uniform net capital rule). No public deposits may be made except in qualified public depositaries as provided in RCW Chapter 39.58.

(2) All brokers/dealers and financial institutions who desire to do business with the city must supply the treasurer with the following: current annual audited financial statement, proof of National Association of Securities Dealers Certification, proof of registration and broker registration in the State of Washington, certification of having read the city's investment policy and receipt of the city's trading authorization.

3-20-090 Authorized and suitable investments.

(1) All municipal corporations in Washington State, including the City of Anacortes, are empowered by statute to invest in the following securities: (The enabling legislation is RCW 39.58 and, as amended, RCW 35.39, 39.59, 39.60, 43.84.080 and 43.250). The city has chosen to limit the authorized investments to the following:

(a) Obligations of the U.S. government; U.S. treasury notes, bonds and bills.

(b) Obligations of U.S. government agencies, corporations wholly owned by the U.S. government or any Government Sponsored Enterprises (GSEs).

(c) Banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all the organizations.

(d) Commercial paper, provided that the finance director adheres with the policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7)); and restricts the purchase of asset backed commercial paper.

(e) Certificates of deposit of financial institutions which are “qualified public depositories” and which are in accordance with the net worth restrictions placed on such deposits (RCW 39.58.130). For state financial institutions that are non-participants in the state’s collateral protection pool, investments up to the amount of Federal Deposit Insurance Coverage.

(f) Repurchase agreements (provided a master repurchase agreement has been executed).

(g) Local government investment pool, for proceeds of bonds, liquidity funds or other debt obligations.

(h) Its own bonds or warrants of a local improvement district which are within the protection of the local improvement guaranty funds law.

(i) Obligations of the State of Washington or its political subdivisions.

(2) Securities that are not eligible as investments for public funds in the State of Washington:

(a) Corporate stocks.

(b) Corporate bonds.

(c) Asset backed commercial paper.

(d) Foreign government obligations.

(e) Futures contracts.

(f) Investments in commodities.

(g) Real estate.

(h) Limited partnerships.

(i) Negotiable certificates of deposit.

(j) Reverse repurchase agreements.

(k) Rate speculative derivative securities.

(l) The city is prohibited from purchasing securities that leverage the portfolio or are used for speculation on interest rates.

3-20-100 Investment pools/mutual funds.

The city is allowed to invest in the Washington State Local Government Investment Pool as authorized by City of Anacortes Resolution 1812. The city is restricted from investing in mutual funds by state statute.

3-20-110 Collateralization.

(1) The city does not actively invest in repurchase agreements for short-term investments. However, if a repurchase agreement is utilized collateralization is required. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be one hundred and two percent of market value of principal and accrued interest. Re-pricing of the collateral should occur daily.

(2) The city chooses to limit the collateral to treasury and GSE Agency securities only, with a maximum maturity of three years.

(3) Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

(4) The right of substitution is granted.

3-20-120 Safekeeping and custody.

All security transactions, including collateral for repurchase agreements, entered into by the City of Anacortes must be conducted on a delivery-versus-payment (DVP) basis. Securities will be held in safekeeping by a third-party custodian designated by the treasurer and evidenced by safekeeping receipts.

3-20-130 Diversification.

(1) The city will diversify its investments by security type and institution and maturity in accordance with the table below:

Diversification by security type	Max % of total portfolio
WA State LGIP	100%
U.S. Treasury bills, notes and bonds	100%

U.S. Government Sponsored Enterprises	90%
Per issuer: FHLB, FFCB, FHLMC or FNMA	50%
Other GSE's	20%
WA State and Municipal Bonds	30%
Bank deposits in PDPC qualified Banks	20%
Certificates of deposit	20%
Bankers acceptance	10%
Other legal investments	10%

(2) Diversification by issuer. The city's policy is to ensure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of the Washington State LGIP, U.S. Treasury obligations, and U.S. Governmental Sponsored Enterprises, no more than 20% of the city's total investment portfolio will be invested in a single security type or with a single financial institution. Diversification strategies within these general guidelines must be determined and revised periodically by the treasurer.

3-20-140 Maximum maturities.

(1) To the extent possible, the city will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the city will not directly invest in securities maturing more than five years from the date of purchase.

(2) Maturity guidelines:

Minimum maturities under 30 days	10%
Maximum maturity of single investment	5 years

(3) Reserve or capital improvement project monies may be invested in securities exceeding five years if the maturity of such investments is made to coincide as nearly as practical with the expected use of the funds, not to exceed ten years from the date of purchase. Investment of the principal portion of endowment funds may also exceed five years not to exceed ten years.

3-20-150 Competitive transactions.

(1) The investment officer will obtain telephone, faxed or emailed quotes before purchasing or selling an investment. The investment officer will select the quote which best satisfies the investment objectives of the investment portfolio within the parameters of this policy. The investment officer will maintain a written record of each bidding process including the name and prices offered by each participating financial institution.

(2) If the city hires an investment advisor to provide investment management services, the advisor must provide documentation of competitive pricing execution on each transaction. The investment advisor will retain documentation and provide upon request.

(3) For swap or exchange transactions that do not change the average maturity of the investment portfolio by more than two months, the investment officer may forgo the quote process prior to selling and purchasing the swap or exchange securities.

3-20-160 Internal control.

The treasurer, in conjunction with the State Auditor's office, will annually evaluate conformance with the investment policy and audit internal controls. The purpose of these examinations is to audit the accountability of the investment portfolio and to verify that investment officials have acted in accordance with the investment policies and procedures.

3-20-170 External control.

The city may enter into contracts with third-party investment advisory firms when their services are deemed to be beneficial to the city. The advisor must comply with the investment policy and may have authority to transact investments on behalf of the city. The advisor may only act on a non-discretionary basis and is not allowed to invest without the approval of the treasurer or investment officer.

3-20-180 Performance standards.

(1) The city's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, commensurate with the city's investment risk constraints and cash flow needs.

(2) The weighted average yield of the total portfolio will be compared to the LGIP average yield.

3-20-190 Reporting requirements.

(1) The treasurer is charged with the responsibility of preparing a consistent periodic report on investment activity and returns. This report must contain such information as the treasurer deems appropriate, such as the activity of the investment portfolio as to types of

investments, yields, maturities and other related data. The council finance committee has the right to request that additional specific information be provided in the report. If all or most (greater than ninety percent) of the city’s investments are in the Washington LGIP, the LGIP reports may be submitted in lieu of the treasurer’s report.

(2) Monthly reports will be reviewed by the treasurer to monitor market value changes and investment income.

(3) Compliance reports will be reviewed periodically by the treasurer to monitor the investment holdings relative to policy constraints.

3-20-200 Investment Income.

> This section contains the new provision allowing allocation of investment income to the General Fund, replacing old section 200 in the AMC which was surplusage.

Per the authority granted in RCW 35A.40.050, investment income derived from city investments will be allocated to the City's Current Expense Fund.

City Council Agenda Bill

September 14, 2026

Action Type: Ordinance **Item:** 7.c.

Title: Ordinance 5040: Repealing AMC Chapter 3.20 Investment Policy and Amending AMC Chapter 2.12 to Delegate Authority for Investment Management to the Clerk-Treasurer

Staff Contact(s): Steve Hoglund

Approved for Submittal to Council by:
Steve Hoglund
Darcy Swetnam

Summary: In concert with Resolution 3230, this ordinance would migrate the City's investment policy from the municipal code to the municipal policies. The delegation of authority to the city clerk-treasurer to manage the city's investments would remain in the municipal code, because state law requires it to be adopted by ordinance, but migrated to Chapter 2.12 where the duties and authority of the clerk-treasurer are described.

Budget Impact:
N/A

Previous Action:

Recommended Motion: I move approval of the ordinance as presented.

Alternative Actions:

Attachments (listed in order presented):
1. Ordinance 5040 - Repealing AMC 3.20 Investment Policy and Amending AMC 2.12

Ordinance 5040

An Ordinance Repealing AMC Chapter 3.20 Investment Policy and Amending AMC Chapter 2.12 to Delegate Authority for Investment Management to the Clerk-Treasurer

Whereas AMC Chapter 3.20 was adopted by Ordinances 2795 (2009) and amended in its entirety by Ordinance 2937 (2014);

Whereas the City intends to readopt its investment policy by resolution into the Anacortes Municipal Policies;

Whereas RCW 35.39.032 requires the delegation of authority to manage investments be by ordinance;

Now, therefore, the City Council does ordain as follows:

Section 1. AMC Chapter 3.20 is repealed.

Section 2. AMC Chapter 2.12 is amended as shown in Exhibit A.

Section 3. Authority to Make Necessary Corrections. The City Clerk and the codifier of this Ordinance are authorized to make necessary corrections to this ordinance including, but not limited to, the correction of scrivener's clerical errors, references, ordinance numbers, section/subsection numbers and any references thereto.

Section 4. Consistent with RCW 35A.12.130, this ordinance takes effect five days after passage, approval, and publication.

ADOPTED by the City Council of the City of Anacortes this ___ day of ________, 2026.

CITY OF ANACORTES:

____

Ryan Walters, Mayor

Attest:

____

Steven D. Hoglund, City Clerk-Treasurer

Approved as to Form:

____

Darcy Swetnam, City Attorney

Exhibit A

Chapter 2.12 Clerk Treasurer

AMC 2.12.080 is adopted to read as follows:

2.12.080 Authority to Manage Investments

A. Management responsibility for the investment program is hereby delegated to the clerk-treasurer, who must establish written procedures for the operation of the investment program, consistent with the City's investment policy. The procedures must provide overall guidance for the investment strategy and portfolio structure. The procedures must be periodically reviewed and updated at the direction of the clerk-treasurer.

B. The clerk-treasurer alone has authority to conduct and approve all investment transactions. The clerk-treasurer may designate an investment officer to coordinate day-to-day operations of the investment portfolio. Any delegation in authority must be made in writing and approved by the mayor.

City Council Agenda Bill

September 14, 2026

Action Type: Resolution **Item:** 7.d.

Title: Resolution 3228: Purchase and Sale Agreement

Staff Contact(s): Darcy Swetnam

Approved for Submittal to Council by:
Darcy Swetnam
Steve Hoglund

Summary: The City currently owns 9029 Molly Lane, which houses Fire Station 3 and a large vacant warehouse space. Lopez Island Creamery offered to purchase the building from the City and lease the Fire Station 3 portion of the building back to the City for a period of 10 years. The terms of the Purchase and Sale Agreement include the purchase price of $2.2 million, the lease back provision anticipating approximately $47,000 per year for the Fire Station 3 portion of the building, and a closing date of December 1, 2026. The Mayor signed the Purchase and Sale Agreement on September 10, 2026, subject to ratification of the City Council. Resolution 3228 ratifies the Mayor's signature and provides authority for the Mayor to execute all documents related to the transaction, including the lease and closing documents.

The City of Anacortes originally purchased the Molly Lane property in 2023 for $1.8 million, financed through an internal loan from the City's Water Fund. Proceeds from the sale of the property will be used to fully repay the Water Fund loan as required by statute and supplement cash in the City's General Fund. Consistent with City budget development policies, one-time revenue will not be used for ongoing expenses.

Budget Impact:
$2.2 million sales price.

Previous Action: March 2, 2023 the City purchased 9029 Molly Lane, Unit C.

Recommended Motion: I make a motion to approve resolution 3228 ratifying the Mayor's signature on the Purchase and Sale Agreement for 9029 Molly Lane, and to authorize the Mayor to execute all necessary documents to complete the transaction.

Alternative Actions: Do not authorize the sale

Attachments (listed in order presented):
1. 260914 Resolution 3228 re Molly Lane
2. 9029 Molly Lane Purchase and Sale - Mutual
3. 260914 Molly Lane PSA Presentation

Resolution 3228

A Resolution Ratifying the Mayor's Signature on a Purchase and Sale Agreement to Sell 9029 Molly Lane to Lopez Island Creamery and Authorizing the Mayor to Execute Closing Documents

Whereas the City currently owns a building located at 9029 Molly Lane, which houses the City's Fire Station 3 and vacant warehouse space;

Whereas Lopez Island Creamery offered to purchase the building from the City and lease back the space currently occupied by Fire Station 3 to the City for a period of 10 years;

Whereas on September 10, 2026, Mayor Ryan Walters signed a Purchase and Sale Agreement with Lopez Island Creamery to sell the building subject to a lease of the Fire Station 3 portion of the building;

Whereas the transaction is scheduled to close on December 1, 2026;

Now, therefore, the City Council does resolve as follows:

Section 1. City Council hereby ratifies the Purchase and Sale Agreement signed by Mayor Ryan Walters for the City of Anacortes on September 10, 2026.

Section 2. City Council hereby authorizes Mayor Ryan Walters to execute any documents necessary to complete the transaction described in the Purchase and Sale Agreement, including but not limited to the Lease Agreement for Fire Station 3, closing documents, and any instruments to transfer the City's interest in the subject property to the Buyer.

ADOPTED by the City Council of the City of Anacortes this ___ day of ________, 2026.

CITY OF ANACORTES:

____

Ryan Walters, Mayor

Attest:

____

Steven D. Hoglund, City Clerk-Treasurer

Approved as to Form:

____

Darcy Swetnam, City Attorney

Windermere
Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

CBA

Form PS_1A
Purchase & Sale Agreement
Rev 9/2024

COMMERCIAL & INVESTMENT REAL ESTATE PURCHASE & SALE AGREEMENT

SPECIFIC TERMS

Reference Date: 08/31/2026

Offer Expiration Date: 10 5:00pm (the third day after Reference Date, if not completed)

1. **PROPERTY:** The Property is legally described on Exhibit A. Address: 9029 Molly Lane B&C City of Anacortes, Skagit County, Washington. Tax Parcel No(s): 129856
Included Personal Property: ☒ None; ☐ If on and used in connection with the Property, per Section 26 (None, if not completed).

2. **BUYER(S):** AIT Investments LLC
a(n) _____

3. **SELLER(S):** City of Anacortes, a Washington municipal corporation
a(n) _____

4. **PURCHASE PRICE:** $ 2,200,000 Dollars
Payable as: ☐ Cash; ☒ Financing (attach CBA Form PS_FIN); ☐ Other: _____

5. **EARNEST MONEY:** $ 20,000 Dollars; Held by: ☐ Buyer Brokerage Firm; ☒ Closing Agent
Form of Earnest Money: ☐ Wire/Electronic Transfer; ☐ Check; ☒ Note (attach CBA Form PS_EMN); ☐ Other: _____
Earnest Money Due Date: ☐ _____ days after Mutual Acceptance; ☒ 2 days after the Feasibility Contingency Date; or ☐ _____

6. **FEASIBILITY CONTINGENCY DATE:** 20 (30 days after Mutual Acceptance if not completed.)

7. **CLOSING DATE:** ☒ December 1,2026 ; ☐ _____ days after _____

8. **CLOSING AGENT:** Chicago Title of Washington

9. **TITLE INSURANCE COMPANY:** Chicago Title of Washington

10. **DEED:** ☐ Statutory Warranty Deed; or ☒ Bargain and Sale Deed.

11. **POSSESSION:** ☒ on closing; ☒ Other: Subject to tenants rights (on closing if not completed).

12. **SELLER CITIZENSHIP (FIRPTA):** Seller ☐ is; ☒ is not a foreign person for purposes of U.S. income taxation.

13. **BUYER'S DEFAULT:** (check only one) ☒ Forfeiture of Earnest Money; ☐ Seller's Election of Remedies.

INITIALS: Buyer AT Date 09/09/26 Seller RW Date 09/10/26
Buyer _____ Date _____ Seller _____ Date _____

Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

COMMERCIAL & INVESTMENT REAL ESTATE PURCHASE & SALE AGREEMENT (CONTINUED)

14. **SELLER'S DEFAULT:** (check only one) ☒ Recover Earnest Money or Specific Enforcement; ☐ Buyer's Election of Remedies.

15. **UNPAID UTILITIES:** Buyer and Seller ☒ Do Not Waive (attach CBA Form UA); ☐ Waive

16. **AGENCY DISCLOSURE:**
Buyer represented by: ☐ Buyer Broker; ☐ Buyer/Listing Broker (limited dual agent); ☒ Unrepresented
Seller represented by: ☒ Listing Broker; ☐ Buyer/Listing Broker (limited dual agent); ☐ Unrepresented

17. **BUYER BROKERAGE FIRM COMPENSATION:** See Section 47.

18. **EXHIBITS AND ADDENDA.** The following Exhibits and Addenda are made a part of this Agreement:

☒ Earnest Money Promissory Note, CBA Form EMN	☐ Back-Up Addendum, CBA Form BU-A
☐ Blank Promissory Note, LPB Form No. 28A	☐ Vacant Land Addendum, CBA Form VLA
☐ Blank Short Form Deed of Trust, LPB Form No. 20	☒ Financing Addendum, CBA Form PS_FIN
☐ Blank Deed of Trust Rider, CBA Form DTR	☐ Tenant Estoppel Certificate, CBA Form PS_TEC
☒ Utility Charges Addendum, CBA Form UA	☐ Defeasance Addendum, CBA Form PS_D
☐ FIRPTA Certification, CBA Form 22E	☐ Lead-Based Paint Disclosure, CBA Form LP-LS
☐ Assignment and Assumption, CBA Form PS-AS	☐ Other: _____
☒ Addendum/Amendment, CBA Form PSA	☐ Other: _____

INITIALS: Buyer AT Date 09/09/26 Seller RW Date 09/10/26
Buyer ________ Date ________ Seller ________ Date ________

Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

COMMERCIAL & INVESTMENT REAL ESTATE PURCHASE & SALE AGREEMENT
(CONTINUED)

19. IDENTIFICATION OF THE PARTIES. The following is the contact information for the parties involved in this Agreement:

Buyer(s):
Contact: Alex Thieman
Address: 9028 Molly Lane, Anacortes WA 98221
Business Phone: 360-299-8200
Cell Phone: 206-818-9359
Fax: _____
Email: Alex@lopezislandcreamery.com

Buyer Brokerage Firm
Name: _____
Assumed Name: _____
Buyer Broker: _____
Firm Address: _____
Firm Phone: _____
Broker Phone: _____
Firm Email: _____
Broker Email: _____
Fax: _____
CBA Office No.: _____

Copy of Notices to Buyer to :
Name: _____
Company: _____
Address: _____
Business Phone: _____
Fax: _____
Cell Phone: _____
Email: _____

Seller(s):
Contact: Mayor Ryan Walters
Address: 904 6th Street, Anacortes WA 98221
Business Phone: 360-299-1950
Cell Phone: _____
Fax: _____
Email: ryanw@anacorteswa.gov

Listing Firm
Name: Windermere North Sound
Assumed Name: _____
Listing Broker: Nate Scott
Firm Address: 3018 Commercial Ave, Anacortes WA 98221
Firm Phone: 360-293-8008
Broker Phone: 360-708-2354
Firm Email: _____
Broker Email: nscott@windermere.com
Fax: _____
CBA Office No.: _____

Copy of Notices to Seller to :
Name: _____
Company: _____
Address: _____
Business Phone: _____
Fax: _____
Cell Phone: _____
Email: _____

INITIALS: Buyer AT Date 09/09/26 Seller RW Date 09/10/26
Buyer _____ Date _____ Seller _____ Date _____

Windermere

Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone 360-293-8008
Fax: 360-293-4049

COMMERCIAL & INVESTMENT REAL ESTATE PURCHASE & SALE AGREEMENT
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GENERAL TERMS

20. **Purchase and Sale.** Buyer agrees to buy and Seller agrees to sell the commercial real estate identified in Section 1 as the Property and all improvements thereon. Unless expressly provided otherwise in this Agreement or its Addenda, the Property shall include (i) all of Seller's rights, title and interest in the Property, (ii) all easements and rights appurtenant to the Property, (iii) all buildings, fixtures, and improvements on the Property, (iv) all unexpired leases and subleases; and (v) all included personal property.

21. **Acceptance; Counteroffers.** If this offer is not timely accepted, it shall lapse and the Earnest Money shall be refunded to Buyer. If either party makes a future counteroffer, the other party shall have until 5:00 p.m. on the 2nd day (if not filled in, the second day) following receipt to accept the counteroffer, unless sooner withdrawn. If the counteroffer is not timely accepted or countered, this Agreement shall lapse and the Earnest Money shall be refunded to Buyer. No acceptance, offer or counteroffer from Buyer is effective until a signed copy is received by Seller, the Listing Broker or the licensed office of the Listing Broker. No acceptance, offer or counteroffer from Seller is effective until a signed copy is received by Buyer, the Buyer Broker or the licensed office of the Buyer Broker. "Mutual Acceptance" shall occur when the last counteroffer is signed by the offeree, and the fully-signed counteroffer has been received by the offeror, his or her broker, or the licensed office of the broker. If any party is not represented by a broker, then notices must be delivered to that party and shall be effective when received by that party.

22. **Earnest Money.** Buyer Broker and Buyer Brokerage Firm are authorized to transfer Earnest Money to Closing Agent as necessary. Buyer Brokerage Firm shall deposit any check to be held by Buyer Brokerage Firm within 3 days after receipt or Mutual Acceptance, whichever occurs later. If the Earnest Money is to be held by Buyer Brokerage Firm and is over $10,000, it shall be deposited to: ☐ the Buyer Brokerage Firm's pooled trust account (with interest paid to the State Treasurer); or ☐ a separate interest bearing trust account in Buyer Brokerage Firm's name, provided that Buyer completes an IRS Form W-9 (if not completed, separate interest bearing trust account). The interest, if any, shall be credited at closing to Buyer. If this sale fails to close, whoever is entitled to the Earnest Money is entitled to interest. Unless otherwise provided in this Agreement, the Earnest Money shall be applicable to the Purchase Price.

23. **Title Insurance.**

a. **Title Report.** Seller authorizes Buyer, its Lender, Listing Broker, Buyer Broker or Closing Agent, at Seller's expense, to apply for and deliver to Buyer a standard coverage owner's policy of title insurance from the Title Insurance Company. Buyer shall have the discretion to apply for an extended coverage owner's policy of title insurance and any endorsements, provided that Buyer shall pay the increased costs associated with an extended policy including the excess premium over that charged for a standard coverage policy, the cost of any endorsements requested by Buyer, and the cost of any survey required by the title insurer. If Seller previously received a preliminary commitment from a title insurer that Buyer declines to use, Buyer shall pay any cancellation fee owing to the original title insurer. Otherwise, the party applying for title insurance shall pay any title cancellation fee, in the event such a fee is assessed.

b. **Permitted Exceptions.** Buyer shall notify Seller of any objectionable matters in the title report or any supplemental report within the earlier of: (a) 20 days (20 days if not completed) after receipt of the preliminary commitment for title insurance; or (b) the Feasibility Contingency Date. This Agreement shall terminate and Buyer shall receive a refund of the Earnest Money, less any costs advanced or committed

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Buyer ______ Date ______ Seller ______ Date ______

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for Buyer, unless within five (5) days of Buyer's notice of such objections Seller shall give notice, in writing, of its intent to remove all objectionable provisions before Closing. If Seller fails to give timely notice that it will clear all disapproved objections, this Agreement shall automatically terminate and Buyer shall receive a refund of the Earnest Money, less any costs advanced or committed for Buyer, unless Buyer notifies Seller within three (3) days that Buyer waives any objections which Seller does not agree to remove. If any new title matters are disclosed in a supplemental title report, then the preceding termination, objection and waiver provisions shall apply to the new title matters except that Buyer's notice of objections must be delivered within three (3) days of receipt of the supplemental report by Buyer and Seller's response or Buyer's waiver must be delivered within two (2) days of Buyer's notice of objections. The Closing Date shall be extended to the extent necessary to permit time for these notices. Buyer shall not be required to object to any mortgage or deed of trust liens, or the statutory lien for real property taxes, and the same shall not be deemed to be Permitted Exceptions; provided, however, that the lien securing any financing which Buyer has agreed to assume shall be a Permitted Exception. Except for the foregoing, those provisions not objected to or for which Buyer waived its objections shall be referred to collectively as the "Permitted Exceptions." Seller shall reasonably cooperate with Buyer and the title company to clear objectionable title matters and shall provide an affidavit containing the information and reasonable covenants requested by the title company. The title policy shall contain no exceptions other than the General Exclusions and Exceptions common to such form of policy and the Permitted Exceptions.

c. **Title Policy.** At Closing, Buyer shall receive an ALTA Form 2006 Owner's Policy of Title Insurance with standard or extended coverage (as specified by Buyer) dated as of the Closing Date in the amount of the Purchase Price, insuring that fee simple title to the Property is vested in Buyer, subject only to the Permitted Exceptions ("Title Policy"), provided that Buyer acknowledges that obtaining extended coverage may be conditioned on the Title Company's receipt of a satisfactory survey paid for by Buyer. If Buyer elects extended coverage, then Seller shall execute and deliver to the Title Company on or before Closing the such affidavits and other documents as the Title Company reasonably and customarily requires to issue extended coverage.

24. **Feasibility Contingency.** Buyer's obligations under this Agreement are conditioned upon Buyer's satisfaction, in Buyer's sole discretion, concerning all aspects of the Property, including its physical condition; the presence of or absence of any hazardous substances; the contracts and leases affecting the Property; the potential financial performance of the Property; the availability of government permits and approvals; and the feasibility of the Property for Buyer's intended purpose. This Agreement shall terminate and Buyer shall receive a refund of the Earnest Money unless Buyer gives notice that the Feasibility Contingency is satisfied to Seller before 5:00pm on the Feasibility Contingency Date. If such notice is timely given, the feasibility contingency shall be deemed to be satisfied and Buyer shall be deemed to have accepted and waived any objection regarding any aspects of the Property as they exist on the Feasibility Contingency Date.

a. **Books, Records, Leases, Agreements.** Within 3 days (3 days if not filled in) Seller shall deliver to Buyer or post in an online database maintained by Seller or Listing Broker, to which Buyer has been given unlimited access, true, correct and complete copies of all documents in Seller's possession or control relating to the ownership, operation, renovation or development of the Property, excluding appraisals or other statements of value, and including the following: statements for real estate taxes, assessments, and utilities for the last three years and year to date; property management agreements and any other agreements with professionals or consultants; leases or other agreements relating to occupancy of all or a portion of the Property and a suite-by-suite schedule of tenants, rents, prepaid rents, deposits and fees; plans, specifications, permits, applications, drawings, surveys, and studies; maintenance records,

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accounting records and audit reports for the last three years and year to date; any existing environmental reports; any existing surveys; any existing inspection reports; and "Vendor Contracts" which shall include maintenance or service contracts, and installments purchase contracts or leases of personal property or fixtures used in connection with the Property. Buyer shall determine by the Feasibility Contingency Date: (i) whether Seller will agree to terminate any objectionable Vendor Contracts; and (ii) whether Seller will agree to pay any damages or penalties resulting from the termination of objectionable Vendor Contracts. Buyer's waiver of the Feasibility Contingency shall be deemed Buyer's acceptance of all Vendor Contracts which Seller has not agreed in writing to terminate. Buyer shall be solely responsible for obtaining any required consents to such assumption and the payment of any assumption fees. Seller shall cooperate with Buyer's efforts to receive any such consents but shall not be required to incur any out-of-pocket expenses or liability in doing so. Any information provided or to be provided by Seller with respect to the Property is solely for Buyer's convenience and Seller has not made any independent investigation or verification of such information (other than that the documents are true, correct, and complete, as stated above) and makes no representations as to the accuracy or completeness of such information, except to the extent expressly provided otherwise in this Agreement. Seller shall transfer the Vendor Contracts as provided in Section 26.

b. **Access.** Seller shall permit Buyer and its agents, at Buyer's sole expense and risk, to enter the Property at reasonable times subject to the rights of and after legal notice to tenants, to conduct inspections concerning the Property, including without limitation, the structural condition of improvements, hazardous materials, pest infestation, soils conditions, sensitive areas, wetlands, or other matters affecting the feasibility of the Property for Buyer's intended use. Buyer shall schedule any entry onto the Property with Seller in advance and shall comply with Seller's reasonable requirements including those relating to security, confidentiality, and disruption of Seller's tenants. Buyer shall not perform any invasive testing including environmental inspections beyond a phase I assessment or contact the tenants or property management personnel without obtaining Seller's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. Buyer shall restore the Property and all improvements to substantially the same condition they were in prior to inspection. Buyer shall be solely responsible for all costs of its inspections and feasibility analysis and has no authority to bind the Property for purposes of statutory liens. Buyer agrees to indemnify and defend Seller from all liens, costs, claims, and expenses, including attorneys' and experts' fees, arising from or relating to entry onto or inspection of the Property by Buyer and its agents, which obligation shall survive closing. Buyer may continue to enter the Property in accordance with the terms and conditions set forth in this Section 24 after removal or satisfaction of the Feasibility Contingency only for the purpose of leasing or to satisfy conditions of financing.

c. ☐ (check if applicable) Access Insurance. Notwithstanding anything in this Section 24 to the contrary, prior to entering the Property and while conducting any inspections pursuant to subsection (b) above, Buyer shall, at no cost or expense to Seller: (a) procure and maintain commercial general liability (occurrence) insurance in an amount no less than $2,000,000 on commercially reasonable terms adequate to insure against all liability arising out of any entry onto or inspections of the Property that lists Seller and Tenant as additional insureds; and (b) deliver to Seller prior to entry upon the Property certificates of insurance for Buyer and any applicable agents or representatives evidencing such required insurance.

d. Buyer waives, to the fullest extent permissible by law, the right to receive a seller disclosure statement (e.g. "Form 17") if required by RCW 64.06 and its right to rescind this Agreement pursuant thereto. However, if Seller would otherwise be required to provide Buyer with a Form 17, and if the answer to any of the questions in the section of the Form 17 entitled "Environmental" would be "yes," then Buyer does not waive the receipt of the "Environmental" section of the Form 17 which shall be provided by Seller.

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Buyer ______ Date ______ Seller ______ Date ______

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25. Conveyance. Title shall be conveyed subject only to the Permitted Exceptions. If this Agreement is for conveyance of Seller's vendee's interest in a Real Estate Contract, the deed shall include a contract vendee's assignment sufficient to convey after-acquired title. At Closing, Seller and Buyer shall execute and deliver to Closing Agent CBA Form PS-AS Assignment and Assumption Agreement transferring all leases and Vendor Contracts assumed by Buyer pursuant to Section 26(b) and all intangible property transferred pursuant to Section 26(b).

26. Personal Property.

a. If this sale includes the personal property located on and used in connection with the Property, Seller will itemize such personal property in an Exhibit to be attached to this Agreement within ten (10) days of Mutual Acceptance. The value assigned to any personal property shall be $ 0.00 (if not completed, the County-assessed value if available, and if not available, the fair market value determined by an appraiser selected by the Listing Broker and Buyer Broker). Seller warrants title to, but not the condition of, the personal property and shall convey it by bill of sale.

b. In addition to the leases and Vendor Contracts assumed by Buyer pursuant to Section 25 above, this sale includes all right, title and interest of Seller to the following intangible property now or hereafter existing with respect to the Property including without limitation: all rights-of-way, rights of ingress or egress or other interests in, on, or to, any land, highway, street, road, or avenue, open or proposed, in, on, or across, in front of, abutting or adjoining the Property; all rights to utilities serving the Property; all drawings, plans, specifications and other architectural or engineering work product; all governmental permits, certificates, licenses, authorizations and approvals; all rights, claims, causes of action, and warranties under contracts with contractors, engineers, architects, consultants or other parties associated with the Property; all utility, security and other deposits and reserve accounts made as security for the fulfillment of any of Seller's obligations; any name of or telephone numbers for the Property and related trademarks, service marks or trade dress; and guaranties, warranties or other assurances of performance received.

27. Seller's Underlying Financing. Unless Buyer is assuming Seller's underlying financing, Seller shall be responsible for confirming the existing underlying financing is not subject to any "lock out" or similar covenant which would prevent the lender's lien from being released at closing. In addition, Seller shall provide Buyer notice prior to the Feasibility Contingency Date if Seller is required to substitute securities for the Property as collateral for the underlying financing (known as "defeasance"). If Seller provides this notice of defeasance to Buyer, then the parties shall close the transaction in accordance with the process described in CBA Form PS_D or any different process identified in Seller's defeasance notice to Buyer.

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Buyer ______ Date ______ Seller ______ Date ______

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28. **Closing of Sale.** Buyer and Seller shall deposit with Closing Agent by 12:00 p.m. on the scheduled Closing Date all instruments and monies required to complete the purchase in accordance with this Agreement. Upon receipt of such instruments and monies, Closing Agent shall cause the deed to be recorded and shall pay to Seller, in immediately available funds, the Purchase Price less any costs or other amounts to be paid by Seller at Closing. "Closing" shall be deemed to have occurred when the deed is recorded and the sale proceeds are available to Seller. Time is of the essence in the performance of this Agreement. Sale proceeds shall be considered available to Seller, even if they cannot be disbursed to Seller until the next business day after Closing. Notwithstanding the foregoing, if Seller informed Buyer before the Feasibility Contingency Date that Seller's underlying financing requires that it be defeased and may not be paid off, then Closing shall be conducted in accordance with the three (3)-day closing process described in CBA Form PS_D. This Agreement is intended to constitute escrow instructions to Closing Agent. Buyer and Seller will provide any supplemental instructions requested by Closing Agent provided the same are consistent with this Agreement.

29. **Closing Costs and Prorations.** Seller shall deliver an updated rent roll to Closing Agent not later than two (2) days before the scheduled Closing Date in the form required by Section 24(a) and any other information reasonably requested by Closing Agent to allow Closing Agent to prepare a settlement statement for Closing. Seller certifies that the information contained in the rent roll is correct as of the date submitted. Seller shall pay the premium for the owner's standard coverage title policy. Buyer shall pay the excess premium attributable to any extended coverage or endorsements requested by Buyer, and the cost of any survey required in connection with the same. Seller and Buyer shall each pay one-half of the escrow fees. Any real estate excise taxes shall be paid by the party who bears primary responsibility for payment under the applicable statute or code. Real and personal property taxes and assessments payable in the year of closing; collected rents on any existing tenancies; expenses already incurred by Seller that relate to services to be provided to the Property after the Closing Date; interest; utilities; and other operating expenses shall be pro-rated as of Closing. Seller will be charged and credited for the amounts of all of the pro-rated items relating to the period up to and including 11:59 pm Pacific Time on the day preceding the Closing Date, and Buyer will be charged and credited for all of the pro-rated items relating to the period on and after the Closing Date. If tenants pay any of the foregoing expenses directly, then Closing Agent shall only pro rate those expenses paid by Seller. Buyer shall pay to Seller at Closing an additional sum equal to any utility deposits or mortgage reserves for assumed financing for which Buyer receives the benefit after Closing. Buyer shall pay all costs of financing including the premium for the lender's title policy. If the Property was taxed under a deferred classification prior to Closing, then Seller shall pay all taxes, interest, penalties, deferred taxes or similar items which result from removal of the Property from the deferred classification. At Closing, all refundable deposits on tenancies shall be credited to Buyer or delivered to Buyer for deposit in a trust account if required by state or local law. Buyer shall pay any sales or use tax applicable to the transfer of personal property included in the sale.

INITIALS: Buyer AT Date 09/09/26 Seller RW Date 09/10/26
Buyer ______ Date ______ Seller ______ Date ______

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30. **Post-Closing Adjustments, Collections, and Payments.** After Closing, Buyer and Seller shall reconcile the actual amount of revenues or liabilities upon receipt or payment thereof to the extent those items were prorated or credited at Closing based upon estimates. Any bills or invoices received by Buyer after Closing which relate to services rendered or goods delivered to the Seller or the Property prior to Closing shall be paid by Seller upon presentation of such bill or invoice. At Buyer's option, Buyer may pay such bill or invoice and be reimbursed the amount paid plus interest at the rate of 12% per annum beginning fifteen (15) days from the date of Buyer's written demand to Seller for reimbursement until such reimbursement is made. Notwithstanding the foregoing, if tenants pay certain expenses based on estimates subject to a post-closing reconciliation to the actual amount of those expenses, then Buyer shall be entitled to any surplus and shall be liable for any credit resulting from the reconciliation. Rents collected from each tenant after Closing shall be applied first to rentals due most recently from such tenant for the period after closing, and the balance shall be applied for the benefit of Seller for delinquent rentals owed for a period prior to closing. The amounts applied for the benefit of Seller shall be turned over by Buyer to Seller promptly after receipt. Seller shall be entitled to pursue any lawful methods of collection of delinquent rents but shall have no right to evict tenants after Closing. Any adjustment shall be made, if any, within 180 days of the Closing Date, and if a party fails to request an adjustment by notice delivered to the other party within the applicable period set forth above (such notice to specify in reasonable detail the items within the Closing Statement that such party desires to adjust and the reasons for such adjustment), then the allocations and prorations at Closing shall be binding and conclusive against such party.

31. **Operations Prior to Closing.** Prior to Closing, Seller shall continue to operate the Property in the ordinary course of its business and maintain the Property in the same or better condition than as existing on the date of Mutual Acceptance but shall not be required to repair material damage from casualty except as otherwise provided in this Agreement. After the Feasibility Contingency Date, Seller shall not enter into or modify existing rental agreements or leases (except that Seller may enter into, modify, extend, renew or terminate residential rental agreements or residential leases for periods of 12 months or less in the ordinary course of its business), service contracts, or other agreements affecting the Property which have terms extending beyond Closing without obtaining Buyer's consent, which shall not be withheld unreasonably.

32. **Possession.** Buyer shall accept possession subject to all tenancies disclosed to Buyer before the Feasibility Contingency Date.

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Buyer ______ Date ______ Seller ______ Date ______

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33. **Seller's Representations.** Except as disclosed to or known by Buyer prior to the satisfaction or waiver of the Feasibility Contingency, including in the books, records and documents made available to Buyer, or in the title report or any supplemental report or documents referenced therein, Seller represents to Buyer that, to the best of Seller's actual knowledge, each of the following is true as of the date hereof: (a) Seller is authorized to enter into the Agreement, to sell the Property, and to perform its obligations under the Agreement, and no further consent, waiver, approval or authorization is required from any person or entity to execute and perform under this Agreement; (b) The books, records, leases, agreements and other items delivered to Buyer pursuant to this Agreement comprise all material documents in Seller's possession or control regarding the operation and condition of the Property, are true, accurate and complete to the best of Seller's knowledge, and no other contracts or agreements exist that will be binding on Buyer after Closing; (c) Seller has not received any written notices that the Property or any business conducted thereon violate any applicable laws, regulations, codes and ordinances; (d) Seller has all certificates of occupancy, permits, and other governmental consents necessary to own and operate the Property for its current use; (e) There is no pending or threatened litigation which would adversely affect the Property or Buyer's ownership thereof after Closing; (f) There is no pending or threatened condemnation or similar proceedings affecting the Property, and the Property is not within the boundaries of any planned or authorized local improvement district; (g) Seller has paid (except to the extent prorated at Closing) all local, state and federal taxes (other than real and personal property taxes and assessments described in Section 29 above) attributable to the period prior to closing which, if not paid, could constitute a lien on Property (including any personal property), or for which Buyer may be held liable after Closing; (h) Seller is not aware of any concealed material defects in the Property except as disclosed to Buyer before the Feasibility Contingency Date; (i) There are no Hazardous Substances (as defined below) currently located in, on, or under the Property in a manner or quantity that presently violates any Environmental Law (as defined below); there are no underground storage tanks located on the Property; and there is no pending or threatened investigation or remedial action by any governmental agency regarding the release of Hazardous Substances or the violation of Environmental Law at the Property; (j) Seller has not granted any options nor obligated itself in any matter whatsoever to sell the Property or any portion thereof to any party other than Buyer; and (k) Neither Seller nor any of its respective partners, members, shareholders or other equity owners, is a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute or executive order; and (l) the individual signing this Agreement on behalf of Seller represents and warrants to Buyer that he or she has the authority to act on behalf of and bind Seller. As used herein, the term "Hazardous Substances" shall mean any substance or material now or hereafter defined or regulated as a hazardous substance, hazardous waste, toxic substance, pollutant, or contaminant under any federal, state, or local law, regulation, or ordinance governing any substance that could cause actual or suspected harm to human health or the environment ("Environmental Law"). The term "Hazardous Substances" specifically includes, but is not limited to, petroleum, petroleum by-products, and asbestos.

If prior to Closing Seller or Buyer discovers any information which would cause any of the representations above to be false if the representations were deemed made as of the date of such discovery, then the party discovering the information shall promptly notify the other party in writing and Buyer, as its sole remedy, may elect to terminate this Agreement by giving Seller notice of such termination within five (5) days after Buyer first received actual notice (with the Closing Date extended to accommodate such five (5) day period), and in such event, the Earnest Money Deposit shall be returned to Buyer. Buyer shall give notice of termination within five (5) days of discovering or receiving written notice of the new information. Nothing in this paragraph shall prevent Buyer from pursuing its remedies against Seller if Seller had actual knowledge of the newly discovered information such that a representation provided for above was false.

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Buyer ________ Date ________ Seller ________ Date ________

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34. **As-Is.** Except for the express representations and warranties in this Agreement, (a) Seller makes no representations or warranties regarding the Property; (b) Seller hereby disclaims, and Buyer hereby waives, any and all representations or warranties of any kind, express or implied, concerning the Property or any portion thereof, as to its condition, value, compliance with laws, status of permits or approvals, existence or absence of hazardous material on site, suitability for Buyer's intended use, occupancy rate or any other matter of similar or dissimilar nature relating in any way to the Property, including the warranties of fitness for a particular purpose, tenantability, habitability and use; (c) Buyer takes the Property "AS IS" and with all faults; and (d) Buyer represents and warrants to Seller that Buyer has sufficient experience and expertise such that it is reasonable for Buyer to rely on its own pre-closing inspections and investigations.

35. **Buyer's Representations.** Buyer represents that Buyer is authorized to enter into the Agreement; to buy the Property; to perform its obligations under the Agreement, and that neither the execution and delivery of this Agreement nor the consummation of the transaction contemplated hereby will: (a) conflict with or result in a breach of any law, regulation, writ, injunction or decree of any court or governmental instrumentality applicable to Buyer; or (b) constitute a breach of any agreement to which Buyer is a party or by which Buyer is bound. The individual signing this Agreement on behalf of Buyer represents that he or she has the authority to act on behalf of and bind Buyer.

36. **Claims.** Any claim or cause of action with respect to a breach of the representations and warranties set forth herein shall survive for a period of nine (9) months from the Closing Date, at which time such representations and warranties (and any cause of action resulting from a breach thereof not then in litigation, including indemnification claims) shall terminate. Notwithstanding anything to the contrary in this Agreement: (a) Buyer shall not make a claim against Seller for damages for breach or default of any representation or warranty, unless the amount of such claim is reasonably anticipated to exceed $25,000; and (b) under no circumstances shall Seller be liable to Buyer on account of any breach of any representation or warranty in the aggregate in excess of the amount equal to $250,000, except in the event of Seller's fraud or intentional misrepresentation with respect to any representation or warranty regarding the environmental condition of the Property, in which case Buyer's damages shall be unlimited.

37. **Condemnation and Casualty.** Seller bears all risk of loss until Closing, and thereafter Buyer bears all risk of loss. Buyer may terminate this Agreement and obtain a refund of the Earnest Money if improvements on the Property are materially damaged or if condemnation proceedings are commenced against all or a portion of the Property before Closing, to be exercised by notice to Seller within ten (10) days after Seller's notice to Buyer of the occurrence of the damage or condemnation proceedings. Damage will be considered material if the cost of repair exceeds the lesser of $100,000 or five percent (5%) of the Purchase Price. Alternatively, Buyer may elect to proceed with closing, in which case, at Closing, Seller shall not be obligated to repair any damage, and shall assign to Buyer all claims and right to proceeds under any property insurance policy and shall credit to Buyer at Closing the amount of any deductible provided for in the policy.

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Buyer ______ Date ______ Seller ______ Date ______

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CBA

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(CONTINUED)

38. **FIRPTA Tax Withholding at Closing.** Closing Agent is instructed to prepare a certification (CBA or NWMLS Form 22E, or equivalent) that Seller is not a "foreign person" within the meaning of the Foreign Investment in Real Property Tax Act, and Seller shall sign it on or before Closing. If Seller is a foreign person, and this transaction is not otherwise exempt from FIRPTA, Closing Agent is instructed to withhold and pay the required amount to the Internal Revenue Service.

39. **Notices.** Unless otherwise specified, any notice required or permitted in, or related to, this Agreement (including revocations of offers and counteroffers) must be in writing. Notices to Seller must be signed by at least one Buyer and must be delivered to Seller and Listing Broker with a courtesy copy to any other party identified as a recipient of notices in Section 19. A notice to Seller shall be deemed delivered only when received by Seller and Listing Broker, or the licensed office of Listing Broker. Notices to Buyer must be signed by at least one Seller and must be delivered to Buyer, with a copy to Buyer Broker and with a courtesy copy to any other party identified as a recipient of notices in Section 19. A notice to Buyer shall be deemed delivered only when received by Buyer and Buyer Broker, or the licensed office of Buyer Broker. Buyer Broker and Listing Broker otherwise have no responsibility to advise parties of receipt of a notice beyond either phoning the represented party or causing a copy of the notice to be delivered to the party's address provided in this Agreement. Buyer and Seller shall keep Buyer Broker and Listing Broker advised of their whereabouts in order to receive prompt notification of receipt of a notice. If any party is not represented by a licensee, then notices must be delivered to and shall be effective when received by that party at the address, fax number, or email indicated in Section 19. Facsimile transmission of any notice or document shall constitute delivery. E-mail transmission of any notice or document (or a direct link to such notice or document) shall constitute delivery when: (i) the e-mail is sent to both Buyer Broker and Buyer Brokerage Firm or both Listing Broker and Listing Firm at the e-mail addresses specified on page two of this Agreement; or (ii) Buyer Broker or Listing Broker provide written acknowledgment of receipt of the e-mail (an automatic e-mail reply does not constitute written acknowledgment). At the request of either party, or the Closing Agent, the parties will confirm facsimile or e-mail transmitted signatures by signing an original document.

40. **Computation of Time.** Unless otherwise specified in this Agreement, any period of time in this Agreement shall mean Pacific Time and shall begin the day after the event starting the period and shall expire at 5:00 p.m. of the last calendar day of the specified period of time, unless the last day is a Saturday, Sunday or legal holiday as defined in RCW 1.16.050, in which case the specified period of time shall expire on the next day that is not a Saturday, Sunday or legal holiday. Any specified period of five (5) days or less shall not include Saturdays, Sundays or legal holidays. Notwithstanding the foregoing, references to specific dates or times or number of hours shall mean those dates, times or number of hours; provided, however, that if the Closing Date falls on a Saturday, Sunday, or legal holiday as defined in RCW 1.16.050, or a date when the county recording office is closed, then the Closing Date shall be the next regular business day. If the parties agree upon and attach a legal description after this Agreement is signed by the offeree and delivered to the offeror, then for the purposes of computing time, mutual acceptance shall be deemed to be on the date of delivery of an accepted offer or counteroffer to the offeror, rather than on the date the legal description is attached.

INITIALS: Buyer AT Date 09/09/26 Seller RW Date 09/10/26
Buyer ______ Date ______ Seller ______ Date ______

COMMERCIAL & INVESTMENT REAL ESTATE PURCHASE & SALE AGREEMENT (CONTINUED)

41. **Assignment.** Buyer's rights and obligations under this Agreement are not assignable without the prior written consent of Seller, which shall not be withheld unreasonably; provided, however, Buyer may assign this Agreement without the consent of Seller, but with notice to Seller, to any entity under common control and ownership of Buyer, provided no such assignment shall relieve Buyer of its obligations hereunder. If the words "and/or assigns" or similar words are used to identify Buyer in Section 2, then this Agreement may be assigned with notice to Seller but without need for Seller's consent. The party identified as the initial Buyer shall remain responsible for those obligations of Buyer stated in this Agreement notwithstanding any assignment and, if this Agreement provides for Seller to finance a portion of the purchase price, then the party identified as the initial Buyer shall guarantee payment of Seller financing.

42. **Default and Attorneys' Fees.**

a. **Buyer's default.** In the event Buyer fails, without legal excuse, to complete the purchase of the Property, then the applicable provision as identified in Section 13 shall apply:

i. **Forfeiture of Earnest Money.** Seller may terminate this Agreement and keep that portion of the Earnest Money that does not exceed five percent (5%) of the Purchase Price as liquidated damages as the sole and exclusive remedy available to Seller for such failure.

ii. **Seller's Election of Remedies.** Seller may, at its option, (a) terminate this Agreement and keep that portion of the Earnest Money that does not exceed five percent (5%) of the Purchase Price as liquidated damages as the sole and exclusive remedy available to Seller for such failure, (b) bring suit against Buyer for Seller's actual damages, (c) bring suit to specifically enforce this Agreement and recover any incidental damages, or (d) pursue any other rights or remedies available at law or equity.

b. **Seller's default.** In the event Seller fails, without legal excuse, to complete the sale of the Property, then the applicable provision as identified in Section 14 shall apply:

i. **Recover Earnest Money or Specific Enforcement.** As Buyer's sole remedy, Buyer may either (a) terminate this Agreement and recover all Earnest Money or fees paid by Buyer whether or not the same are identified as refundable or applicable to the purchase price; or (b) bring suit to specifically enforce this Agreement and recover incidental damages, provided, however, Buyer must file suit within sixty (60) days from the Closing Date or from the date Seller has provided notice to Buyer that Seller will not proceed with closing, whichever is earlier.

ii. **Buyer's Election of Remedies.** Buyer may, at its option, (a) bring suit against Seller for Buyer's actual damages, (b) bring suit to specifically enforce this Agreement and recover any incidental damages, or (c) pursue any other rights or remedies available at law or equity.

c. Neither Buyer nor Seller may recover consequential damages such as lost profits. If Buyer or Seller institutes suit against the other concerning this Agreement, the prevailing party is entitled to reasonable attorneys' fees and costs. In the event of trial, the amount of the attorneys' fees shall be fixed by the court. The venue of any suit shall be the county in which the Property is located, and this Agreement shall be governed by the laws of the State of Washington without regard to its principles of conflicts of laws.

43. **Miscellaneous Provisions.**

Windermere
Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

COMMERCIAL & INVESTMENT REAL ESTATE
PURCHASE & SALE AGREEMENT
(CONTINUED)

a. **Complete Agreement.** This Agreement and any addenda and exhibits thereto state the entire understanding of Buyer and Seller regarding the sale of the Property. There are no verbal or other written agreements which modify or affect the Agreement, and no modification of this Agreement shall be effective unless agreed in writing and signed by the parties.

b. **Counterpart Signatures.** This Agreement may be signed in counterpart, each signed counterpart shall be deemed an original, and all counterparts together shall constitute one and the same agreement.

c. **Electronic Delivery and Signatures.** Electronic delivery of documents (e.g., transmission by facsimile or email) including signed offers or counteroffers and notices shall be legally sufficient to bind the party the same as delivery of an original. At the request of either party, or the Closing Agent, the parties will replace electronically delivered offers or counteroffers with original documents. The parties acknowledge that a signature in electronic form has the same legal effect as a handwritten signature.

d. **Section 1031 Like-Kind Exchange.** If either Buyer or Seller intends for this transaction to be a part of a Section 1031 like-kind exchange, then the other party agrees to cooperate in the completion of the like-kind exchange so long as the cooperating party incurs no additional liability in doing so, and so long as any expenses (including attorneys' fees and costs) incurred by the cooperating party that are related only to the exchange are paid or reimbursed to the cooperating party at or prior to Closing. Notwithstanding this provision, no party shall be obligated to extend closing as part of its agreement to facilitate completion of a like-kind exchanged. In addition, notwithstanding Section 41 above, any party completing a Section 1031 like-kind exchange may assign this Agreement to its qualified intermediary or any entity set up for the purposes of completing a reverse exchange.

44. **Information Transfer.** In the event this Agreement is terminated, Buyer agrees to deliver to Seller within ten (10) days of Seller's written request copies of all materials received from Seller and any non-privileged plans, studies, reports, inspections, appraisals, surveys, drawings, permits, applications or other development work product relating to the Property in Buyer's possession or control as of the date this Agreement is terminated.

45. **Confidentiality.** Until and unless closing has been consummated, Buyer and Seller shall follow reasonable measures to prevent unnecessary disclosure of information obtained in connection with the negotiation and performance of this Agreement. Neither party shall use or knowingly permit the use of any such information in any manner detrimental to the other party.

46. **Agency Disclosure.** Buyer Brokerage Firm, Buyer Brokerage Firm's Designated Broker, Buyer Brokerage Firm's Branch Manager (if any) and any of Buyer Brokerage's Firm's Managing Brokers who supervise Buyer Broker represent the same party that Buyer Broker represents. Listing Firm, Listing Firm's Designated Broker, Listing Broker's Branch Manager (if any), and any of Listing Firm's Managing Brokers who supervise Listing Broker represent the same party that the Listing Broker represents. All parties acknowledge receipt of the pamphlet entitled "Real Estate Brokerage in Washington."

47. **Buyer Broker's Compensation Disclosure.**

a. Compensation from Seller. The compensation offered and paid to Buyer Brokerage Firm by Seller for providing buyer brokerage services to Buyer related to the Property is:

INITIALS: Buyer AT Date 09/09/26 Seller RW Date 09/10/26
Buyer ______ Date ______ Seller ______ Date ______

COMMERCIAL & INVESTMENT REAL ESTATE
PURCHASE & SALE AGREEMENT
(CONTINUED)

Offered (fill in one): _____ % of purchase price; $ _____ ; Other: _____
Paid (fill in one): _____ % of purchase price; $ _____ ; Other: _____

b. Compensation from Listing Firm. The compensation offered and paid to Buyer Brokerage Firm by the Listing Firm for providing buyer brokerage services to Buyer related to the Property is:

Offered (fill in one): _____ % of purchase price; $ _____ ; Other: _____
Paid (fill in one): _____ % of purchase price; $ _____ ; Other: _____

48. Seller's Acceptance and Brokerage Agreement. Seller agrees to sell the Property on the terms and conditions herein. The Listing Firm's compensation shall be paid as specified in the listing or commission agreement. If there is no written listing or commission agreement, Seller agrees to pay to Listing Firm compensation of _____ % of the sales price or $ 5,000.00 . The compensation to Buyer Brokerage Firm shall be paid as set forth in this Agreement. Seller and Buyer consent to Listing Firm and Buyer Brokerage Firm receiving compensation from more than one party and to the sharing of compensation between firms. Seller and Buyer hereby assign to Listing Firm and Buyer Brokerage Firm, as applicable, a portion of their funds in escrow equal to such compensation and irrevocably instruct the Closing Agent to disburse the compensation directly to the Firm(s). In any action by Listing Firm or Buyer Brokerage Firm to enforce this Section, the prevailing party is entitled to reasonable attorneys' fees and expenses. The Property described in attached Exhibit A is commercial real estate. Notwithstanding Section 45 above, the pages containing this Section, the parties' signatures and an attachment describing the Property may be recorded.

Listing Broker and Buyer Broker Disclosure. EXCEPT AS OTHERWISE DISCLOSED IN WRITING TO BUYER OR SELLER, THE BUYER BROKER, LISTING BROKER, AND FIRMS HAVE NOT MADE ANY REPRESENTATIONS OR WARRANTIES OR CONDUCTED ANY INDEPENDENT INVESTIGATION CONCERNING THE LEGAL EFFECT OF THIS AGREEMENT, BUYER'S OR SELLER'S FINANCIAL STRENGTH, BOOKS, RECORDS, REPORTS, STUDIES, OR OPERATING STATEMENTS; THE CONDITION OF THE PROPERTY OR ITS IMPROVEMENTS; THE FITNESS OF THE PROPERTY FOR BUYER'S INTENDED USE; OR OTHER MATTERS RELATING TO THE PROPERTY, INCLUDING WITHOUT LIMITATION, THE PROPERTY'S ZONING, BOUNDARIES, AREA, COMPLIANCE WITH APPLICABLE LAWS (INCLUDING LAWS REGARDING ACCESSIBILITY FOR DISABLED PERSONS), OR HAZARDOUS OR TOXIC MATERIALS INCLUDING MOLD OR OTHER ALLERGENS. SELLER AND BUYER ARE EACH ADVISED TO ENGAGE QUALIFIED EXPERTS TO ASSIST WITH THESE DUE DILIGENCE AND FEASIBILITY MATTERS, AND ARE FURTHER ADVISED TO SEEK INDEPENDENT LEGAL AND TAX ADVICE RELATED TO THIS AGREEMENT.

COMMERCIAL & INVESTMENT REAL ESTATE PURCHASE & SALE AGREEMENT
(CONTINUED)

IN WITNESS WHEREOF, the parties have signed this Agreement intending to be bound.

Buyer Alex Thieman, Manager Printed name and type of entity	Buyer ______ Printed name and type of entity
Buyer Alex Thieman Signature and title	Buyer ______ Signature and title
Date signed 09/09/26	Date signed ______
Seller Ryan Walters, Mayor, City of Anacortes Printed name and type of entity	Seller ______ Printed name and type of entity
Seller Ryan Walters 09/10/26 Signature and title	Seller ______ Signature and title
Date signed 09/10/26	Date signed ______

INITIALS: Buyer AT Date 09/09/26 Seller RW Date 09/10/26
Buyer ______ Date ______ Seller ______ Date ______

Windermere

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3018 Commercial Ave
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Phone: 360-293-8008
Fax: 360-293-4049

CBA

COMMERCIAL & INVESTMENT REAL ESTATE
PURCHASE & SALE AGREEMENT
(CONTINUED)

EXHIBIT A *
[Legal Description]

Exhibit A

Unit C, Skagit Sound Business Park Condominium Phase 1, a condominium, according to the Declaration thereof, recorded May 3, 2007, under Auditor's File No. 200705030119 and amended under Auditor's File No. 200806300186 and Survey Map and Plans thereof recorded May 3, 2007 under Auditor's File No. 200705030118 and Amended under Auditor's File No. 200806300187, records of Skagit County Washington, being a portion of being a portion of Lots 5 and 6 of Short Plat No. ANA-03-001, recorded February 13, 2003 under Auditor's File No. 200302130095, records of Skagit County, Washington.

Situate in the City of Anacortes, County of Skagit, State of Washington

THE ADDRESS FOR THE PROPERTY DESCRIBED ABOVE IS AS FOLLOWS
9029 Molly Lane, B & C, Anacortes, WA 98221

* To ensure accuracy in the legal description, consider substituting the legal description contained in the preliminary commitment for title insurance or a copy of the Property's last vesting deed for this page. Do not neglect to label the substitution "Exhibit A." You should avoid transcribing the legal description because any error in transcription may render the legal description inaccurate and this Agreement unenforceable.

INITIALS: Buyer AT Date 09/09/26 Seller RW Date 09/10/26
Buyer ______ Date ______ Seller ______ Date ______

Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

FINANCING ADDENDUM

CBA Text Disclaimer: Text deleted indicated by strike
New text inserted indicated by small capital letters

The following is part of the Purchase and Sale Agreement with Reference Date August 31, 20 26 (the "Agreement"), between AIT Investments LLC ("Buyer") and City of Anacortes, a Washington municipal corporation ("Seller"), regarding the sale of the Property located at 9029 Molly Lane B&C, Anacortes, WA 98221 (the "Property").

IT IS AGREED BETWEEN THE BUYER AND SELLER AS FOLLOWS

1. ☒ **NEW FINANCING.** Buyer's obligations under the Agreement are contingent on Buyer obtaining new financing. Buyer shall submit a complete written application for financing for the Property within five (5) days after waiver or satisfaction of the Feasibility Contingency in Section 24 of the Agreement, pay required costs and make a good faith effort to procure such financing. Buyer shall not reject those terms of a commitment which provide for a loan amount of at least $ ______ or 90 % of the purchase price, interest not to exceed 6.5 % per annum, a term of 300 months, a payment schedule calling for monthly payments amortized over not less than 25 years, and total placement fees and points of not more than 1 % of the loan amount. The Agreement shall terminate and Buyer shall receive a refund of the earnest money unless Buyer gives notice that this condition is satisfied or waived on or before 75 days (30 days, if not completed) following waiver or satisfaction of the Feasibility Contingency in Section 24 of the Agreement. If Buyer fails to timely submit a complete written application for financing, this condition shall be deemed waived.

2. ☐ **ASSUMPTION OF EXISTING FINANCING.**

   a. **Approval of Documents.** Buyer's obligations under the Agreement are contingent on Buyer's assumption of a note and mortgage or deed of trust, or a real estate contract. Seller shall deliver to Buyer within five (5) days after mutual acceptance of the Agreement a copy of all documents relating to the obligations that Buyer will assume, including the note, deed of trust, mortgage or real estate contract (or any other underlying debt instruments); any guaranties, non-recourse carve-outs, or indemnity agreements; and any fixture filings or financing statements (the "Underlying Loan Documents"). Buyer shall be deemed to have approved the Underlying Loan Documents unless Buyer gives notice of disapproval during the Feasibility Period.

   b. **Consent to Assumption.** Buyer shall submit a complete application for assumption of the Underlying Loan Documents together with any required application fee no later than five (5) days after the Feasibility Contingency Date. Upon Buyer's request, Seller shall assist Buyer by requesting the lender's consent to the assumption on Buyer's behalf. Buyer's principals shall be required to execute any reasonable guaranties and indemnities required by the lender. Unless Buyer has obtained consent or waived this condition within ______ days (30 days, if not completed) after the Feasibility Contingency Date and provided Buyer has timely complied with its obligations under this Addendum, this Agreement shall terminate and, Buyer shall receive a refund of the earnest money.

   c. **Assumption Fees and Expenses.** Buyer shall pay all costs and expenses attributable to the assumption of the underlying indebtedness including all application fees, processing charges, and assumption fees.

   d. **Release of Seller and Principals.** Seller's obligations under the Agreement ☐ shall be ☐ shall not be (shall not be, if not completed) conditioned upon Seller and all guarantors or indemnitors being released from their obligations arising under the Underlying Loan Documents for the period on and after Closing.

3. ☐ **SELLER FINANCING.**

INITIALS: Buyer AT Date 09/09/26 Seller RW Date 09/10/26
Buyer ______ Date ______ Seller ______ Date ______

Windermere Real Estate-Anacortes
3018 Commercial Ave
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

FINANCING ADDENDUM
(CONTINUED)

a. **Debt Instruments.** If Seller is financing a portion of the Purchase Price, unless different forms are attached to this Agreement, Buyer shall execute and submit to the Closing Agent: (i) LPB Form No. 28A-05 Promissory Note (CBA Form N-1A) and the DUE ON SALE and COMMERCIAL PROPERTY optional clauses in that form shall apply; (ii) LPB Form No. 20-05 Short Form Deed of Trust; and (iii) CBA Form DTR Deed of Trust Rider. In addition, Buyer authorizes Seller and Closing Agent to file a financing statement to perfect Seller's security interest in the personal property described in the Deed of Trust Rider.

b. **Payment Terms.** Buyer shall pay a down payment in the total amount (including the Earnest Money) of ☐ $ _____ , or ☐ _____ % of the Purchase Price (check and complete only one box). The balance of the Purchase Price shall be paid in accordance with the terms of the Promissory Note, which shall bear interest at the rate of _____ % per annum, and shall be payable as follows:

Installment Payments (choose one):

☐ No installment payments are required;

☐ Monthly principal and interest installment payments in equal amounts sufficient to fully amortize the outstanding principal balance at the stated interest rate over ______ years;

☐ Monthly principal and interest installment payments totaling $ ______ ;

☐ Monthly installment payments of interest only;

☐ other _____ .

Payment Schedule (choose one, if applicable)

The installment payments shall commence on the first day of the first month after closing and shall continue on the same day of each succeeding month until:

☐ ______ months from the date of closing;

☐ ______ , 20 __ on which date all outstanding principal and interest shall be due.

Buyer ☐ may ☐ may not (may, if not completed) prepay the outstanding principal balance without premium or penalty. If Seller receives any monthly payment more than ______ days (15 days if not filled in) after its due date, then Buyer shall be in default and a late payment charge of $ ______ or ______ % of the delinquent amount (5% of the delinquent amount if not filled in) shall be added to the scheduled payment. The principal shall, at Seller's option, bear interest at the rate of ______ % per annum (18% or the maximum rate allowed by law, whichever is less, if not filled in) during any period of Buyer's default. Buyer shall have ______ days (5 days if not filled in) after written notice from Seller to cure a default before Seller may declare all outstanding sums to be immediately due and payable.

(__Note to Buyer and Seller__: If the Property is currently used primarily for agricultural purposes, then a non-judicial foreclosure/forfeiture remedy is available to Seller only by using a real estate contract and is not available with a deed of trust.)

4. **ESTOPPELS/SNDAs.** If Buyer or its lender require estoppel certificates or subordination, nondisturbance and

INITIALS	Buyer AT	Date 09/09/26	Seller RW	Date 09/10/26
	Buyer	Date	Seller	Date

Windermere

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3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

CBA

FINANCING ADDENDUM
(CONTINUED)

attornment agreements ("Estoppel/SNDAs") from some or all of the non-residential tenants at the Property, then Seller shall cooperate with Buyer to obtain them. The form of the Estoppels/SNDAs shall be CBA Form PS_TEC, or any different form required by Buyer's lender which Buyer has delivered to Seller during the Feasibility Period. Promptly after the Feasibility Period, Seller shall use commercially reasonable efforts and diligence to obtain the Estoppel/SNDAs from affected tenants; provided, however, Seller shall not be required to incur any liability or out-of-pocket expenses which are not reimbursed by Buyer. Buyer shall have no separate contingency for receipt of the Estoppels/SNDAs other than as otherwise agreed by Seller in writing.

5. **ADDITIONAL PROVISIONS.** The terms of the Agreement remain unchanged except as supplemented in this Addendum or provided below: ______

INITIALS: Buyer AT ______ Date 09/09/26 ______ Seller RW ______ Date 09/10/26 ______
Buyer ______ Date ______ Seller ______ Date ______

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Windermere

Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
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Fax: 360-293-4049

CBA

Form: PSA
Addendum/Amendment to PSA
Rev. 7/2020
Page 1 of 1

ADDENDUM/AMENDMENT TO
PURCHASE AND SALE AGREEMENT

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New text inserted by licensee indicated by small capital letters

The following is part of the Purchase and Sale Agreement with Reference Date 08/31, 20 26 (the "Agreement") between AIT Investments LLC ("Buyer") and City of Anacortes, a Washington municipal corporation ("Seller") regarding the sale of the property located at 9029 Molly Lane B&C, Anacortes, WA 98221 (the "Property").

IT IS AGREED BETWEEN THE BUYER AND SELLER AS FOLLOWS:

At or before Closing, Buyer, as Landlord, and Seller, as Tenant, shall execute the lease attached hereto as Exhibit B (the "Lease") and deliver it to the Closing Agent. The Lease shall become effective upon Closing. Execution and delivery of the Lease is a condition to Closing.

Exclusion of System. Notwithstanding Section 20 or any other provision of this Agreement, the point-capture exhaust system serving the Property (the "System"), though affixed to the building, is excluded from the sale, and is not included in the Property or the Purchase Price, and title to the System remains with Seller. Seller shall remove the System at Seller's expense prior to vacating the property at the end of their lease, and repair any damage to the Property caused by the removal, restoring the affected area to a condition reasonably comparable to its condition prior to removal, ordinary wear excepted. If Seller fails to remove the System within that period, the System shall be deemed abandoned and shall become Buyer's property at no cost to Buyer.

This Purchase and Sale Agreement and the attached Lease, and the Seller's obligations pursuant to both, are subject to approval by the City Council. If the City Council does not approve this Agreement and the attached Lease within 30 days, then the Seller shall have the right to terminate this Agreement, and any earnest money deposited or due shall be refunded to Buyer.

ALL OTHER TERMS AND CONDITIONS of the Agreement remain unchanged.

INITIALS: Buyer AT Date 09/09/26 Seller RW Date 09/10/26

Buyer ________ Date ________ Seller ________ Date ________

Windermere Real Estate-Anacortes
3018 Commercial Ave
Anacortes, WA 98221
Phone: 360-293-8008
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Form UA
Utility Addendum
Rev 7/2020
Page 1 of 2

UTILITY CHARGES ADDENDUM

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The following is part of the Purchase and Sale Agreement with Reference Date 08/31, 20 26 between AIT Investments LLC ("Buyer") and City of Anacortes, a Washington municipal corporation ("Seller") regarding the sale of property located at 9029 Molly Lane B&C, Anacortes, WA 98221 (the "Property").

Pursuant to RCW 60.80, Buyer and Seller request the Closing Agent to administer the disbursement of closing funds necessary to satisfy unpaid utility charges affecting the Property. The names and addresses of all utilities providing service to the Property and having lien rights are as follows:

Water District: City of Anacortes
Name
https://www.anacorteswa.gov/182/Utility-Billing
e-mail or website (optional)
Address
City, State, Zip

Sewer District: City of Anacortes
Name
https://www.anacorteswa.gov/182/Utility-Billing
e-mail or website (optional)
Address
City, State, Zip

Irrigation District: N/A
Name
e-mail or website (optional)
Address
City, State, Zip

Garbage: City of Anacortes
Name
https://www.anacorteswa.gov/182/Utility-Billing
e-mail or website (optional)
Address
City, State, Zip

INITIALS: Buyer AT Date 09/09/26 Seller RW Date 09/10/26

Buyer ______ Date ______ Seller ______ Date ______

UTILITY CHARGES ADDENDUM
(CONTINUED)

Electricity:

Puget Sound Energy
Name

https://www.pse.com/en
e-mail or website (optional)

Address

City, State, Zip

Gas:

Cascade Natural Gas
Name

https://www.cngc.com/
e-mail or website (optional)

Address

City, State, Zip

Special District(s):
(local improvement districts or utility local improvement)

Name

e-mail or website (optional)

Address

City, State, Zip

IF THE ABOVE INFORMATION HAS NOT BEEN FILLED IN AT THE TIME OF MUTUAL ACCEPTANCE OF THIS AGREEMENT, THEN (1) WITHIN _____ DAYS (5 DAYS IF NOT FILLED IN) OF MUTUAL ACCEPTANCE OF THIS AGREEMENT, SELLER SHALL PROVIDE THE LISTING BROKER, SELLING BROKER, OR CLOSING AGENT WITH THE NAMES AND ADDRESSES OF ALL UTILITY PROVIDERS HAVING LIEN RIGHTS AFFECTING THE PROPERTY AND (2) BUYER AND SELLER AUTHORIZE LISTING BROKER, SELLING BROKER OR CLOSING AGENT TO INSERT INTO THIS ADDENDUM THE NAMES AND ADDRESSES OF THE UTILITY PROVIDERS IDENTIFIED BY SELLER. SELLER ACKNOWLEDGES THAT THIS ADDENDUM DOES NOT RELIEVE SELLER OF ITS OBLIGATION TO PAY UTILITY CHARGES, BILLED OR UNBILLED OR EVIDENCED BY A RECORDED LIEN OR NOT. THE PARTIES UNDERSTAND THAT NEITHER LISTING BROKER NOR SELLING BROKER IS RESPONSIBLE FOR PAYING UTILITY CHARGES OR FOR INSURING THAT THEY ARE PAID BY ANY OTHER PERSON.

INITIALS Buyer AT Date 09/09/26 Seller RW Date 09/10/26

Buyer ______ Date ______ Seller ______ Date ______

Windermere Real Estate-Anacortes
3018 Commercial Ave
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

Form: EMN
Earnest Promissory Note
Rev 7/2020
Page 1 of 1

EARNEST MONEY PROMISSORY NOTE

$ 20,000.00

Place: Anacortes WA

Date: 09/04//2026

FOR VALUE RECEIVED, AIT Investments LLC ("Buyer")agrees to pay to the order of Chicago Title and Escrow ("Holder") the sum of Twenty Thousand Dollars ($ 20,000.00) as follows:

☐ ______ days (3 days if not filled in) followingmutual acceptance of the Agreement (defined below).

☐ Upon satisfaction or waiver of the feasibility contingency stated in the Agreement.

☒ Other Within 2 days of waiver of feasibility. *.

This Note is evidence of the obligation to pay earnest money under the purchase and sale agreement (the "Agreement") between Buyer and City of Anacortes, a Washington municipal corporation ("Seller") with Reference Date 08/31 , 20 26 for the property located at 9029 Molly Lane, Anacortes WA 98221 . Buyer's failure to pay the earnest money strictly as above shall constitute default on the Agreement as well as on this Note.

If Holder retains an attorney for collection of amounts due pursuant to this Note, or if Holder brings suit to collect any amounts due on this Note, Buyer shall pay a reasonable attorney's fee and costs. This Note shall bear interest at the rate of twelve percent (12%) per annum after default.

BUYER

By: Alex Thieman 09/09/26

Printed Name and Title: ______

* Do not enter "on closing" as the date this Note becomes due and payable because closing under the Agreement is not certain to occur. Instead, insert a specific date or an event that is certain to occur.

LEASE AGREEMENT
(Single Tenant for Entire Parcel - NNN)

THIS LEASE AGREEMENT ("Lease") is entered into and effective as of this _____ day of _____ , 20 __ , between AIT Investments LLC , a(n) _____ ("Landlord"), and City of Anacortes, a Washington municipal corporation , a(n) _____ ("Tenant"). Landlord and Tenant agree as follows:

1. **LEASE SUMMARY.**

a. **Leased Premises.** The leased commercial real estate ("Premises") consists of that real property legally described on the attached Exhibit A, including all improvements thereon, and commonly described as 9029 Molly Lane , Suite B , Anacortes , WA 98221 . The Premises contains an agreed total area of 3,141 rentable square feet.

b. **Lease Commencement Date.** The term of this Lease shall commence upon (check one):

☐ Substantial completion of (choose one) ☐ Landlord's Work, or ☐ Tenant's Work, as further described in the attached Exhibit B ("Work Letter"), but in no event later than _____ , 20 __

☒ December 1 , 20 26

(the "Commencement Date").

c. **Lease Termination Date.** The term of this Lease shall terminate at midnight on the last day of the 120 full month following the Commencement Date, or such earlier or later date as otherwise provided in this Lease (the "Termination Date"). Tenant shall have no right or option to extend this Lease, unless otherwise set forth in a rider attached to this Lease (e.g., Option to Extend Rider, CBA Form OR).

d. **Base Rent.** The monthly base rent shall be (check one): ☐ $ _____ , or ☒ according to the Rent Rider attached hereto ("Base Rent"). Base Rent and all other amounts payable by Tenant to Landlord hereunder ("Rent") shall be payable by wire transfer or at Landlord's address shown in Section 1(h) below, or such other place designated in writing by Landlord.

e. **Prepaid Rent.** Upon execution of this Lease, Tenant shall deliver to Landlord the sum of $ 0.00 as prepaid Base Rent, to be applied to Base Rent due for months _____ through _____ of the Lease.

f. **Security Deposit.** Upon execution of this Lease, Tenant shall deliver to Landlord the sum of $ 0.00 to be held as a security deposit pursuant to Section 5 below. The security deposit shall be in the form of (check one): ☐ cash, check or wire transfer, or ☐ letter of credit according to the Letter of Credit Rider (CBA Form LCR) attached hereto.

g. **Permitted Use.** The Premises shall be used only for Fire Station , subject to applicable zoning and other laws, and for no other purpose without the prior written consent of Landlord (the "Permitted Use").

h. **Notice and Payment Addresses.**

Landlord:
AIT Investments LLC
9028 Molly Lane
Anacortes, WA 98221
Email: Alex@lopezislandcreamery.com

Tenant:
City of Anacortes, a Washington municipal corporation
904 6th Street
Anacortes, WA 98221

Email: contracts@anacorteswa.gov

2. **PREMISES.**

   a. **Lease of Premises.** Landlord leases to Tenant, and Tenant leases from Landlord, the Premises upon the terms specified in this Lease.

   b. **Acceptance of Premises.** Except as specified elsewhere in this Lease, Landlord makes no representations or warranties to Tenant regarding the Premises, including the structural condition of the Premises or the condition of all mechanical, electrical, and other systems on the Premises. Except for any tenant improvements to be completed by Landlord as described in the Work Letter attached as Exhibit B ("Landlord's Work"), Tenant shall accept the Premises and its improvements in their respective AS-IS, WHERE-IS condition, and shall further be responsible for performing any work necessary to bring the Premises into a condition satisfactory to Tenant. By signing this Lease, Tenant acknowledges that it has had an adequate opportunity to investigate the Premises; acknowledges responsibility for making any corrections, alterations and repairs to the Premises (other than Landlord's Work); and acknowledges that the time needed to complete any such items shall not delay the Commencement Date.

   c. **Tenant Improvements.** The Work Letter attached as Exhibit B sets forth all of Landlord's Work, if any, and all tenant improvements to be completed by Tenant ("Tenant's Work"), if any, that will be performed on the Premises. Responsibility for design, payment and performance of all such work shall be as set forth in the Work Letter.

3. **TERM.** The term of this Lease shall commence on the Commencement Date and shall end on the Termination Date, subject to any option to extend the term of this Lease set forth in a rider attached hereto (the "Term").

   a. **Early Possession.** Tenant shall have reasonable access to the Premises during the 0 days ((0) days if not filled in) preceding the Commencement Date for the sole purpose of installing Tenant's furniture, telecommunications, fixtures, telephone systems and computer cabling and the performance of Tenant's Work, if any. Such access shall be fully coordinated with Landlord in advance and Tenant shall not interfere with Landlord's Work. All of the terms and conditions of this Lease, including Tenant's insurance and indemnification obligations, shall apply during such time, except for payment of Base Rent. If Landlord permits Tenant to possess or occupy the Premises prior to the Commencement Date specified in Section 1, then such early occupancy shall not advance the Commencement Date or the Termination Date set forth in Section 1.

   b. **Delayed Possession.** Landlord shall act diligently to make the Premises available to Tenant; provided, however, neither Landlord nor any agent or employee of Landlord shall be liable for any damage or loss due to Landlord's inability or failure to deliver possession of the Premises to Tenant as provided in this Lease. If possession is delayed, the Commencement Date set forth in Section 1 shall also be delayed. If Landlord does not deliver possession of the Premises to Tenant within _____ days ((60) days if not filled in) after the Commencement Date specified in Section 1 (check one): ☐ Tenant may elect to cancel this Lease by giving written notice to Landlord no later than _____ days ((10) days if not filled in) after such time period ends, or ☐ then all Base Rent and Additional Rent (as defined below) shall be abated for each one (1) day after the Commencement Date during which possession of the Premises has not been delivered to Tenant. If Tenant gives such notice of cancellation, as Tenant's sole and exclusive remedy, the Lease shall be cancelled, all prepaid Rent (as such term is defined below) and security deposits shall be refunded to Tenant, and neither Landlord nor Tenant shall have any further obligations to the other.

   Notwithstanding anything in this Paragraph 3(b) to the contrary, to the extent that any portions of the Landlord's Work or Tenant's Work have not been sufficiently completed in time for the Tenant to occupy or take possession of the Premises on the Commencement Date due to the failure of Tenant to fulfill any of its obligations under this Lease ("Tenant Delays"), the Lease Term and Tenant's obligation to pay Base

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Rent and Additional Rent shall nevertheless commence on the Commencement Date set forth in Section 1, or upon the date that the Commencement Date would have occurred but for the Tenant Delays. The first "Lease year" shall commence on the Commencement Date and shall end on the date which is twelve (12) months from the end of the month in which the Commencement Date occurs. Each successive Lease year during the Term shall be twelve (12) months, commencing on the first day following the end of the preceding Lease year.

4. **RENT.**

   a. **Payment of Rent.** Tenant shall pay Landlord without notice, demand, deduction, or offset, in lawful money of the United States, the monthly Base Rent stated in Section 1 in advance on or before the first day of each month during the Term beginning on (check one): ☒ the Commencement Date, or ☐ _____ (if no date specified, then on the Commencement Date), and shall also pay any other additional payments due to Landlord ("Additional Rent" and together with Base Rent, the "Rent") when required under this Lease. Payments for any partial month during the Term shall be prorated. All payments due to Landlord under this Lease, including late fees and interest, shall also constitute Additional Rent, and upon Tenant's failure to pay any such costs, charges or expenses, Landlord shall have the same rights and remedies as otherwise provided in this Lease for the failure of Tenant to pay Rent.

   b. **Triple Net Lease.** This Lease is what is commonly called a "Net, Net, Net" or "triple-net" Lease, which means that Landlord shall receive all Base Rent free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises. In addition to Base Rent, Tenant shall pay to the parties respectively entitled thereto, or satisfy directly, all Additional Rent and other impositions, insurance premiums, repair and maintenance charges, and any other charges, costs, obligations, liabilities, requirements, and expenses, which arise with regard to the Premises or may be contemplated under any other provision of the Lease during its term, except for costs and expenses expressly made the obligation of Landlord in this Lease.

   c. **Late Charges; Default Interest.** If any sums payable by Tenant to Landlord under this Lease are not received within five (5) business days after their due date, Tenant shall pay Landlord an amount equal to the greater of $100 or 5% of the delinquent amount for the cost of collecting and handling such late payment in addition to the amount due and as Additional Rent. All delinquent sums payable by Tenant to Landlord and not paid within five (5) business days after their due date shall, at Landlord's option, bear interest at the rate of 15% per annum, or the highest rate of interest allowable by law, whichever is less (the "Default Rate"). Interest on all delinquent amounts shall be calculated from the original due date to the date of payment.

   d. **Less Than Full Payment.** Landlord's acceptance of less than the full amount of any payment due from Tenant shall not be deemed an accord and satisfaction or compromise of such payment unless Landlord specifically consents in writing to payment of such lesser sum as an accord and satisfaction or compromise of the amount which Landlord claims. Any portion that remains to be paid by Tenant shall be subject to the late charges and default interest provisions of this Section 4.

5. **SECURITY DEPOSIT.** Upon execution of this Lease, Tenant shall deliver to Landlord the security deposit specified in Section 1 above. Landlord's obligations with respect to the security deposit are those of a debtor and not of a trustee, and Landlord may commingle the security deposit with its other funds. If Tenant defaults in the performance of any covenant or condition of this Lease, Landlord shall have the right, but not the obligation, to use or retain all or any portion of the security deposit for the payment of: (i) Base Rent, Additional Rent, or any other sum as to which Tenant is in default; or (ii) the amount Landlord spends or may become obligated to spend, or to compensate Landlord for any losses incurred by reason of Tenant's default. Tenant acknowledges, however, that the security deposit shall not be considered as a measure of Tenant's damages in case of default by Tenant, and any payment to Landlord from the security deposit shall not be construed as a payment of liquidated damages for Tenant's default. If at any time during the Lease the security deposit

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3018 Commercial Ave.
Anacortes, WA 98221
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delivered by Tenant becomes insufficient to cover the amounts required under this Section 5, whether or not due to Landlord's application of all or a portion of the security deposit as contemplated by this Section, Tenant shall, within five (5) days after written demand therefore by Landlord, deposit with Landlord an amount sufficient to replenish the security deposit to the amount required in Section 1 above. If Tenant is not in default of any covenant or condition of this Lease at the end of the Term, Landlord shall return any unused portion of the security deposit without interest within 30 days after the surrender of the Premises by Tenant in the condition required hereunder by Section 11 of this Lease.

6. **USES.** The Premises shall be used only for the Permitted Use, and for no other business or purpose without the prior written consent of Landlord. Tenant shall not do or permit any act to be done on or around the Premises that violates any law, ordinance, governmental regulation or order or that will increase the existing rate of insurance on the Premises, or cause the cancellation of any insurance on the Premises. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance.

7. **COMPLIANCE WITH LAWS.** Landlord represents to Tenant that, as of the Commencement Date, to Landlord's actual knowledge, but without duty of investigation, and with the exception of any Tenant's Work, the Premises comply with all applicable laws, rules, regulations, and orders, including without limitation, the Americans With Disabilities Act, and Landlord shall be responsible to promptly cure at its sole cost any noncompliance which existed on the Commencement Date. Tenant shall be responsible for complying with all laws applicable to the Premises as a result of the Permitted Use, and Tenant shall be responsible for making any changes or alterations as may be required by law, rule, regulation, or order for the Permitted Use at its sole cost and expense. Otherwise, if changes or alterations are required by law, rule, regulation, or order unrelated to the Permitted Use, Landlord shall make such changes and alterations at its expense.

8. **UTILITIES AND SERVICES.** Landlord shall not be responsible for providing any utilities or services to the Premises and shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption, or failure of utilities due to any cause whatsoever, and Rent shall not abate as a result thereof, except to the extent due to the intentional misconduct or gross negligence of Landlord. Tenant shall be responsible for determining the availability of utilities and for determining the adequacy of their capacities for Tenant's needs. Tenant shall install and connect, as necessary, and directly pay for all water, sewer, gas, janitorial, electricity, garbage removal, heat, telephone, internet, cable services, and other utilities and services used by Tenant on the Premises during the Term, as the same may be extended, whether or not such services are billed to Landlord for reimbursement by Tenant. Tenant will also procure, or cause to be procured, without cost to Landlord, all necessary permits, licenses or other authorizations required for the lawful and proper installation, maintenance, replacement, and removal on or from the Premises of wires, pipes, conduits, tubes, and other equipment and appliances for use in supplying all utilities or services to the Premises. Landlord, upon request of Tenant, and at the sole expense and liability of Tenant, shall cooperate with Tenant in any reasonable applications required for obtaining or continuing such utilities or services.

9. **TAXES AND ASSESSMENTS.** Tenant shall pay all Taxes (as such term is defined below) applicable to the Premises during the Lease Term, as the same may be extended. Tenant shall submit payments for Taxes at least 10 days prior to their due date and shall promptly furnish Landlord with satisfactory evidence that Taxes have been paid. If any Taxes paid by Tenant during the Term of the Lease apply to any period of time before the Commencement Date or after the expiration or earlier termination of the Lease, Tenant's share of those Taxes paid shall be prorated for the period of time within the applicable tax period during which the Lease Term (including any extension thereof) was in effect, and Landlord shall promptly reimburse or credit Tenant the balance of the Taxes paid, as applicable. If Tenant fails to timely pay any Taxes in accordance with this Section 9, Landlord may, but is not obligated to, pay the unpaid Taxes, and Tenant shall reimburse such paid amount(s) to Landlord upon written demand therefore. Landlord may also elect to pay all such Taxes directly to the appropriate taxing authority(ies) and receive reimbursement from Tenant within 10 days after written demand therefore, of either the full amount paid or, at Landlord's election, in equal monthly installments.

The term "Taxes" shall mean: (i) any form of tax or assessment imposed on the Premises by any authority,

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including any city, county, state or federal government, or any improvement district, as against any legal or equitable interest of Landlord or Tenant in the Premises or in the real property of which the Premises are a part, or against Rent paid for leasing the Premises; and (ii) any form of personal property tax or assessment imposed on any personal property, fixtures, furniture, tenant improvements, equipment, inventory, or other items, and all replacements, improvements, and additions to them, located on the Premises, whether owned by Landlord or Tenant. "Taxes" shall exclude any net income tax imposed on Landlord for income that Landlord receives under this Lease.

Tenant may, following at least 10 days' notice to Landlord, contest the amount or validity, in whole or in part, of any Taxes paid by Tenant, the cost of which shall be borne at Tenant's sole cost and expense; provided, however, in advance of any such contest, Tenant shall post such security as Landlord may reasonably require to protect the Premises against loss or forfeiture. Upon the termination of any such proceedings, Tenant shall pay the amount of such Taxes as finally determined and not yet paid by Tenant, together with any costs, fees, interest penalties, or other related liabilities. Landlord shall reasonably cooperate with Tenant in contesting any Taxes, provided Landlord incurs no expense or liability in doing so.

10. **ALTERATIONS.** Tenant may make alterations, additions or improvements to the Premises (the "Alterations"), only with the prior written consent of Landlord, which consent, with respect to Alterations not affecting the structural components of the Premises or utility systems therein or for which the aggregate cost and expense does not exceed $10,000, shall not be unreasonably withheld, conditioned, or delayed. Landlord shall have 30 days following Tenant's request for Alterations to respond to such request, provided Tenant's request includes the name of Tenant's contractors and reasonably detailed plans and specifications therefor. The term "Alterations" shall not include: (i) any of Tenant's Work approved by Landlord pursuant to Exhibit B, (ii) Tenant's Signage (as further provided in Section 13), or (iii) the installation of shelves, movable partitions, or Tenant's equipment and trade fixtures that may be installed and removed without damaging existing improvements or the structural integrity of the Premises. Tenant shall perform all work at Tenant's expense and in compliance with all applicable laws and shall complete all Alterations in accordance with plans and specifications approved by Landlord, using contractors approved by Landlord. Tenant shall pay when due, or furnish a bond for payment of (as set forth in Section 18), all claims for labor or materials furnished to or for Tenant at or for use in the Premises, which claims are or may be secured by any mechanics' or materialmens' liens against the Premises or any interest therein. Except as otherwise provided in the Work Letter attached as Exhibit B with respect to Tenant's Work, any improvements installed as part of Tenant Work's or Alterations performed or caused to be performed by Tenant (check one): ☐ shall become the property of Landlord, or ☐ shall be removed by Tenant at its sole cost and expense upon the expiration or earlier termination of the Lease Term (unless Landlord conditioned its consent in writing upon Tenant leaving a specified Alteration at the Premises, in which case Tenant shall not remove such Alteration, and it shall become Landlord's property). Tenant shall immediately repair any damage to the Premises caused by removal of improvements performed as part of Tenant's Work and/or Alterations.

11. **REPAIRS AND MAINTENANCE; SURRENDER.** Tenant shall, at its sole cost and expense, maintain the entire Premises including without limitation the roof surface and routine repairs and maintenance to all heating, ventilation, and air conditioning ("HVAC") equipment at the Premises, in good condition and promptly make all repairs and replacements, whether structural or non-structural, necessary to keep the Premises in safe operating condition, including all utilities and other systems serving the Premises, but excluding the roof structure, subfloor, foundation, exterior walls, and capital replacements to the HVAC system (collectively, the "Landlord's Repair Items"), which Landlord shall maintain in good condition and repair at Landlord's expense, provided that Tenant shall not damage any Landlord's Repair Items and shall promptly repair any damage or injury done thereto caused by Tenant or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. Notwithstanding anything in this Section 11 to the contrary, Tenant shall not be responsible for any repairs to the Premises made necessary by the negligence or willful misconduct of Landlord or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees therein. If Tenant fails to perform Tenant's obligations under this Section, Landlord may at Landlord's option enter upon the Premises after 10 days' notice to Tenant and

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put the same in good order, condition and repair, the costs of which, together with interest thereon at the default rate set forth in Section 4, shall be chargeable to Tenant and payable as Additional Rent to Landlord together with Tenant's next installment of Base Rent. Upon expiration or earlier termination of the Lease Term, Tenant shall promptly and peacefully surrender the Premises to Landlord, together with all keys, in materially as good condition as when received by Tenant from Landlord or as thereafter improved (but subject to any obligations to remove any Tenant's Work and Alterations and/or restore the same as provided elsewhere in this Lease), reasonable wear and tear and insured casualty excepted.

12. **ACCESS AND RIGHT OF ENTRY.** After twenty-four (24) hours' notice from Landlord (except in cases of emergency, when no notice shall be required), Tenant shall permit Landlord and its agents, employees and contractors to enter the Premises at all reasonable times to make repairs, inspections, alterations or improvements, provided that Landlord shall use reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises. This Section shall not impose any repair or other obligation upon Landlord not expressly stated elsewhere in this Lease. After reasonable notice to Tenant, Landlord shall have the right to enter the Premises for the purpose of (a) showing the Premises to prospective purchasers or lenders at any time, and to prospective tenants within 180 days prior to the expiration or sooner termination of the Term; and, (b) for posting "for lease" signs within 180 days prior to the expiration or sooner termination of the Term.

13. **SIGNAGE.** Tenant shall obtain Landlord's written consent as to size, location, materials, method of attachment, and appearance, before installing any signs upon the Premises. Tenant shall install and maintain any approved signage ("Signage") at Tenant's sole expense and in compliance with all applicable laws. Unless as otherwise provided in Exhibit B with respect to any Tenant Work, any Signage installed by Tenant shall be removed from the Premises at Tenant's expense upon the expiration or earlier termination of the Lease term. Tenant shall not damage or deface the Premises in installing or removing Signage and shall repair any injury or damage to the Premises caused by such installation or removal.

14. **DESTRUCTION OR CONDEMNATION.**

    a. **Damage and Repair.** If the Premises are partially damaged but not rendered untenantable, by fire or other insured casualty, then Landlord shall diligently restore the Premises to the extent required below and this Lease shall not terminate. The Premises shall not be deemed untenantable if 25% or less of the Premises are damaged. Landlord shall have no obligation to restore the Premises if insurance proceeds are not available to pay the entire cost of such restoration. If insurance proceeds are available to Landlord but are not sufficient to pay the entire cost of restoring the Premises, or if Landlord's lender shall not permit all or any part of the insurance proceeds to be applied toward restoration, then Landlord may elect to terminate this Lease and keep the insurance proceeds, by notifying Tenant within 60 days of the date of such casualty.

    If 50% or more of the rentable area of the Premises are destroyed or damaged and rendered untenantable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises to their previous condition to the extent required below; provided, however, if such casualty event occurs during the last six (6) months of the Lease term (after considering any option to extend the term timely exercised by Tenant) then either Tenant or Landlord may elect to terminate the Lease. If, within 60 days after receipt by Landlord from Tenant of written notice that Tenant deems the Premises untenantable, Landlord fails to notify Tenant of its election to restore the Premises, or if Landlord is unable to restore the Premises within six (6) months of the date of the casualty event, then Tenant may elect to terminate the Lease upon 20 days' written notice to Landlord unless Landlord, within such 20 day period, notifies Tenant that it will in fact restore the Premises or actually completes such restoration work to the extent required below, as applicable.

    If Landlord restores the Premises under this Section 14, Landlord shall proceed with reasonable diligence to complete the work, and the Base Rent shall be abated in the same proportion as the untenantable portion of the Premises bears to the whole Premises, provided that there shall be a Base Rent abatement

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only if the damage or destruction of the Premises did not result from, or was not contributed to directly or indirectly by, the act, fault or neglect of Tenant or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. No damages, compensation or claim shall be payable by Landlord for Tenant's inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises. Landlord shall have no obligation to carry insurance of any kind for the protection of Tenant; any Alterations or improvements paid for by Tenant; any tenant improvements identified in Exhibit B (regardless of who may have completed them); Signage; Tenant's furniture; or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease; and Landlord's restoration obligations hereunder shall not include any obligation to repair any damage thereto or replace the same.

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

15. **INSURANCE.**

a. **Tenant's Liability Insurance.** During the Term, Tenant shall pay for and maintain commercial general liability insurance with broad form property damage and contractual liability endorsements. This policy shall (i) contain an endorsement identifying Landlord, its property manager (if any), and other parties designated by Landlord, as additional insureds using an endorsement form acceptable to Landlord, (ii) shall insure Tenant's activities and those of Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees with respect to the Premises against loss, damage or liability for personal injury or bodily injury (including death) or loss or damage to property with a combined single limit of not less than $2,000,000 per occurrence, and a deductible of not more than $10,000, and (iii) contain a provision requiring the insurer to deliver or mail written notice of cancellation to the named insureds at least forty-five (45) days before the effective date of the cancellation. Tenant's insurance will be primary and noncontributory with any liability insurance carried by Landlord. Landlord may also require Tenant to obtain and maintain at Tenant's sole cost business income coverage for at least six (6) months, business auto liability coverage, and, if applicable to Tenant's Permitted Use, liquor liability insurance and/or warehouseman's coverage.

b. **Tenant's Property Insurance.** During the Term, Tenant shall pay for and maintain special form clauses of loss coverage property insurance (with coverage for earthquake if required by Landlord's lender and, if the Premises are situated in a flood plain, flood damage) for all of Tenant's personal property, fixtures and equipment, Tenant's Work, and Alterations in the amount of their full replacement value, with a deductible of not more than $10,000. Landlord shall maintain property insurance for the building in which the Premises are located, the cost(s) for which shall constitute Additional Rent payable by Tenant in accordance with this Lease.

c. **Miscellaneous.** Tenant's insurance required under this Section shall be with companies rated A-/VII or better in Best's Insurance Guide, and which are admitted in the State of Washington. No insurance policy shall be cancelled or reduced in coverage and each such policy shall provide that it is not subject to cancellation or a reduction in coverage except after 45 days prior written notice to Landlord. Tenant shall deliver to Landlord, prior to Tenant's first taking possession of or occupying the Premises, and from time to time thereafter, copies of the insurance policies or evidence of insurance and copies of endorsements required by this Section. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease. If Tenant fails to acquire or maintain any insurance or provide any policy or evidence of insurance required by this Section, and such failure continues for three (3) days after notice from Landlord, Landlord may, but shall not be required to, obtain such insurance for Landlord's benefit and Tenant shall reimburse Landlord for the costs of such insurance upon demand. Such amounts shall be Additional Rent payable by Tenant hereunder and in the event of non-payment thereof, Landlord shall have the same rights and remedies with respect to such non-payment as it has with respect to any other non-payment of Rent hereunder.

d. **Waiver of Subrogation.** Notwithstanding any other provision of this Lease to the contrary, Landlord and Tenant hereby release each other and any other tenant, their agents or employees, from responsibility for, and waive their entire claim of recovery for any loss or damage arising from any cause covered by insurance required to be carried or otherwise carried by each of them. Each party shall provide notice to the insurance carrier or carriers of this mutual waiver of subrogation, and shall cause its respective insurance carriers to waive all rights of subrogation against the other. This waiver shall not apply to the extent of the deductible amounts to any such policies or to the extent of liabilities exceeding the limits of such policies.

16. **INDEMNIFICATION.**

a. **Indemnification by Tenant.** Tenant shall defend, indemnify, and hold Landlord and its property manager (if any) harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Tenant or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises, or arising from any breach of this Lease by Tenant. Tenant shall use legal counsel reasonably acceptable to Landlord in defense of any action within Tenant's defense obligation.

b. **Indemnification by Landlord.** Landlord shall defend, indemnify and hold Tenant harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Landlord or Landlord's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises, or arising from any breach of this Lease by Landlord. Landlord shall use legal counsel reasonably acceptable to Tenant in defense of any action within Landlord's defense obligation.

c. **Waiver of Immunity.** Landlord and Tenant each specifically and expressly waive any immunity that each may be granted under the Washington State Industrial Insurance Act, Title 51 RCW. Neither party's indemnity obligations under this Lease shall be limited by any limitation on the amount or type of damages, compensation, or benefits payable to or for any third party under the Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts.

d. **Exemption of Landlord from Liability.** Except to the extent of claims arising out of Landlord's gross negligence or intentional misconduct, Landlord shall not be liable for injury to Tenant's business or assets or any loss of income therefrom or for damage to any property of Tenant or of its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, or any other person in or about the Premises.

e. **Survival.** The provisions of this Section 16 shall survive expiration or termination of this Lease.

17. **ASSIGNMENT AND SUBLETTING.** Tenant shall not assign, sublet, mortgage, encumber or otherwise

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transfer any interest in this Lease (collectively referred to as a "Transfer") or any part of the Premises, without first obtaining Landlord's written consent which shall not be unreasonably withheld, conditioned, or delayed. No Transfer shall relieve Tenant of any liability under this Lease notwithstanding Landlord's consent to such Transfer. Consent to any Transfer shall not operate as a waiver of the necessity for Landlord's consent to any subsequent Transfer. In connection with each request for consent to a Transfer, Tenant shall pay the reasonable cost of processing the same, including attorneys' fees, upon demand of Landlord, up to a maximum of $1,250.

Any transfer of this Lease by merger, consolidation, redemption or liquidation of Tenant, or any change in the ownership of, or power to vote, which singularly or collectively represents a majority of the beneficial interest in Tenant, shall constitute a Transfer under this Section.

As a condition to Landlord's approval, if given, any potential assignee or sublessee otherwise approved by Landlord shall assume all obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant and any guarantor for the payment of Rent and performance of all obligations of Tenant under this Lease. In connection with any Transfer, Tenant shall provide Landlord with copies of all assignments, subleases and assumption agreements and related documents.

18. **LIENS.** Tenant is not authorized to subject the Landlord's assets to any liens or claims of lien. Tenant shall keep the Premises free from any liens created by or through Tenant. Tenant shall indemnify, defend, and hold Landlord and the Premises harmless from liability for any such liens including, without limitation, liens arising from any of Tenant's Work or Alterations. If a lien is filed against the Premises by any person claiming by, through or under Tenant, Tenant shall have the right to contest the correctness or validity of the lien, provided, however, within 10 days after Landlord's demand, at Tenant's expense, Tenant shall either remove the lien or shall procure and record a lien release bond issued by a surety satisfactory to Landlord in form and amount sufficient to satisfy statutory requirements for satisfaction and release of the subject lien(s) from the Premises. Tenant shall indemnify Landlord and the Premises from and against all liabilities, costs and expenses, including attorneys' fees, which Landlord could reasonably incur as a result of such lien.

19. **DEFAULT.** Each of the following events shall be an "Event of Default" by Tenant under this Lease:

    a. **Failure To Pay.** Failure by Tenant to pay any sum, including Rent, due under this Lease following five (5) days' notice from Landlord of the failure to pay.

    b. **Vacation/Abandonment.** Vacation by Tenant of the Premises (defined as an absence for at least 15 consecutive days without prior notice to Landlord), or abandonment by Tenant of the Premises (defined as an absence of five (5) days or more while Tenant is in breach of some other term of this Lease). Tenant's vacation or abandonment of the Premises shall not be subject to any notice or right to cure.

    c. **Insolvency.** Tenant's insolvency or bankruptcy (whether voluntary or involuntary), or appointment of a receiver, assignee or other liquidating officer for Tenant's business; provided, however, that in the event of any involuntary bankruptcy or other insolvency proceeding, the existence of such proceeding shall constitute an Event of Default only if such proceeding is not dismissed or vacated within 60 days after its institution or commencement.

    d. **Levy or Execution.** The taking of Tenant's interest in this Lease or the Premises, or any part thereof, by execution or other process of law directed against Tenant, or attachment of Tenant's interest in this Lease by any creditor of Tenant, if such attachment is not discharged within 15 days after being levied.

    e. **Other Non-Monetary Defaults.** The breach by Tenant of any agreement, term or covenant of this Lease other than one requiring the payment of money and not otherwise enumerated in this Section or elsewhere in this Lease, which breach continues for a period of 30 days after notice by Landlord to Tenant of the breach, provided that, if the nature of such default is such that it cannot be cured within such 30 day

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period, no Event of Default shall occur so long as Tenant commences such cure within 30 days of notice by Landlord and diligently pursues such cure to completion, but in no event longer than 60 days from the date of Landlord's notice.

f. **Failure to Take Possession.** Failure by Tenant to take possession of the Premises on the Commencement Date following five (5) days' notice from Landlord of Tenant's failure to take possession.

Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within 30 days after notice by Tenant to Landlord, provided that, if the nature of such default is that it cannot be cured within such 30 day period, Landlord shall not be in default if Landlord commences such cure within 30 days of notice by Tenant and diligently pursues such cure to completion. If Landlord fails to cure any such default within the allotted time, Tenant's sole remedy shall be to seek actual money damages (but not consequential or punitive damages) for loss arising from Landlord's failure to discharge its obligations under this Lease. Nothing herein contained shall relieve Landlord from its duty to perform any of its obligations to the standard prescribed in this Lease.

Any notice periods granted herein shall be deemed to run concurrently with and not in addition to any default notice periods required by law.

20. **REMEDIES.** Landlord shall have the following remedies upon an Event of Default. Landlord's rights and remedies under this Lease shall be cumulative and non-exclusive.

a. **Termination of Lease.** Landlord may terminate Tenant's interest under the Lease, but no act by Landlord other than notice of termination from Landlord to Tenant shall terminate this Lease. The Lease shall terminate on the date specified in the notice of termination. Upon termination of this Lease, Tenant will remain liable to Landlord for damages in an amount equal to Rent and other sums that would have been owing by Tenant under this Lease for the balance of the Term, less the net proceeds, if any, of any reletting of the Premises by Landlord subsequent to the termination, after deducting all of Landlord's Reletting Expenses (as defined below). Landlord shall be entitled to either collect damages from Tenant monthly on the days on which Rent or other amounts would have been payable under the Lease, or alternatively, Landlord may accelerate Tenant's obligations under the Lease and recover from Tenant: (i) unpaid Rent which had been earned at the time of termination; (ii) the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of Rent loss that Tenant proves could reasonably have been avoided; (iii) the amount by which the unpaid Rent for the balance of the term of the Lease after the time of award exceeds the amount of Rent loss that Tenant proves could reasonably be avoided (discounting such amount by the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%); and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease, or which in the ordinary course would be likely to result from the Event of Default, including without limitation Reletting Expenses described below.

b. **Re-Entry and Reletting.** Landlord may continue this Lease in full force and effect, and without demand or notice, re-enter and take possession of the Premises or any part thereof, expel the Tenant from the Premises and anyone claiming through or under the Tenant, and remove the personal property of either. Landlord may relet the Premises, or any part of them, in Landlord's or Tenant's name for the account of Tenant, for such period of time and at such other terms and conditions as Landlord, in its discretion, may determine. Landlord may collect and receive the rents for the Premises. To the fullest extent permitted by law, the proceeds of any reletting shall be applied: first, to pay Landlord all Reletting Expenses (defined below); second, to pay any indebtedness of Tenant to Landlord other than Rent; third, to the Rent due and unpaid hereunder; and fourth, the residue, if any, shall be held by Landlord and applied in payment of other or future obligations of Tenant to Landlord as the same may become due and payable, and Tenant shall not be entitled to receive any portion of such revenue. Re-entry or taking possession of the Premises by Landlord under this Section shall not be construed as an election on Landlord's part to terminate this

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Lease, unless a notice of termination is given to Tenant. Landlord reserves the right following any re-entry or reletting, or both, under this Section to exercise its right to terminate the Lease. Tenant will pay Landlord Rent and other sums which would be payable under this Lease if repossession had not occurred, less the net proceeds, if any, after reletting the Premises and after deducting Landlord's Reletting Expenses. "Reletting Expenses" is defined to include all expenses incurred by Landlord in connection with reletting the Premises, including without limitation, all repossession costs, brokerage commissions and costs for securing new tenants, attorneys' fees, remodeling and repair costs, costs for removing persons or property, costs for storing Tenant's property and equipment, and costs of tenant improvements and rent concessions granted by Landlord to any new Tenant, prorated over the life of the new lease.

c. **Waiver of Redemption Rights.** Tenant, for itself, and on behalf of any and all persons claiming through or under Tenant, including creditors of all kinds, hereby waives and surrenders all rights and privileges which they may have under any present or future law, to redeem the Premises or to have a continuance of this Lease for the Term, or any extension thereof.

d. **Nonpayment of Additional Rent.** All costs which Tenant is obligated to pay to Landlord pursuant to this Lease shall in the event of nonpayment be treated as if they were payments of Rent, and Landlord shall have the same rights it has with respect to nonpayment of Rent.

e. **Failure to Remove Property.** If Tenant fails to remove any of its property from the Premises at Landlord's request following an uncured Event of Default, Landlord may, at its option, remove and store the property at Tenant's expense and risk. If Tenant does not pay the storage cost within five (5) days of Landlord's request, Landlord may, at its option, have any or all of such property sold at public or private sale (and Landlord may become a purchaser at such sale), in such manner as Landlord deems proper, without notice to Tenant. Landlord shall apply the proceeds of such sale: (i) to the expense of such sale, including reasonable attorneys' fees actually incurred; (ii) to the payment of the costs or charges for storing such property; (iii) to the payment of any other sums of money which may then be or thereafter become due Landlord from Tenant under any of the terms hereof; and (iv) the balance, if any, to Tenant. Nothing in this Section shall limit Landlord's right to sell Tenant's personal property as permitted by law or to foreclose Landlord's lien for unpaid Rent, if any.

21. **MORTGAGE SUBORDINATION AND ATTORNMENT.** This Lease shall automatically be subordinate to any mortgage or deed of trust created by Landlord which is now existing or hereafter placed upon the Premises including any advances, interest, modifications, renewals, replacements or extensions ("Landlord's Mortgage"). Tenant shall attorn to the holder of any Landlord's Mortgage or any party acquiring the Premises at any sale or other proceeding under any Landlord's Mortgage provided the acquiring party assumes the obligations of Landlord under this Lease. Tenant shall promptly and in no event later than 15 days after request execute, acknowledge and deliver documents which the holder of any Landlord's Mortgage may reasonably require as further evidence of this subordination and attornment. Notwithstanding the foregoing, Tenant's obligations under this Section to subordinate in the future are conditioned on the holder of each Landlord's Mortgage and each party acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage not disturbing Tenant's occupancy and other rights under this Lease, so long as no uncured Event of Default by Tenant exists.

22. **NON-WAIVER.** Landlord's waiver of any breach of any provision contained in this Lease shall not be deemed to be a waiver of the same provision for subsequent acts of Tenant. The acceptance by Landlord of Rent or other amounts due by Tenant hereunder shall not be deemed to be a waiver of any previous breach by Tenant.

23. **HOLDOVER.** If Tenant shall, without the written consent of Landlord, remain in possession of the Premises and fail to return them to Landlord after the expiration or termination of this Lease, the tenancy shall be a holdover tenancy at sufferance, which may be terminated according to Washington law. During such tenancy, Tenant agrees to pay to Landlord 150% of the rate of rental last payable under this Lease, unless a different

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rate is agreed upon by Landlord. All other terms of the Lease shall remain in effect other than any options to extend the Term. Tenant acknowledges and agrees that this Section does not grant any right to Tenant to holdover, and that Tenant may also be liable to Landlord for any and all damages or expenses which Landlord may have to incur as a result of Tenant's holdover.

24. **NOTICES.** All notices under this Lease shall be in writing and effective (i) when delivered in person or via overnight courier to the other party, or (ii) three (3) days after being sent by registered or certified mail to the other party at the address set forth in Section 1. The addresses for notices and payment of Rent set forth in Section 1 may be modified by either party only by written notice delivered in conformance with this Section.

25. **COSTS AND ATTORNEYS' FEES.** If Tenant or Landlord engage the services of an attorney to collect monies due or to bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of Rent or other payments, or possession of the Premises, the losing party shall pay the prevailing party a reasonable sum for attorneys' fees in such action, whether in mediation or arbitration, at trial, on appeal, and in any bankruptcy proceeding.

26. **ESTOPPEL CERTIFICATES.** Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement specifying the following, subject to any modifications necessary to make such statements true and complete: (i) the total rentable square footage of the Premises; (ii) the date the Term commenced and the date it expires; (iii) the amount of minimum monthly Rent and the date to which such Rent has been paid; (iv) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way; (v) that this Lease represents the entire agreement between the parties; (vi) that all obligations under this Lease to be performed by either party have been satisfied; (vii) that there are no existing claims, defenses or offsets which the Tenant has against the enforcement of this Lease by Landlord; (viii) the amount of Rent, if any, that Tenant paid in advance; (ix) the amount of security that Tenant deposited with Landlord; (x) if Tenant has sublet all or a portion of the Premises or assigned its interest in the Lease and to whom; (xi) if Tenant has any option to extend the Term of the Lease or option to purchase the Premises; and (xii) such other factual matters concerning the Lease or the Premises as Landlord may reasonably request. Tenant acknowledges and agrees that any statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or assignee of any mortgage or new mortgagee of Landlord's interest in the Premises. If Tenant shall fail to respond within 10 days to Landlord's request for the statement required by this Section, Landlord may provide the statement and Tenant shall be deemed to have admitted the accuracy of the information provided by Landlord.

27. **TRANSFER OF LANDLORD'S INTEREST.** This Lease shall be assignable by Landlord without the consent of Tenant. In the event of any transfer or transfers of Landlord's interest in the Premises, other than a transfer for collateral purposes only, upon the assumption of this Lease by the transferee, Landlord shall be automatically relieved of obligations and liabilities accruing from and after the date of such transfer, including any liability for any retained security deposit or prepaid Rent, for which the transferee shall be liable, and Tenant shall attorn to the transferee.

28. **LANDLORD'S LIABILITY.** Notwithstanding anything in this Lease to the contrary, covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord but are made and intended for the purpose of binding only the Landlord's interest in the Premises, as the same may from time to time be encumbered. In no event shall Landlord or its partners, shareholders, or members, as the case may be, ever be personally liable hereunder.

29. **RIGHT TO PERFORM.** If Tenant shall fail to timely pay any sum or perform any other act on its part to be performed hereunder, Landlord may make any such payment or perform any such other act on Tenant's behalf. Tenant shall, within 10 days of demand, reimburse Landlord for its expenses incurred in making such payment or performance. Landlord shall (in addition to any other right or remedy of Landlord provided by law)

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have the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

30. **HAZARDOUS MATERIAL.** As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste including biomedical waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government, due to its potential harm to the health, safety or welfare of humans or the environment. Landlord represents and warrants to Tenant that, to Landlord's actual knowledge without duty of investigation, there is no Hazardous Material on, in, or under the Premises as of the Commencement Date in excess of reportable quantities except as may otherwise have been disclosed to Tenant in writing before the execution of this Lease. If there is any Hazardous Material on, in, or under the Premises as of the Commencement Date which has been or thereafter becomes unlawfully released in excess of reportable quantities through no fault of Tenant, then Landlord shall indemnify, defend and hold Tenant harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including without limitation sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees, incurred or suffered by Tenant either during or after the Term as the result of such contamination.

    Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about, or disposed of on the Premises by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, except with Landlord's prior consent (except in de minimis quantities typical of the Permitted Use, such as in office supplies and household cleansers) and then only upon strict compliance with all applicable federal, state and local laws, regulations, codes, ordinances, and product labels. If Tenant breaches the obligations stated in the preceding sentence, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in the value of the Premises; damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or elsewhere; damages arising from any adverse impact on marketing of space at the Premises; and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees incurred or suffered by Landlord either during or after the Term. These indemnifications by Landlord and Tenant include, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, whether or not required by any federal, state or local governmental agency or political subdivision, because of Hazardous Material present in the Premises, or in soil or ground water on or under the Premises. Tenant shall immediately notify Landlord of any inquiry, investigation or notice that Tenant may receive from any third party regarding the actual or suspected presence of Hazardous Material on the Premises.

    Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Premises by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, results in any unlawful release of any Hazardous Materials on the Premises or any other adjacent property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises or any other property to the condition existing prior to the release of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval may be withheld at Landlord's sole discretion. The provisions of this Section shall survive expiration or earlier termination of this Lease.

31. **QUIET ENJOYMENT.** Provided Tenant pays the Rent and performs all of its obligations in this Lease, Tenant's possession of the Premises will not be disturbed by Landlord or anyone claiming by, through or under Landlord.

32. **MERGER.** The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

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33. **GENERAL.**

a. **Heirs and Assigns.** This Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.

b. **Brokers' Fees.** Tenant represents and warrants to Landlord that except for Tenant's Broker, if any, described or disclosed in Section 35 of this Lease, it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Landlord against any loss, cost, liability or expense incurred by Landlord as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant. Landlord represents and warrants to Tenant that except for Landlord's Broker, if any, described and disclosed in Section 35 of this Lease, it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Tenant against any loss, cost, liability or expense incurred by Tenant as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Landlord.

c. **Entire Agreement.** This Lease contains all of the covenants and agreements between Landlord and Tenant relating to the Premises. No prior or contemporaneous agreements or understandings pertaining to the Lease shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or amended except in writing signed by Landlord and Tenant.

d. **Severability.** Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision of this Lease.

e. **Force Majeure.** Time periods for either party's performance under any provisions of this Lease (excluding payment of Rent) shall be extended for periods of time during which the party's performance is prevented due to circumstances beyond such party's control, including without limitation, fires, floods, earthquakes, lockouts, strikes, embargoes, governmental regulations, acts of God, public enemy, war or other strife; provided in no event shall any of the foregoing events operate to extend the Term of this Lease.

f. **Governing Law.** This Lease shall be governed by and construed in accordance with the laws of the State of Washington.

g. **Memorandum of Lease.** Neither this Lease nor any memorandum or "short form" thereof shall be recorded without Landlord's prior consent.

h. **Submission of Lease Form Not an Offer.** One party's submission of this Lease to the other for review shall not constitute an offer to lease the Premises. This Lease shall not become effective and binding upon Landlord and Tenant until it has been fully executed by both parties.

i. **No Light, Air or View Easement.** Tenant has not been granted an easement or other right for light, air or view to or from the Premises. Any diminution or shutting off of light, air or view by any structure which may be erected on or adjacent to the Premises shall in no way affect this Lease or the obligations of Tenant hereunder or impose any liability on Landlord.

j. **Authority of Parties.** Each party to this Lease represents and warrants to the other that the person executing this Lease on behalf of such party has the authority to enter into this Lease on behalf of such party, that the execution and delivery of this Lease has been duly authorized, and that upon such execution and delivery, this Lease shall be binding upon and enforceable against such party.

k. **Time.** "Day" as used herein means a calendar day and "business day" means any day on which

Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

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commercial banks are generally open for business in the state where the Premises are situated. Any period of time which would otherwise end on a non-business day shall be extended to the next following business day. Time is of the essence of this Lease.

34. **EXHIBITS AND RIDERS.** The following exhibits and riders are made a part of this Lease, and the terms thereof shall control over any inconsistent provision in the sections of this Lease:

Exhibit A: Legal Description of the Premises
Exhibit B: Work Letter

CHECK THE BOX FOR ANY OF THE FOLLOWING THAT WILL APPLY. CAPITALIZED TERMS USED IN THE RIDERS SHALL HAVE THE MEANING GIVEN TO THEM IN THE LEASE.

☒ Rent Rider
☐ Arbitration Rider
☐ Letter of Credit Rider
☐ Guaranty of Tenant's Lease Obligations Rider
☐ Option to Extend Rider
☒ Addendum

35. **AGENCY DISCLOSURE.** Landlord is represented by Nate Scott (insert the name of the Broker) ("Landlord's Broker") and Windermere North Sound (insert name of the Firm as licensed) ("Landlord's Brokerage Firm"), and Tenant is represented by None (insert the name of the Broker) ("Tenant's Broker") and None (insert name of the Firm as licensed) ("Tenant's Brokerage Firm")

Tenant's Brokerage Firm, its Designated Broker, Branch Manager (if any) and any of its Managing Brokers who supervise Tenant's Broker represent Tenant. Landlord's Brokerage Firm, its Designated Broker, Branch Manager (if any), and any of its Managing Brokers who supervise Landlord's Broker represent the Landlord. Landlord and Tenant confirm receipt of the pamphlet entitled "Real Estate Brokerage in Washington."

36. **COMPENSATION DISCLOSURE AND AGREEMENT.**

a. Compensation to Landlord's Brokerage Firm. If Landlord has not entered into a listing agreement (or other compensation agreement with Landlord's Brokerage Firm), Landlord agrees to pay compensation to Landlord's Brokerage Firm (as identified in the Agency Disclosure paragraph above) as follows: _____

Landlord's Brokerage Firm ☐ shall ☒ shall not (shall not if not filled in) be entitled to compensation upon the extension by Tenant of the Term pursuant to any right reserved to Tenant under the Lease calculated ☐ as provided above or ☐ as follows _____ (if no box is checked, as provided above). Landlord's Brokerage Firm ☐ shall ☒ shall not (shall not if not filled in) be entitled to compensation upon any expansion of Premises pursuant to any right reserved to Tenant under the Lease, calculated ☐ as provided above or ☐ as follows _____ (if no box is checked, as provided above).

With respect to any compensation earned upon execution of this Lease or pursuant to any expansion of the Premises, Landlord shall pay one-half upon execution of the Lease or any amendment/addenda thereto expanding the Premises, and one-half upon occupancy of the Premises by Tenant. With respect to any compensation earned upon extension of the Term of this Lease, Landlord shall pay one-half upon execution of any amendment/addenda to the Lease extending the Term and one-half upon the commencement date of such extended term.

If any other lease or sale is entered into between Landlord and Tenant pursuant to a right reserved to Tenant under the Lease, Landlord ☐ shall ☒ shall not (shall not if not filled in) pay additional compensation according to any compensation agreement. Landlord's successor shall be obligated to pay

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any unpaid compensation upon any transfer of this Lease and any such transfer shall not release the transferor from liability to pay such compensation.

b. Compensation to Tenant's Brokerage Firm.

i. Compensation from Landlord.

a. Landlord's offer of compensation, if any: _____

b. Amount to be paid by Landlord, if any: _____

c. The compensation to be paid to Tenant's Brokerage Firm by Landlord shall be paid upon _____

ii. Compensation from Landlord's Brokerage Firm.

a. Landlord's Brokerage Firm's offer of compensation, if any: _____

b. Amount to be paid by Landlord's Brokerage Firm, if any: _____

c. The compensation to be paid to Tenant's Brokerage Firm by Landlord's Brokerage Firm shall be paid within five (5) days after receipt by Landlord's Brokerage Firm.

37. **BROKER PROVISIONS.**

LANDLORD'S BROKER, TENANT'S BROKER AND THEIR FIRMS HAVE MADE NO REPRESENTATIONS OR WARRANTIES CONCERNING THE PREMISES; THE MEANING OF THE TERMS AND CONDITIONS OF THIS LEASE; LANDLORD'S OR TENANT'S FINANCIAL STANDING; ZONING; COMPLIANCE OF THE PREMISES WITH APPLICABLE LAWS; SERVICE OR CAPACITY OF UTILITIES; OPERATING COSTS; OR HAZARDOUS MATERIALS. LANDLORD AND TENANT ARE EACH ADVISED TO SEEK INDEPENDENT LEGAL ADVICE ON THESE AND OTHER MATTERS ARISING UNDER THIS LEASE.

IN WITNESS WHEREOF this Lease has been executed the date and year first above written.

______________________ LANDLORD:	______________________ TENANT:
______________________ LANDLORD:	______________________ TENANT:
______________________ BY:	______________________ BY:
______________________ ITS:	______________________ ITS:

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Note: Acknowledgment is required only if the lease or a memorandum thereof will be recorded.

STATE OF WASHINGTON

COUNTY OF ____________________

This record was acknowledged before me on ____________________, 20 ___, by ____________________ as ____________________ of ____________________.

____
Notary Public for the State of Washington

My commission expires: ____________________

STATE OF WASHINGTON

COUNTY OF ____________________

This record was acknowledged before me on ____________________, 20 ___, by ____________________ as ____________________ of ____________________.

____
Notary Public for the State of Washington

My commission expires: ____________________

Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

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(Continued)

Note: Acknowledgment is required only if the lease or a memorandum thereof will be recorded.

STATE OF WASHINGTON

COUNTY OF ____________________________

This record was acknowledged before me on ____________________, 20 ___ , by ____________________ as _________________________________ of ____________________________.

____
Notary Public for the State of Washington

My commission expires: ______________________________

STATE OF WASHINGTON

COUNTY OF ____________________________

This record was acknowledged before me on ____________________, 20 ___ , by ____________________ as _________________________________ of _________________________________.

____
Notary Public for the State of Washington

My commission expires: ______________________________

Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

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EXHIBIT A

[Legal Description of the Premises]

Windermere
Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

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EXHIBIT B

[Work Letter]

CHECK IF APPLICABLE:

1. ☐ Improvements to be Completed by Landlord

A. Performance of Improvements. Subject to the terms and conditions of this Lease and any Improvement Allowance provided herein, Landlord's obligations to improve the Premises shall be limited to the work ("Landlord's Work") described below. All other work shall be performed by Tenant at its sole expense or, if performed by Landlord, shall be promptly reimbursed by Tenant. Landlord's Work shall be deemed to be "substantially complete" on the date that Landlord's notifies Tenant that Landlord's Work is complete, except for punch list items that do not impair the use or operations thereof, would not prevent Tenant from occupancy and/or performing Tenant's Work, and except for that portion of Landlord's Work, if any, which cannot be feasibly performed before Tenant completes Tenant's Work, fixturing, or decorating.

The work to be done by Landlord in satisfying its obligation to complete Landlord's Work under the Lease shall be limited to the following (check one):

☐ As identified below (check and describe all that apply);

☐ FLOOR: _____
☐ WALLS: _____
☐ CEILING: _____
☐ LIGHTING: _____
☐ WASHROOM(S): _____
☐ ELECTRICAL: _____
☐ HVAC: _____
☐ OTHER: _____

☐ As mutually agreed upon between Landlord and Tenant as follows:

a. Within _____ days ((10) days if not filled in) after mutual acceptance of the Lease, Tenant shall prepare and submit for Landlord's review a preliminary sketch of the improvements to be performed by Landlord ("Preliminary Landlord Plan"). Landlord and Tenant shall cooperate in good faith to adopt a mutually acceptable Preliminary Landlord Plan.

b. Upon Landlord's approval of the Preliminary Landlord Plan, Landlord shall promptly prepare (or cause to be prepared) construction documents (i.e., those plans used for submittal to the appropriate governmental bodies for all necessary permits and approvals for Landlord's Work, if any) for Tenant's review and approval, which approval shall not be unreasonably withheld, conditioned or delayed, The construction documents, once approved, shall then constitute "Landlord's Improvement Plans."

c. Landlord shall submit the Landlord's Improvement Plans to the appropriate governmental body for plan checking and issuance of necessary permits and approvals, as applicable. Landlord and Tenant shall cooperate and use commercially reasonable efforts to cause to be made any changes in the Landlord's Improvement Plans necessary to obtain such permits and approvals; provided, however, any costs and expenses resulting from the foregoing changes to Landlord's Work that exceed the Improvement Allowance shall be borne at Tenant's sole cost and expense.

B. Defects in Landlord's Work. If Tenant fails to notify Landlord of any defects in the Landlord's Work within 30

LEASE AGREEMENT
Single Tenant for Entire Parcel - NNN
(Continued)

days of delivery of possession of the Premises to Tenant, Tenant shall be deemed to have accepted the Premises in their then-existing condition. If Tenant discovers any major defects in the Landlord's Work during this 30-day period that would prevent Tenant from using the Premises for the Permitted Use, Tenant shall notify Landlord and the Commencement Date shall be delayed until after Landlord has notified Tenant that Landlord has corrected the major defects and Tenant has had five (5) days to inspect and approve the Premises. The Commencement Date shall not be delayed if Tenant's inspection reveals minor defects in the Landlord's Work that will not prevent Tenant from using the Premises for the Permitted Use. Tenant shall prepare a punch list of all minor defects in Landlord's Work and provide the punch list to Landlord, which Landlord shall promptly correct.

2. ☐ Improvements to be Completed by Tenant

A. Performance of Improvements. Subject to the terms and conditions of the Lease and any Improvement Allowance provided herein, Tenant shall complete, at its sole cost and expense, the work identified in the Tenant Improvement Plans (as such term is defined below) adopted by Landlord and Tenant in accordance with the provisions below ("Tenant's Work"). Tenant's Work shall be performed lien free and in a workmanlike manner, without interference with other work, if any, being done in the Premises, including any of Landlord's Work, and in compliance with all laws and reasonable rules promulgated from time to time by Landlord, its property manager, architect, and contractors.

The work to be done by Tenant in satisfying its obligation to complete Tenant's Work under the Lease shall be limited to the following (check one):

☐ As identified below (check and describe all that apply);

☐ FLOOR: _____
☐ WALLS: _____
☐ CEILING: _____
☐ LIGHTING: _____
☐ WASHROOM(S): _____
☐ ELECTRICAL: _____
☐ HVAC: _____
☐ OTHER: _____

☐ As mutually agreed upon between Landlord and Tenant as follows:

a. Within _____ days ((10) days if not filled in) after mutual acceptance of the Lease, Tenant shall prepare and submit for Landlord's review a preliminary sketch of the Tenant Improvements ("Preliminary Tenant Plan"). Landlord and Tenant shall cooperate in good faith to adopt a mutually acceptable Preliminary Plan.

b. Upon approval of the Preliminary Tenant Plan by Landlord, Tenant shall promptly prepare construction documents (i.e., those plans used for submittal to the appropriate governmental bodies for all necessary permits and approvals for the Tenant's Work, if any) for Landlord's review and approval. The construction documents, once approved, shall then constitute the "Tenant Improvements Plans."

c. Upon approval by Landlord, Tenant shall submit the Tenant Improvements Plans to the appropriate governmental body for plan checking and issuance of necessary permits and approvals. Tenant, with Landlord's approval, shall cause to be made any changes in the Tenant Improvements Plans necessary to obtain such permits and approvals.

d. Landlord makes no warranty or representation of any type or nature with respect to the adequacy or

LEASE AGREEMENT
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(Continued)

sufficiency of the Tenant Improvements Plans for any purpose. Landlord makes no warranty or representation of any type or nature with respect to the quality, suitability, or ability of contractor or the quality of the work or materials supplied or performed with respect to the Tenant Improvements by contractor, the subcontractors, Tenant's agents, or any other person or entity.

B. General Requirements. Tenant shall submit to Landlord, prior to the commencement of the construction of Tenant's Work, the following information for Landlord's review and approval (check all that apply):

☐ The names, contact names, addresses, and license numbers of all general contractors and subcontractors Tenant intends to use in the construction of Tenant's Work.

☐ A reasonably detailed schedule for Tenant's performance of Tenant's Work (including, without limitation, the date on which Tenant's Work will commence, the estimated date of completion of Tenant's Work, and the date on which Tenant expects to open for business in the Premises).

☐ Evidence of insurance as required in the Lease and any other insurance usual and customary for performance of Tenant's Work and requested by Landlord.

☐ Copies of all required governmental permits.

C. Contractor Qualifications. All contractors and subcontractors to perform Tenant's Work shall be licensed contractors, capable of performing quality workmanship and working in harmony with Landlord's general contractor on the Premises, if any. Upon notice from Landlord, Tenant shall stop using (or cause contractor or any subcontractor to stop using) any person or entity disturbing labor harmony with any work force or trade engaged in performing Tenant's Work or other work, labor, or services in or about the Premises. All work shall be coordinated with any on-going construction work on the Premises. Landlord shall have the right to disapprove, in Landlord's reasonable discretion, any contractor or subcontractor which Tenant desires to engage for Tenant's Work.

3. **Improvement Allowance**

Provided there is no uncured Event of Default by Tenant under the Lease, upon completion of Landlord's Work or Tenant's Work, as applicable, Landlord shall provide an allowance ("Improvement Allowance") toward the costs and expenses associated with improvements to the Premises in accordance with the following (check one):

☐ $ _____ per rentable square foot of the Premises. The Improvement Allowance shall be used only for (choose one): ☐ Landlord's Work, or ☐ Tenant's Work, excepting _____ . If costs associated with completing Tenant's Work exceed the Improvement Allowance, or if any costs of Tenant's Work are not to be paid out of the Improvement Allowance, then the excess or excluded amount shall be paid directly by Tenant.

☐ None; Tenant shall be obligated to pay all costs, expenses and fees associated with completing the Tenant's Work in accordance with the Tenant Improvement Plans.

None; Landlord shall be obligated to pay all costs, expenses and fees associated with completing the Landlord's Work in accordance with the Landlord Improvement Plans, however, excepting any costs related to Tenants' furniture, cabling, fixtures and equipment, Signage, design services, and _____ , and in no event in an amount exceeding $ _____ .

4. ☐ **Removal of Improvements/Surrender.** Tenant's Work shall (check one):

LEASE AGREEMENT
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(Continued)

☐ become the property of Landlord

☐ be removed by Tenant at its sole cost and expense

upon the expiration or earlier termination of the Lease Term: _____.

Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

ADDENDUM TO CBA LEASES

The following terms are made part of and incorporated by this reference into the Lease Agreement ("Agreement") dated _____ , 20 __ between AIT Investments LLC , a(n) _____ ("Landlord") and City of Anacortes, a Washington municipal corporation , a(n) _____ ("Tenant")concerning the leased commercial premises commonly known as _____ ("Premises"), which premises are part of the real property located at 9029 Molly Lane Suite B , Anacortes , WA 98221 and commonly known as _____ ("Property").

LANDLORD AND TENANT AGREE AS FOLLOWS: Provided Tenant is not then in default, Tenant shall have the right, in Tenant's sole discretion, to terminate this Lease effective as of any date on or after the last day of the sixtieth (60th) full calendar month following the Commencement Date, by delivering not less than six (6) months' prior written notice to Landlord in accordance with Section 24. The notice shall specify the termination date, which shall be the last day of a calendar month. No termination fee shall be payable; however, Tenant shall remain liable for all Rent and other obligations accruing through he termination date.

At no time during the term of this Lease will Landlord allow the Tenant's access to the Premises to be restricted in such a way that Tenant's ability to get in or out of the Premises with staff and fire apparatus is interrupted for any period of time. Landlord will ensure that the area outlined in white adjacent to the bay doors to the Premises will always remain clear and free from obstruction of any kind.

During the term of this Lease, the Tenant will maintain the point capture exhaust system. At the end of Tenant's tenancy, whether by expiration or termination, Tenant may in its sole discretion, remove and retain the point capture exhaust system. If Tenant removes the point capture exhaust system, it will repair any damage caused to the Premises by its removal.

The Tenant will have five parking spaces adjacent to the Premises for its exclusive use during the term of this Lease.

Tenant may it its option repair any of Landlord's Repair Items that are immediately necessary to maintain Tenant's use of the Premises as a fire station. Landlord will reimburse Tenant for all such costs associated with Landlord's Repair Items that are not caused by the negligence or willful misconduct of Tenant, its employees, officers, agents, contractors, visitors, guests, or other licensees.

All other terms and conditions of the Agreement remain unchanged and in full force and effect.

INITIALS:

Landlord/Lessor: ________________ Date ________________ Tenant/Lessee: ________________ Date ________________

Landlord/Lessor: ________________ Date ________________ Tenant/Lessee: ________________ Date ________________

Windermere Real Estate-Anacortes
3018 Commercial Ave.
Anacortes, WA 98221
Phone: 360-293-8008
Fax: 360-293-4049

RENT RIDER

CBA Text Disclaimer: Text deleted by licensee indicated by strike.
New text inserted by licensee indicated by small capital letters.

This Rent Rider ("Rider") is a part of and incorporated by this reference into that certain Lease Agreement dated _____, 20 __ ("Lease") between AIT Investments LLC, a(n) _____ ("Landlord") and City of Anacortes, a Washington municipal corporation, a(n) _____ ("Tenant"), as the same may be amended, concerning the commercial space commonly known as _____ ("Premises"), which Premises are part of the real property located at 9029 Molly Lane, Suite B, Anacortes, WA 98221 and commonly known as _____ ("Property").

☐ 1. **BASE MONTHLY RENT SCHEDULE.** Tenant shall pay to Landlord base monthly rent during the initial Lease Term according to the following schedule:

Lease Year (Stated in Years or Months)	Base Monthly Rent Amount
Year 1	$ 3,926.25
_____	$ _____
_____	$ _____
_____	$ _____
_____	$ _____
_____	$ _____

☒ 2. **CONSUMER PRICE INDEX ADJUSTMENT ON BASE MONTHLY RENT.** The base monthly rent shall be increased on the first day of the second year of the Term, which shall occur on the first day of the calendar month after the calendar month in which the Commencement Date occurs and on the first day of each year of the Term thereafter (each, an "Adjustment Date") (but not during any extended or renewal term(s) unless specifically set forth elsewhere in the Lease or set forth in this Rent Rider below). The increase shall be determined in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Revised Consumer Price Index for All Urban Consumers (CPI-U): U.S. Cities Average, all items index (Reference Base 1982-84 equal 100)(the "Index"). The base monthly rent payable immediately prior to the applicable Adjustment Date shall be increased by the percentage that the Index published for the date nearest preceding the applicable Adjustment Date has increased over the Index published for the date nearest preceding the first day of the Lease Year from which the adjustment is being measured. Upon the calculation of each increase, Landlord shall notify Tenant of the new base monthly rent payable hereunder. Within twenty (20) days of the date of Landlord's notice, Tenant shall pay to Landlord the amount of any deficiency in base rent paid by Tenant for the period following the subject Adjustment Date, and shall thereafter pay the increased base rent until receiving the next notice of increase from Landlord. If the components of the Index are materially changed after the Commencement Date, or if the Index is discontinued during the Lease term, Landlord shall notify Tenant of a substitute published index which, in Landlord's reasonable discretion, approximates the Index, and shall use the substitute index to make subsequent adjustments in base monthly rent. In no event shall base monthly rent be decreased pursuant to this paragraph.

RENT RIDER

CBA Text Disclaimer: Text deleted by licensee indicated by strike.
New text inserted by licensee indicated by small capital letters.

☐ 3. **EXTENDED TERM BASE MONTHLY RENT SCHEDULE.** Tenant shall pay to Landlord base monthly rent during the Extended Term of the Lease commencing upon (check one): ☐ the date that is _____ months following the Commencement Date of the initial Term, or ☐ _____ , 20 __ , as follows (choose one):

☐ As set forth in the Option to Extend Rider attached to the Lease

☐ **BASE MONTHLY RENT SCHEDULE.** Tenant shall pay to Landlord base monthly rent during the Extended Term of the Lease according to the following schedule:

Lease Year (Stated in Years or Months)	Base Monthly Rent Amount
_____	$ _____
_____	$ _____
_____	$ _____
_____	$ _____
_____	$ _____
_____	$ _____

☐ **CONSUMER PRICE INDEX ADJUSTMENT ON EXTENDED TERM BASE MONTHLY RENT.** The base monthly rent shall be increased on the first day of the first year of the Extended Term of the Lease and on the first day of each year of the Extended Term of the Lease thereafter (each, an "Adjustment Date"). The increase shall be determined in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U): U.S. Cities Average, all items index (Reference Base 1982-84 equal 100) (the "Index"). The base monthly rent payable immediately prior to the applicable Adjustment Date shall be increased by the percentage that the Index published for the date nearest preceding the applicable Adjustment Date has increased over the Index published for the date nearest preceding the first day of the Lease Year from which the adjustment is being measured. Upon the calculation of each increase, Landlord shall notify Tenant of the new base monthly rent payable hereunder. Within twenty (20) days of the date of Landlord's notice, Tenant shall pay to Landlord the amount of any deficiency in base rent paid by Tenant for the period following the subject Adjustment Date, and shall thereafter pay the increased base rent until receiving the next notice of increase from Landlord. If the components of the Index are materially changed after the Commencement Date of the Extended Term, or if the Index is discontinued during the Extended Term, Landlord shall notify Tenant of a substitute published index which, in Landlord's reasonable discretion, approximates the Index, and shall use the substitute index to make subsequent adjustments in base monthly rent. In no event shall base monthly rent for the Extended Term be decreased pursuant to this paragraph.

9029 Molly Lane Sale

September 14, 2026

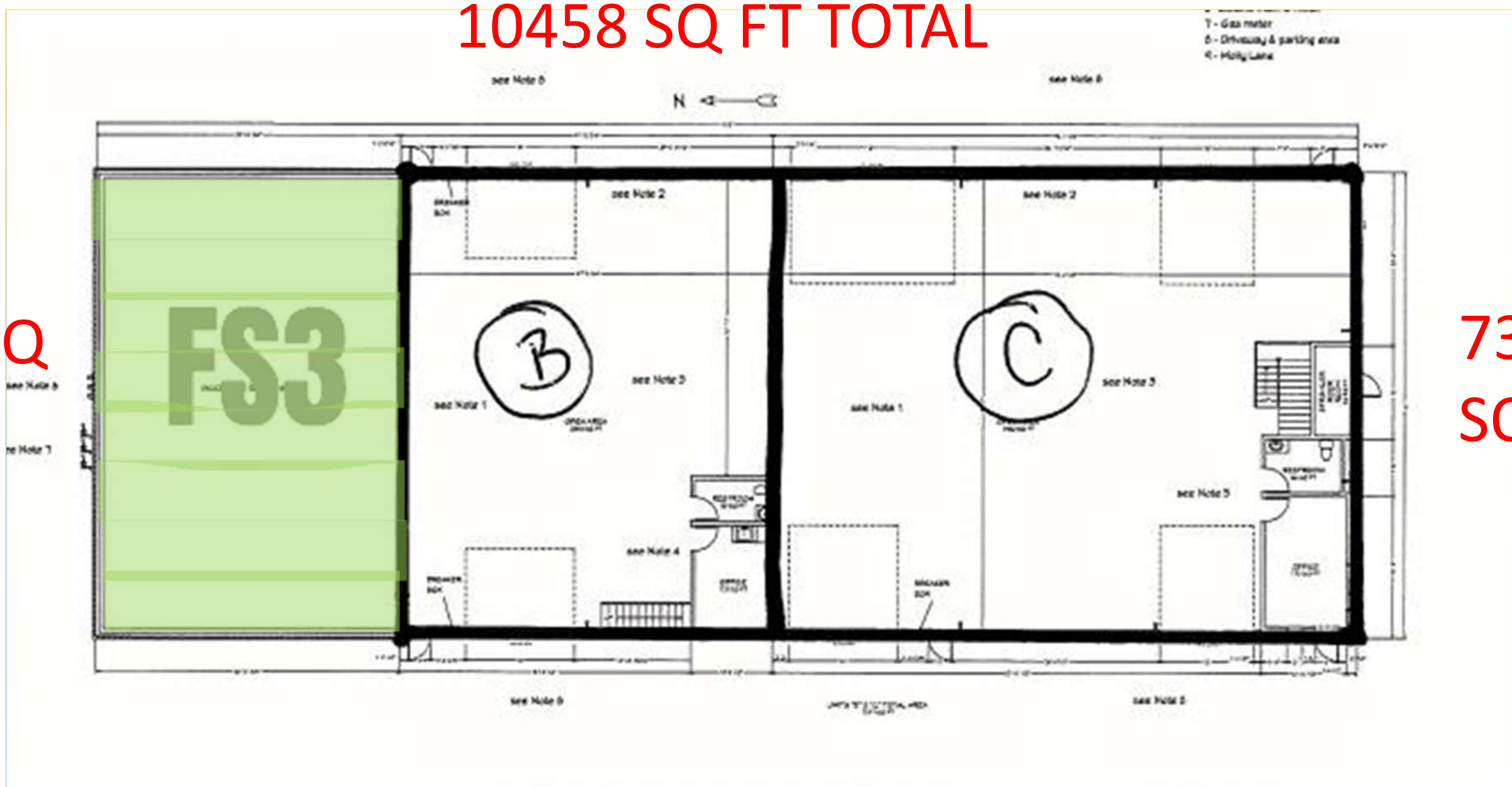
BACKGROUND

- 9029 Molly Lane, Unit C
- Purchased in Feb 2023
- $1,853,000 purchase price
  - Funded by interfund loan from Water utility
- Warehouse space
  - Occupied until July 2026
  - Generated approximately $84,000 annual income

BUILDING LAYOUT

10458 SQ FT TOTAL

3141 SQ FT

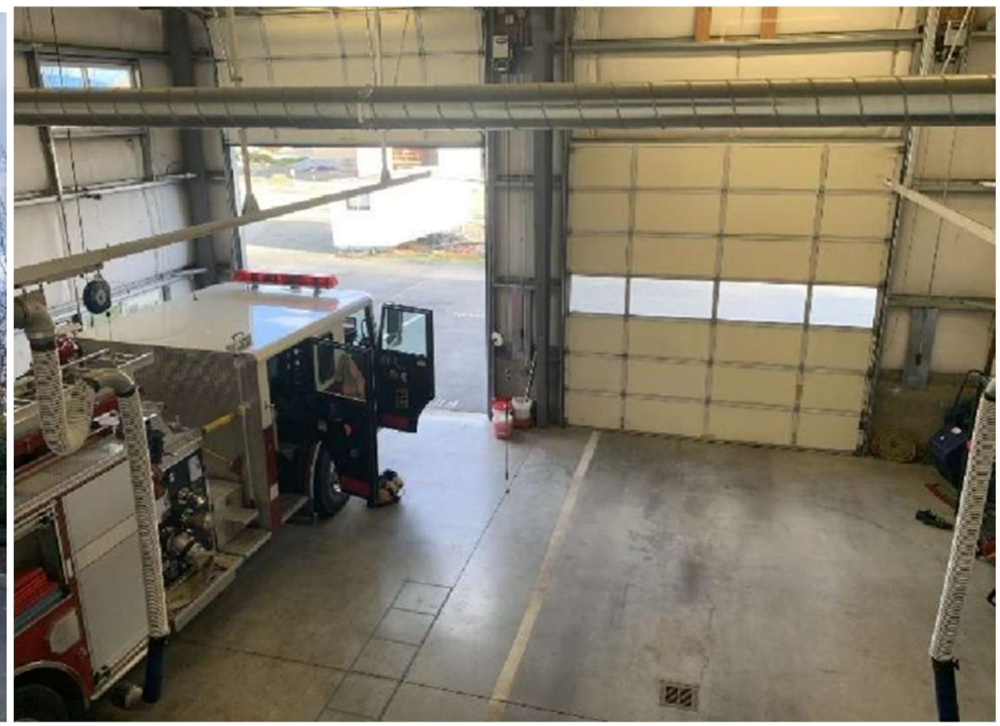


7317 SQ FT

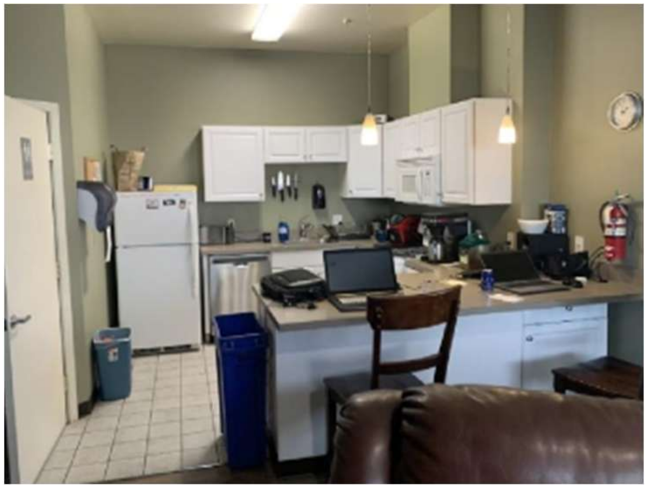
3

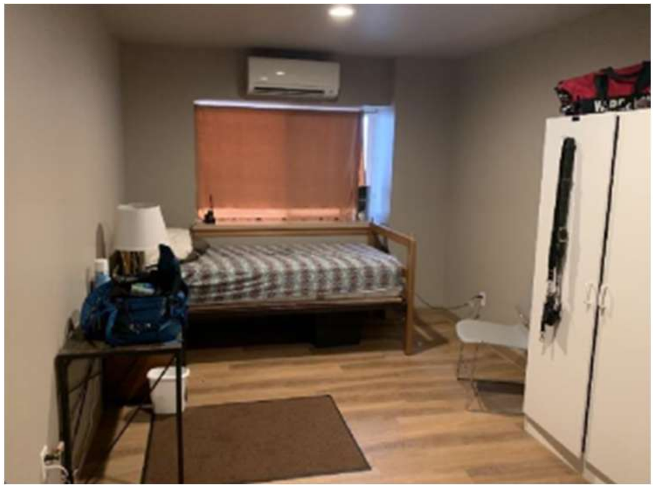
LOCATION

FIRE STATION 3



FIRE STATION 3 – LIVING AREAS





SALE TO LOPEZ ISLAND CREAMERY

- Sales Price: $2.2 million
- Leaseback of FS 3:
  - $47,115 annually with CPI inflator
  - 10 year terminable after 5 years
  - Triple net

LOPEZ ISLAND CREAMERY

TRANSACTION DETAILS

- Mayor signed Purchase and Sale Agreement on September 10, 2026
- Closing scheduled for December 1, 2026
- Staff recommend Council adopt Resolution 3228
  - Ratifies the Mayor’s signature on PSA
  - Authorizes Mayor to execute documents at closing, including Lease