

Fort Worden Leases

Current Situation

- Fort Worden has an estimated \$100 million in unfunded capital needs, with limited Partner investment during the PDA's first 5 years
- Exclusive-use leases assigned from State Parks to the PDA were at a significant discount from market rate, creating a potential gift of public funds issues
- Recent appraisal of B305 basement returned at \$0.80 per square foot, other appraisals returned even higher
- Existing Partner leases are winding down; Partners are expressing an interest in obtaining long term leases

Existing Partner Leases

- PDA set forth long-term lease terms in 2016 that include:
 - Leases greater than 5 year term will require a strategy / business plan
 - Exclusive use spaces will require a capital investment strategy to partially address the unfunded capital needs across the campus
 - Partners will need to have no aged receivables over the last twelve months
 - Lease rates need to move towards market rates over next five years in order for the PDA to remain financially sustainable
 - Partner Earnback opportunities will continue to exist
 - The earnback reduces the rental rate by a percentage based on partner contributions in multiple areas, including capital improvements and public benefit (see template form). The resulting lease rate per square foot is referred to as the “Effective Lease Rate.”

DRAFT Long-term Lease Approach

- Capital investment in exclusive-use spaces will drive base lease term + lease options + number of years to staircase to market rate
- Begin staircase to full market rate in 2025 over five year period

Capital investment up to:	Lease Term	Lease Options	Capital Investment Discount Term
\$250K	5 years	Two 5-year options	5 years
\$0.5mm	10 years	Two 5-year options	7 years
\$1.0mm	15 years	Two 5-year options	10 years
\$2.0 mm	20 years	One 5-year option	
\$3.0mm	25 years *		

*This length of lease term would require State Parks Commission approval.

Next Steps

- Continue to refine approach and modeling
- Lock down strategy and share with PDA Board and Fort Worden Partners
- Begin next round of lease negotiations during summer