

RESOLUTION NO. 1551

A RESOLUTION PROVIDING GUIDELINES IN SETTING TERM OF A LAND LEASE IN CONSIDERATION OF THE LESSEE INVESTMENT IN THE PROPERTY

WHEREAS, the Port of Pasco owns property that is not available for sale but is available for lease; and

WHEREAS, the Port Commission has three primary criteria in evaluating the value of a proposed lease, which include the lease rate, lease term and evaluation of the proposed use in accomplishing the Port's economic development mission.

WHEREAS, to encourage capital intensive development, the Port will need to enter into long-term land leases; and,

WHEREAS, the Port Commissioners seek to provide guidance to staff on assessing the term of the land lease in comparison with the capital investment made by the lessee.

NOW THEREFORE, BE IT RESOLVED THAT the Port of Pasco Commission adopts the lease term guidelines as provided on the following page; and,

BE IT FURTHER RESOLVED THAT these guidelines are not intended to set firm requirements but are intended to assist staff in the development of long-term land leases and preparation of those leases for Commission review.

ADOPTED this 25th day of March, 2021.

PORT OF PASCO COMMISSION



James T. Klindworth, President



Vicki Gordon, Vice-President



Jean Ryckman, Secretary

Lease Term Guidelines

Guidelines for lease terms and investment levels are shown in the table below. The term of the lease refers to the initial period of the lease as well as any lessee's unilateral renewals. Investments that involve structures that include extension of utilities to include power, water and sewer would qualify for a minimum term of twenty years. Land leases where the improvements are temporary in nature (fencing, landscaping, etc.) or involve simple structures with no services would not qualify for the minimum. On the other end of the spectrum the maximum lease term is limited by FAA to 50 years on airport aeronautical property, and by RCW to 75 years on airport property (non-aeronautical) and 80 years on port property. Investment intensity is a measure comparing the size of the area leased versus the dollars invested, which would be expressed in a ratio of investment over area, such as \$100,000/acre.

| Investment Intensity | Lease Term | Example Type of Development* |
|--|-------------------|--|
| Less than \$500,000/acre | No Minimum | Lay down area, covered storage area |
| Less than \$500,000/acre w/structure | 20 years | Shop building w/ utilities, staging area |
| \$500,000 to \$1,000,000/acre w/reinvestment at year 20 | 30 years | Shop/office/yard |
| \$1,000,000 to \$2,000,000/acre w/reinvestment at year 20 | 40 years | Retail shop with warehouse/T-hangar |
| \$2,000,000 to \$3,000,000/acre w/reinvestment at year 20 & 40 | 50 years | Strip mall development/Corporate-business hangar |
| \$3,000,000 to \$4,000,000/acre w/reinvestment at year 20 & 40 | 60 years | Small box retail |
| \$4,000,000 to \$5,000,000/acre w/reinvestment at year 20, 40 & 60 | 70 years | Office complex w/ courtyard |
| Over \$5,000,000/acre w/reinvestment at year 20, 40 & 60 | Maximum | Hotel |

* The examples listed here are provided only as an indication of an acceptable type of development for the investment range. There are many other types of developments that could also qualify.