

Port of Chelan County Real Estate Guidelines

Background

The Port's mission is to use its limited resources and legal authority to improve the local economy of Chelan County and north central Washington. In addition to the operation of airports, and investments in marketing of the area and tourism promotion, the Port has, over the past 40 years, acquired and improved lands that were, at the time of acquisition, considered to be marginal, difficult to develop from a private perspective, or necessary to preserve the existing, yet limited, properties in Chelan County meeting the Port's mission.

The Port now owns commercial/industrial real estate in Olds Station, Peshastin, and Malaga. The Port jointly owns the Lake Chelan Airport with the City of Chelan. The interlocal agreement between the Port and the City vests the responsibility for the day to day operation and property management with the City of Chelan. The Port also jointly owns Pangborn Memorial Airport along with the Port of Douglas County. That interlocal agreement assigns the responsibility for the non-aviation land (generally speaking, the industrial park properties west of the runway) to the Port of Douglas County for development and leasing.

These guidelines apply only to the properties solely owned by the Port of Chelan County (Olds Station, Peshastin, and Malaga).

Sale of Property

Historically the Port has not been inclined to sell any of its real estate holdings. However, as circumstances have changed, the Commission has chosen to make certain parcels available for sale. That has happened when:

- The configuration of the property, combined with characteristics such as arterial street frontage and development of neighboring properties, renders the property more suitable for small scale commercial or office development. In these cases, after public notice is given a public hearing is held, and the Commission considers a resolution to declare the specific parcel or parcels surplus to the needs of the Port. The Commission sets the price for these properties based upon recent fair market appraisals, and will not sell below asking price. A series of protective covenants is attached to the property, and the particular use or buyer is not deemed a relevant consideration by the Commission in the transaction so long as the buyer complies with the protective covenants. Funds received from the sale of these properties are reinvested in the acquisition or development of other marginal and industrial lands. These properties are listed with the Port's real estate broker, and are included in the Wenatchee area multiple listing service.
- A specific user/purchaser of the property is identified, whose intended use of the property directly supports the Port's economic development mission and said use cannot be accommodated by a short or long term lease. Typically that means evidence is presented to the Port that the intended use will materially

assist with the retention or expansion of a local business, or will cause a business to relocate to the area from outside of the regions. A key factor in determining the economic benefit of any business is the determination of how much of the output of the business, whether it be goods or services, is sold to customers outside of the local market area. In these cases, the same process as outlined above is followed - a public hearing is held that leads to consideration of a resolution of whether the property should be declared surplus. If the property is declared surplus, then the sales price is based upon a recent fair market appraisal.

Leasing of Port Property

The legislature has given state ports the relatively broad authority to lease property for such purposes and upon such terms as the Port Commission deems proper. The Port of Chelan County has used this authority to structure leases to act as incentives for new and emerging businesses and for businesses relocating to the area. Significant considerations in the development of the lease include whether the business exports their product or service outside of the local market area, and have or show the potential to increase the number and the compensation level of jobs. Typically lease discussions begin at fair market value, with the final rate being to a large degree influenced by (a) the contribution that the business can demonstrate it will make toward improving the local economy, (b) whether the business is a start-up or incubator-type business as compared to an established, existing business, and (c) the consistency with the Port's mission. While these leases will, over time, fully recover any costs incurred by the Port related to the lease, they often include rent deferrals to accommodate relocation costs, the down time of the business caused by the move, the expense of training new employees, etc.

Leasing to Local Business

The Port wishes to avoid directly competing with local property owners for commercial or industrial tenants, and simply put, the Commission's view is that if a deal can be put together for privately owned property, it should be. The Port's previous recruitment efforts have required that recruitment prospects be made aware of privately owned properties first

No attempts are being made to solicit interest from local businesses. With that said, however, the Port is frequently contacted by local businesses who are aware of the Port's facilities and are interested in leasing Port owned space. In those cases, the Port will consider leasing to a local business only if the business or its agent can demonstrate to the Port's satisfaction that several of the following criteria will be met:

1. The business has searched the market and has concluded that there are no viable privately owned alternatives to Port-owned space.
2. The business markets its output primarily to out of the area customers.
3. The business will be able to increase its positive economic impact on Chelan County by leasing Port-owned space.
4. The business needs to locate in proximity to an existing business on or adjacent to Port property.

5. The business is consistent with the applicable protective covenants.

The prospective business, or its agent, will be required to provide evidence to the Port Commission that several of the criteria will be met by leasing Port-owned space. This information will be entered into the public record as part of the Commission's decision process.

Confluence Technology Center (CTC)

The CTC was funded through a combination of Port funds, a share of retained local sales taxes reserved for economic development, state and federal grants, and a sale of approximately 25% of the total area of the building to the Chelan PUD. The ground floor is reserved for business and workforce related training activities. One half of the lower level is available as a high security environment for data storage users, and the remainder of the building owned by the Port is available for Class "A" office leases.

The CTC is intended to leverage the PUD's investment in its fiber optic system (by providing a state of the art secured environment for high intensity fiber customers) with on site, customized training and videoconferencing capabilities that reside on the ground floor. Thus the ideal tenant for the CTC is one that:

- a) Exports the majority of its products and services outside of the local market area.
- b) Can demonstrate a particular need to make significant use of either or both the training and data storage facilities.
- c) Makes extensive use of state of the art technology in achieving its business plan.
- d) Would benefit from co-location in the facility with other, similar businesses.
- e) Can demonstrate that no other comparable facility alternatives are available in privately owned space.

As is the case with all other potential leases, it will be incumbent upon the business or its agent to demonstrate to the Port Commission that it meets the overall objectives listed above. This information will be presented to the Commission for its decision in a public meeting, and the information will become a part of the public record.

The CTC is a condominium, owned by the Port and the PUD. While no units are being actively marketed for sale, the Port Commission may entertain the sale of a unit if the use can be shown to have major and positive impacts on the local economy, consistent with the guideline above for the sale of real property owned by the Port.

The Port space in the CTC is listed with the Port's real estate broker, Development Partners.

Real Estate Commission Policy

The Port will compensate licensed real estate brokers/agents according to the following schedule:

Leasing Commission:

6% of the gross transaction proceeds, based upon triple net rent (including any amortization of tenant improvements capped at \$30 per square foot) over a five year period. The commission will be split equally between the Port's listing agent and the tenant's agent.

Sales Commission:

6% of the gross transaction proceeds split equally between the Port's listing agent and the buyer's agent.

Approved this 7th day of July, 2004

BOARD OF COMMISSIONERS

Excused Absence
John R. Stoltenberg, President

James H. Knapp, Vice President

Michael H. Mackey, Secretary