

Process for Consideration and Approval of Long-Term Leases

1. **Timeline:** The anticipated timeline to negotiate a long-term lease (duration of five years or more) is approximately three months, depending upon the partner tenant or prospective partner tenant submitting a complete set of materials at the outset (described in Item 3 below) and engaging in the review processes described in Item 4 and 6 below within the three-month time period.
2. **Periodic Appraisals:** Fort Worden PDA anticipates that certified independent appraisals will be completed on leased premises or comparable spaces in the broader real estate market every five years. Partner tenants or prospective partner tenants may seek a peer review of any available appraisals, or seek and pay for separate certified appraisals.
3. **Required Submissions from partner tenant:**
As of July 16, 2019, any partners and prospective partner tenants seeking a long-term lease must submit *all* of the following documents *at one time* to apply for any long-term lease (defined by a proposed term of five years or more):

- a. Business Plan (including fundraising plan and description of earned versus contributed revenues)
- b. Marketing Plan
- c. Proposed Capital Investment Plan approved by the executive team and Board of Directors (See Item 6 regarding the process related to this plan.)
- d. Projected 5 Year Financials along with the previous two years of financials

Prior to July 16, 2019, Fort Worden PDA accepted piecemeal submission of materials listed above in Item 3, which has unfortunately resulted in delays in the lease review and negotiation processes. All proposals submitted prior to July 16th will remain in process, and all new proposals for long-term leases will require complete submission *–at one time–* of all of the items listed above before the Timeline described in Item 1 begins.

Review Standard: The submitted business plan will be reviewed by the PDA to determine if it is strong, realistic, complete, sustainable, and aligned with the PDA's strategy and mission. PDA staff and board members may accept or reject the business plan based upon its determination. Note that neither PDA staff nor board members approve or disapprove of any partner business plans.

4. **General Review Process**
 - a. A kickoff meeting with relevant parties begins the discussion of long-term lease requirements, document, anticipated number of meetings, plan submissions, and overview of process.
 - b. First review is done by PDA staff (Executive Team) with individual comments from PDA board members with financial and marketing experience to ensure that criteria for long-term leases are met.
 - c. Staff then meets with partner organization or prospective partner to review questions, comments and concerns.

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- d. Partner tenant can choose to offer clarifying information to move forward in the process.
- e. Staff reviews a second time and makes a recommendation to the PDA Executive Committee (subset of Board of Directors comprised of the Chair, Vice Chair, Treasurer, Secretary) on the lease and capital investment plan prior to moving the lease terms or proposed plans forward to the full Board of Directors.
- f. Executive Committee makes a recommendation to the full Board of Directors.
- g. Full Board of Directors evaluates and authorizes entry into a long-term lease, as appropriate.

5. Delays that change the estimated timeline:

- a. Timeliness of PDA reviews and partner response to staff review questions
- b. Changes in ownership or leadership of partner organization
- c. Incompleteness of Required Submissions

6. Capital Investment Plan Review (including conceptual design, drawings, description of intent):

Staff meets with partner tenant for:

- a. Broad overview of historic preservation requirements (applicable laws) and coordination with Washington State Parks for approvals
- b. Discussion of the difference between capital improvements versus tenant improvements or tenant upgrades to decor
- c. Review of partner tenant's proposed scope and general concept plan for tenant improvements, tenant alternations
- d. Review of partner tenant proposal for any financial investment expected from Fort Worden PDA to achieve tenant improvements
- e. Discussion of any proposals that would require PDA facilities, maintenance, and budget priority shifts
- f. Review of any maintenance, repair, and construction timelines that may be impacted.
- g. Discussion of general timelines for tenant improvements and who will perform construction and project management
- h. Coordination of proposed schedules for future meetings to involve Director of Capital Projects
- i. Discussion of terms to be included in a future construction agreement, which may take the form of a memorandum of agreement, if requested
- j. Overview of proposed bid process and prevailing wages requirements
- k. Review of process by State Parks Historic Preservation Officer (WSP)
- l. Discussion of bid process and execution of contract with architects and construction firms, when appropriate

7. Additional Partner (optional) Steps in process:

Drafting of a Memorandum of Agreement (i.e., if requested and necessary for partner's donors or board of directors for planning purposes) that would include:

- a. Capital investment milestones, general tenant improvement description, and timelines, and
- b. "Lease Term" (duration) and negotiated lease rate determined through review of proposed capital investment in tenant improvements, most recent appraisal of property, and earnback template.

8. **Negotiation of Lease Agreement, after approval to proceed with negotiations:**
 - a. Staff prepares a draft lease agreement and delivers it to the partner tenant.
 - b. Standard negotiation of terms follows and includes the terms of any capital improvements and/or tenant improvements.
 - c. PDA Executive Committee reviews lease agreement for approval and either forwards the lease agreement to the Board of Directors or provides comments to staff.
 - d. Board of Directors reviews lease agreement for approval.
 - e. Executive Director signs final Lease Agreement on behalf of Fort Worden PDA.

9. **Ongoing Coordination and Approvals Following Execution of Lease Agreement:** Director of Capital Projects will be invited by partner tenant to ongoing meetings with partner tenant as further planning and discussions continue with external contractors, if any, or as construction of tenant improvements begins with Fort Worden PDA Facilities staff. The Director of Capital Projects will work with the partner tenant to ensure that all design and construction activities are compliant and consistent with applicable laws and codes.