AGENDA
REGULAR MEETING OF THE BOARD OF COMMISSIONERS
HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

DATE: May 12, 2016

TIME: Executive Closed Session – 6:00 PM
Regular Session – 7:00 PM

PLACE: Woodley Island Marina Meeting Room

The Meeting Room is wheelchair accessible. Accommodations and access to Harbor District meetings for people with other handicaps must be requested of the Director of Administrative Services at 443-0801 at least 24 hours in advance of the meeting.

1. Call to Order at 6:00 p.m.
   a. Move to Executive Closed Session pursuant to the provisions of the California Government Code Section 54957(b)(1) (Public Employee Performance Evaluation)
      1) Public Employee Performance Evaluation
         Title: Chief Executive Officer (Annual Evaluation)

2. Adjourn Executive Closed Session

3. Call to Order Regular Session at 7:00 P.M. and Roll Call

4. Pledge of Allegiance

5. Report on Executive Closed Session

6. Public Comment

   Note: This portion of the Agenda allows the public to speak to the Board on the various issues not itemized on this Agenda. A member of the public may also request that a matter appearing on the Consent Calendar be pulled and discussed separately. Pursuant to the Brown Act, the Board may not take action on any item that does not appear on the Agenda. Each speaker is limited to speak for a period of three (3) minutes regarding each item on the Agenda. Each speaker is limited to speak for a period of three (3) minutes during the PUBLIC COMMENT portion of the Agenda regarding items of special interest to the public not appearing on the Agenda that are within the subject matter jurisdiction of the Board of Commissioners. The three (3) minute time limit may not be transferred to other speakers. The three (3) minute time limit for each speaker may be extended by the President of the Board of Commissioners or the Presiding Member of the Board of Commissioners at the regular meeting of the District. The three (3) minute time limit for each speaker may be enforced by the President of the Board of Commissioners or the Presiding Member of the Board of Commissioners at the regular meeting of the District.

7. Consent Calendar
   a. Consideration of extension of Permit No. 14-05 to Humboldt Bay Harbor, Recreation and Conservation for the Invasive Spartina Eradication and the Native Salt Marsh Restoration Project.
8. Communications and Reports
   a. Executive Director Report
   b. Staff Reports
   c. District Counsel, District Planner and District Treasurer Reports
   d. Commissioner and Committee Reports
   e. Other
      - Presentation by Humboldt State University classes regarding Woodley Island Wildlife Area Management and Shoreline Protection Options for Humboldt Bay

9. Non Agenda

10. Unfinished Business
    a. Discussion of Preliminary FY 2016/17 Budget.

11. New Business
    a. Consideration of Timber Heritage Association Purchase Option Agreement Extension.
    b. Consideration of Hag Fish Lease Extension and Expansion.

12. Administrative and Emergency Permits

13. Adjournment
HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

PERMIT

Permit No. 14-05
601 Startare Drive
Woodley Island Marina
P O Box 1030
Eureka, CA 95502-1030

Permittee:

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
PO Box 1030
Eureka, CA 95501

The Board of Commissioners of the Humboldt Bay Harbor, Recreation and Conservation District, hereinafter referred to as “District”, having considered the Application herein, number 14-05, received by the District on July 21, 2014, and the District, PO Box 1030, Eureka, California 95501, hereinafter referred to as “Permittee”, and the District, pursuant to the California Environmental Quality Act of 1970, as amended, having made findings for adoption of the Humboldt Bay Regional Invasive Spartina Eradication Plan and associated Final Programmatic Environmental Impact Report (PEIR) through Resolution 2013-04 (April 25, 2013), District having on December 16, 2014, passed Resolution No. 2014-14 establishing findings relative to the Application by Permittee for control of Spartina densiflora and restoration of native salt marshes in Humboldt Bay, California provided for in this Permit, the Permittee is hereby authorized to perform the work of improvement, as more particularly described in the Application filed with the District and the Final PEIR referred to above.

You are hereby authorized to erect and construct that work of improvement described in the Permit Application of Permittee consisting of:

Invasive Spartina eradication and native salt marsh restoration as more particularly described in the Application filed by Permittee.

That the location of the proposed work of improvement shall be in salt marshes throughout Humboldt Bay as described in the Application filed by the Permittee.

SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS:

1. That you promptly report the dates when you start and finish the work authorized by this Permit. If you find that you cannot complete the work within the time granted by this Permit, please ask for an extension before your Permit expires. If you materially change the plan and scope of the work, it will be necessary for you to request a revision of your Application and plans.
2. That all work authorized by this Permit shall further be subject to the approval of the following public agencies:
   A. State of California Coastal Commission
   B. State of California Regional Water Quality Control Board, North Coast Region

   and you shall fully comply with all regulations and conditions affecting such work as imposed by the above agencies.

3. That there shall be no unreasonable interference with navigation by the work herein authorized.

4. That no attempt shall be made by the Permittee to interfere or forbid the full and free use by the public of all navigable waters at or adjacent to the work.

5. That the mitigation measures described in the March 21, 2013 Final Programmatic Environmental Impact Report for the Humboldt Bay Regional Spartina Eradication Plan are made conditions of this permit by reference.

6. That this Permit, if not previously revoked or specifically extended, shall cease and be null and void and terminate on the 18th day of December 2015. This permit may be extended in annual increments for up to a total of nine (9) years at the discretion of the District.

7. That the Board of Commissioners of the District may revoke this Permit at any time upon a finding by the District of a violation by the Permittee of any condition of this Permit.

8. That the Permittee shall comply with any regulations, condition, or instructions affecting the work hereby authorized if and when issued by the Federal Water Pollution Control Administration and/or the State of California Water Resources Control Agency having jurisdiction to abate or prevent water pollution. Such regulations, conditions, or instruction in effect or prescribed by Federal or State Agencies are hereby made a condition of this Permit.

9. That Permittee shall furnish to the Humboldt Bay Harbor, Recreation and Conservation District a written annual progress report and upon completion, a written completion report describing the completion of the project. Permittee shall at all times notify the Humboldt Bay Harbor, Recreation and Conservation District in writing of all locations, including new locations, in Humboldt Bay, that Permittee proposes to install the uses permitted herein, prior to said installation.

10. That this Permit is valid as of the 18th day of December 2014, and is made subject to the Permittee approving and agreeing to the conditions above set forth and executing said approval as hereinafter provided.
EXECUTED on this 18th day of December 2014, by authority of the Board of Commissioners of the Humboldt Bay Harbor, Recreation and Conservation District.

RICHARD MARKS, President
Board of Commissioners
Humboldt Bay Harbor, Recreation and Conservation District

Humboldt Bay Harbor, Recreation and Conservation District, Permittee, in the above Permit, hereby accepts and agrees to all of the conditions hereinabove set forth.

Dated: December 18, 2014

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT

By ______________________

Title Executive Director
Humboldt Bay Harbor,
Recreation and Conservation District

PRELIMINARY FY 2016/17 BUDGET FOR DISCUSSION

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<th>GENERAL</th>
<th>MARINA</th>
<th>TOTAL</th>
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<td>(138,138)</td>
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Prepared for the Board of Commissioners
May 12, 2016
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<tr>
<th>Line #</th>
<th>Description</th>
<th>2014-15 Audited</th>
<th>2015-16 Budget</th>
<th>2015-16 Projected</th>
<th>2016-17 Proposed Budget</th>
<th>% of Total</th>
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<td>Actual General</td>
<td>Marina</td>
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<td>Sales &amp; Permits</td>
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<td>64,814</td>
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<td>Pilotage Tariff</td>
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<td>-</td>
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<td>Slip Rents</td>
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<td>503,990</td>
<td>484,707</td>
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<td>Trans Rental</td>
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<td>46,056</td>
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<td>R7</td>
<td>WIM Dredge Srchg</td>
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<td>103,020</td>
<td>95,942</td>
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<td>WIM Float Replace</td>
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<td>Tenant Utilities Reimb.</td>
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<td>Shelter Cove</td>
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<td>Rents</td>
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<td>Tideland/Upland Leases</td>
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<td>Late Fees/Interest</td>
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<td>537,782</td>
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<td>New Mkts Tax Credits</td>
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<td>Borrowed Funds</td>
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<td>Brownfields Grant</td>
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<td>R23</td>
<td>TIGER Grant</td>
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<td>R24</td>
<td>CDB/EDA Grants</td>
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<td>Mitigation Reimbursemt</td>
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## OPERATING EXPENSES

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<tr>
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<td>Payroll Burden</td>
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<td>Advert/Promo</td>
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<td>Automotive</td>
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<td>Conf/ Mtgs</td>
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<td>3,000</td>
<td>28,000</td>
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<td>46,000</td>
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<td>Shelter Cove</td>
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<td>E23</td>
<td>King Salmon</td>
<td>6,553</td>
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<td>7,082</td>
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<td>90,000</td>
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**TOTAL OPERATING EXPENSES**  
2,921,986 2,855,090 2,550,960 2,172,097 514,296 2,686,393 100.00%
## NON-OPERATING EXPENSES

### CAPITAL EXPENDITURES

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<th>Line #</th>
<th>2014-15 Actual Audited</th>
<th>2015-16 Budget</th>
<th>2016-17 Proposed Budget General</th>
<th>Marina</th>
<th>TOTAL</th>
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<td>NOE1</td>
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<td>NOE4</td>
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<tr>
<td>NOE8</td>
<td>Rec Enhance</td>
<td>-</td>
<td>-</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>NOE9</td>
<td>Cons Enhance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NOE10</td>
<td>Auto/Operating Equip.</td>
<td>-</td>
<td>-</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>NOE11</td>
<td>Office Equipment</td>
<td>-</td>
<td>15,000</td>
<td>3,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>NOE12</strong></td>
<td><strong>EXPENDITURES</strong></td>
<td><strong>728,925</strong></td>
<td><strong>3,945,000</strong></td>
<td><strong>623,500</strong></td>
<td><strong>103,000</strong></td>
</tr>
</tbody>
</table>

### DEBT PAYMENTS

<table>
<thead>
<tr>
<th>2014 Refunding</th>
<th>Actual Audited</th>
<th>2015-16 Budget</th>
<th>2016-17 Proposed Budget General</th>
<th>Marina</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOE13 Bond</td>
<td>212,977</td>
<td>307,570</td>
<td>208,571</td>
<td>99,000</td>
<td>307,571</td>
</tr>
<tr>
<td>NOE14 Elect.Mtr. Loan Pmt</td>
<td>45,920</td>
<td>45,920</td>
<td>-</td>
<td>45,920</td>
<td>45,920</td>
</tr>
<tr>
<td>NOE15 Forklift Loan Pmt</td>
<td>6,781</td>
<td>6,781</td>
<td>6,781</td>
<td>-</td>
<td>6,781</td>
</tr>
<tr>
<td>NOE16 Coast Seafood Repay</td>
<td>39,562</td>
<td>439,424</td>
<td>39,000</td>
<td>-</td>
<td>39,000</td>
</tr>
<tr>
<td>NOE17 NMTT Loan repay</td>
<td>-</td>
<td>64,416</td>
<td>160,747</td>
<td>-</td>
<td>160,747</td>
</tr>
<tr>
<td><strong>TOTAL DEBT</strong></td>
<td><strong>212,977</strong></td>
<td><strong>864,111</strong></td>
<td><strong>415,099</strong></td>
<td><strong>144,920</strong></td>
<td><strong>560,019</strong></td>
</tr>
</tbody>
</table>

---
NARRATIVE FOR FY 2016/17 BUDGET

(New sources of revenue and expenses are in **bold**.)

**REVENUE (R)**

R1 - Tax Revenue

Estimated income received from County of Humboldt - District’s portion of property taxes paid to County.

R2 - Sales and Permits

General - Estimated income from permit fees.
Marina - Estimated income from coin-operated showers, washers, and dryers, vending machines, ice machine, charter service, permits for fish sales and other business permits and forklift fees. **New revenue source: Fuel Dock $50,000.**

R3 - Harbor Surcharge

Anticipated revenues to be generated by Harbor Improvement Surcharge.

R5 - Slip Rentals

Estimated income from the rental of slips at the Marina.

R6 - Transient Rentals

Estimated income from the rental of transient slips at the Marina.

R7 - WIM Maintenance Dredging Surcharge

Charge assessed toward future maintenance dredging of Woodley Island Marina.

R8 - WIM Float Replace

Charge for all tenants/transients of Woodley Island Marina deposited into a fund designated specifically for dock/float replacement.

R9 - Tenant Utilities Reimbursement

Revenue received from the metering of electrical use by Harbor District facilities tenants.

R10 - Fields Landing

Revenue received from storage (boats and trailers) utilities, forklift, and equipment rentals, building space rent, and Travelift haul out fees and usage. **New tenant – Boat Fabricator.**

R11 - Redwood Dock/Berth 1

Revenue received from building space rent/terminal lease/wharfage and dockage. Additional revenue for FY 2016/17 to be received from increased dock use/forklift fees, unloading live crab/eels. Additional buildings used for storage of crab pots. **New oyster tenant, Building Lease for Seafood Company and dockage fees for Hagfish supplier.**

R12 - Redwood Terminal 2/Berth 2

Revenue estimated to be received from the tenants of this property: Taylor Mariculture, DG Power and Coast Seafoods Company. **$196,000 revenue from new leases.**

R13 – Shelter Cove

**New revenue estimated from tractor launches (2,000 x $35); Storage (40 boats x $40 x 9 mo.); and Parking.**
FY 2016/17 BUDGET NARRATIVE PAGE 2

R14 - Rents

Money to be received by the District for rents and concessions as follows: Café Marina Restaurant; Office Space; and work yard rent on Woodley Island. Additionally, a storage area on Woodley Island for trailers has been designated and will be available from May 1 – September 30. Fish Market Lease revenue $10,000.

R15 - Tideland Leases

Money to be received by the District for tidelands leases held throughout the Humboldt Bay area. $96,000 new aquaculture leases.

R16 - Late Fees and Interest on Delinquent Accounts

Late fees and interest collected on delinquent accounts.

R17 - Other Revenue

Revenue received from Coast Seafoods for gallonage fees as a condition of their tideland lease, Secretariat Services for Harbor Safety Committee, Chevron’s payment for the PORTS O&M costs, other government agencies and miscellaneous operating and non-operating revenue. Also monies anticipated to be received for support of fire boat operation and maintenance. Revenue received through reimbursement of dredging expenses by PG&E and City of Eureka and of cruise ship expenses by the City of Eureka and County of Humboldt.

R18 - Interest

Interest earned by the District on monies presently deposited in the Humboldt County Treasury.

R19 - Grant Revenue

Monies received from grant-funded projects expected to be received in FY 2016/17. Prop 1 Grant for Shelter Cove fish cleaning station.

R20 - New Markets Tax Credits

Monies acquired for asset purchase and improvements.

R21 – Borrowed Funds

$1.5 million borrowed as part of the New Market Tax Credits program.

R22 – Brownfields Grant

Monies received for the cleanup of the Redwood Terminal 2 property.

R23 – TIGER Grant

Monies received for the planning and permitting pertaining to the Samoa Industrial Waterfront Transportation Access Plan.

R24 – CDB/EDA Grants

Community Development Block Grant and Economic Development Administration grants for Redwood Terminal 2 upgrades.

R25 – Mitigation Reimbursement

Monies received for payment of mitigation expenses for dredging project.
EXPENSES (E)

E1 - Salaries and Wages

Salaries and wages paid to Harbor District employees. Includes the negotiated increase (COLA) for the District's represented employees and seasonal employees for Shelter Cove.

E2 - Commissioners Fees

Fees paid for the service of Commissioners on the Board.

E3 - Temporary Services

Expenses paid for additional temporary services as needed.

E4 - Payroll Burden

Payroll Burden consists of employer-paid taxes and employer-paid benefits and insurances provided for in the District's Personnel Policy. The Employer Contribution Rate for PERS for FY 2016/17 is 8.377% for employees hired prior to January 1, 2013 and 6.555% for employees hired on or after January 1, 2013, plus a lump sum $1,300 for PERS unfunded liability report. There will be a decrease in the Workers Comp experience modification from 108% to 87% for 2016/17.

E5 - Advertising and Promotion

General - Allocation for the printing of legal notices in the local newspapers required by laws and permit procedures of the State and the District. This line item also funds the printing and distribution of notices to inform the public of special interest items concerning the District's meeting and projects. There is also an amount included for the publication and for additional port, Marina and District marketing and promotional materials.

Marina - Allocation for the printing of notices, newsletters, Marina advertisements etc. to inform the Marina tenants and/or the general public of items which may be of special interest to them.

E6 - Automotive Expense

Cost of maintaining and fueling the District's automobiles, vessels, electric trucks, security vehicles, forklift, and other operating equipment.

E7 - Communications

Telephones and Cell Phones - This amount includes the costs for the FAX, modem, E-mail and Website hosting, offsite Web link, wifi and cell phones.

E8 - Conferences & Meetings

Approves travel expenses for attendance at the following up to the total budget amount: (1) CMANC conferences; (1) legislative trips to Washington DC; (1) CSDA training conference; (1) Pacific Coast Congress of Harbor Masters; (1) Northern Area Port Security meetings, and (4) Conservation-related meetings. Additional conferences or travel that would exceed the budget require individual approval by the Board.

E9 - Dues & Subscriptions

This category includes dues for membership in the following organizations: California Marine Affairs and Navigation Conference, California Association of Port Authorities, California Special District Association, Association of California Water Agencies, Pacific Coast Congress of Harbor Managers and Port Masters, California Association of Harbor Masters and Port Captains, Fishing News, Pacific Fishing, Costco and various other subscriptions. Dues/Subscription costs vary by a variety of factors and amounts shown are estimated. Dues and subscriptions expenses that would exceed the budget require individual approval by the Board of Commissioners.
E10 - Elections and Fees Paid to Other Governmental Entities

There are no Board seats slated for election for the District in FY 2016/17.

E11 - Insurance

The Special Districts Risk Management Authority (SDRMA) policy combines several of the individual property, liability, bonds and other miscellaneous policies into one, plus the Marina Operator's Liability policy. SDRMA reported there will be no increase in the base rate for Property/Liability and Workers Compensation policies for FY 2016/17. The CAPA excess insurance through Alliant Insurance Services is still in order. The District's Fireboat and Port Security/Work boat are insured through Poseidon Insurance. Insurance for Redwood Terminal 2 is also included. Insurance expenses that would exceed the budget require individual approval by the Board of Commissioners.

E12 - Office Expense

Expenses include office supplies, postage and other expenses necessary for the operation of the office.

E13 - Operating Supplies

Expenses for janitorial supplies.


E15 - Legal Services

Fees paid to District Counsel Paul Brisco for work in connection with the Woodley Island Marina and to do District legal work to draw up ordinances, permits, agreements, leases etc. between the District and other agencies/entities, attend Commissioner meetings and all other general legal and litigation work needed by the District.

E16 - Accounting/Auditing Services

Fees paid for the services of District Treasurer Mark Wetzel for service in a controllership capacity, supervision of bookkeeping functions, statements and reports and monitoring all District cash transactions. Fees paid to independent accounting firm to perform the District's annual certified audit. Hunter, Hunter & Hunt is the contracted auditing firm for FY 2016/17.

E17 - District Planner Services

Fees paid for the services of District Planner George Williamson for service in all aspects of planning associated with District projects.

E18 - Professional/Outside Services

Excess Liability Insurance broker fees ($10,000) split between CAPA ports. This account also includes funds for website revision, appraisal services, engineering and environmental consultant services required that have not been covered in any other category. Professional services may be hired to assist with Ordinance revisions, asset inventory, and dredging-related projects.

E19 - Utilities

Expenses for electricity, gas, water, sewer and refuse for the District office, Marina docks, lights, office spaces, and buildings. This expense will be offset by the revenue received through the installation of water and electrical meters.

E20 - Maintenance Expense

Estimated expenses for repairs and maintenance to Marina docks, light fixtures, compressor, miscellaneous equipment, facilities and roof repairs to the main building, as well as other District facilities. Also includes all tools less than $2,500 and annual maintenance agreements on office equipment. Includes Shelter Cove expenses: House rent for 4 months ($4,800); Fuel ($4,800); Per Diem 6 months ($8,280).
E21 - Fields Landing Expense

This is to cover any expenses of the District for the repair and maintenance of the District’s Fields Landing property including storm water filters, repairs to buildings and yard lighting. Also included are insurance, utilities, water, sewer, refuse, and telephone service.

E22 - Shelter Cove Expense

Expenses/miscellaneous items needed for the repair and maintenance of the District’s facilities at Shelter Cove (includes Insurance Expense). Also includes repairs to breakwater, roads, fencing and fish cleaning station.

E23 - King Salmon Expense

Estimated expenses for maintaining the King Salmon Beach area, including replacing signage and vegetation maintenance.

E24 - Redwood Marine Terminal/Berth 1 Expense

Estimated expenses for maintaining the Redwood Dock/Berth 1 property (planking, roadway upgrade, power).

E25 - Redwood Terminal 2/Berth 2 Expense

Estimated expenses for maintaining the Redwood Terminal 2/Berth 2 property, utilities and minor repairs.

E26 - Mariculture Lease Fees

Fees paid to private tidelands owners for mariculture leases.

E27 - Grant Expense

Expenses associated with grant-funded projects expected to occur in FY 2016/17. Prop 1 Grant for Shelter Cove fish cleaning station.

NON-OPERATING EXPENSES (NOE)

CAPITAL EXPENDITURES

NOE1 - Woodley Island Facility Improvement

Estimated expense for the purchase of replacement floats ($50,000), Fire Alarm ($10,000), camera for the island entrance to capture license plate numbers ($3,000), Oyster BBQ and Picnic Tables/Design ($10,000).

NOE2 - Dredging Expenses

Estimated expenses in preparation of dredging the marina and other bay sites, including Fisherman’s Channel at King Salmon. ($30,000) is estimated for dredge sediment sampling for Woodley Island Marina. Permitting and mitigation of Fisherman’s Channel ($250,000), Booster pump for dredge ($40,000), Clarifier retrofit for dredge slurry - City to pay ½ ($50,000), White Slough Sediment Berm ($10,000), King Salmon Dock Owner Association formation ($5,000) and King Salmon Entrance Dredging ($20,000).

NOE3 - Fields Landing Boat Yard

Estimated expenses for capital improvements to the Fields Landing Boat Yard, including installation of a lower dock next to Travelift pier ($5,000), Travelift cables ($10,000), lighting ($18,000) and Planning and Design for future uses ($15,000).

NOE4 - Redwood Marine Terminal Berth 1 Improvement

Estimated expenses required for power, lights – North connection ($10,000), dock repairs ($5,000), Roof repairs and painting ($10,000), South Door wall ($5,000) and Red Tank dock repairs and power ($10,000).
NOE5 - Harbor Improvement

Payments for harbor improvement projects such as channel deepening, shoreline protection, shoal abatement and navigation aid improvement. **Purchase of a gangway for cruise ships – City of Eureka will pay 1/2 ($17,500).**

NOE6 - Property Acquisition

None anticipated in FY 2016/17.

NOE7 - Property Improvement – Redwood Terminal 2

Expenses associated with the Redwood Terminal 2 property: **Outfall pipe repairs ($75,000); Environmental CleanUp – Lime silo & miscellaneous ($20,000); and EDA grant match ($10,000).**

NOE8 - Recreational Enhancements

Shelter Cove expenses for 2016/17: **Electrical, water and lighting (storage lot) ($10,000).**

NOE9 - Conservation Enhancements

No estimated expenses for capital improvements related to conservation enhancements at facilities other than Woodley Island.

NOE10 - Auto/Operating Equipment

**Purchase of an RV for employee housing at District facility ($10,000).**

NOE11 - Office Equipment

Estimated expenses for upgrading computer equipment with a more advanced **computer firewall ($3,000).**

DEBT PAYMENTS

NOE13 - Cal Boating Loan & Deepening Loan Combined

In FY 2014/15, the Cal Boating Loans and the Deepening Loan were combined as a Bond refinance. The loans were originally incurred to build Woodley Island Marina and dry stack storage and to pay for the deepening of Humboldt Bay’s bar and entrance channel.

NOE14 - Electric Meter Loan Payments

Monthly payments on the Woodley Island Marina electric meter loan.

NOE15 - Forklift Loan Payments

Monthly payments on the Redwood Terminal 2 Forklift.

NOE16 - Coast Seafoods Repayment

Repayment of loan to Coast Seafoods for the trucking of the liquors from Redwood Terminal 2 to KapStone.

NOE17 - New Market Tax Credits Payment

Payment on the New Markets Tax Credit Loan: $1.5 million @ 5% for 30 years.
April 29, 2016

Mr. Jack Crider, Executive Director
Humboldt Bay Harbor District
P.O. Box 1030
Eureka, CA 95502

Dear Jack,

Thank you for bringing to our attention that we did not formally discuss an extension.

Both THA and the District have been working well together to the end goal of the lot line adjustment, and purchase of the Roundhouse property.

As you know we have been moving ahead to address the contractual obligations with the purchase and expect to continue furthering the process. I have attached Scope of Work Status Update from THA’s project manager Larry Henderson that outlines some of our efforts toward fulfilling the Option to Purchase Agreement and securing THA Fee-Title to the property.

In addition to the above referenced efforts I have also attached a copy of our previously submitted 2015 schedule of improvements to the property that accrue to offset the rent obligations for 2015.

We look forward to you extending our Purchase Option and to working with you, your staff and your consultants to achieve our mutual goals.

Pete Johnston
Timber Heritage Association

Pete Oringer
Timber Heritage Association

Attachments (2): Scope of Work Update; Leasehold Improvements.

CC: Pete Johnston & Pete Oringer, THA Boardmembers and HBHRCD Liaisons;
    Larry Henderson THA Project Manager

Sent via e-mail

Timber Heritage Association
CA non-profit C0815416, Fed Tax ID #94-2388203
http://www.timberheritage.org
### TIMBER HERITAGE ASSOCIATION

Confirmation of Tasks Completed or In Progress For The Time Period August 1 through December 31, 2015

<table>
<thead>
<tr>
<th>Work To Accomplish Goal</th>
<th>Volunteer Hours</th>
<th>Prevailing Wage Rate</th>
<th>Labor Value</th>
<th>Paid Work by Outside Vendors</th>
<th>Donated Work by Outside Vendors</th>
<th>Materials Purchased *</th>
<th>Materials Donated</th>
<th>Total Cost Or Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing and new electrical work to extend conduit, wiring, lights and outlets. Work has been primarily in the Machine Shop and Boiler Shop. (Electrical)</td>
<td>15.5</td>
<td>$ 64.43</td>
<td>$ 998.67</td>
<td></td>
<td></td>
<td>Supplies $14.64</td>
<td>R&amp;R Electric</td>
<td>$ 1,373.31</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>supplies $166.00</td>
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<tr>
<td>Continuing work on west wall and surrounding infrastructure of rooms on the west side of the Machine Shop. (Carpenter)</td>
<td>106</td>
<td>$ 64.50</td>
<td>$ 6,837.00</td>
<td></td>
<td>Hardware $31.47</td>
<td>Anchor bolts $50.66</td>
<td></td>
<td>$ 6,919.13</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Additional plumbing repair. (Plumber)</td>
<td>16</td>
<td>$ 66.06</td>
<td>$ 1,056.96</td>
<td></td>
<td>Water pressure reducer $281.32</td>
<td></td>
<td></td>
<td>$ 1,338.28</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completion of installation of new roofing on Hazmat shed. (Metal roofing installer)</td>
<td>3</td>
<td>$ 18.00</td>
<td>$ 54.00</td>
<td></td>
<td>$42.87, $52.18</td>
<td></td>
<td></td>
<td>$ 149.05</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation and pouring new concrete floor in section without floor in Boiler Shop. (Concrete mixer)</td>
<td>15.5</td>
<td>$ 55.46</td>
<td>$ 859.63</td>
<td>Powell Concrete pumping $332</td>
<td>Concrete $557.28</td>
<td></td>
<td>Schmidhauser</td>
<td>$ 1,891.58</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>rebar $142.67</td>
<td></td>
</tr>
<tr>
<td>Preparation for repainting Roundhouse doors. (Painter: brush &amp; roller)</td>
<td>12.5</td>
<td>$ 17.93</td>
<td>$ 224.12</td>
<td></td>
<td>Power washer $60 Primer $35</td>
<td></td>
<td></td>
<td>$ 319.12</td>
</tr>
<tr>
<td>Installation of wiring for security system in all buildings. (Electrical)</td>
<td>27</td>
<td>$54.48</td>
<td>$ 1,740.96</td>
<td>Wiring $177.24</td>
<td></td>
<td></td>
<td></td>
<td>$ 1,918.20</td>
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<tr>
<td>Repair of front and rear gates (Fence erector)</td>
<td>3</td>
<td>$ 49.74</td>
<td>$ 149.22</td>
<td></td>
<td>$46.14</td>
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<td>$ 195.36</td>
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<td>Vegetation removal (Landscape maintenance worker)</td>
<td>6</td>
<td>$ 8.37</td>
<td>$ 50.22</td>
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<td></td>
<td></td>
<td></td>
<td>$ 50.22</td>
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<tr>
<td>Property consultant fees</td>
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<td></td>
<td>$ 500.00</td>
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<td></td>
<td>$ 500.00</td>
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<tr>
<td>* Receipt available on request</td>
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</tbody>
</table>

**TOTAL VALUE/COST OF IMPROVEMENTS AND CREDITS FOR 2015**

Value of Lessee's work and improvement of the premises in excess of 2014 rent. This amount to be credited towards Lessee's 2015 rent obligation: $29,502.31

January 1 through July 31, 2015: $20,803.25

August 1 through December 31, 2015: $14,654.25

TOTAL value of improvements and credits to date: $64,959.81

Value of Lessee's work and improvement of the premises in excess of 2015 rent. This amount to be credited towards Lessee's 2016 rent obligation: $25,359.81
Date: 28 April 2016
To: Timber Heritage Association; Attn: Pete Oringer
From: Larry Henderson

RE: Scope of Work Status Update

Lot Line Adjustment has been approved and is ready for completion.

The lot line adjustment that isolates the Roundhouse Complex’s “area of occupation” into one parcel has been approved by both the County and the Coastal Commission. We received official notice of the approval March 10.

Funding for the Phase 2 Environmental Study has been secured.

We were successful in getting funding from the Environmental Protection Agency’s (EPA) Targeted Brownfield Assessment (TBA) Program. The funding enables us to complete the Hazards Assessment for the site and structures, and get a remediation plan prepared.

Work on a Environmental Cleanup Plan has started.

The Scope of Work for preparation of a plan for remediation of environmental hazards has been agreed upon. We anticipate the study to be completed within three months. After State approval of the Remediation Plan, work can start to clean up hazardous conditions that might exist and need to be abated.

Amendment of the General Plan is in the process.

We have worked with County Planning to get into the upcoming update of the Plan tentative approval to change our designation to Commercial Recreation. A target date for adoption of the General Plan Update has not been set.

Pre-application for permits is targeted for middle of May.

We are finalizing a “pre-application” packet for submittal to County Planning to proceed with a “pre-permitting” process. The intent is to have work completed prior to final adoption of the General Plan change, and minimize the time delay to obtaining permits after the General Plan change is adopted and effective.
COMMERCIAL LEASE

Date: May 12, 2016

Between: Humboldt Bay Harbor, Recreation & Conservation District
P.O. Box 1030
Eureka, CA 95502-1030

("District")

And:

Hag Fish Corporation
Attn.: Peter Chu, President
2416 Promontory Circle
San Ramos, CA 94583

("Tenant")

Area: Redwood Marine Terminal Berth 1.

District leases to Tenant and Tenant leases from District the following described property (the "Premises") on the terms and conditions stated below:

Eastern Half of Building Three for Hagfish Holding and Packing Facility, Portable Office Space and Outside Storage Space

Section 1. Occupancy

1.1 Original Term. The term of this lease shall be May 15, 2016 to May 14, 2019 unless sooner terminated as hereinafter provided.

1.2 Possession. Tenant's right to possession and obligations under the lease shall commence on May 15, 2016.

1.3 Renewal Option. If the lease is not in default Tenant shall have the option to renew this lease for one successive term, as follows:

(1) The renewal term shall commence on the day following expiration of the
initial term.

(2) The option may be exercised by written notice to District given not less than 120 days prior to the last day of the initial term. The giving of such notice shall be sufficient to make the lease binding for the renewal term without further act of the parties. District and Tenant shall then take the steps required in connection with the determination of rent as specified below.

(3) The terms and conditions of the lease for the renewal term shall be identical with the original term except for rent, moorage and landing fees and except that Tenant will no longer have any option to renew this lease.

Rent for a renewal term shall be the rental during the original term increased as set forth in Section 2.

Section 2. Rent

2.1 Base Rent. During the original term, Tenant shall pay $2,555 per month which includes:

- $0.35 per square foot for 5,144 square feet of warehouse space ($1,800 total).
- $0.35 per square foot for 160 square feet of storage container space ($56 total). (Existing Office)
- $0.35 per square foot for 320 square feet of freezer storage container space ($112 total). (Existing Freezer)
- $0.35 per square foot for 160 square feet of freezer storage container space ($56 total). (New Food Freezer)
- $0.35 per square foot for 372 square feet of office space (130 total). (New Office)
- $0.15 per square foot for 600 square feet of outside storage ($90 total). (Right of front door)

2.2 Boat Moorage. Tenant shall pay $311 / month ($4.15 / foot / month for a 75 foot boat).

2.3 Payment Dates. Tenant shall pay District rent on or before the 1st of every month.
2.4 **Landing Fees.** During the original term, Tenant shall pay $0.015 / lb of hagfish that is landed at the dock using the District’s hoist. This fee may be increased in the renewal term based on the Districts’ then-current charges for similar use of the District hoist. Landing fees are to be paid monthly with payment of base rent and moorage fees.

2.5 **Security Deposit.** In addition to payment of the first and last month’s rent, to secure Tenant's compliance with all terms of this lease, Tenant will pay District the sum of $1,715 as a deposit. The deposit shall be a debt from District to Tenant, refundable within 30 days after expiration of the lease term or other termination not caused by Tenant's default. District may commingle the deposit with its funds and Tenant shall not be entitled to interest on the deposit. District shall have the right to offset against the deposit any sums owing from Tenant to District and not paid when due, any damages caused by Tenant’s default, the cost of curing any default by Tenant should District elect to do so, and the cost of performing any repair or cleanup that is Tenant's responsibility under this lease. Offset against the deposit shall not be an exclusive remedy in any of the above cases, but may be invoked by District, at its option, in addition to any other remedy provided by law or this lease for Tenant’s nonperformance. District shall give notice to Tenant each time an offset is claimed against the deposit, and, unless the lease is terminated, Tenant shall within 10 days after such notice deposit with District a sum equal to the amount of the offset so that the total deposit amount, net of offset, shall remain constant throughout the lease term.

2.6 **Additional Rent.** All taxes, insurance costs, utility charges that Tenant is required to pay by this lease, and any other sum that Tenant is required to pay to District or third parties shall be additional rent.

2.7 **Late Charges.** Tenant acknowledges that late payment of any rent or other payment required by this lease from Tenant to District will result in costs to District, the extent of which is extremely difficult and economically impractical to ascertain. Tenant therefore agrees that if Tenant fails to make any rent or other payment required by this lease to be paid to District within ten days of the date it is due, District shall impose a late charge of five percent (5%) of the overdue payment, to
reimburse District for the cost of collecting the overdue payment. District may levy and collect a late charge in addition to all other remedies available for Tenant’s default, and collection of a late charge shall not be in lieu of nor shall it waive the breach caused by the late payment.

2.8 Escalation

(1) If Tenant chooses to extend for the renewal term provided by section 1.3 above, the base rent provided in Section 2.1 shall be increased beginning the month of September 2016 by a percentage equal to the percentage change in the Consumer Price Index published by the United States Bureau of Labor Statistics of the United States Department of Labor for the most recent twelve months available as of August 15, 2016. Comparisons shall be made using the index entitled U.S. City Average—All Items and Major Group Figures for All Urban Consumers, or the nearest comparable data on changes in the cost of living if such index is no longer published. The change shall be determined by comparison of the figure for the date of the term (or renewal term) with that of each succeeding year. In no event, however, shall base rent be reduced below that of the prior year.

Section 3. Use of the Premises

3.1 Permitted Use. The Premises shall be used only to receive, hold and pack hagfish and for related book-keeping, and for no other purpose without the consent of Landlord, which consent shall not be withheld unreasonably. If this use is prohibited by law or governmental regulation, this lease shall terminate on 180 days notice to Tenant.

3.2 Restrictions on Use. In connection with the use of the Premises, Tenant shall:

(1) Conform to all applicable laws and regulations of any public authority affecting the premises and the use, and correct at Tenant's own expense any failure of compliance created through Tenant's fault or by reason of
Tenant's use, but Tenant shall not be required to make any structural changes to effect such compliance [unless such changes are required because of Tenant's specific use].

(2) Refrain from any activity that would make it impossible to insure the Premises against casualty, would increase the insurance rate, or would prevent District from taking advantage of any ruling of the California Insurance Rating Bureau, or its successor, allowing District to obtain reduced premium rates for long-term fire insurance policies, unless Tenant pays the additional cost of the insurance.

(3) Refrain from any use that would be reasonably offensive to other tenants or owners or users of neighboring premises or that would tend to create a nuisance or damage the reputation of the Premises.

(4) Refrain from loading the electrical system or floors beyond the point considered safe by a competent engineer or architect selected by District.

(5) Refrain from making any marks on or attaching any sign, insignia, antenna, aerial, or other device to the exterior or interior walls, windows, or roof of the premises without the written consent of District.

(6) Tenant shall not cause or permit any Hazardous Substance to be spilled, leaked, disposed of, or otherwise released on or under the Premises. Tenant may use or otherwise handle on the Premises only those Hazardous Substances typically used or sold in the prudent and safe operation of the business specified in Section 3.1. Tenant may store such Hazardous Substances on the Premises only in quantities necessary to satisfy Tenant's reasonably anticipated needs. Tenant shall comply with all Environmental Laws and exercise the highest degree of care in the use, handling, and storage of Hazardous Substances and shall take all practicable measures to minimize the quantity and toxicity of Hazardous Substances used, handled, or stored on the Premises. Upon the expiration or termination of this lease, Tenant shall remove all Hazardous Substances from the Premises. The term Environmental Law shall mean
any federal, state, or local statute, regulation, or ordinance or any judicial or other governmental order pertaining to the protection of health, safety or the environment. The term Hazardous Substance shall mean any hazardous, toxic, infectious or radioactive substance, waste, and material as defined or listed by any Environmental Law and shall include, without limitation, petroleum oil and its fractions.

Section 4. Common Areas

4.1 Tenant’s Use. Tenant, its customers, agents and invitees shall have the non-exclusive right to use areas designated by District as common areas. “Common areas” means any parking areas, docks, roadways, sidewalks, landscaped areas, security areas and any other areas owned by District where such areas have been designated or may be designated in the future by District as areas to be used by the general public or in common by tenants.

4.2 District’s Rights. With respect to the common areas the District reserves the following rights;

(1) To establish reasonable rules and regulations for the use of the common areas;

(2) To close all or any portion of the common areas to make repairs or changes;

(3) To construct, alter, or remove buildings or other improvements in the common areas and to change the layout of such common areas, including the right to add to or subtract from their shape and size or to eliminate such common areas;

(4) To exercise any of District’s governmental powers over the common areas; and

(5) To grant the right to use the common areas to third parties.

Section 5. Insurance

5.1 Insurance Required. District shall keep the Premises insured at District’s
expense against fire and other property damage and loss risks covered by the District's participation in a self-insured joint powers insurance authority with other public entities or through a standard commercial insurance policy. Tenant shall bear the expense of any insurance insuring the personal property, equipment and fixtures of Tenant on the Premises against such risks but shall not be required to insure. District shall not be liable to Tenant for any loss or damage to Tenant's personal property, equipment or fixtures.

5.2 Waiver of Subrogation. Tenant shall not be liable to the District or to its successors or assigns for any loss or damage caused by fire or any of the risks enumerated in a standard fire insurance policy with an extended coverage endorsement, and in the event of insured loss, District or its insurance company or joint powers authority shall not have a subrogated claim against the Tenant. This waiver shall be valid only if the joint powers authority insurance policy in question expressly permits waiver of subrogation or if the insurance company agrees in writing that such a waiver will not affect coverage under the policies. Nothing in this provision shall be construed to waive any rights of District against Tenant for losses or damages to the premises that are caused by Tenant's negligence or for which the Tenant is otherwise legally liable, if such damage or loss is not covered by insurance.

Section 6. Taxes

6.1 Property Taxes and Assessments. Tenant shall pay as due all taxes on its personal property located on the Premises. Tenant shall pay as due all real property taxes and special assessments levied against the Premises before the same become past due. As a public entity, District does not pay property taxes, but Tenant will be assessed directly by the County a possessory use tax on the leasehold premises. Tenant shall provide District, on or before May 15 of each year, with proof of payment of all taxes and any other assessments.

Section 7. Damage and Destruction

7.1 Partial Damage. If the Premises are partly damaged other than through
the fault of the Tenant and Section 7.2 does not apply, the Premises shall be repaired by District at District's expense. Repairs shall be accomplished within a reasonable time.

7.2 Destruction. If the Premises are destroyed or damaged such that the cost of repair exceeds 50% of the value of the structure before the damage, either party may elect to terminate the lease as of the date of the damage or destruction by notice given to the other in writing not more than 45 days following the date of damage. In such event all rights and obligations of the parties shall cease as of the date of termination, and Tenant shall be entitled to the reimbursement of any prepaid amounts paid by Tenant and attributable to the anticipated term. If neither party elects to terminate, District shall proceed to restore the Premises to substantially the same form as prior to the damage or destruction. Work shall be commenced and completed within a reasonable time.

7.3 Rent Abatement. Rent shall be abated during the repair of any damage to the extent the premises are untenantable, except that there shall be no rent abatement where the damage occurred as the result of the fault of Tenant.

7.4 Damage Late in Term. If damage or destruction to which Section 7.2 would apply occurs within one year before the end of the then-current lease term, Tenant may elect to terminate the lease by written notice to District given within 30 days after the date of the damage. Such termination shall have the same effect as termination by Landlord.

Section 8. Liability and Indemnity

8.1 Liens

(1) Except with respect to activities for which District is solely responsible, Tenant shall pay as due all claims for work done on and for services rendered or material furnished to the Premises, and shall keep the Premises free from any liens. If Tenant fails to pay any such claims or to discharge any lien, District may do so and collect the cost as additional rent. Any amount so added shall bear interest at the rate of 9% per
annum from the date expended by District and shall be payable on demand. Such action by District shall not constitute a waiver of any right or remedy which District may have on account of Tenant's default.

(2) Tenant may withhold payment of any third party claim in connection with a good-faith dispute over the obligation to pay the third party, as long as District's property interests are not jeopardized. If a lien is filed as a result of nonpayment, Tenant shall, within 10 days after knowledge of the filing, secure the discharge of the lien or deposit with District cash or sufficient corporate surety bond or other surety satisfactory to District in an amount sufficient to discharge the lien plus any costs, attorney fees, and other charges that could accrue as a result of a foreclosure or sale under the lien.

8.2 Indemnification. Tenant shall indemnify and defend District from any claim, loss, or liability arising out of or related to any activity of Tenant or its customers, invitees, employees, or contractors on the Premises or any condition of the Premises in the possession or under the control of Tenant. District shall have no liability to Tenant for any injury, loss, or damage caused by third parties, or by any condition of the Premises. Tenant shall inspect the premises upon taking possession, and shall notify District in writing within three days of any condition of the premises Tenant believes constitutes a hazard or dangerous condition of the property. Failure to provide such a notice shall constitute an agreement by the Tenant that there is no such hazard or dangerous condition for which the District is responsible.

8.3 Liability Insurance. Before going into possession of the Premises, Tenant shall procure and thereafter during the term of the lease shall continue to carry the following insurance at Tenant's cost: comprehensive general liability insurance in a responsible company with limits of not less than $1,000,000 for injury to one person, $2,000,000 for injury to two or more persons in one occurrence, and $1,000,000 for damage to property. Such insurance shall cover all risks arising directly or indirectly out of Tenant's activities on or any condition of the Premises. Such insurance shall protect Tenant against the claims of District on account of the obligations assumed by Tenant.
under Section 8.2, and shall name District as an additional insured. The insurance procured by Tenant shall be primary to any similar insurance coverage procured by District. Certificates evidencing such insurance and bearing endorsements requiring 10 days' written notice to District prior to any change or cancellation shall be furnished to District prior to Tenant's occupancy of the property.

Section 9. Quiet Enjoyment; As Is

9.1 District’s Warranty. District warrants that it is the owner of the Premises and has the right to lease them. Tenant takes the Premises “AS IS”, with all faults, except as to those conditions of which it gives notice to the District pursuant to 8.2. Tenant shall be responsible for all maintenance of the premises except for structural components and the roof.

9.2 Estoppel Certificate. Either party will, within 20 days after notice from the other, execute and deliver to the other party a certificate stating whether or not this lease has been modified and is in full force and effect and specifying any modifications or alleged breaches by the other party. The certificate shall also state the amount of monthly base rent, the dates to which rent has been paid in advance, and the amount of any security deposit or prepaid rent. Failure to deliver the certificate within the specified time shall be conclusive upon the party from whom the certificate was requested that the lease is in full force and effect and has not been modified except as represented in the notice requesting the certificate.

Section 10. Assignment and Subletting

No part of the Premises may be assigned, mortgaged, or subleased, nor may a right of use of any portion of the property be conferred on any third person by any other means, without the prior written consent of District. This provision shall apply to all transfers by operation of law. If Tenant is a corporation or partnership, this provision shall apply to any transfer of a majority voting interest in stock or partnership interest of Tenant. No consent in one instance shall prevent the provision from applying to a subsequent instance. District may withhold or condition such consent in its sole and
arbitrary discretion.

Section 11. Default

The following shall be events of default:

11.1 Default in Rent. Failure of Tenant to pay any rent or other charge within 10 days after written notice that it is due.

11.2 Default in Other Covenants. Failure of Tenant to comply with any term or condition or fulfill any obligation of the lease (other than the payment of rent or other charges) within 20 days after written notice by District specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the 20-day period, this provision shall be complied with if Tenant begins correction of the default within the 20-day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

11.3 Insolvency. Insolvency of Tenant; an assignment by Tenant for the benefit of creditors; the filing by Tenant of a voluntary petition in bankruptcy; an adjudication that Tenant is bankrupt or the appointment of a receiver of the properties of Tenant; the filing of any involuntary petition of bankruptcy and failure of Tenant to secure a dismissal of the petition within 30 days after filing; attachment of or the levying of execution on the leasehold interest and failure of Tenant to secure discharge of the attachment or release of the levy of execution within 10 days shall constitute a default. If Tenant consists of two or more individuals or business entities, the events of default specified in this Section shall apply to each individual unless within 10 days after an event of default occurs, the remaining individuals produce evidence satisfactory to District that they have unconditionally acquired the interest of the one causing the default. If the lease has been assigned, the events of default so specified shall apply only with respect to the one then exercising the rights of Tenant under the lease.

11.4 Abandonment. Failure of Tenant for twenty (20) days or more to occupy the Premises for one or more of the purposes permitted under this lease, unless such failure is excused under other provisions of this lease.
Section 12. Remedies on Default

12.1 Termination. In the event of a default the lease may be terminated at the option of District by written notice to Tenant. Whether or not the lease is terminated by the election of District or otherwise, District shall be entitled to recover damages from Tenant for the default, and District may reenter, take possession of the premises, and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages and without having accepted a surrender.

12.2 Reletting. Following reentry or abandonment, District may relet the Premises and in that connection may make any suitable alterations or refurbish the Premises, or both, or change the character or use of the Premises, but District shall not be required to relet for any use or purpose other than that specified in the lease or which District may reasonably consider injurious to the Premises, or to any tenant that District may reasonably consider objectionable. District may relet all or part of the Premises, alone or in conjunction with other properties, for a term longer or shorter than the term of this lease, upon any reasonable terms and conditions, including the granting of some rent-free occupancy or other rent concession.

12.3 Damages. In the event of termination or retaking of possession following default, District shall be entitled to recover immediately, without waiting until the due date of any future rent or until the date fixed for expiration of the lease term, the following amounts as damages:

1) The loss of rental from the date of default until a new tenant is, or with the exercise of reasonable efforts could have been, secured and paying out.

2) The reasonable costs of reentry and reletting including without limitation the cost of any cleanup, refurbishing, removal of Tenant's property and fixtures, or any other expense occasioned by Tenant's default including but not limited to, any remodeling or repair costs, attorney fees, court costs, broker commissions, and advertising costs.

3) Any excess of the value of the rent and all of Tenant's other obligations under this lease over the reasonable expected return from the Premises
for the period commencing on the earlier of the date of trial or the date the
premises are relet, and continuing through the end of the term. The
present value of future amounts will be computed using a discount rate
equal to the prime loan rate of major California banks in effect on the date
of trial.

12.4 Right to Sue More than Once. District may sue periodically to recover
damages during the period corresponding to the remainder of the lease term, and no
action for damages shall bar a later action for damages subsequently accruing.

12.5 District's Right to Cure Defaults. If Tenant fails to perform any
obligation under this lease, District shall have the option to do so after 30 days' written
notice to Tenant. All of District's expenditures to correct the default shall be reimbursed
by Tenant on demand with interest at the rate of 9% annum from the date of
expenditure by District. Such action by District shall not waive any other remedies
available to District because of the default.

12.6 Remedies Cumulative. The foregoing remedies shall be in addition to
and shall not exclude any other remedy available to District under applicable law.

Section 13. Surrender at Expiration

13.1 Condition of Premises. Upon expiration of the lease term or earlier
termination on account of default, Tenant shall deliver all keys to District and surrender
the Premises in good repair and broom clean. District shall have the option, in its sole
discretion, to permit alterations constructed by Tenant to remain at no cost to the
District, or be removed or restored to the original condition at the expense of Tenant.
Repairs and restoration for depreciation and wear from ordinary use for the purpose for
which Tenant is responsible shall be completed to the latest practical date prior to such
surrender. Tenant's obligations under this section shall be subordinate to the provisions
of Section 7 relating to destruction.

13.2 Fixtures

(1) All fixtures placed upon the Premises during the term, other than Tenant's
trade fixtures, shall, at District's option, become the property of District at
no cost to the District. If District so elects, Tenant shall remove any or all fixtures that would otherwise remain the property of District, and shall repair any physical damage resulting from the removal. If Tenant fails to remove such fixtures, District may do so and charge the cost to Tenant with interest at the legal rate from the date of expenditure.

(2) Prior to expiration or other termination of the lease term Tenant shall remove all furnishings, furniture, and trade fixtures that remain its property. If Tenant fails to do so, this shall be an abandonment of the property, and District may retain the property and all rights of Tenant with respect to it shall cease or, by notice in writing given to Tenant within 20 days after removal was required, District may elect to hold Tenant to its obligation of removal. If District elects to require Tenant to remove, District may effect a removal and place the property in public storage for Tenant's account. Tenant shall be liable to District for the cost of removal, transportation to storage, and storage, with interest at the legal rate on all such expenses from the date of expenditure by District.

13.3 Holdover

(1) If Tenant does not vacate the Premises at the time required, District shall have the option to treat Tenant as a tenant from month to month, subject to all of the provisions of this lease except the provisions for term and renewal and at a rental rate equal to 150 percent of the rent last paid by Tenant during the original term, or to eject Tenant from the Premises and recover damages caused by wrongful holdover. Failure of Tenant to remove fixtures, furniture, furnishings, or trade fixtures that Tenant is required to remove under this lease shall constitute a failure to vacate to which this section shall apply if the property not removed will substantially interfere with occupancy of the Premises by another tenant or with occupancy by District for any purpose including preparation for a new tenant.

(2) If a month-to-month tenancy results from a holdover by Tenant under this
Section, the tenancy shall be terminable at the end of any monthly rental period on written notice from District given not less than 10 days prior to the termination date which shall be specified in the notice. Tenant waives any notice that would otherwise be provided by law with respect to a month-to-month tenancy.

Section 14. Miscellaneous

14.1 Nonwaiver. Waiver by either party of strict performance of any provision of this lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

14.2 Attorney Fees. If suit or action is instituted in connection with any controversy arising out of this lease, the prevailing party shall be entitled to recover in addition to costs such sum as the court or arbitrator may adjudge reasonable as attorney fees at trial, on petition for review, and on appeal.

14.3 Notices. Any notice required or permitted under this lease shall be given when actually delivered or 48 hours after deposited in United States mail as certified mail addressed to the address first given in this lease or to such other address as may be specified from time to time by either of the parties in writing.

14.4 Succession. Subject to the above-stated limitations on transfer of Tenant's interest, this lease shall be binding on and inure to the benefit of the parties and their respective successors and assigns.

14.5 Recordation. This lease shall not be recorded without the written consent of District. [District shall execute and acknowledge a memorandum of this lease in a form suitable for recording, and Tenant may record the memorandum.]

14.6 Entry for Inspection. District shall have the right to enter upon the Premises at any time to determine Tenant's compliance with this lease, to make necessary repairs to the building or to the Premises, or to show the Premises to any prospective tenant or purchaser, and in addition shall have the right, at any time during the last two months of the term of this lease, to place and maintain upon the Premises notices for leasing or selling of the Premises.

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14.5 Interest on Rent and Other Charges. Any rent or other payment required of Tenant by this lease shall, if not paid within 10 days after it is due, bear interest at the rate of 9% per annum (but not in any event at a rate greater than the maximum rate of interest permitted by law) from the due date until paid.

14.8 Proration of Rent. In the event of commencement or termination of this lease at a time other than the beginning or end of one of the specified rental periods, then the rent shall be prorated as of the date of commencement or termination and in the event of termination for reasons other than default, all prepaid rent shall be refunded to Tenant or paid on its account.

14.9 Time of Essence. Time is of the essence of the performance of each of Tenant's obligations under this lease.

14.10 Complete Agreement. This Agreement constitutes the complete and entire agreement of the parties. No modification of the Agreement is effective unless in writing and signed by the parties.

Section 15. Arbitration

15.1 Disputes to Be Arbitrated. If any dispute arises between the parties arising out of this lease other than the rental value pursuant to section 2, the matter shall be resolved by binding arbitration. The arbitrator and arbitration procedures shall be mutually agreed upon by the parties. If the parties cannot agree on the selection of an arbitrator, they shall request the judge of the Humboldt County, California Superior Court with primary responsibility for hearing civil matters, or the presiding judge of that Court, to select an arbitrator.

15.2 Procedure for Arbitration. The arbitrator shall proceed according to the California statutes governing arbitration, and the award of the arbitrator shall have the effect therein provided. The arbitration shall take place in Humboldt County, California, unless the parties stipulate in writing to a different location. Costs of the arbitration shall be shared equally by the parties, but each party shall pay its own attorney fees incurred in connection with the arbitration.
Humboldt Bay Harbor, Recreation & Conservation District

By: ______________________________  
   President

By: ______________________________  
   Secretary

APPROVED AS TO FORM:

Counsel for District

Counsel for Tenant

APPROVED BY COMMISSION ON:
