

When recorded, return to:
City Manager
City of Bainbridge Island
280 Madison Ave N
Bainbridge Island, WA 98110-1812



AQUATIC LANDS LEASE

Lease No. 20-A85592

Grantor: Washington State Department of Natural Resources
Grantee(s): City of Bainbridge Island
Legal Description: Area A - Section 26, Township 25 North, Range 2 East, W.M.
Area B - Sections 34 and 35, Township 25 North, Range 2 East, W.M.
Assessor's Property Tax Parcel or Account Number: N/A
Assessor's Property Tax Parcel or Account Number for Upland parcel used in conjunction with this lease: 4114-002-001

THIS LEASE is between the STATE OF WASHINGTON, acting through the Department of Natural Resources ("State"), and CITY OF BAINBRIDGE ISLAND, a government agency ("Tenant").

BACKGROUND

Tenant desires to lease the aquatic lands commonly known as Eagle Harbor, which are bedlands located in Kitsap County, Washington, from State, and State desires to lease the property to Tenant pursuant to the terms and conditions of this Lease. State has authority to enter into this

Lease under Chapter 43.12, Chapter 43.30 and Title 79 of the Revised Code of Washington (RCW).

THEREFORE, the Parties agree as follows:

SECTION 1 PROPERTY

1.1 Property Defined.

- (a) State leases to Tenant and Tenant leases from State the real property described in Exhibit A together with all the rights of State, if any, to improvements on and easements benefiting the Property, but subject to the exceptions and restrictions set forth in this Lease (collectively the "Property").
- (b) This Lease is subject to all valid interests of third parties noted in the records of Kitsap County, or on file in the Office of the Commissioner of Public Lands, Olympia, Washington; rights of the public under the Public Trust Doctrine or federal navigation servitude; and treaty rights of Indian Tribes.
- (c) This Lease does not include a right to harvest, collect, or damage natural resources, including aquatic life or living plants; water rights; mineral rights; or a right to excavate or withdraw sand, gravel, or other valuable materials, except to the extent expressly permitted in Exhibit B.
- (d) State reserves the right to grant easements and other land uses on the Property to others when the easement or other land uses will not interfere unreasonably with the Permitted Use.

1.2 Survey and Property Descriptions.

- (a) Tenant prepared Exhibit A, which describes the Property. Tenant warrants that Exhibit A is a true and accurate description of the Lease boundaries and the improvements to be constructed or already existing in the Lease area. Tenant's obligation to provide a true and accurate description of the Property boundaries is a material term of this Lease.
- (b) State's acceptance of Exhibit A does not constitute agreement that Tenant's property description accurately reflects the actual amount of land used by Tenant. State reserves the right to retroactively adjust rent if at any time during the term of the Lease State discovers a discrepancy between Tenant's property description and the area actually used by Tenant.
- (c) State accepts a preliminary Exhibit A upon the Commencement Date of this Lease. Tenant shall submit a final Exhibit A for State's approval within Two Hundred Seventy (270) days of the Commencement Date. Upon State's written approval, the final Exhibit A supersedes the preliminary Exhibit A. Until superseded, the preliminary Exhibit A has full legal effect.

1.3 Inspection. State makes no representation regarding the condition of the Property, improvements located on the Property, the suitability of the Property for Tenant's Permitted Use, compliance with governmental laws and regulations, availability of utility rights, access to the Property, or the existence of hazardous substances on the Property. Tenant inspected the Property and accepts it "AS IS."

SECTION 2 USE

2.1 Permitted Use. Tenant shall use the Property for: public use and access Waterfront Dock with Kayak Racks, Sail Float, and Open Water Moorage and Anchorage Area (the “Permitted Use”), and for no other purpose. This is a mixed use, with 836,722 square feet of water-dependent use and 1,920 square feet of nonwater-dependent use. Exhibit B describes the Permitted Use in detail. The Permitted Use is subject to additional obligations in Exhibit B.

2.2 Restrictions on Permitted Use and Operations. The following limitations apply to the Property and adjacent state-owned aquatic land. Tenant’s compliance with the following does not limit Tenant’s liability under any other provision of this Lease.

- (a) Tenant shall not cause or permit:
 - (1) Damage to natural resources, except to the extent expressly permitted in Exhibit B,
 - (2) Waste, or
 - (3) Deposit of material, unless approved by State in writing and except to the extent expressly permitted in Exhibit B. This prohibition includes deposit of fill, rock, earth, ballast, wood waste, refuse, garbage, waste matter, pollutants of any type, or other matter.
- (b) Tenant shall not cause or permit grounding, scour, or damage to aquatic land and vegetation. This prohibition includes the following limitations:
 - (1) If equipment contains or is covered with petroleum based products: (1) Tenant shall not pressure wash such equipment in or over the water and (2) all wash water must be contained and taken to an approved treatment facility. Tenant shall collect or sweep up non-organic debris accumulations on structures resulting from pressure washing and properly dispose of such debris in an upland location. Tenant shall pressure wash using only clean water. Tenant shall not use or add to the pressure washing unit any detergents or other cleaning agents. Tenant shall pressure wash painted structures using appropriate filter fabric to control and contain paint particles generated by the pressure washing.
- (c) Nothing in this Lease shall be interpreted as an authorization to dredge the Property. Tenant may submit an application in writing to State for a right of entry to authorize dredging. Except as permitted under the terms of a written right of entry issued by State pursuant to Tenant’s application, Tenant shall not cause or permit dredging on the Property. State will not approve an application for a right of entry for dredging unless:
 - (1) The proposed dredging is required for flood control, maintenance of existing vessel traffic lanes, or maintenance of water intakes;
 - (2) The proposed dredging is consistent with State’s management plans, if any; and

- (3) State determines the dredging proposal is otherwise in the best interest of the State. Tenant shall maintain authorized dredge basins in a manner that prevents internal deeper pockets.
- (d) Tenant shall limit the number of residential slips, and shall manage residential uses on the Property, in accordance with the provisions of WAC 332-30-171 and as specified in Exhibit B.

2.3 Conformance with Laws. Tenant shall, at all times, keep current and comply with all conditions and terms of permits, licenses, certificates, regulations, ordinances, statutes, and other government rules and regulations regarding Tenant's use or occupancy of the Property.

2.4 Liens and Encumbrances. Unless expressly authorized by State in writing, Tenant shall keep the Property free and clear of liens or encumbrances arising from the Permitted Use or Tenant's occupancy of the Property.

SECTION 3 TERM

3.1 Term Defined. The term of this Lease is Twenty-Six (26) years (the "Term"), beginning on the 1st day of May, 2017 (the "Commencement Date"), and ending on the 30th day of April, 2043 (the "Termination Date"), unless terminated sooner under the terms of this Lease.

3.2 Renewal of the Lease. This Lease does not provide a right of renewal. Tenant may apply for a new lease, which State has discretion to grant. Tenant must apply for a new lease at least one (1) year prior to Termination Date. State will notify Tenant within ninety (90) days of its intent to approve or deny a new Lease.

3.3 End of Term.

- (a) Upon the expiration or termination of this Lease, Tenant shall remove Improvements in accordance with Section 7, Improvements, and surrender the Property to State in the same or better condition as on the Commencement Date, reasonable wear and tear excepted.
- (b) Definition of Reasonable Wear and Tear.
 - (1) Reasonable wear and tear is deterioration resulting from the Permitted Use that has occurred without neglect, negligence, carelessness, accident, or abuse of the Property by Tenant or any other person on the premises with the permission of Tenant.
 - (2) Reasonable wear and tear does not include unauthorized deposit of material prohibited under Paragraph 2.2 regardless of whether the deposit is incidental to or the byproduct of the Permitted Use.
- (c) If Property is in worse condition, excepting for reasonable wear and tear, on the surrender date than on the Commencement Date, the following provisions apply.
 - (1) State shall provide Tenant a reasonable time to take all steps necessary to remedy the condition of the Property. State may require Tenant to enter into a right-of-entry or other use authorization prior to the Tenant entering the Property if the Lease has terminated.

- (2) If Tenant fails to remedy the condition of the Property in a timely manner, State may take steps reasonably necessary to remedy Tenant's failure. Upon demand by State, Tenant shall pay all costs of State's remedy, including but not limited to the costs of removing and disposing of material deposited improperly on the Property, lost revenue resulting from the condition of the Property, and administrative costs associated with the State's remedy.

3.4 Holdover.

- (a) If Tenant remains in possession of the Property after the Termination Date, the occupancy will not be an extension or renewal of the Term. The occupancy will be a month-to-month tenancy, on terms identical to the terms of this Lease, which either Party may terminate on thirty (30) days' written notice.
 - (1) The monthly rent during the holdover will be the same rent that would be due if the Lease were still in effect and all adjustments in rent were made in accordance with its terms.
 - (2) Payment of more than the monthly rent will not be construed to create a periodic tenancy longer than month-to-month. If Tenant pays more than the monthly rent and State provides notice to vacate the property, State shall refund the amount of excess payment remaining after the Tenant ceases occupation of the Property.
- (b) If State notifies Tenant to vacate the Property and Tenant fails to do so within the time set forth in the notice, Tenant will be a trespasser and shall owe the State all amounts due under RCW 79.02.300 or other applicable laws.

SECTION 4 RENT

4.1 Annual Rent.

- (a) Until adjusted as set forth below, Tenant shall pay to State an annual rent of Fifteen Thousand Seven Hundred Forty-Eight Dollars and Thirty-One Cents (\$15,748.31), consisting of Twelve Thousand Eight Hundred Eighty-Eight Dollars and Thirty-One Cents (\$12,888.31) related to the water-dependent use and Two Thousand Eight Hundred Sixty Dollars (\$2,860) related to the nonwater-dependent use.
- (b) The annual rent, as it currently exists or as adjusted or modified (the "Annual Rent"), is due and payable in full on or before the Commencement Date and on or before the same date of each year thereafter. Any payment not paid by State's close of business on the date due is past due.
- (c) Public Use and Access. This Use allows for free or reduced rent for public use and access that meets the requirements of WAC 332-30-131. If the Use ceases to meet these requirements, the State will charge Tenant water-dependent rent.

4.2 Payment Place. Tenant shall make payment to Financial Management Division, 1111 Washington St SE, PO Box 47041, Olympia, WA 98504-7041.

4.3 Adjustment Based on Use. Annual Rent is based on Tenant's Permitted Use of the Property, as described in Section 2 above. If Tenant's Permitted Use changes, the Annual Rent shall be adjusted as appropriate for the changed use.

4.4 Rent Adjustment Procedures.

- (a) Notice of Rent Adjustment. State shall provide notice of adjustments to the Annual Rent allowed under Paragraphs 4.5(b) and 4.6(b) to Tenant in writing no later than ninety (90) days after the anniversary date of the Lease.
- (b) Procedures on Failure to make Timely Adjustment. If the State fails to provide the notice required in Paragraph 4.4(a), State shall not collect the adjustment amount for the year in which State failed to provide notice. Upon providing notice of adjustment, State may adjust and prospectively bill Annual Rent as if missed or waived adjustments had been implemented at the proper interval. This includes the implementation of any inflation adjustment.

4.5 Rent Adjustments for Water-Dependent Uses.

- (a) Inflation Adjustment. State shall adjust water-dependent rent annually pursuant to RCW 79.105.200-.360, except in those years in which State revalues the rent under Paragraph 4.5(b) below. This adjustment will be effective on the anniversary of the Commencement Date.
- (b) Revaluation of Rent. At the end of the first four-year period of the Term, and at the end of each subsequent four-year period, State shall revalue the water-dependent Annual Rent in accordance with RCW 79.105.200-.360.
- (c) Rent Cap. State shall increase rent incrementally in compliance with RCW 79.105.260 as follows: If application of the statutory rent formula for water-dependent uses would result in an increase in the rent attributable to such uses of more than fifty percent (50%) in any one year, State shall limit the actual increase implemented in such year to fifty percent (50%) of the then-existing rent. In subsequent, successive years, State shall increase the rental amount incrementally until the State implements the full amount of increase as determined by the statutory rent formula.

4.6 Rent Adjustments for Nonwater-Dependent Uses.

- (a) Inflation Adjustment. Except in those years in which State revalues the rent under Paragraph 4.5(b) below, State shall adjust nonwater-dependent rent annually on the Commencement Date. Adjustment is based on the percentage rate of change in the previous calendar year's Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor, for the Seattle-Tacoma-Bremerton CMSA, All Urban Consumers, all items 1982-84 = 100. If publication of the Consumer Price Index is discontinued, State shall use a reliable governmental or other nonpartisan publication evaluating the information used in determining the Consumer Price Index.
- (b) Revaluation of Rent.
 - (1) At the end of the first four-year period of the Term, and at the end of each subsequent four-year period, State shall revalue the nonwater-dependent Annual Rent to reflect the then-current fair market rent.

- (2) If State and Tenant cannot reach agreement on the fair market rental value, the Parties shall submit the valuation to a review board of appraisers. The board must consist of three members, one selected by and at the cost of Tenant; a second member selected by and at the cost of State; and a third member selected by the other two members with the cost shared equally by State and Tenant. The decision of the majority of the board binds the Parties. Until the Parties agree to, or the review board establishes, the new rent, Tenant shall pay rent in the same amount established for the preceding year. If the board determines additional rent is required, Tenant shall pay the additional rent within ten (10) days of the board's decision. If the board determines a refund is required, State shall pay the refund within ten (10) days of the board's decision.

SECTION 5 OTHER EXPENSES

5.1 Utilities. Tenant shall pay all fees charged for utilities required or needed by the Permitted Use.

5.2 Taxes and Assessments. Tenant shall pay all taxes (including leasehold excise taxes), assessments, and other governmental charges applicable or attributable to the Property, Tenant's leasehold interest, the improvements, or Tenant's use and enjoyment of the Property.

5.3 Right to Contest. If in good faith, Tenant may contest any tax or assessment at its sole cost and expense. At the request of State, Tenant shall furnish reasonable protection in the form of a bond or other security, satisfactory to State, against loss or liability resulting from such contest.

5.4 Proof of Payment. If required by State, Tenant shall furnish to State receipts or other appropriate evidence establishing the payment of amounts this Lease requires Tenant to pay.

5.5 Failure to Pay. If Tenant fails to pay amounts due under this Lease, State may pay the amount due, and recover its cost in accordance with Section 6.

SECTION 6 LATE PAYMENTS AND OTHER CHARGES

6.1 Failure to Pay Rent. Failure to pay rent is a default by the Tenant. State may seek remedies under Section 14 as well as late charges and interest as provided in this Section 6.

6.2 Late Charge. If State does not receive full rent payment within ten (10) days of the date due, Tenant shall pay to State a late charge equal to four percent (4%) of the unpaid amount or Fifty Dollars (\$50), whichever is greater, to defray the overhead expenses of State incident to the delay.

6.3 Interest Penalty for Past Due Rent and Other Sums Owed.

- (a) Tenant shall pay interest on the past due rent at the rate of one percent (1%) per month until paid, in addition to paying the late charges determined under Paragraph 6.2. Rent not paid by the close of business on the due date will begin accruing interest the day after the due date.
- (b) If State pays or advances any amounts for or on behalf of Tenant, Tenant shall reimburse State for the amount paid or advanced and shall pay interest on that amount at the rate of one percent (1%) per month from the date State notifies Tenant of the payment or advance. This includes, but is not limited to, State's payment of taxes of any kind, assessments, insurance premiums, costs of removal and disposal of materials or Improvements under any provision of this Lease, or other amounts not paid when due.

6.4 Referral to Collection Agency and Collection Agency Fees. If State does not receive full payment within thirty (30) days of the due date, State may refer the unpaid amount to a collection agency as provided by RCW 19.16.500 or other applicable law. Upon referral, Tenant shall pay collection agency fees in addition to the unpaid amount.

6.5 No Accord and Satisfaction. If Tenant pays, or State otherwise receives, an amount less than the full amount then due, State may apply such payment as it elects. State may accept payment in any amount without prejudice to State's right to recover the balance of the rent or pursue any other right or remedy. No endorsement or statement on any check, any payment, or any letter accompanying any check or payment constitutes accord and satisfaction.

6.6 No Counterclaim, Setoff, or Abatement of Rent. Except as expressly set forth elsewhere in this Lease, Tenant shall pay rent and all other sums payable by Tenant without the requirement that State provide prior notice or demand. Tenant's payment is not subject to counterclaim, setoff, deduction, defense or abatement.

SECTION 7 IMPROVEMENTS

7.1 Improvements Defined.

- (a) "Improvements," consistent with RCW 79.105 through 79.145, are additions within, upon, or attached to the land. This includes, but is not limited to, fill, structures, bulkheads, docks, pilings, and other fixtures.
- (b) "Personal Property" means items that can be removed from the Property without (1) injury to the Property or Improvements or (2) diminishing the value or utility of the Property or Improvements.
- (c) "State-Owned Improvements" are Improvements made or owned by State. State-Owned Improvements includes any construction, alteration, or addition to State-Owned Improvements made by Tenant.
- (d) "Tenant-Owned Improvements" are Improvements authorized by State and (1) made by Tenant or (2) acquired by Tenant from the prior tenant.

- (e) “Unauthorized Improvements” are Improvements made on the Property without State’s prior consent or Improvements made by Tenant that do not conform to plans submitted to and approved by the State.

7.2 Existing Improvements. On the Commencement Date, the following Improvements are located on the Property: a Waterfront Dock, the Sail Float, and the Open Water Moorage and Anchorage Area linear moorage system and single-point moorage buoys. The Improvements are Tenant-Owned Improvements.

7.3 Construction, Major Repair, Modification, and Demolition.

- (a) This Paragraph 7.3 governs construction, alteration, replacement, major repair, modification, demolition, and deconstruction of Improvements (“Work”).
- (b) All Work must conform to requirements under Paragraph 7.4. Paragraph 11.3, which applies to maintenance and minor repair, also applies to all Work under this Paragraph 7.3.
- (c) Except in an emergency, Tenant shall not conduct Work, without State’s prior written consent, as follows:
 - (1) State may deny consent if State determines that denial is in the best interests of the State or if proposed Work does not comply with Paragraphs 7.4 and 11.3. State may impose additional conditions reasonably intended to protect and preserve the Property. If Work is for removal of Improvements at End of Term, State may waive removal of some or all Improvements.
 - (2) Except in an emergency, Tenant shall submit to State plans and specifications describing the proposed Work at least sixty (60) days before submitting permit applications to regulatory authorities unless Tenant and State otherwise agree to coordinate permit applications. At a minimum, or if no permits are necessary, Tenant shall submit plans and specifications at least ninety (90) days before commencement of Work.
 - (3) State waives the requirement for consent if State does not notify Tenant of its grant or denial of consent within sixty (60) days of submittal.
- (d) Tenant shall notify State of emergency Work within five (5) business days of the start of such Work. Upon State’s request, Tenant shall provide State with plans and specifications or as-builts of emergency Work.
- (e) Tenant shall not commence or authorize Work until Tenant or Tenant’s contractor has:
 - (1) Obtained a performance and payment bond in an amount equal to one hundred twenty-five percent (125%) of the estimated cost of construction. Tenant shall maintain the performance and payment bond until Tenant pays in full the costs of the Work, including all laborers and material persons.
 - (2) Obtained all required permits.
- (f) Before completing Work, Tenant shall remove all debris and restore the Property to an orderly and safe condition. If Work is intended for removal of Improvements at End of Term, Tenant shall restore the Property in accordance with Paragraph 3.3, End of Term.

- (g) Upon completing work, Tenant shall promptly provide State with as-built plans and specifications.
- (h) State shall not charge rent for authorized Improvements installed by Tenant during this Term of this Lease, but State may charge rent for such Improvements when and if Tenant or successor obtains a subsequent use authorization for the Property and State has waived the requirement for Improvements to be removed as provided in Paragraph 7.5.

7.4 Standards for Work.

- (a) Applicability of Standards for Work.
 - (1) The standards for Work in Paragraph 7.4(b) apply to Work commenced in the five year period following the Commencement Date. Work commences when State approves plans and specifications.
 - (2) If Tenant commences Work five years or more after the Commencement Date, Tenant shall comply with State's then current standards for Work.
 - (3) Tenant may ascertain State's current standards for Work as follows:
 - (i) Before submitting plans and specifications for State's approval as required by Paragraph 7.3 of the Lease, Tenant shall request State to provide Tenant with then current standards for Work on State-owned Aquatic Lands.
 - (ii) Within thirty (30) days of receiving Tenant's request, State shall provide Tenant with current standards for Work, which will be effective for the purpose of State's approval of Tenant's proposed Work provided Tenant submits plans and specifications for State's approval within two (2) years of Tenant's request for standards.
 - (iii) If State does not timely provide current standards upon Tenant's request, the standards under Paragraph 7.4(b) apply to Tenant's Work provided Tenant submits plans and specifications as required by Paragraph 7.3 within two (2) years of Tenant's request for standards.
 - (iv) If Tenant fails to (1) make a request for current standards or (2) timely submit plans and specifications to State after receiving current standards, Tenant shall make changes in plans or Work necessary to conform to current standards for Work upon State's demand.
- (b) Standards for Work.
 - (1) State will not approve plans to construct new Improvements or expand existing Improvements in or over habitats designated by State as important habitat. Tenant shall confirm location of important habitat on Property, if any, with State before submitting plans and specifications in accordance with Paragraph 7.3.
 - (2) Tenant shall not install skirting on any overwater structure.
 - (3) Tenant shall only conduct in-water Work during time periods authorized for such work under WAC 220-660-330, Authorized Work Times in Saltwater Areas, as amended, or as otherwise directed by the Washington

- Department of Fish and Wildlife (WDFW) or United States Fish and Wildlife Service (USFWS) or National Marine Fisheries Service (NMFS).
- (4) Tenant shall use embedded anchors and midline floats on all anchored structures and buoys.
 - (5) Tenant shall install grating on new floats, piers, wharves, fingers, docks, fixed docks, and/or gangways as follows: For floats, fingers, and docks, Tenant shall install unobstructed grating on at least fifty (50) percent of the surface area; grating material must have at least sixty (60) percent functional open space or 40 percent or greater multi-directional open space. For gangways, piers, wharves, and fixed docks, Tenant shall install grating on one hundred (100) percent of the surface area; grating material must have at least sixty (60) percent functional open space or forty (40) percent or greater multi-directional open space.
 - (6) Tenant shall orient navigation channels and entrances to facilities to avoid dredging.
 - (7) Tenant shall maximize water exchange by locating facility openings to promote flushing and prevent trapping surface debris and oily residue.

7.5 Tenant-Owned Improvements at End of Lease.

- (a) Disposition.
 - (1) Tenant shall remove Tenant-Owned Improvements in accordance with Paragraph 7.3 upon the expiration, termination, or cancellation of the Lease unless State waives the requirement for removal.
 - (2) Tenant-Owned Improvements remaining on the Property on the expiration, termination, or cancellation date shall become State-Owned Improvements without payment by State, unless State elects otherwise. State may refuse or waive ownership. If RCW 79.125.300 or 79.130.040 apply at the time this Lease expires, Tenant could be entitled to payment by the new tenant for Tenant-Owned Improvements.
 - (3) If Tenant-Owned Improvements remain on the Property after the expiration, termination, or cancellation date without State's consent, State may remove all Improvements and Tenant shall pay State's costs.
- (b) Conditions Under Which State May Waive Removal of Tenant-Owned Improvements.
 - (1) State may waive removal of some or all Tenant-Owned Improvements whenever State determines that it is in the best interests of the State and regardless of whether Tenant re-leases the Property.
 - (2) If Tenant re-leases the Property, State may waive requirement to remove Tenant-Owned Improvements. State also may consent to Tenant's continued ownership of Tenant-Owned Improvements.
 - (3) If Tenant does not re-lease the Property, State may waive requirement to remove Tenant-Owned Improvements upon consideration of a timely request from Tenant, as follows:
 - (i) Tenant must notify State at least one (1) year before the Termination Date of its request to leave Tenant-Owned Improvements.

- (ii) State, within ninety (90) days of receiving Tenant's notification, will notify Tenant whether State consents to some or all Tenant-Owned Improvements remaining. State has no obligation to grant consent.
 - (iii) State's failure to respond to Tenant's request to leave Improvements within ninety (90) days is a denial of the request.
- (c) Tenant's Obligations if State Waives Removal.
 - (1) Tenant shall not remove Improvements if State waives the requirement for removal of some or all Tenant-Owned Improvements.
 - (2) Tenant shall maintain such Improvements in accordance with this Lease until the expiration, termination, or cancellation date. Tenant is liable to State for cost of repair if Tenant causes or allows damage to Improvements State has designated to remain.

7.6 Disposition of Unauthorized Improvements.

- (a) Unauthorized Improvements belong to State, unless State elects otherwise.
- (b) State may either:
 - (1) Consent to Tenant ownership of the Improvements, or
 - (2) Charge rent for use of the Improvements from the time of installation or construction and
 - (i) Require Tenant to remove the Improvements in accordance with Paragraph 7.3, in which case Tenant shall pay rent for the Improvements until removal, or
 - (ii) Consent to Improvements remaining and Tenant shall pay rent for the use of the Improvements, or
 - (iii) Remove Improvements and Tenant shall pay for the cost of removal and disposal, in which case Tenant shall pay rent for use of the Improvements until removal and disposal.

7.7 Disposition of Personal Property.

- (a) Tenant retains ownership of Personal Property unless Tenant and State agree otherwise in writing.
- (b) Tenant shall remove Personal Property from the Property by the Termination Date. Tenant is liable for damage to the Property and Improvements resulting from removal of Personal Property.
- (c) State may sell or dispose of all Personal Property left on the Property after the Termination Date.
 - (1) If State conducts a sale of Personal Property, State shall apply proceeds first to the State's administrative costs in conducting the sale, second to payment of amount that then may be due from the Tenant to the State. State shall pay the remainder, if any, to the Tenant.
 - (2) If State disposes of Personal Property, Tenant shall pay for the cost of removal and disposal.

SECTION 8 ENVIRONMENTAL LIABILITY/RISK ALLOCATION

8.1 Definitions.

- (a) “Hazardous Substance” means any substance that now or in the future becomes regulated or defined under any federal, state, or local statute, ordinance, rule, regulation, or other law relating to human health, environmental protection, contamination, pollution, or cleanup.
- (b) “Release or threatened release of Hazardous Substance” means a release or threatened release as defined under any law described in Paragraph 8.1(a).
- (c) “Utmost care” means such a degree of care as would be exercised by a very careful, prudent, and competent person under the same or similar circumstances; the standard of care applicable under the Washington State Model Toxics Control Act (“MTCA”), Chapter 70.105 RCW, as amended.
- (d) “Tenant and affiliates” when used in this Section 8 means Tenant or Tenant’s subtenants, contractors, agents, employees, guests, invitees, licensees, affiliates, or any person on the Property with the Tenant’s permission.
- (e) “Liabilities” as used in this Section 8 means any claims, demands, proceedings, lawsuits, damages, costs, expenses, fees (including attorneys’ fees and disbursements), penalties, or judgments.

8.2 General Conditions.

- (a) Tenant’s obligations under this Section 8 extend to the area in, on, under, or above
 - (1) The Property and
 - (2) Adjacent state-owned aquatic lands if affected by a release of Hazardous Substances that occurs as a result of the Permitted Use.
- (b) Standard of Care.
 - (1) Tenant shall exercise the utmost care with respect to Hazardous Substances.
 - (2) Tenant shall exercise utmost care for the foreseeable acts or omissions of third parties with respect to Hazardous Substances, and the foreseeable consequences of those acts or omissions, to the extent required to establish a viable, third-party defense under the law.

8.3 Current Conditions and Duty to Investigate.

- (a) State makes no representation about the condition of the Property. Hazardous Substances may exist in, on, under, or above the Property.
- (b) This Lease does not impose a duty on State to conduct investigations or supply information to Tenant about Hazardous Substances.
- (c) Tenant is responsible for conducting all appropriate inquiry and gathering sufficient information about the existence, scope, and location of Hazardous Substances on or near the Property necessary for Tenant to meet Tenant’s obligations under this Lease and utilize the Property for the Permitted Use.

8.4 Use of Hazardous Substances.

- (a) Tenant and affiliates shall not use, store, generate, process, transport, handle, release, or dispose of Hazardous Substances, except in accordance with all applicable laws.
- (b) Tenant shall not undertake, or allow others to undertake by Tenant's permission, acquiescence, or failure to act, activities that result in a release or threatened release of Hazardous Substances.
- (c) If use of Hazardous Substances related to Tenant's use or occupancy of the Property results in violation of law:
 - (1) Tenant shall submit to State any plans for remedying the violations, and
 - (2) Tenant shall implement any remedial measures to restore the Property or natural resources that State may require in addition to remedial measures required by regulatory authorities.
- (d) At a minimum, Tenant and affiliates shall observe the following Hazardous Substances operational standards. If the Washington Department of Ecology, U.S. Environmental Protection Agency or other regulatory agency establishes different standards applicable to Tenant's activities under the Permitted Use, Tenant shall meet the standard that provides greater protection to the environment.
 - (1) Tenant shall not allow work on overwater structures or vessels without protective measures to prevent discharge of toxins to the water, including:
 - (i) Tenant shall not cause or allow underwater hull scraping and other underwater removal of paints.
 - (ii) Tenant shall not cause or allow underwater refinishing work from boats or temporary floats unless permitted by an industrial National Pollutant Discharge Elimination System (NPDES) permit.
 - (iii) Tenant shall not cause or allow above the waterline boat repairs or refinishing in-water except if limited to decks and superstructures and less than 25 percent of a boat is repaired or refinished in-water per year.
 - (iv) Tenant shall use and require others to use tarps and other dust, drip and spill containment measures when repairing or refinishing boats in water.
 - (2) Tenant shall not store or allow others to store fuel tanks, petroleum products, hydraulic fluid, machinery coolants, lubricants and chemicals not in use in locations above the water surface.
 - (3) Tenant shall inspect all equipment using petroleum products, hydraulic fluids, machinery coolants, chemicals, or other toxic or deleterious materials on a monthly basis and immediately make all repairs necessary to stop leakage. Tenant shall submit to State an annual report documenting inspections and repair.
 - (4) Tenant shall maintain a supply of oil spill containment materials adequate to contain a spill from the largest vessel in use on the Property.
 - (5) Tenant shall not use or allow use of a pressure washer at any location above the water surface to clean any item that uses petroleum products.

8.5 Management of Contamination, if any.

- (a) Tenant and affiliates shall not undertake activities that:
 - (1) Damage or interfere with the operation of remedial or restoration activities, if any;
 - (2) Result in human or environmental exposure to contaminated sediments, if any;
 - (3) Result in the mechanical or chemical disturbance of on-site habitat mitigation, if any.
- (b) If requested, Tenant shall allow reasonable access to:
 - (1) Employees and authorized agents of the Environmental Protection Agency, the Washington State Department of Ecology, health department, or other similar environmental agencies; and
 - (2) Potentially liable or responsible parties who are the subject of an order or consent decree that requires access to the Property. Tenant may negotiate an access agreement with such parties, but Tenant may not unreasonably withhold such agreement.

8.6 Notification and Reporting.

- (a) Tenant shall immediately notify State if Tenant becomes aware of any of the following:
 - (1) A release or threatened release of Hazardous Substances;
 - (2) Any new discovery of or new information about a problem or liability related to, or derived from, the presence of Hazardous Substances;
 - (3) Any lien or action arising from Hazardous Substances;
 - (4) Any actual or alleged violation of any federal, state, or local statute, ordinance, rule, regulation, or other law pertaining to Hazardous Substances;
 - (5) Any notification from the US Environmental Protection Agency (EPA) or the Washington State Department of Ecology (DOE) that remediation or removal of Hazardous Substances is or may be required at the Property.
- (b) Tenant's duty to report under Paragraph 8.6(a) extends to lands described in Paragraph 8.2(a) and to any other property used by Tenant in conjunction with the Property if a release of Hazardous Substances on the other property could affect the Property.
- (c) Tenant shall provide State with copies of all documents Tenant submits to any federal, state or local authorities concerning environmental impacts or proposals relative to the Property. Documents subject to this requirement include, but are not limited to, applications, reports, studies, or audits for National Pollution Discharge and Elimination System Permits; Army Corps of Engineers permits; State Hydraulic Project Approvals (HPA); State Water Quality certification; Substantial Development permit; and any reporting necessary for the existence, location, and storage of Hazardous Substances on the Property.

8.7 Indemnification.

- (a) Tenant shall fully indemnify, defend, and hold State harmless from and against Liabilities that arise out of, or relate to:

- (1) The use, storage, generation, processing, transportation, handling, or disposal of any Hazardous Substance by Tenant and affiliates occurring whenever Tenant occupies or has occupied the Property;
 - (2) The release or threatened release of any Hazardous Substance resulting from any act or omission of Tenant and affiliates occurring whenever Tenant occupies or has occupied the Property.
- (b) Tenant shall fully indemnify, defend, and hold State harmless for Liabilities that arise out of or relate to Tenant's breach of obligations under Paragraph 8.5.

8.8 Reservation of Rights.

- (a) For Liabilities not covered by the indemnification provisions of Paragraph 8.7, the Parties expressly reserve and do not waive any rights, claims, immunities, causes of action, or defenses relating to Hazardous Substances that either Party may have against the other under law.
- (b) The Parties expressly reserve all rights, claims, immunities, and defenses either Party may have against third parties. Nothing in this Section 8 benefits or creates rights for third parties.
- (c) The allocations of risks, Liabilities, and responsibilities set forth in this Section 8 do not release either Party from or affect the liability of either Party for Hazardous Substances claims or actions by regulatory agencies.

8.9 Cleanup.

- (a) If Tenant's act, omission, or breach of obligation under Paragraph 8.4 results in a release of Hazardous Substances that exceeds the threshold limits of any applicable regulatory standard, Tenant shall, at Tenant's sole expense, promptly take all actions necessary or advisable to clean up the Hazardous Substances in accordance with applicable law.
- (b) Tenant may undertake a cleanup of the Property pursuant to the Washington State Department of Ecology's Voluntary Cleanup Program, provided that Tenant cooperates with the Department of Natural Resources in development of cleanup plans. Tenant shall not proceed with Voluntary Cleanup without the Department of Natural Resources approval of final plans. Nothing in the operation of this provision is an agreement by the Department of Natural Resources that the Voluntary Cleanup complies with any laws or with the provisions of this Lease. Tenant's completion of a Voluntary Cleanup is not a release from or waiver of any obligation for Hazardous Substances under this Lease.

8.10 Sampling by State, Reimbursement, and Split Samples.

- (a) State may enter the Property and conduct sampling, tests, audits, surveys, or investigations ("Tests") of the Property at any time to determine the existence, scope, or effects of Hazardous Substances.
- (b) If such Tests, along with any other information, demonstrate a breach of Tenant's obligations regarding Hazardous Substances under this Lease, Tenant shall promptly reimburse State for all costs associated with the Tests, provided State gave Tenant thirty (30) calendar days advance notice in nonemergencies and reasonably practical notice in emergencies.

- (c) In nonemergencies, Tenant is entitled to obtain split samples of Test samples, provided Tenant gives State written notice requesting split samples at least ten (10) calendar days before State conducts Tests. Upon demand, Tenant shall promptly reimburse State for additional cost, if any, of split samples.
- (d) If either Party conducts Tests on the Property, the conducting Party shall provide the other with validated final data and quality assurance/quality control/chain of custody information about the Tests within sixty (60) calendar days of a written request by the other party, unless Tests are part of a submittal under Paragraph 8.6(c) in which case Tenant shall submit data and information to State without written request by State. Neither party is obligated to provide any analytical summaries or the work product of experts.

SECTION 9 ASSIGNMENT AND SUBLETTING

9.1 State Consent Required. Tenant shall not convey, transfer, or encumber any part of Tenant's interest in this Lease or the Property without State's prior written consent, which State shall not unreasonably condition or withhold.

- (a) In determining whether to consent, State may consider, among other items, the proposed transferee's financial condition, business reputation, and experience, the nature of the proposed transferee's business, the then-current value of the Property, and such other factors as may reasonably bear upon the suitability of the transferee as a tenant of the Property. State may refuse its consent to any conveyance, transfer, or encumbrance if it will result in a subdivision of the leasehold. Tenant shall submit information regarding any proposed transferee to State at least thirty (30) days prior to the date of the proposed transfer.
- (b) State reserves the right to condition its consent upon:
 - (1) Changes in the terms and conditions of this Lease, including, but not limited to, the Annual Rent; and/or
 - (2) The agreement of Tenant or transferee to conduct Tests for Hazardous Substances on the Property or on other property owned or occupied by Tenant or the transferee.
- (c) Each permitted transferee shall assume all obligations under this Lease, including the payment of rent. No assignment, sublet, or transfer shall release, discharge, or otherwise affect the liability of Tenant.
- (d) State's consent under this Paragraph 9.1 does not constitute a waiver of any claims against Tenant for the violation of any term of this Lease.

9.2 Rent Payments Following Assignment. The acceptance by State of the payment of rent following an assignment or other transfer does not constitute consent to any assignment or transfer.

9.3 Terms of Subleases.

- (a) Tenant shall submit the terms of all subleases to State for approval.
- (b) Tenant shall incorporate the following requirements in all subleases:

- (1) The sublease must be consistent with and subject to all the terms and conditions of this Lease;
- (2) The sublease must provide that this Lease controls if the terms of the sublease conflict with the terms of this Lease;
- (3) The term of the sublease (including any period of time covered by a renewal option) must end before the Termination Date of the initial Term or any renewal term;
- (4) The sublease must terminate if this Lease terminates for any reason;
- (5) The subtenant must receive and acknowledge receipt of a copy of this Lease;
- (6) The sublease must prohibit the prepayment to Tenant by the subtenant of more than the annual rent;
- (7) The sublease must identify the rental amount subtenant is to pay to Tenant;
- (8) The sublease must provide that there is no privity of contract between the subtenant and State;
- (9) The sublease must require removal of the subtenant's Improvements and Personal Property upon termination of the sublease;
- (10) The subtenant's permitted use must be within the scope of the Permitted Use; and
- (11) The sublease must require the subtenant to meet all obligations of Tenant under Section 10, Indemnification, Financial Security, and Insurance.

9.4 Short-Term Subleases of Moorage Slips. Short-term subleasing of moorage slips for a term of one year or less does not require State's written consent or approval pursuant to Paragraphs 9.1 or 9.3. Tenant shall conform moorage sublease agreements to the sublease requirements in Paragraph 9.3.

SECTION 10 INDEMNITY, FINANCIAL SECURITY, INSURANCE

10.1 Indemnity.

- (a) Tenant shall indemnify, defend, and hold State, its employees, officers, and agents harmless from Claims arising out of the use, occupation, or control of the Property by Tenant, its subtenants, contractors, agents, invitees, guests, employees, affiliates, licensees, or permittees to the fullest extent permitted by law and subject to the limitations provided below.
- (b) "Claim" as used in this Paragraph 10.1 means any financial loss, claim, suit, action, damages, expenses, costs, fees (including attorneys' fees), fines, penalties, or judgments attributable to bodily injury, sickness, disease, death, and damages to tangible property, including, but not limited to, land, aquatic life, and other natural resources. "Damages to tangible property" includes, but is not limited to, physical injury to the Property, diminution in value, and/or damages resulting from loss of use of the Property.

- (c) State shall not require Tenant to indemnify, defend, and hold State harmless for claims caused solely by or resulting solely from the negligence or willful act of the State or State's elected officials, employees, or agents.
- (d) Tenant specifically and expressly waives any immunity that may be granted under the Washington State Industrial Insurance Act, Title 51 RCW in connection with its obligation to indemnify, defend, and/or hold State and its agencies, officials, agents, or employees harmless. Further, the indemnification obligation under this Lease shall not be limited in any way by any limitation on amount or type of damages, compensation, or benefits payable to or for any third party under the worker's compensation acts.
- (e) Only to the extent RCW 4.24.115 applies and requires such a limitation, if a claim, suit, or action for injuries or damage is caused by or results from the concurrent negligence of (a) the State or State's agents or employees and (b) the Tenant or Tenant's subtenants, agents, or employees, these indemnity provisions shall be valid and enforceable only to the extent of the negligence of the Tenant and those acting on its behalf.
- (f) Section 8, Environmental Liability/Risk Allocation, exclusively shall govern Tenant's liability to State for Hazardous Substances and its obligation to indemnify, defend, and hold State harmless for Hazardous Substances.

10.2 Insurance Terms.

- (a) Insurance Required.
 - (1) At its own expense, Tenant shall procure and maintain during the Term of this Lease, the insurance coverages and limits described in this Paragraph 10.2 and in Paragraph 10.3, Insurance Types and Limits. State may terminate this Lease if Tenant fails to maintain required insurance.
 - (2) Unless State agrees to an exception, Tenant shall provide insurance issued by an insurance company or companies admitted to do business in the State of Washington and have a rating of A- or better by the most recently published edition of Best's Reports. Tenant may submit a request to the risk manager for the Department of Natural Resources to approve an exception to this requirement. If an insurer is not admitted, the insurance policies and procedures for issuing the insurance policies shall comply with Chapter 48.15 RCW and 284-15 WAC.
 - (3) All general liability, excess, umbrella, property, builder's risk, and pollution legal liability insurance policies must name the State of Washington, the Department of Natural Resources, its elected and appointed officials, agents, and employees as an additional insured.
 - (4) All insurance provided in compliance with this Lease must be primary as to any other insurance or self-insurance programs afforded to or maintained by State.
- (b) Waiver.
 - (1) Tenant waives all rights against State for recovery of damages to the extent insurance maintained pursuant to this Lease covers these damages.

- (2) Except as prohibited by law, Tenant waives all rights of subrogation against State for recovery of damages to the extent that they are covered by insurance maintained pursuant to this lease.
- (c) Proof of Insurance.
 - (1) Tenant shall provide State with a certificate(s) of insurance executed by a duly authorized representative of each insurer, showing compliance with insurance requirements specified in this Lease and, if requested, copies of policies to State.
 - (2) The certificate(s) of insurance must reference additional insureds and the Lease number.
 - (3) Receipt of such certificates or policies by State does not constitute approval by State of the terms of such policies.
 - (4) Tenant shall require all vessels except transients to provide proof of marine insurance for all moorage agreements entered into or renewed after June 12, 2014. Failure to comply with the insurance requirements as outlined in RCW 88.26.030 shall cause Tenant to assume secondary liability under RCW 79.100.060 for any derelict or abandoned vessel as defined in RCW 79.100.010.
- (d) State must receive written notice before cancellation or non-renewal of any insurance required by this Lease, as follows:
 - (1) Insurers subject to RCW 48.18 (admitted and regulated by the Insurance Commissioner): If cancellation is due to non-payment of premium, provide State ten (10) days' advance notice of cancellation; otherwise, provide State forty-five (45) days' advance notice of cancellation or non-renewal.
 - (2) Insurers subject to RCW 48.15 (surplus lines): If cancellation is due to non-payment of premium, provide State ten (10) days' advance notice of cancellation; otherwise, provide State thirty (30) days' advance notice of cancellation or non-renewal.
- (e) Adjustments in Insurance Coverage.
 - (1) State may impose changes in the limits of liability for all types of insurance as State deems necessary.
 - (2) Tenant shall secure new or modified insurance coverage within thirty (30) days after State requires changes in the limits of liability.
- (f) If Tenant fails to procure and maintain the insurance described above within fifteen (15) days after Tenant receives a notice to comply from State, State may either:
 - (1) Deem the failure an Event of Default under Section 14, or
 - (2) Procure and maintain comparable substitute insurance and pay the premiums. Upon demand, Tenant shall pay to State the full amount paid by State, together with interest at the rate provided in Paragraph 6.2 from the date of State's notice of the expenditure until Tenant's repayment.
- (g) General Terms.
 - (1) State does not represent that coverage and limits required under this Lease are adequate to protect Tenant.

- (2) Coverage and limits do not limit Tenant's liability for indemnification and reimbursements granted to State under this Lease.
- (3) The Parties shall use any insurance proceeds payable by reason of damage or destruction to property first to restore the real property covered by this Lease, then to pay the cost of the reconstruction, then to pay the State any sums in arrears, and then to Tenant.

10.3 Insurance Types and Limits.

- (a) General Liability Insurance.
 - (1) Tenant shall maintain commercial general liability insurance (CGL) or marine general liability (MGL) covering claims for bodily injury, personal injury, or property damage arising on the Property and/or arising out of Tenant's use, occupation, or control of the Property and, if necessary, commercial umbrella insurance with a limit of not less than Two Million Dollars (\$2,000,000) per each occurrence. If such CGL or MGL insurance contains aggregate limits, the general aggregate limit must be at least twice the "each occurrence" limit. CGL or MGL insurance must have products-completed operations aggregate limit of at least two times the "each occurrence" limit.
 - (2) CGL insurance must be written on Insurance Services Office (ISO) Occurrence Form CG 00 01 (or a substitute form providing equivalent coverage). All insurance must cover liability arising out of premises, operations, independent contractors, products completed operations, personal injury and advertising injury, and liability assumed under an insured contract (including the tort liability of another party assumed in a business contract) and contain separation of insured (cross-liability) condition.
 - (3) MGL insurance must have no exclusions for non-owned watercraft.
- (b) Workers' Compensation.
 - (1) State of Washington Workers' Compensation.
 - (i) Tenant shall comply with all State of Washington workers' compensation statutes and regulations. Tenant shall provide workers' compensation coverage for all employees of Tenant. Coverage must include bodily injury (including death) by accident or disease, which arises out of or in connection with Tenant's use, occupation, and control of the Property.
 - (ii) If Tenant fails to comply with all State of Washington workers' compensation statutes and regulations and State incurs fines or is required by law to provide benefits to or obtain coverage for such employees, Tenant shall indemnify State. Indemnity shall include all fines; payment of benefits to Tenant, employees, or their heirs or legal representatives; and the cost of effecting coverage on behalf of such employees.
 - (2) Longshore and Harbor Workers' and Jones Acts. Longshore and Harbor Workers' Act (33 U.S.C. Section 901 *et seq.*) and/or the Jones Act (46 U.S.C. Section 688) may require Tenant to provide insurance coverage in

some circumstances. Tenant shall ascertain if such insurance is required and, if required, shall maintain insurance in compliance with law. Tenant is responsible for all civil and criminal liability arising from failure to maintain such coverage.

- (c) Employers' Liability Insurance. Tenant shall procure employers' liability insurance, and, if necessary, commercial umbrella liability insurance with limits not less than One Million Dollars (\$1,000,000) each accident for bodily injury by accident and One Million Dollars (\$1,000,000) each employee for bodily injury by disease.
- (d) Builder's Risk Insurance.
 - (1) Tenant shall procure and maintain in force, or require its contractor(s) to procure and maintain in force, builder's risk insurance on the entire work during the period construction is in progress and until completion of the project and acceptance by State. Such insurance must be written on a completed form and in an amount equal to the value of the completed building and/or Improvements, subject to subsequent modifications to the sum. The insurance must be written on a replacement cost basis. The insurance must name Tenant, all contractors, and subcontractors in the work as insured. State must be named additional insured as required by Paragraph 10.2(a)(3).
 - (2) Insurance described above must cover or include the following:
 - (i) All risks of physical loss except those specifically excluded in the policy, including loss or damage caused by collapse;
 - (ii) The entire work on the Property, including reasonable compensation for architect's services and expenses made necessary by an insured loss;
 - (iii) Portions of the work located away from the Property but intended for use at the Property, and portions of the work in transit;
 - (iv) Scaffolding, falsework, and temporary buildings located on the Property; and
 - (v) The cost of removing debris, including all demolition as made legally necessary by the operation of any law, ordinance, or regulation.
 - (3) Tenant or Tenant's contractor(s) is responsible for paying any part of any loss not covered because of application of a deductible contained in the policy described above.
 - (4) Tenant or Tenant's contractor shall buy and maintain boiler and machinery insurance required by contract documents or by law, covering insured objects during installation and until final acceptance by permitting authority. If testing is performed, such insurance must cover such operations. The insurance must name Tenant, all contractors, and subcontractors in the work as insured. State must be named additional insured as required by Paragraph 10.2(a)(3).

10.4 Financial Security.

- (a) At its own expense, Tenant shall procure and maintain during the Term of this Lease a corporate security bond or provide other financial security that State, at its option, may approve ("Security"). Tenant shall provide Security in an amount equal to Zero Dollars (\$0), which is consistent with RCW 79.105.330, and secures Tenant's performance of its obligations under this Lease, with the exception of the obligations under Section 8, Environmental Liability/Risk Allocation. Tenant's failure to maintain the Security in the required amount during the Term constitutes a breach of this Lease.
- (b) All Security must be in a form acceptable to the State.
 - (1) Bonds must be issued by companies admitted to do business within the State of Washington and have a rating of A-, Class VII or better, in the most recently published edition of Best's Reports, unless State approves an exception. Tenant may submit a request to the risk manager for the Department of Natural Resources for an exception to this requirement.
 - (2) Letters of credit, if approved by State, must be irrevocable, allow State to draw funds at will, provide for automatic renewal, and comply with RCW 62A.5-101, *et. seq.*
 - (3) Savings account assignments, if approved by State, must allow State to draw funds at will.
- (c) Adjustment in Amount of Security.
 - (1) State may require an adjustment in the Security amount:
 - (i) At the same time as revaluation of the Annual Rent,
 - (ii) As a condition of approval of assignment or sublease of this Lease,
 - (iii) Upon a material change in the condition or disposition of any Improvements, or
 - (iv) Upon a change in the Permitted Use.
 - (2) Tenant shall deliver a new or modified form of Security to State within thirty (30) days after State has required adjustment of the amount of the Security.
- (d) Upon any default by Tenant in its obligations under this Lease, State may collect on the Security to offset the liability of Tenant to State. Collection on the Security does not (1) relieve Tenant of liability, (2) limit any of State's other remedies, (3) reinstate or cure the default or (4) prevent termination of the Lease because of the default.

SECTION 11 MAINTENANCE AND REPAIR

11.1 State's Repairs. State shall not be required to make any alterations, maintenance, replacements, or repairs in, on, or about the Property, or any part thereof, during the Term.

11.2 Tenant's Repairs, Alteration, Maintenance and Replacement.

- (a) Tenant shall, at its sole cost and expense, keep and maintain the Property and all improvements (regardless of ownership) in good order and repair, in a clean, attractive, and safe condition.

- (b) Tenant shall, at its sole cost and expense, make any and all additions, repairs, alterations, maintenance, replacements, or changes to the Property or to any improvements on the Property which may be required by any public authority having jurisdiction over the Property and requiring it for public health, safety and welfare purposes.
- (c) Except as provided in Section 11.2(d), all additions, repairs, alterations, replacements or changes to the Property and to any improvements on the Property shall be made in accordance with, and ownership shall be governed by, Section 7, above.
- (d) Routine maintenance and repair are acts intended to prevent a decline, lapse or, cessation of the Permitted Use and associated Improvements. Routine maintenance or repair that does not require regulatory permits does not require authorization from State pursuant to Section 7.

11.3 Limitations. The following limitations apply whenever Tenant conducts maintenance, repair, or replacement.

- (a) Tenant shall not use or install treated wood on decks, pilings, or any other structure at any location above or below water, except that Tenant may use ACZA treated wood for above water structural framing. Tenant shall never use CCA, ACQ, or creosote-treated wood at any location.
- (b) Tenant shall not use or install tires (for example, floatation or fenders) at any location above or below water.
- (c) Tenant shall install only floatation material encapsulated in a shell resistant to ultraviolet radiation and abrasion. The shell must be capable of preventing breakup and loss of flotation material into the water.
- (d) Tenant shall not allow new floating structures to come in contact with underlying bedlands ("ground out"). Tenant must either (1) locate all new floating structures in water too deep to permit grounding out or (2) install stoppers sufficient to maintain a distance of at least 1.5 feet (0.5 meters) between the bottom of the floats and the substrate.

SECTION 12 DAMAGE OR DESTRUCTION

12.1 Notice and Repair.

- (a) In the event of damage to or destruction of the Property or Improvements, Tenant shall promptly give written notice to State. State does not have actual knowledge of the damage or destruction without Tenant's written notice.
- (b) Unless otherwise agreed in writing, Tenant shall promptly reconstruct, repair, or replace the Property and Improvements as nearly as possible to its condition immediately prior to the damage or destruction in accordance with Paragraph 7.3, Construction, Major Repair, Modification, and Demolition and Tenant's additional obligations in Exhibit B, if any.

12.2 State's Waiver of Claim. State does not waive any claims for damage or destruction of the Property unless State provides written notice to Tenant of each specific claim waived.

12.3 Insurance Proceeds. Tenant's duty to reconstruct, repair, or replace any damage or destruction of the Property or any Improvements on the Property is not conditioned upon the availability of any insurance proceeds to Tenant from which the cost of repairs may be paid. The Parties shall use insurance proceeds in accordance with Paragraph 10.2(g)(3).

12.4 Rent in the Event of Damage or Destruction. Unless the Parties agree to terminate this Lease, there is no abatement or reduction in rent during such reconstruction, repair, and replacement.

12.5 Default at the Time of Damage or Destruction. If Tenant is in default under the terms of this Lease at the time damage or destruction occurs, State may elect to terminate the Lease and State then shall have the right to retain any insurance proceeds payable as a result of the damage or destruction.

SECTION 13 CONDEMNATION

13.1 Definitions.

- (a) "Taking" means that an entity authorized by law exercises the power of eminent domain, either by judgment, settlement in lieu of judgment, or voluntary conveyance in lieu of formal court proceedings, over all or any portion of the Property and Improvements. This includes any exercise of eminent domain on any portion of the Property and Improvements that, in the judgment of the State, prevents or renders impractical the Permitted Use.
- (b) "Date of Taking" means the date upon which title to the Property or a portion of the Property passes to and vests in the condemner or the effective date of any order for possession if issued prior to the date title vests in the condemner.

13.2 Effect of Taking. If there is a taking, the Lease terminates proportionate to the extent of the taking. If this Lease terminates in whole or in part, Tenant shall make all payments due and attributable to the taken Property up to the date of taking. If Tenant has pre-paid rent and Tenant is not in default of the Lease, State shall refund Tenant the pro rata share of the pre-paid rent attributable to the period after the date of taking.

13.3 Allocation of Award.

- (a) The Parties shall allocate the condemnation award based upon the ratio of the fair market value of (1) Tenant's leasehold estate and Tenant-Owned Improvements and (2) State's interest in the Property; the reversionary interest in Tenant-Owned Improvements, if any; and State-Owned Improvements, if any.
- (b) If Tenant and State are unable to agree on the allocation, the Parties shall submit the dispute to binding arbitration in accordance with the rules of the American Arbitration Association.

SECTION 14 DEFAULT AND REMEDIES

14.1 Default Defined. Tenant is in default of this Lease on the occurrence of any of the following:

- (a) Failure to pay rent or other expenses when due;
- (b) Failure to comply with any law, regulation, policy, or order of any lawful governmental authority;
- (c) Failure to comply with any other provision of this Lease;
- (d) Commencement of bankruptcy proceedings by or against Tenant or the appointment of a trustee or receiver of Tenant's property.

14.2 Tenant's Right to Cure.

- (a) A default becomes an "Event of Default" if Tenant fails to cure the default within the applicable cure period following State's written notice of default. Upon an Event of Default, State may seek remedies under Paragraph 14.3.
- (b) Unless expressly provided elsewhere in this Lease, the cure period is ten (10) days for failure to pay rent or other monetary defaults; for other defaults, the cure period is thirty (30) days.
- (c) For nonmonetary defaults not capable of cure within thirty (30) days, State will not unreasonably withhold approval of a reasonable alternative cure schedule. Tenant must submit a cure schedule wi[sixty (60)] – OR –thin thirty (30) days of a notice of default. The default is not an Event of Default if State approves the schedule and Tenant works diligently and in good faith to execute the cure. The default is an Event of Default if Tenant fails to timely submit a schedule or fails to cure in accordance with an approved schedule.
- (d) State may elect to deem a default by Tenant as an Event of Default if the default occurs within six (6) months after a default by Tenant for which State has provided notice and opportunity to cure and regardless of whether the first and subsequent defaults are of the same nature.

14.3 Remedies.

- (a) Upon an Event of Default, State may terminate this Lease and remove Tenant by summary proceedings or otherwise.
- (b) If the Event of Default (1) arises from Tenant's failure to comply with restrictions on Permitted Use and operations under Paragraph 2.2 or (2) results in damage to natural resources or the Property, State may enter the Property without terminating this Lease to (1) restore the natural resources or Property and charge Tenant restoration costs and/or (2) charge Tenant for damages. On demand by State, Tenant shall pay all costs and/or damages.
- (c) Without terminating this Lease, State may relet the Property on any terms and conditions as State may decide are appropriate.
 - (1) State shall apply rent received by reletting: (1) to the payment of any indebtedness other than rent due from Tenant to State; (2) to the payment of any cost of such reletting; (3) to the payment of the cost of any alterations and repairs to the Property; and (4) to the payment of rent and

leasehold excise tax due and unpaid under this Lease. State shall hold and apply any balance to Tenant's future rent as it becomes due.

- (2) Tenant is responsible for any deficiency created by the reletting during any month and shall pay the deficiency monthly.
- (3) At any time after reletting, State may elect to terminate this Lease for the previous Event of Default.
- (d) State's reentry or repossession of the Property under Paragraph 14.3 is not an election to terminate this Lease or cause a forfeiture of rents or other charges Tenant is obligated to pay during the balance of the Term, unless (1) State gives Tenant written notice of termination or (2) a legal proceeding decrees termination.
- (e) The remedies specified under this Paragraph 14.3 are not exclusive of any other remedies or means of redress to which the State is lawfully entitled for Tenant's breach or threatened breach of any provision of this Lease.

SECTION 15 ENTRY BY STATE

State may enter the Property at any reasonable hour to inspect for compliance with the terms of this Lease, to monitor impacts to habitat, or survey habitat and species. Tenant grants State permission to cross Tenant's upland and aquatic land property to access the Property. State's failure to inspect the Property does not constitute a waiver of any rights or remedies under this Lease.

SECTION 16 DISCLAIMER OF QUIET ENJOYMENT

16.1 No Guaranty or Warranty.

- (a) State believes that this Lease is consistent with the Public Trust Doctrine and that none of the third-party interests identified in Paragraph 1.1(b) will materially or adversely affect Tenant's right of possession and use of the Property, but State makes no guaranty or warranty to that effect.
- (b) State disclaims and Tenant releases State from any claim for breach of any implied covenant of quiet enjoyment. This disclaimer and release includes, but is not limited to, interference arising from exercise of rights under the Public Trust Doctrine; Treaty rights held by Indian Tribes; and the general power and authority of State and the United States with respect to aquatic lands and navigable waters.
- (c) Tenant is responsible for determining the extent of Tenant's right to possession and for defending Tenant's leasehold interest.

16.2 Eviction by Third-Party. If a third-party evicts Tenant, this Lease terminates as of the date of the eviction. In the event of a partial eviction, Tenant's rent obligations abate as of the date of the partial eviction, in direct proportion to the extent of the eviction; this Lease shall remain in full force and effect in all other respects.

SECTION 17 NOTICE AND SUBMITTALS

Following are the locations for delivery of notice and submittals required or permitted under this Lease. Any Party may change the place of delivery upon ten (10) days written notice to the other.

State: DEPARTMENT OF NATURAL RESOURCES
Orca-Straits District
5310 Eaglemount Rd
Chimacum, WA 98325

Tenant: CITY OF BAINBRIDGE ISLAND
280 Madison Ave N
Bainbridge Island, WA 98110-1812

The Parties may deliver any notice in person, by facsimile machine, or by certified mail. Depending on the method of delivery, notice is effective upon personal delivery, upon receipt of a confirmation report if delivered by facsimile machine, or three (3) days after mailing. All notices must identify the Lease number. On notices transmitted by facsimile machine, the Parties shall state the number of pages contained in the notice, including the transmittal page, if any.

SECTION 18 MISCELLANEOUS

18.1 Authority. Tenant and the person or persons executing this Lease on behalf of Tenant represent that Tenant is qualified to do business in the State of Washington, that Tenant has full right and authority to enter into this Lease, and that each and every person signing on behalf of Tenant is authorized to do so. Upon State's request, Tenant shall provide evidence satisfactory to State confirming these representations.

18.2 Successors and Assigns. This Lease binds and inures to the benefit of the Parties, their successors, and assigns.

18.3 Headings. The headings used in this Lease are for convenience only and in no way define, limit, or extend the scope of this Lease or the intent of any provision.

18.4 Entire Agreement. This Lease, including the exhibits, attachments, and addenda, if any, contains the entire agreement of the Parties. This Lease merges all prior and contemporaneous agreements, promises, representations, and statements relating to this transaction or to the Property.

18.5 Waiver.

- (a) The waiver of any breach or default of any term, covenant, or condition of this Lease is not a waiver of such term, covenant, or condition; of any subsequent breach or default of the same; or of any other term, covenant, or condition of this

Lease. State's acceptance of a rental payment is not a waiver of any preceding or existing breach other than the failure to pay the particular rental payment that was accepted.

- (b) The renewal of the Lease, extension of the Lease, or the issuance of a new lease to Tenant, does not waive State's ability to pursue any rights or remedies under the Lease.

18.6 Cumulative Remedies. The rights and remedies under this Lease are cumulative and in addition to all other rights and remedies afforded by law or equity or otherwise.

18.7 Time is of the Essence. TIME IS OF THE ESSENCE as to each and every provision of this Lease.

18.8 Language. The word "Tenant" as used in this Lease applies to one or more persons and regardless of gender, as the case may be. If there is more than one Tenant, their obligations are joint and several. The word "persons," whenever used, shall include individuals, firms, associations, and corporations. The word "Parties" means State and Tenant in the collective. The word "Party" means either or both State and Tenant, depending on the context.

18.9 Invalidity. The invalidity, voidness, or illegality of any provision of this Lease does not affect, impair, or invalidate any other provision of this Lease.

18.10 Applicable Law and Venue. This Lease is to be interpreted and construed in accordance with the laws of the State of Washington. Venue for any action arising out of or in connection with this Lease is in the Superior Court for Thurston County, Washington.

18.11 Statutory Reference. Any reference to a statute means that statute as presently enacted or hereafter amended or superseded.

18.12 Recordation. At Tenant's expense and no later than thirty (30) days after receiving the fully-executed Lease, Tenant shall record this Lease in the county in which the Property is located. Tenant shall include the parcel number of the upland property used in conjunction with the Property, if any. Tenant shall provide State with recording information, including the date of recordation and file number. If Tenant fails to record this Lease, State may record it and Tenant shall pay the costs of recording upon State's demand.

18.13 Modification. No modification of this Lease is effective unless in writing and signed by both Parties. Oral representations or statements do not bind either Party.

18.14 Survival. Any obligations of Tenant not fully performed upon termination of this Lease do not cease, but continue as obligations of the Tenant until fully performed.

18.15 Exhibits and Attachments. All referenced exhibits and attachments are incorporated in the Lease unless expressly identified as unincorporated.

THIS AGREEMENT requires the signature of all Parties and is effective on the date of the last signature below.

CITY OF BAINBRIDGE ISLAND

Dated: _____, 20____

DOUG SCHULZE
City Manager
280 Madison Ave N
Bainbridge Island, WA 98110-1812
Phone: 206-842-2545

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: _____, 20____

HILARY S. FRANZ
Commissioner of Public Lands
1111 Washington St SE
Olympia, WA 98504-7027

Approved as to form this
26 day of August 2016
Jennifer Clements, Assistant Attorney General

REPRESENTATIVE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
County of Kitsap)

I certify that I know or have satisfactory evidence that DOUG SCHULZE is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the City Manager of Bainbridge Island to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____, 20____

(Seal or stamp)

(Signature)

(Print Name)

Notary Public in and for the State of
Washington, residing at

My appointment expires _____

STATE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
County of Thurston)

I certify that I know or have satisfactory evidence that HILARY S. FRANZ is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the Commissioner of Public Lands, and ex officio administrator of the Department of Natural Resources of the State of Washington to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____, 20____

(Seal or stamp)

(Signature)

(Print Name)

Notary Public in and for the State of
Washington, residing at

My appointment expires _____

Preliminary EXHIBIT A

Agreement Number: 20-A85592

Recording number of DNR approved survey in Kitsap County: 201104120338

Legal description Area “A” of the property: That portion of the beds of Eagle Harbor, situate in front of Government Lot 4, Section 26, Township 25 North, Range 2 East, Willamette Meridian, Kitsap County, Washington, described as follows:

Commencing at a concrete monument at the Easterly meander corner common to Sections 27 and 34, Township 25 North, Range 2 East, from which a concrete monument at the Westerly meander corner common to said Sections 27 and 34 bears North 87°30'29" West 914.02 feet;

Thence North 88°21'55" East 984.79 feet, more or less, to the intersection of the line of extreme low tide and the northeasterly corner of the Queen City Yacht Club Aquatic Lands Lease No. 20-A09179, as recorded under Kitsap County Auditor's File No. 200508290204 and the True Point of Beginning:

Thence Southwesterly along the easterly boundary of said aquatic lands lease area South 09°03'31" West 287.90 feet, more or less, to the Eagle Harbor Construction Limit Line;

Thence following said Construction Line; 88°46'10" East 18.93 feet;

Thence following said Construction Line South 73°14'44" East 350.71 feet;

Thence leaving said Construction Line, North 35°50'15" East 483.00 feet, more or less, to the line of extreme low tide;

Thence westerly along the line of extreme low water 614 feet, more or less, to the True Point of Beginning.

Containing 158,821 square feet or 3.65 acres, more or less.

Legal description Area “B” of the property: That portion of the beds of Eagle Harbor, situate in front of Government Lots 3 and 4, Section 26, Government Lot 4, Section 27, Government Lot 1, Section 35, Government Lots 1 and 3, Section 34, all in Township 25 North, Range 2 East, Willamette Meridian, Kitsap County, Washington, described as follows:

Commencing at a concrete monument at the Easterly meander corner common to Sections 27 and 34, from which a concrete monument at the Westerly meander corner common to said Sections 27 and 37 bears North 87°30'24" West 914.02 feet;

Thence South 21°41'20" West 808.37 feet, more or less, to a buoy marked “D”:

Thence South 88°45'32" East 177.71 feet to Point “D1” and the True Point of Beginning;

Thence Southeasterly 150 feet from and parallel to the Construction Line of Eagle Harbor South 72°25'14" East 1700.18 feet, more or less, to Point “E1”;

Thence North 21°04'53" East 772.20 feet, more or less, to a buoy marked "A";
Thence North 72°43'03" West 309.71 feet, more or less, to Point "B1";
Thence North 87°35'18" West 209.25 feet, more or less, to a buoy marked "B";
Thence North 89°40'10" West 274.69 feet, more or less, to Point "C1";
Thence South 58°34'07" West 266.35 feet, more or less, to a buoy marked "C";
Thence South 63°06'38" West 377.04 feet, more or less, to Point "D1" and the True Point of Beginning.

Containing 679,821 square feet or 15.61 acres, more or less.

Square footage of each of these Use classifications:

| | |
|--------------------------|----------------|
| Water-dependent | 140,851 |
| Nonwater-dependent | 1,920 |
| Public Access | 695,871 |
| Total square feet | 838,642 |

PLAN OF OPERATIONS EXHIBIT B

1. DESCRIPTION OF PERMITTED USE

A. Existing Facilities. This leasehold consists of two survey areas – Area A for the Waterfront Dock, Kayak Racks, and Sail Float, and Area B for the Open Water Moorage and Anchorage Area (OWMAA). Tenant owns the abutting uplands (Waterfront Park), tidelands down to extreme low tide, and all improvements within the leasehold, except the Sail Float, which is owned and managed by Bainbridge Island Metro Parks and Recreation District (BI Parks).

Area A - Waterfront Dock, new Kayak Racks, and the Sail Float. The public use and access Waterfront Dock is planned to be completely rebuilt and expanded under Recreation and Conservation Office (RCO) grants #14-1953 and #15-1253 in summer 2017 (see Attachment 1). When completed, the new moorage dock will have two public pumpout stations, a new Kayak Rack storage area (320 sq ft) on a finger pier, and a dinghy tie-up for OWMAA tenants and the public. The Sail Float (1,600 sq ft) is a separate, non-conforming structure located to the east of Waterfront Dock. The Sail Float has been in continuous use at this location since 1988 and is used to store and launch small sailboats from March to November for youth and adult sailing programs. Tenant is in the process of negotiating a sublease agreement with BI Parks for the Sail Float.

Area B - Open Water Moorage and Anchorage Area (OWMAA). Eagle Harbor is the location of the state's first and only OWMAA. The OWMAA is delineated by four U.S. Coast Guard private aids to navigation and consists of public use and access open water moorage and anchorage space, as well as a maximum of sixteen (16) residential use spaces. Residential use vessels are designated onto either a linear moorage system (LMS) or single-point moorage buoys (a.k.a., swing moorage). Vessels previously designated on Fore & Aft (i.e., twin-point) moorage buoys will change to single-point moorage as of lease commencement. The LMS is a fixed in-water structure and comprises anchors, topper floats, and a series of lines for securing up to six residential vessels, as well as space allotted for transient public moorage. Ten moorage buoys with helical anchors and midline floats enable up to ten single-point moorage residential use spaces within the OWMAA. Tenant plans to remove the LMS in the future and replace it with single-point moorage buoys. The maximum vessel size allowed in the OWMAA is 60 feet.

Subtenants of the OWMAA are required to sign annual leases beginning January 1 of each year. Tenant updates DNR on the status of residential use in the OWMAA accordingly. DNR may adjust the rent associated with residential use under this lease on an annual basis based on the reported number and size of residential use vessels on single-point moorage in the OWMAA. Residential use subtenants in the OWMAA dispose of their sewage by using the two public pumpout stations located at the

Waterfront Dock. A Harbormaster is responsible for oversight and management of the OWMAA. According to the Harbormaster, the delineation of a specific anchorage and moorage zone has improved vessel management of the area, including navigation and enforcement of anchorage limits.

Residential uses, as defined by WAC 332-30-106 (62), are allowed and are required to be in compliance with WAC 332-30-171. The current limit on residential uses of state-owned aquatic lands at this lease site within the OWMAA is 100% recognized in the local Shoreline Master Program (authorized in Shoreline Substantial Development Conditional Use Permit SSDP/SCUP 17091 issued in November 2011). In accordance with the rules, a maximum of 16 slips or moorage spaces can have residential uses. There are currently nine slips or moorage spaces out of 16 that have residential uses.

This Lease does not authorize any Floating Houses as defined by WAC 332-30-106 (23). All residential uses authorized in this Lease must be vessels as defined by WAC 332-30-106(74).

B. Proposed Work. Tenant has submitted to State plans and specifications for the Proposed Work shown in Attachment 1 to this Exhibit B (Proposed Work), which is not incorporated in this Lease. State grants its consent to the Proposed Work as provided under Paragraph 7.3 of the Lease. Tenant shall conform the Proposed Work to all requirements of this Lease, including Section 7 and the additional obligations of this Exhibit B.

C. Permits. Tenant has secured the following permits for the Proposed Work:

- Shoreline Substantial Development Permit PLN11084C SSDP issued by the City of Bainbridge Island (SEPA lead) on September 16, 2016.
- Hydraulic Project Approval 2016-6-303+01 issued by the Washington Department of Fish and Wildlife on June 27, 2016.
- Section 10 Permit NWS-2015-696 issued by the U.S. Army Corps of Engineers on December 19, 2016.

D. Waste Management Plan. Tenant has established and State has approved a “Waste Management Plan” that describes the measures Tenant will implement to ensure upland disposal of waste, the measures Tenant will implement to avoid or minimize the discharge of waste, and Tenant’s contingency plan if such waste disposal methods fail or are unavailable. Tenant’s Waste Management Plan is attached as Attachment 2 to this Exhibit B.

2. ADDITIONAL OBLIGATIONS –*for* WATERFRONT DOCK

Except for the Proposed Work authorized in Section 1.B. of this Exhibit B, State has not authorized Tenant to conduct any Work on the Property. Where work will need to be conducted to meet the Additional Obligations below, Tenant shall obtain State's prior written consent in accordance with Section 7.3 of this Lease and obtain all necessary regulatory permits prior to commencing such Work.

- A. Tenant shall post clearly all national and state oil and chemical spill hotlines.
- B. Tenant shall replace existing treated wood decking, timbers, and pilings with non-toxic materials such as untreated wood, steel, concrete, or recycled plastic, or existing wood may be encased in a manner that prevents leaching of contaminants into surface water. Tenant may use ACZA treated wood to replace above water structural framing. Tenant shall never use CCA, ACQ, or creosote-treated wood at any location. Replacement may occur under an ordinary maintenance or repair schedule, but all treated wood must be replaced by April 30, 2019.
- C. Tenant shall renovate or replace existing docks, rafts, floats, wharves, piers, fixed docks and/or gangways as follows: For docks, rafts, and floats, Tenant shall install grating on at least fifty (50) percent of the surface area; grating material must have at least sixty (60) percent functional open space or forty (40) percent or greater multi-directional open space. For gangways, piers, wharves, and fixed docks, Tenant shall install grating on one hundred (100) percent of the surface area; grating material must have at least sixty (60) percent unobstructed open space or forty (40) percent or greater multi-directional open space. Replacement may occur under an ordinary maintenance or repair schedule, but replacement must be completed by April 30, 2019.
- D. Tenant shall orient and shield lighting fixtures attached to overwater structures in a manner which minimizes the amount of light shining directly on the water, minimizes the amount of glare on the water, and minimizes the amount of light broadcasting into the night sky. Tenant shall implement the following measures to achieve this requirement:
 - i. Tenant shall direct light to walkways, or
 - ii. Tenant shall use light shields which prevent light from being emitted upward and prevent glare on the water, and
 - iii. Tenant shall use fixtures that do not emit light upward, and
 - iv. Tenant shall use lights that are “warm-white” or filtered to minimize blue emission and shall not use LED and fluorescent light bulbs.

3. ADDITIONAL OBLIGATIONS –*for* OPEN WATER MOORAGE AND ANCHORAGE AREA (OWMAA)

Except for the Proposed Work authorized in Section 1.B. of this Exhibit B, State has not authorized Tenant to conduct any Work on the Property. Where Work will need to be conducted to meet the Additional Obligations below, Tenant shall obtain State's prior written consent in accordance with Section 7.3 of this Lease and obtain all necessary regulatory permits prior to commencing such Work.

- A. Tenant is required to comply with all provisions outlined in the Residential Use Rule per WAC 332-30-171, including:
- i. Tenant shall dispose all treated and untreated sewage, oil, toxic substances, and solid waste upland and in accordance with federal, state, and local laws.
 - ii. Tenant shall implement and follow the waste disposal measures described in the Waste Management Plan for the duration of this Lease. If, after implementation of the Waste Management Plan, the waste disposal measures or the contingency plan provided in the Waste Management Plan are not sufficient for ensuring upland waste disposal, are not sufficient for avoiding or minimizing any discharge of waste, or otherwise do not meet the waste disposal or residential use requirements in WAC 332-30-171(4)-(5) or other applicable state, federal or local laws, Tenant shall submit a new Waste Management Plan establishing revised waste disposal measures for approval by the State. Tenant shall implement the new Waste Management Plan within 30 days of State's approval of the plan.
 - iii. Tenant shall collect documentation on a monthly basis documenting the resident's compliance with upland disposal of sewage; the marina must annually provide documentation to DNR confirming that all residential uses moored on the Property are disposing of sewage (e.g., blackwater) in an upland facility per WAC 332-30-171(4)(a) and (5)(a).
 - iv. Per WAC 332-30-171(4)(d), Tenant shall develop and implement Best Management Practices (BMPs) to avoid, to the maximum extent possible, discharges of gray water (e.g., sink and shower discharges).
 - v. Tenant shall implement BMPs for the increased waste associated with residential uses.
 - vi. Upon any failure or the unavailability of the waste disposal methods identified in Tenant's Waste Management Plan, Tenant shall implement the contingency plan(s) as set forth in Tenant's Waste Management Plan.
 - vii. Tenant shall implement the following BMPs:

| Deck |
|---|
| • Wash often with water only. |
| • Use "green" products. |
| • Spot clean only with harsher products. |
| • Require "scupper stoppers" when cleaning. |
| • Prohibit overboard discharge from decks. |

| |
|--|
| Galley |
| • Use sink strainers. |
| • Scrape plates into trash receptacles prior to washing. |
| • Discourage garbage disposal use. |
| • Use “green” products. |
| • Encourage upland facility use. |
| • Discourage or minimize in-port use of sink. |
| Shower |
| • Encourage automatic shut-off valves. |
| • Educate on “sea-showers.” |
| • Use drain-strainers. |
| • Encourage “green” products. |
| • Encourage use of clean, free showers at upland facility. |
| Laundry |
| • Encourage upland facility use. |
| • Post names and locations of laundries. |
| • Encourage “green” products. |
| • Prohibit on-board laundry. |

Within thirty (30) days following the Commencement Date, Tenant shall give a copy of the BMPs to all of its subtenants, and to any new subtenants when they move into the marina.

- viii. A diagram or schematic of the marina with the following information is attached as Attachment 2:
- Location of residential uses;
 - Type of residential structure (whether a Floating House or a vessel, as defined by WAC 332-30-106 (23) and (74);
 - Name of occupant;
 - If the vessel or Floating House slip site or moorage area was occupied prior to October 1, 1984 in a continuous manner;
 - Date when current moorage agreement commenced and term of agreement; and
 - Boat registration number issued by Department of Licensing, if applicable.

Tenant must provide, on a four-year period on their anniversary date, an updated diagram (schematic or table) showing the above information.

- ix. If the total number of slips or moorage spaces changes on the property, Tenant shall notify State within sixty (60) days.
- x. The specific locations of Tenant’s residential use slips are identified in Attachment 2. Tenant shall notify and obtain State’s prior approval before adding or changing the location of any residential use slips. Tenant’s addition and/or relocation of any residential use slips shall not adversely impact habitat or interfere with water-dependent uses.
- xi. Tenant shall notify the State within sixty (60) days if any residential use vacates the marina for a period greater than thirty (30) days and is not

replaced with another residential use. Tenant shall provide the registration number of the residential use which vacated.

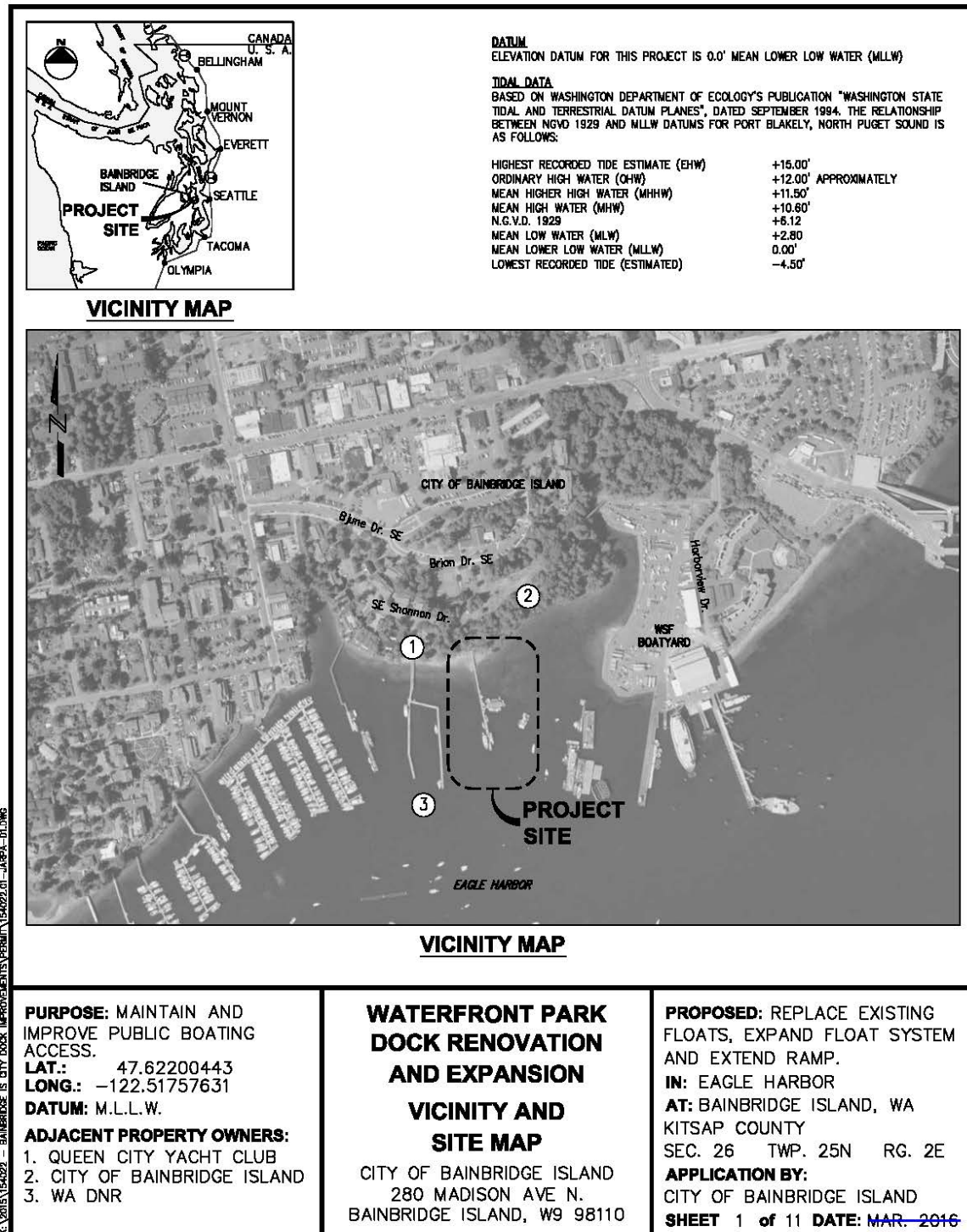
4. ADDITIONAL OBLIGATIONS – *for* SAIL FLOAT

Except for the Proposed Work authorized in Section 1.B. of this Exhibit B, State has not authorized Tenant to conduct any Work on the Property. Where Work will need to be conducted to meet the Additional Obligations below, Tenant shall obtain State's prior written consent in accordance with Section 7.3 of this Lease and obtain all necessary regulatory permits prior to commencing such Work.

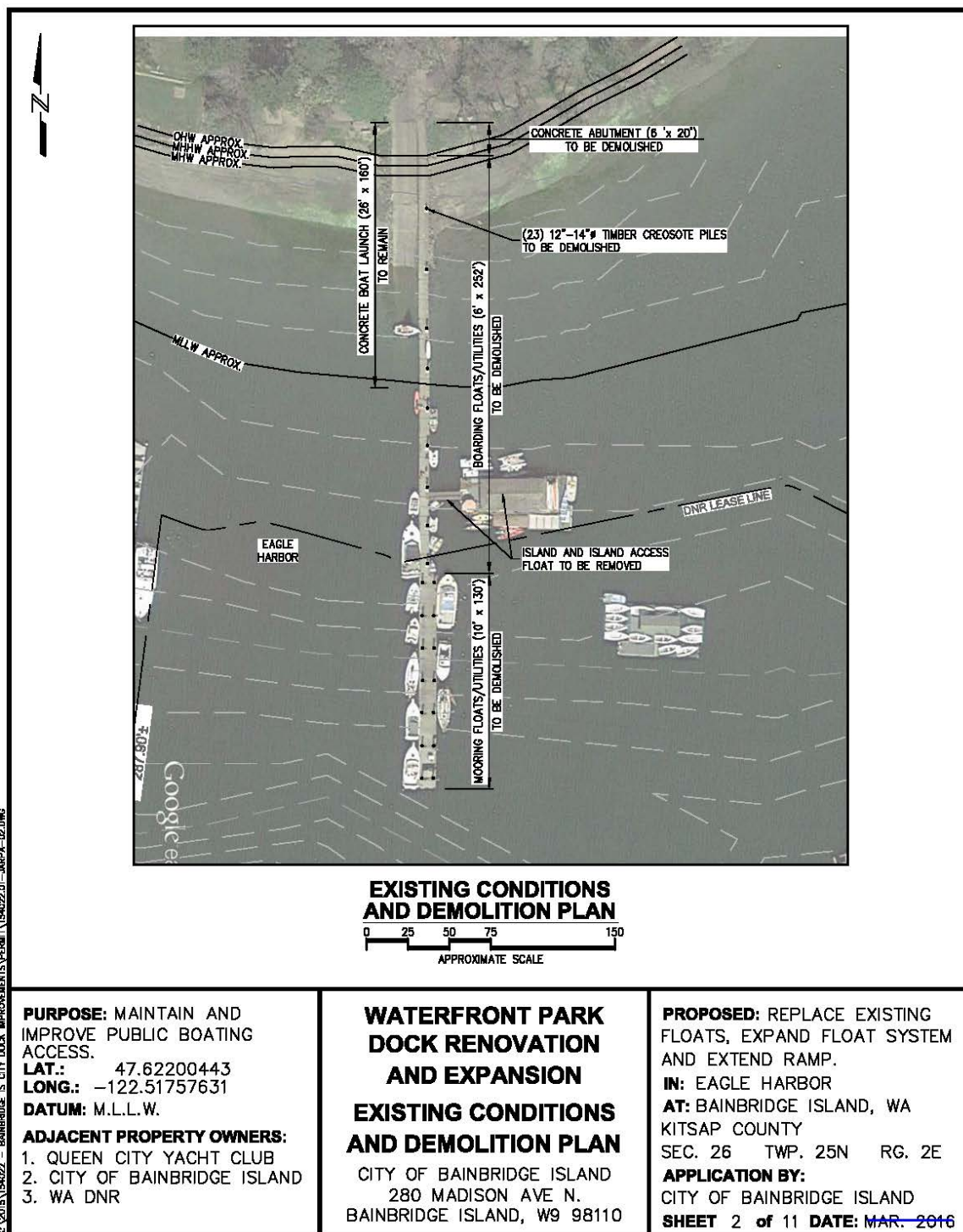
- A. Tenant shall replace existing treated wood decking with non-toxic materials such as untreated wood, steel, concrete, or recycled plastic, or existing wood may be encased in a manner that prevents leaching of contaminants into surface water. Tenant may use ACZA treated wood to replace above water structural framing. Tenant shall never use CCA, ACQ, or creosote-treated wood at any location. Replacement may occur under an ordinary maintenance or repair schedule, but all treated wood must be replaced by April 30, 2024.
- B. Tenant shall replace existing unencapsulated floatation materials with encapsulated floatation materials. Replacement may occur under an ordinary maintenance or repair schedule, but all unencapsulated floatation material must be replaced by April 30, 2024.
- C. Tenant shall replace anchorage systems on all anchored structures and buoys with systems using embedded anchors and midline floats. Replacement may occur under an ordinary maintenance or repair schedule, but all replacement must be complete by April 30, 2042.
- D. Tenant shall renovate or replace existing docks, rafts, floats, wharves, piers, fixed docks and/or gangways as follows: For docks, rafts, and floats, Tenant shall install grating on at least fifty (50) percent of the surface area; grating material must have at least sixty (60) percent functional open space or forty (40) percent or greater multi-directional open space. For gangways, piers, wharves, and fixed docks, Tenant shall install grating on one hundred (100) percent of the surface area; grating material must have at least sixty (60) percent unobstructed open space or forty (40) percent or greater multi-directional open space. Replacement may occur under an ordinary maintenance or repair schedule, but replacement must be complete by April 30, 2024.

Approved as to form this
19 day of January 2017
Jennifer Clements, Assistant Attorney General

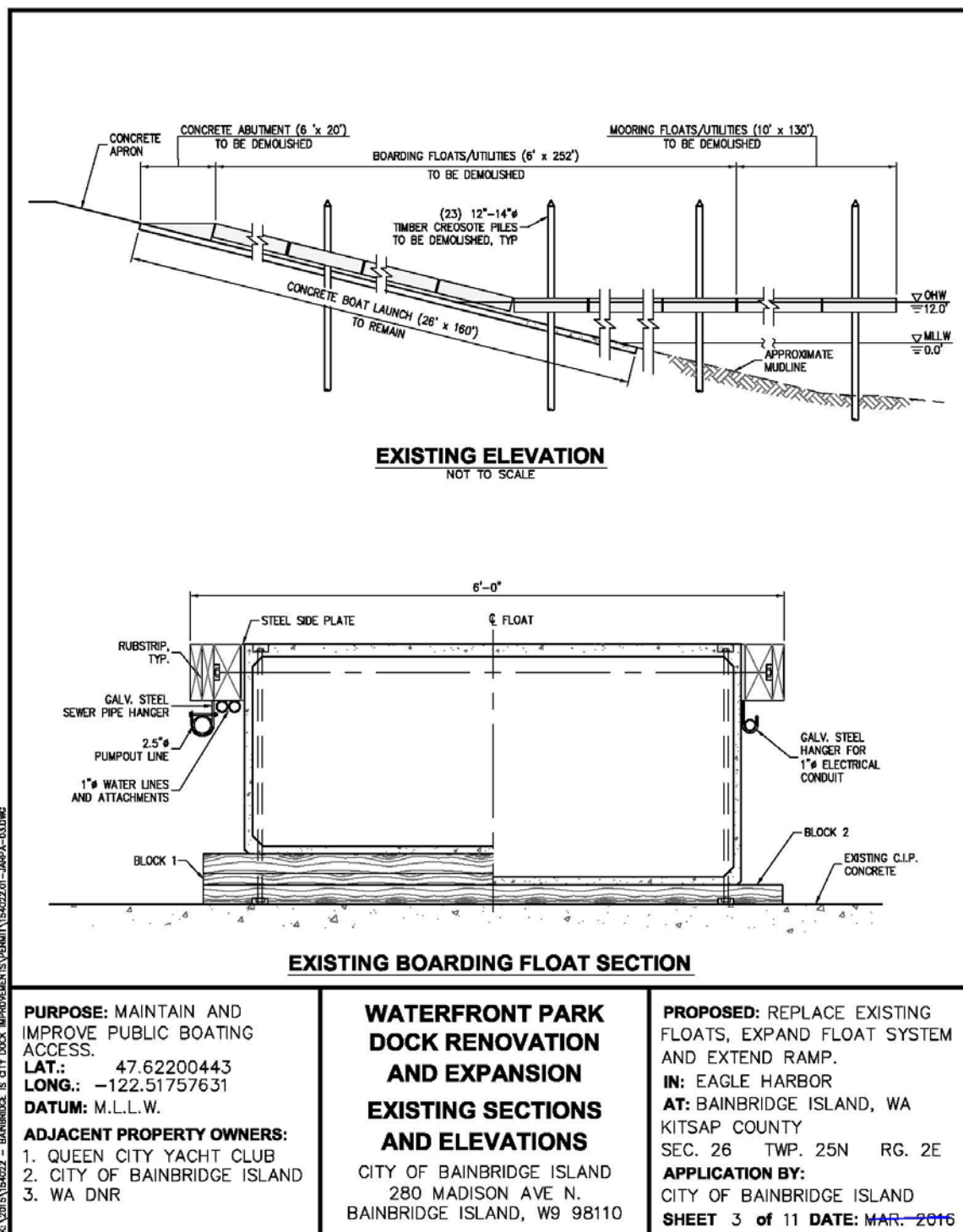
Attachment 1. Waterfront Dock - Site Design Plans



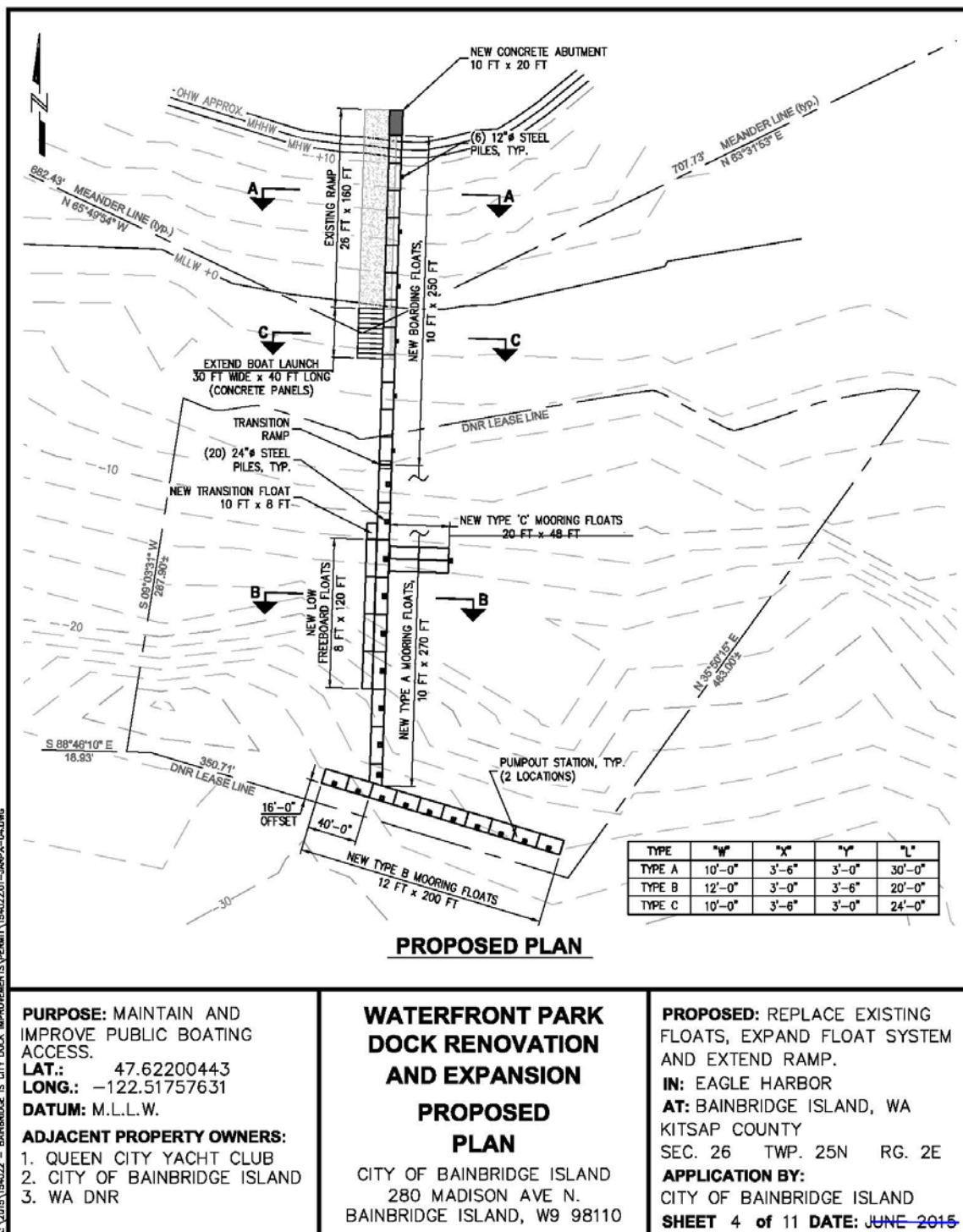
U.S. Army Corps of Engineers Reference: NWS-2015-696, Drawing Set Revised October 24, 2016



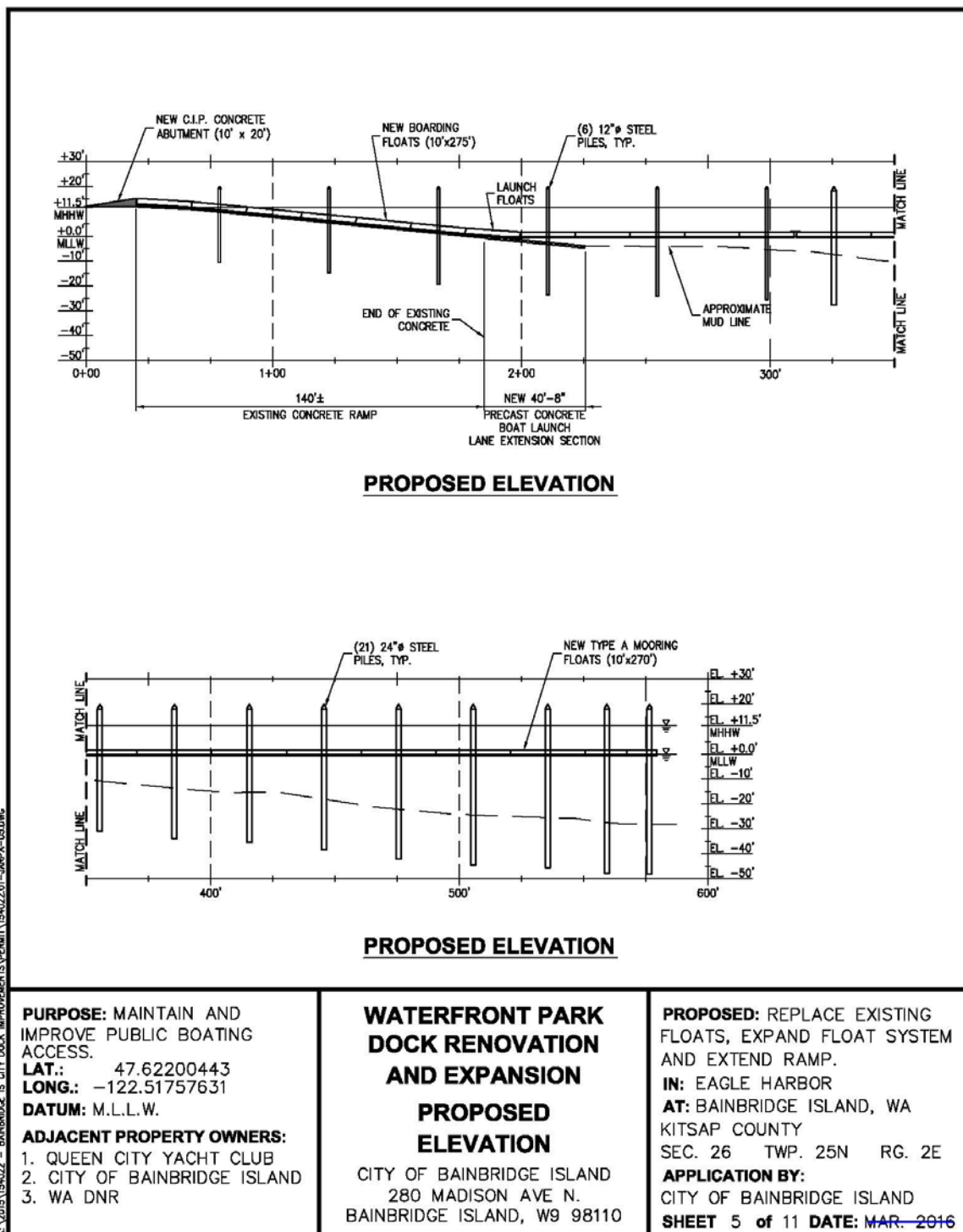
U.S. Army Corps of Engineers Reference: NWS-2015-696, Drawing Set Revised October 24, 2016



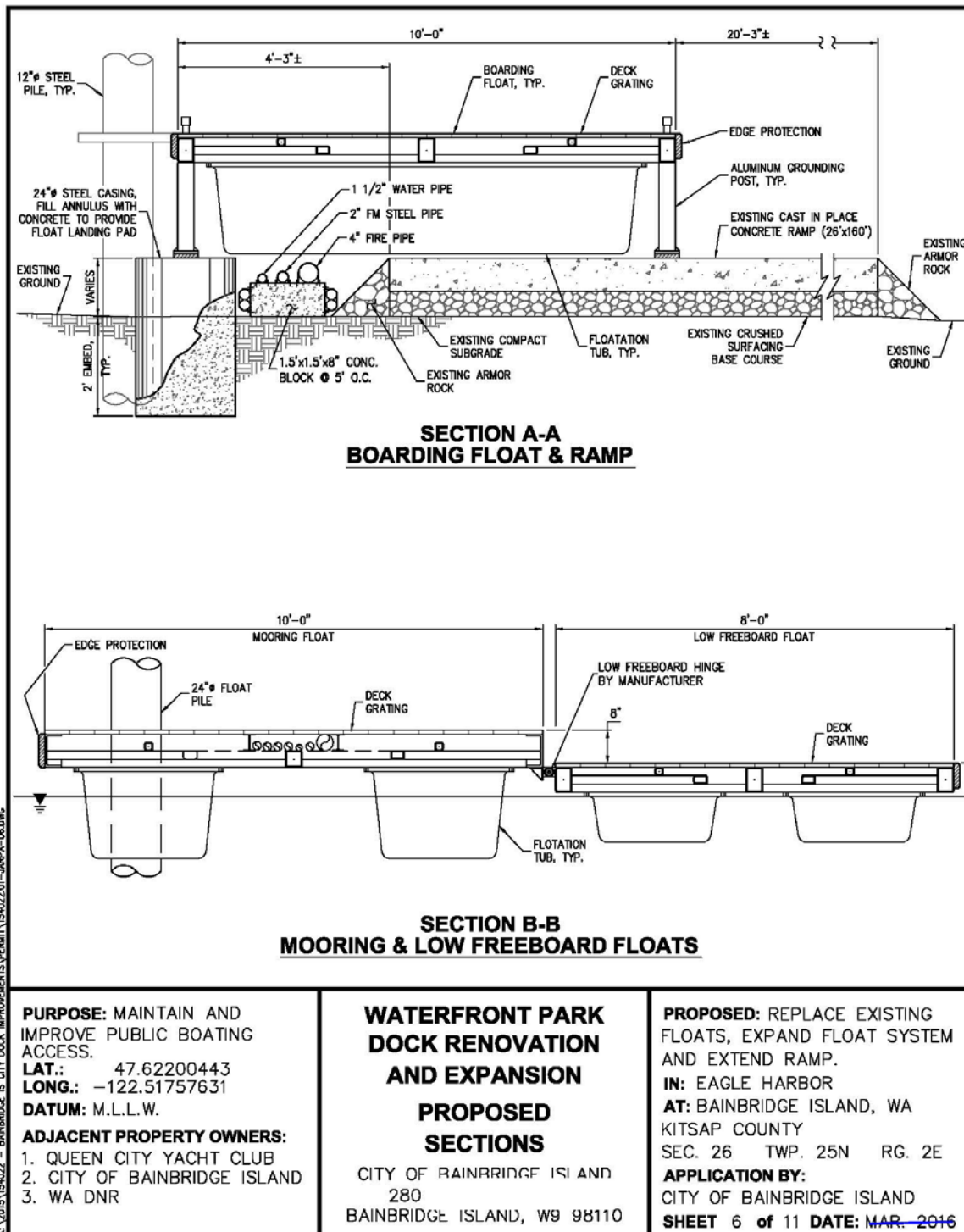
U.S. Army Corps of Engineers Reference: NWS-2015-696, Drawing Set Revised October 24, 2016



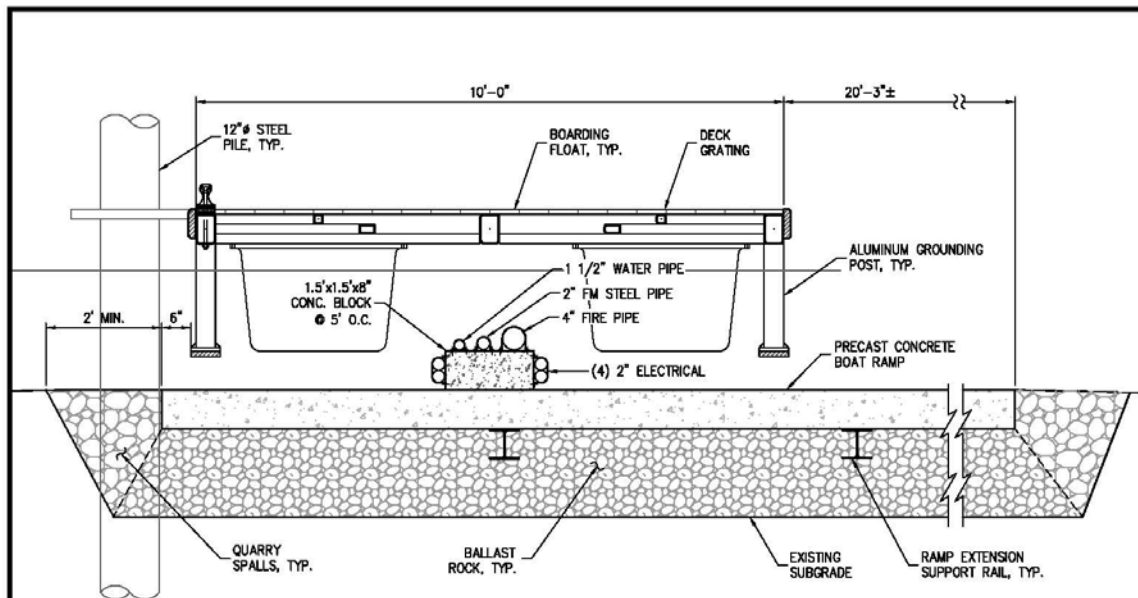
U.S. Army Corps of Engineers Reference: NWS-2015-696, Drawing Set Revised October 24, 2016



U.S. Army Corps of Engineers Reference: NWS-2015-696, Drawing Set Revised October 24, 2016



U.S. Army Corps of Engineers Reference: NWS-2015-696, Drawing Set Revised October 24, 2016



**SECTION C-C
PROPOSED RAMP EXTENSION**

PURPOSE: MAINTAIN AND IMPROVE PUBLIC BOATING ACCESS.

LAT.: 47.62200443

LONG.: -122.51757631

DATUM: M.L.L.W.

ADJACENT PROPERTY OWNERS:

1. QUEEN CITY YACHT CLUB
2. CITY OF BAINBRIDGE ISLAND
3. WA DNR

**WATERFRONT PARK
DOCK RENOVATION
AND EXPANSION**

**PROPOSED
RAMP EXTENSION**

CITY OF BAINBRIDGE ISLAND
280 MADISON AVE N.
BAINBRIDGE ISLAND, W9 98110

PROPOSED: REPLACE EXISTING FLOATS, EXPAND FLOAT SYSTEM AND EXTEND RAMP.

IN: EAGLE HARBOR

AT: BAINBRIDGE ISLAND, WA

KITSAP COUNTY

SEC. 26 TWP. 25N RG. 2E

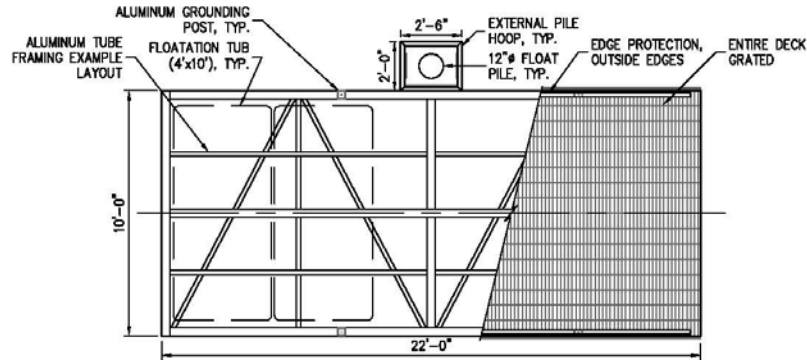
APPLICATION BY:

CITY OF BAINBRIDGE ISLAND

SHEET 7 of 11 DATE: MAR. 2016

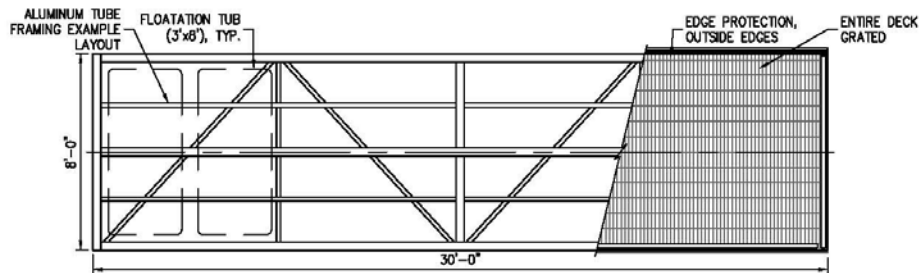
3/29/2016
2/15/2015
BAINBRIDGE IS. CITY DOCK IMPROVEMENTS PERMIT 154022.01-JAB2A-07.DWG

U.S. Army Corps of Engineers Reference: NWS-2015-696, Drawing Set Revised October 24, 2016



BOARDING FLOAT PLAN

EXAMPLE



LOW FREEBOARD FLOAT PLAN

EXAMPLE

PURPOSE: MAINTAIN AND IMPROVE PUBLIC BOATING ACCESS.

LAT.: 47.62200443

LONG.: -122.51757631

DATUM: M.L.L.W.

ADJACENT PROPERTY OWNERS:

1. QUEEN CITY YACHT CLUB
2. CITY OF BAINBRIDGE ISLAND
3. WA DNR

**WATERFRONT PARK
DOCK RENOVATION
AND EXPANSION**

**PROPOSED
FLOAT PLANS**

CITY OF BAINBRIDGE ISLAND
280 MADISON AVE N.
BAINBRIDGE ISLAND, W9 98110

PROPOSED: REPLACE EXISTING FLOATS, EXPAND FLOAT SYSTEM AND EXTEND RAMP.

IN: EAGLE HARBOR

AT: BAINBRIDGE ISLAND, WA

KITSAP COUNTY

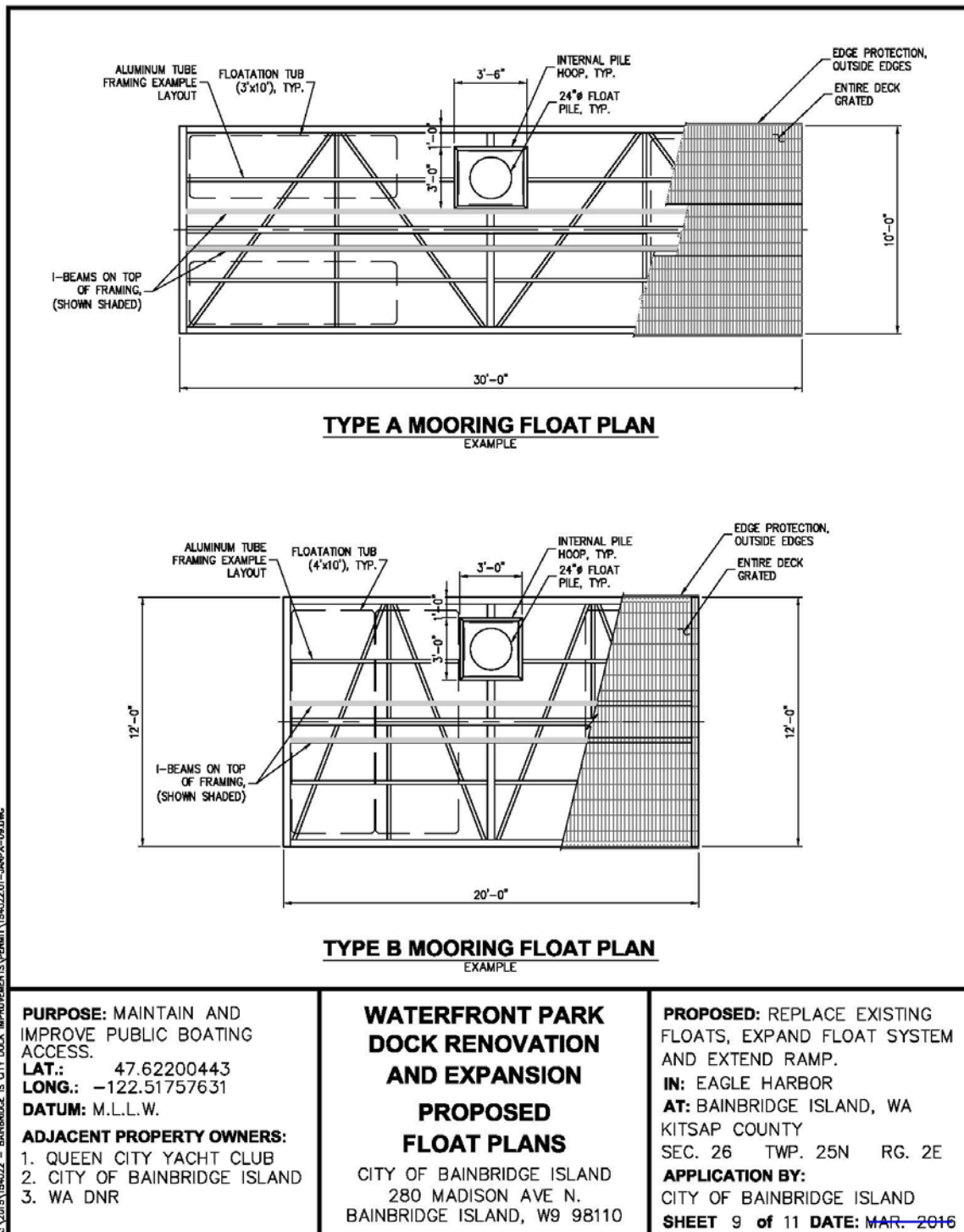
SEC. 26 TWP. 25N RG. 2E

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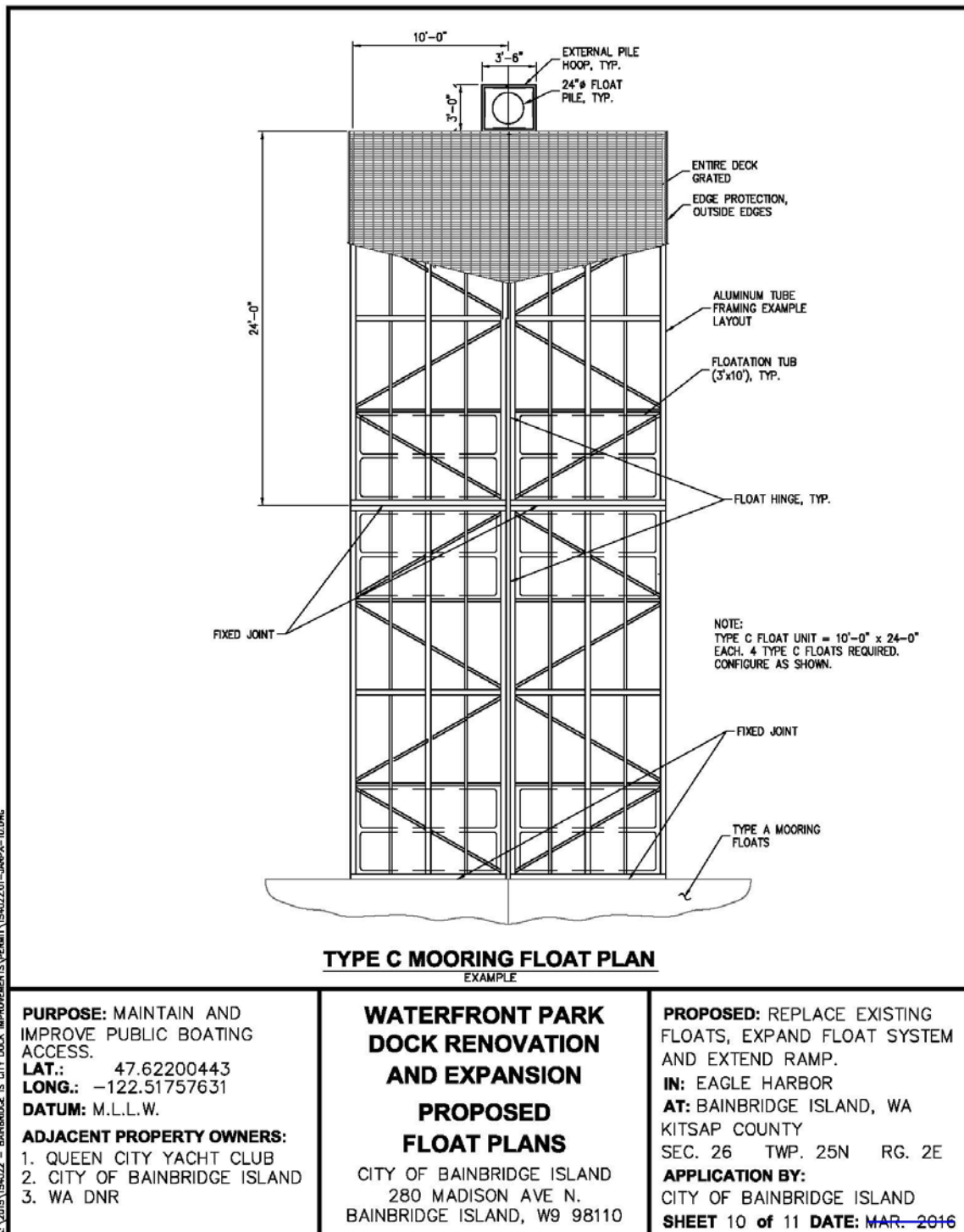
CITY OF BAINBRIDGE ISLAND

SHEET 8 of 11 DATE: MAR. 2016

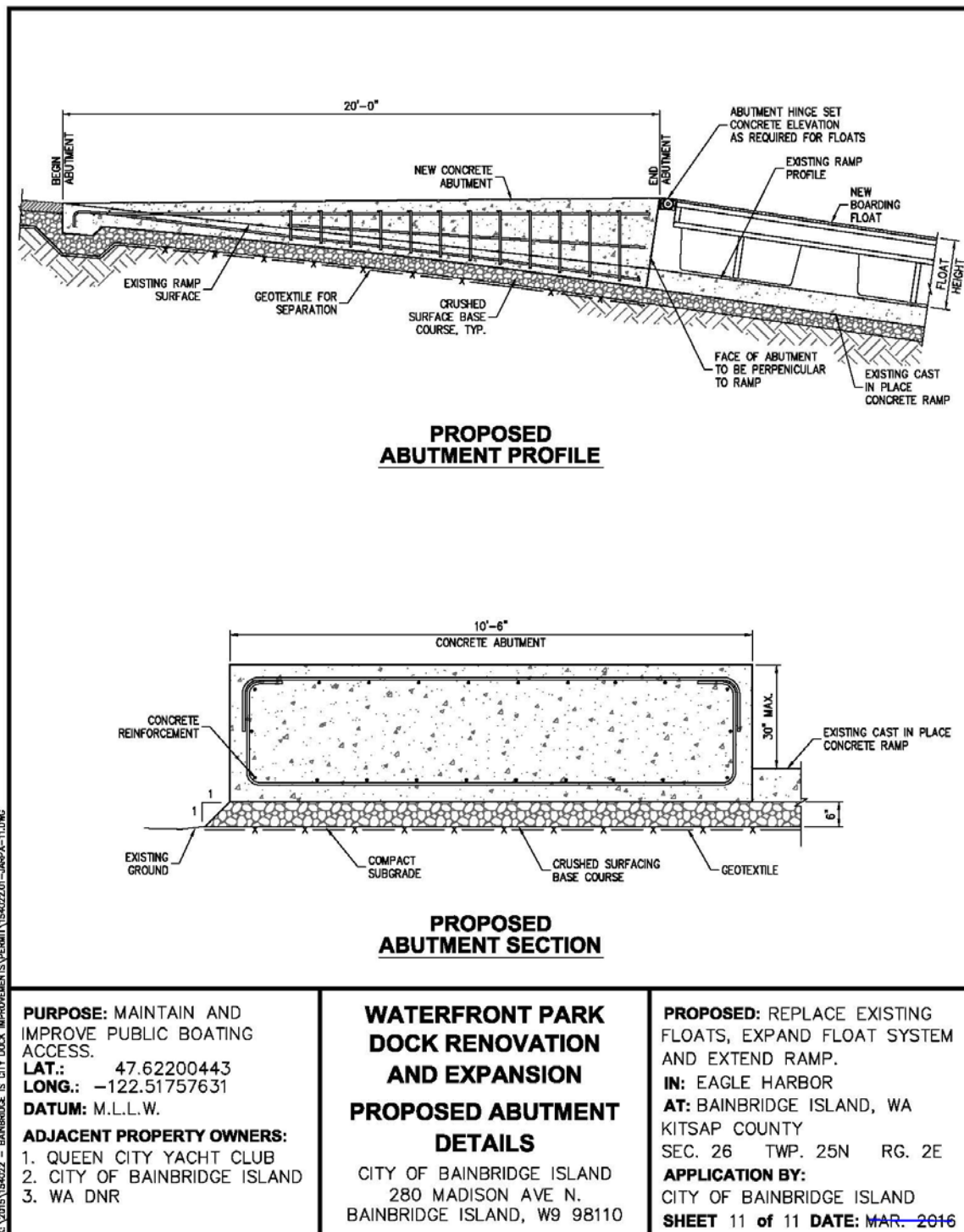
U.S. Army Corps of Engineers Reference: NWS-2015-696, Drawing Set Revised October 24, 2016



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Attachment 2. Waste Management Plan and Best Management Practices
Open Water Moorage and Anchorage Area (OWMAA; *aka Open Water Marina*)
Eagle Harbor - City of Bainbridge Island

The City of Bainbridge Island (City) is committed to preserving and enhancing the environment through proper management of activities at the City's Open Water Marina. In accordance with the Washington State Department of Ecology guidelines, United State Coast Guard regulations, and the Federal Clean Water Act, the City has established these Best Management Practices (BMPs) to further the goal of safekeeping our harbors and the marine environment. See BMPs chart page.

1. Bilge Water Management and Fueling Practices

- a. The discharge of contaminated bilge water is illegal. Do not discharge bilge water that is contaminated with oil, detergents, anti-freeze, or bilge cleaners. The fine for discharging oil from your bilge can be as high as \$20,000 per day per violation. Use oil absorbent bilge pads or pillows in your vessel's bilge to soak up oil and fuel. In an emergency, contact the Harbormaster for assistance.
- b. Prevent oil contamination of bilge water. Do not drain oil into bilge. Fit a tray underneath the engine to collect drips. Put a couple of pads in the pan to make cleanup easier. Keep bilge area as dry as possible. Fix all fuel and oil leaks in a timely fashion.
- c. Do not use detergents or soaps on fuel, oil or otherwise contaminated bilge water. While enzyme-based bilge cleaners are generally safe to use, it may take some time before the oil sheen is gone. It is best to remove contaminated water and dispose of it appropriately at on-shore facilities. The discharge of emulsified oil is a violation of state law. Use absorbent pads.
- d. In Washington State, boats that are over 26' in length are required to display an "Oil Discharge is Prohibited" placard near the bilge pump switch (placards are available at most marine supply stores).

2. Gray Water and Sewage Management

Boaters are required to minimize the generation of gray water onboard and to utilize shore side facilities. Use sink screens or strainers and dispose of strained waste in the garbage. Limit the use of soap/detergent for washing dishes. Use small amounts of phosphate-free and biodegradable soaps, if cleaners are used, no visible suds or discoloration of the water are permitted. Otherwise, use alternatives such as baking soda or vinegar as all-purpose cleaners. Contain discharge from onboard showers and dispose of it at the pump station. Discharge of laundry water is prohibited. Laundry facilities are available in downtown Winslow. Remember there is no legal discharge of any soaps/detergent/cleaners to our waters. For further gray water management opportunities, owners and guests are encouraged to:

- a. Contain all gray water and use self pump-out stations located at the City dock.
- b. Use shore side sanitation facilities located in Waterfront Park.
- c. Use shore side shower facilities located in Waterfront Park.

- d. Utilize a pump-out service (see Harbormaster office for references).
- e. Fill out pump-out logs or keep a record of your vessel pumpout services.

3. Hazardous Chemicals, Cleaners and Waste

- a. Hazardous or flammable chemical/materials shall not be stored on the City dock.
- b. Disposal of used oil, antifreeze, paints, solvents, varnishes, fluorescent light bulbs, and automotive batteries into the garbage is prohibited. These materials are not to be discharged into the sanitary sewage or into marine waters. DO NOT dispose of these wastes in the garbage dumpsters and DO NOT leave these wastes on the City dock. Contact Bainbridge Disposal for further information on how and where to properly dispose of all hazardous material.

4. Waste Oil

Do not dispose of any waste oil or used filters in the garbage dumpsters. Contact Bainbridge Disposal for further information.

5. Solid Waste

Non-hazardous solid waste shall be put in the garbage dumpsters located at Waterfront Park. Contact Bainbridge Disposal for further information.

6. Spill Prevention and Response

- a. Store oil absorbent materials on your vessel in case of spills.
- b. If a spill occurs, stop the spill or leakage source and contain the spill. In the event of a spill in the water, contact the Harbormaster or call 911 immediately for assistance in containing a spill.
- c. The U.S. Coast Guard requires report of a spill in the water immediately. Call the **National Response Center at 1-800-424-8802 and the Washington State Spill Hotline at 1-800-OILS-911**. VHF channel 16 may be used to report a spill if a telephone is not available.
- d. Do not use detergents on oil spilled in the water. Detergents disperse spills, but do not eliminate them. Oil and detergents are toxic to fish and other marine life.

7. Boat Repair Activity

- a. Painting, scraping and refinishing of boats, when in the water, is limited to minor touch ups and minor repairs. Such work is defined by Washington Department of Ecology as being limited to the vessel's superstructure, deck and hull above the waterline and must not exceed 25% of the vessel's surface above the waterline. Extensive repair work must occur in a commercial, permitted, boatyard.
- b. Any minor repair, painting, scraping, and refinishing must employ a containment barrier which prevents debris from entering the water/docks. All paint mixing must be done with the can(s) placed inside secondary containment that will catch spillage. Paint cans used in the dock area shall be as small as feasible, but in no case larger than one-gallon in size.

- c. Do not work from a float or small boat alongside of your boat.
- d. Boat repair or storage of equipment, supplies, etc. is not allowed on the City dock or in Waterfront Park.
- e. Boat hulls painted with sloughing or ablative anti-fouling paints and tin compounds (soluble “soft paints”) shall not be scrubbed or cleaned in the Open Water Marina by divers or with underwater scrubbing devices. Approved haul-out facilities/boatyard must be used for cleaning of boat hulls with these coatings. Mechanical devices or scrapers, or any process that removes paint underwater may not be used. If your vessel is not painted with a sloughing or ablative paint, hull cleaning is not prohibited by the Washington State Department of Ecology, however, during the cleaning process, any turbidity, oil sheen or discoloration that is discharged to the receiving water is a violation of DOE Standard RCW 90.48 and is prohibited. This potential for pollution and potential violation of the State law has lead City to strongly recommend that all hull cleaning be conducted in a permitted boatyard, where contaminants are treated and disposed of properly.
- f. Divers are not allowed to leave any sort of material in the water including film, debris or zinc.
- g. Contractors must dispose of their own waste off site. The Open Water Marina is not permitted to handle hazardous wastes generated by commercial operators or maintenance contractors.
- h. These policies apply to tenants, vendors and employees.

8. **Boat Cleaning**

Scrub and rinse your boat often. A quick rinse after each outing reduces the need to scrub the top-side with harsh cleaners. If cleaners are used, no visible suds or discoloration of the water are permitted. Spot clean or use small amounts of phosphate-free and biodegradable soaps only when necessary. Otherwise, use alternatives such as baking soda or vinegar as all-purpose cleaners. Remember there is no legal discharge of any cleaner to our waters.

9. **Boat Launch**

Following boat haul out, do not rinse the bottom of your boat at the launch. Please rinse your boat in a commercial, permitted boatyard where the rinse water is discharged to the sanitary sewage.

Important Phone Numbers

Emergency Response

| | |
|-------------|-----|
| Fire/Police | 911 |
|-------------|-----|

Harbormaster

(206) 780-3733

Oil Spills

| | |
|--------------------------|----------------|
| National Response Center | (800) 424-8802 |
|--------------------------|----------------|

| | |
|--------------------------------|----------------|
| Washington State Spill Hotline | (800) 645-7911 |
|--------------------------------|----------------|

Hazardous Waste Management

| | |
|----------------------------------|----------------|
| Bainbridge Disposal | (206) 842-4882 |
| Olympic View Transfer Station | (360) 674-2297 |
| Kitsap County Health District | (360) 337-5235 |
| Kitsap County Public Works | (360) 337-5777 |
| Washington Department of Ecology | 1-800-RECYCLE |

- 10. Contingency Plan** – In the event that the City’s pump out is not available, the Terry and Son’s mobile vessel to vessel pump-out service is under contract with the Washington State Parks and Recreation to serve Liberty Bay, Eagle Harbor and Port Madison through 2029. They will provide service during the City’s Waterfront Dock rebuild. Terry and Sons (206) 437-6764, www.terryandsonsmobilepumpout.com
- 11.** Attachment A and B are diagrams and lists of the Open Water Marina with the following information:
- Location of residential uses (see Attachment A);
 - All residential structures are Vessels (*i.e., no Floating Houses*);
 - Name of occupant (see Attachment A and B);
 - OWMAA began in 2010;
 - Moorage agreement January 1 – December 31, 2017; and
 - Boat registration number (see Attachment B).

**Best Management Practices (BMPs) for Pollution Prevention
Open Water Moorage and Anchorage Area (OWMAA)**

| |
|---|
| <i>Deck</i> |
| • <i>Wash often with water only.</i> |
| • <i>Use “green” products.</i> |
| • <i>Spot clean only with harsher products.</i> |
| • <i>Require “scupper stoppers” when cleaning.</i> |
| • <i>Prohibit overboard discharge from decks.</i> |
| <i>Galley</i> |
| • <i>Use sink strainers.</i> |
| • <i>Scrape plates into trash receptacles prior to washing.</i> |
| • <i>Discourage garbage disposal use.</i> |
| • <i>Use “green” products.</i> |
| • <i>Encourage upland facility use.</i> |
| • <i>Discourage or minimize in-port use of sink.</i> |
| <i>Shower</i> |
| • <i>Encourage automatic shut-off valves</i> |
| • <i>Educate on “sea-showers.”</i> |
| • <i>Use drain-strainers.</i> |
| • <i>Encourage “green” products.</i> |
| • <i>Encourage use of clean showers at upland facility.</i> |
| <i>Laundry</i> |
| • <i>Encourage upland facility use.</i> |
| • <i>Post names and locations of laundries.</i> |
| • <i>Encourage “green” products.</i> |
| • <i>Prohibit on-board laundry</i> |

Attachment A

Moorage Assignments 2017 - Eagle Harbor Open Water Moorage and Anchorage Area

Buoys 15 – 16 Seubert (55 ft “Kelly Bree”)

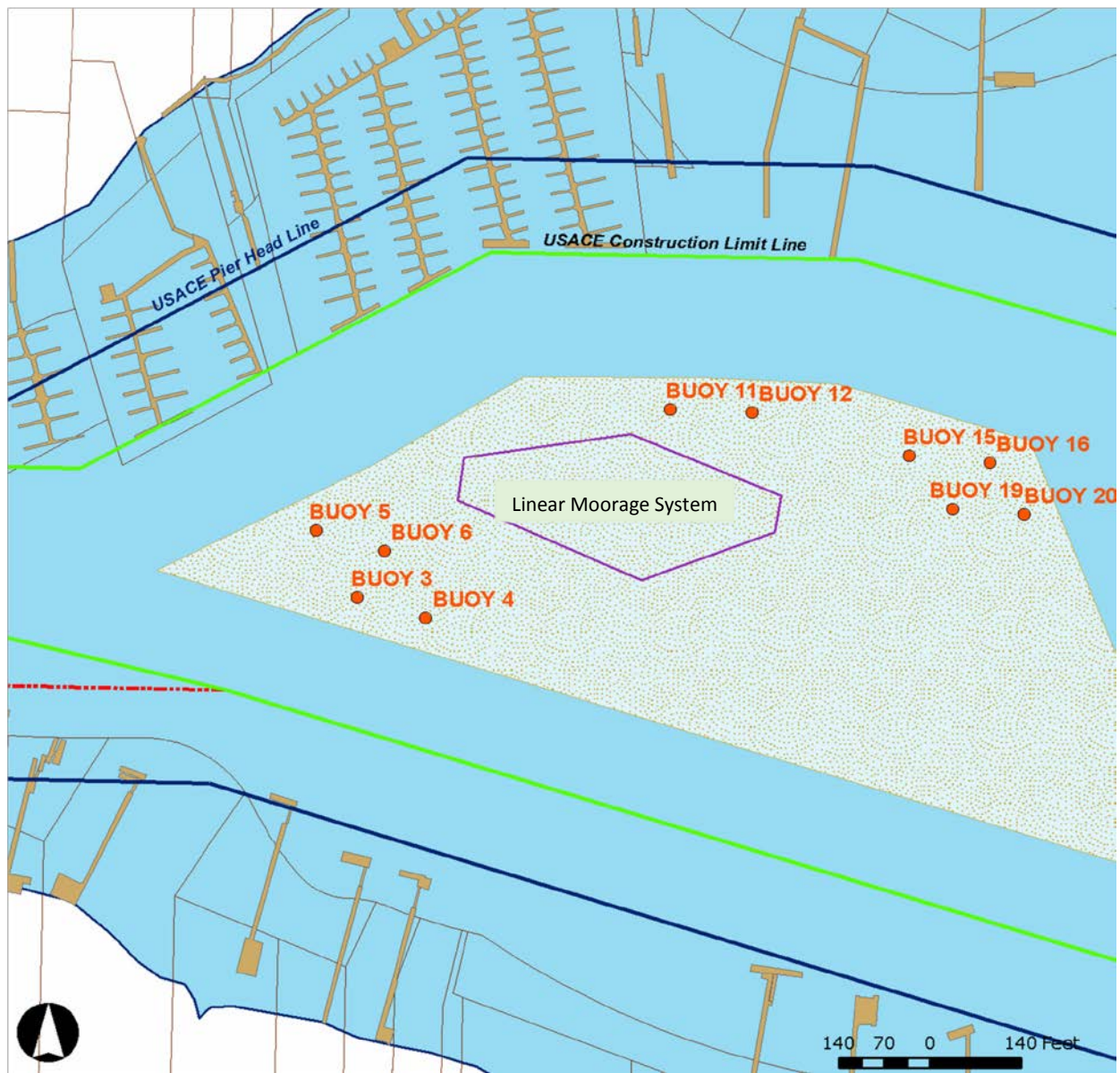
Buoys 19-20 Wood (44 ft “Hard Day’s Night”)

Buoy 11-12 Stoughton (34 ft “Meriwether”)

Buoy 5-6 Ross (31 ft “Solar Wind”)

Buoy 3-4 Carillo (30 ft “Emerald Sea”)

Linear Moorage System: Welfare, Davis, Davies, Gibson



Attachment B

Tenant Moorage List 2017

OWM 2017 Attachment to Moorage diagram

| <u>Vessel LOA (Ft)</u> | <u>Vessel ID</u> | <u>Tenant</u> | <u>Mooring Location 3/1/2017</u> | <u>INS #</u> | <u>Rent(\$)</u> |
|--------------------------------|------------------------------|--------------------|--|--------------------------------|-----------------|
| 31 | Solar Wind WN1494NL | Ross, Bill | FORE-AFT 5/6 | State Farm 47-BQ- S122-9 | 177 |
| 34 | Meriwether WN1889JE | Stoughton, Ted | FORE-AFT 11/12 | State Farm 47-BQ- M183-9 | 181 |
| 44 | Hard Day's Night WN0753ND | Wood, Brian | FORE-AFT 19/20 | State Farm 47-BZ- H817-2 | 196 |
| 55 | Kelly Bree WN2535NE | Seubert, Rich | FORE-AFT 15/16 | State Farm 47-BP-S160- 7 | 212 |
| 25 | Niamh WN1465Z | Davis, Ted | LMS | State farm 47-BQ- M252-6 | 100 |
| 27 | Big Foot WN4427JE | Welfare, Jack | LMS | State Farm 47-B2- W512-8 | 100 |
| 30 | Emerald Sea WN1501LH | Carrillo, Joe | FORE-AFT 3/4 | Geico BSP3328250 | 175 |
| 36 | Galaxy WN6300RW | Gibson, Mahroni | LMS | Boat US 4056714 | 184 |
| 50 | WN5449NL SKOOKUM | Davies, John | LMS | Boat US 3890353-15 | 130 |