

Klickitat County Port District No. 1
RESOLUTION NO. 18-2010

A Resolution of the Port of Klickitat Commission
Establishing a Basis for Ground Lease Rates

WHEREAS, the Port owns and leases properties to others for industrial or commercial use; and

WHEREAS, the Port seeks to encourage economic development and job creation through the development of industrial and commercial facilities; and

WHEREAS, the industrial properties at the Port's Bingen Point Business Park are extraordinary, uncommon, and uniquely desirable; and

WHEREAS, the Port Commission is obligated to deliver a return on the investment of its constituents and has set a target rate of return of six percent (6%);

NOW, THEREFORE, BE IT RESOLVED that the Port Commission hereby establishes the following basis for setting ground lease rates for its properties:

1. Property that is Ready For Development shall be defined as property that is served by water, sanitary sewer, electric, gas, and telecom utilities at or within a few feet of the property boundary, level or reasonably level, accessible by paved road(s), and at the proper target elevation.
2. Appraised Value shall be defined as the fee-simple value of property presently, or as though it were, Ready For Development as established by a professional appraiser who is a Member of the Appraisal Institute (MAI).
3. The Executive Director may use the Appraised Value set in an existing appraisal of the property, or of reasonably similar property nearby, provided that such appraisal is no more than five years old as calculated from the commencement date of the ground lease. In the event no such appraisal is available, or the Executive Director believes it is in the best interests of the Port to do so, s/he shall contract with an MAI appraiser to conduct an appraisal of the property.
4. Ground Lease Rates per acre shall be the Appraised Value multiplied by a rate of return of six percent (6%). Monthly payments per acre shall be the Ground Lease Rate divided by twelve (12).
5. Ground Lease Rates for property with special conditions that serve to increase its value and/or desirability (e.g. Bingen Point) shall be subject to an increase of fifteen percent (15%).
6. Ground Lease Rates for property with special conditions that serve to decrease its value and/or desirability shall be subject to a decrease of fifteen percent (15%).
7. Ground Lease Rates shall be subject to escalation as described in Resolution 11-2010 ("Annual Escalation Rate") or as otherwise defined in any subsequent resolution duly adopted by the Port Commission.
8. Any ground lease with a total term (i.e. the initial term plus all subsequent options) of forty-one (41) years or more shall be subject to reappraisal at regularly scheduled intervals that may not be less than twenty (20) years or more than thirty (30) years in length. The process of reappraisal shall be established in the ground lease and the appraisal shall be conducted according to the terms of this resolution.
9. The Executive Director, upon request of the prospective Lessee and/or if s/he believes it to be in the best interests of the Port, may establish a limit (i.e. "cap and floor") on the increase and decrease in Appraised Value, resulting from a reappraisal. This limit may not be less than five percent (5%) and shall be the same for both the cap (increase) and the floor (decrease).
10. If the property is leased for immediate development, lease payments shall begin upon the earlier of the completion of the planned development as signified by the issuance of an occupancy permit by

Klickitat County or at the end of twelve (12) months after the commencement date of the ground lease.

11. At termination of the ground lease and any executed options, the Port shall have the condition and life of, cost for removal of, and current market lease rates for, any leasehold improvements professionally assessed with the cost of such assessments evenly divided between the Port and tenant. If the estimated income less necessary repairs and operating costs throughout the remaining life of the leasehold improvements is less than the cost of removal plus six percent (6%), the Port may require the tenant to remove the leasehold improvements and leave the property in shovel-ready condition at tenant's sole cost and expense.
12. The above elements are intended to establish the basis upon which to set ground lease rates and the Executive Director shall be authorized to reasonably, and in good faith, negotiate various elements described above as permitted by the Port Commission.

ADOPTED IN OPEN SESSION this 21st day of December, 2010.

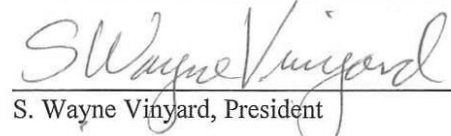
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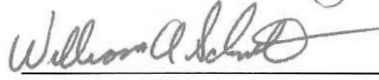
Margie Ziegler, Port Auditor

PORT SEAL

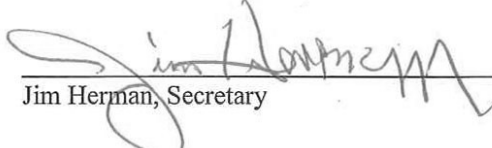
PORT OF KLICKITAT COMMISSION



S. Wayne Vinyard, President



William A. Schmitt, Vice-President



Jim Herman, Secretary