





Board of Natural Resources 2020 Annual Retreat

August 13, 2020

COMMERCIAL REAL ESTATE



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Overview

PART 1

- Introduction
- Transition Lands
- Land Bank
- 5 SITES
- The Future of the Program

Duane Emmons

Kari Fagerness

Brock Milliern

Kari Fagerness et al.

Duane Emmons

PART 2

- Commercial Real Estate Program Today
- Building Leases / 2 SITES
- Ground Leases / 2 SITES
- Discussion

Duane Emmons

Rod Rennie

Rod Rennie

All

The Commercial Real Estate Program

- Why does the Department of *Natural* Resources manage commercial real estate?
- What is the current state of the Commercial Real Estate portfolio?
- What opportunities exist for the program?

Transition Lands History

1981

Report to the Legislature on Transition Lands

Exchange out of residential property, Make marginal capital investments in urban lands, Work with local governments on planning and zoning, Combine talents with private sector to manage transition lands

1984

DNR Transition Lands Policy Clarification

Recognized that transition lands may require management decisions on an individual or programmatic basis; it also removed the original Urban 10 parcels identified in the 1981 inventory from the sustainable harvest base.

1984

New Legislative Authority for DNR

To dispose of unmanageable land in urban areas and to acquire replacement properties of equal or greater value.

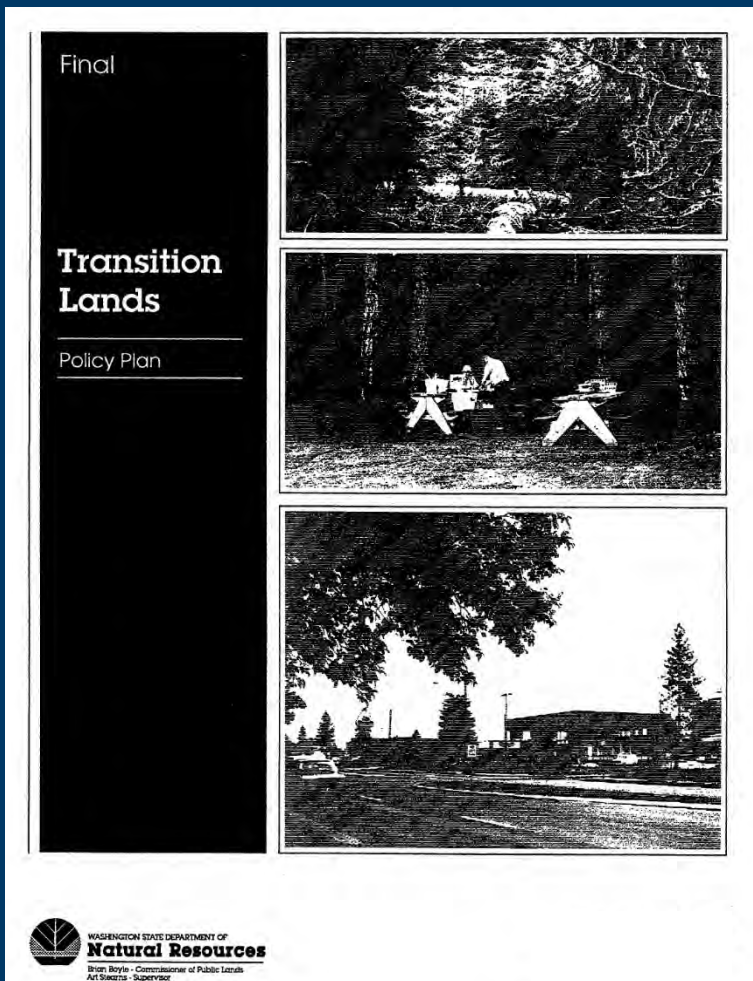
1988

DNR Transition Lands Policy Plan Finalized

1998

DNR Asset Stewardship Plan Adopted

1988 Transition Lands Policy Plan



KEY GOALS

- Manage transition lands to optimize land value
- Manage land assets to achieve an optimum relationship between income and risk
- Increase the level of financial support to trust beneficiaries
- Further diversify sources of income to trust beneficiaries
- Balance the short- and long-term needs of the trust beneficiaries

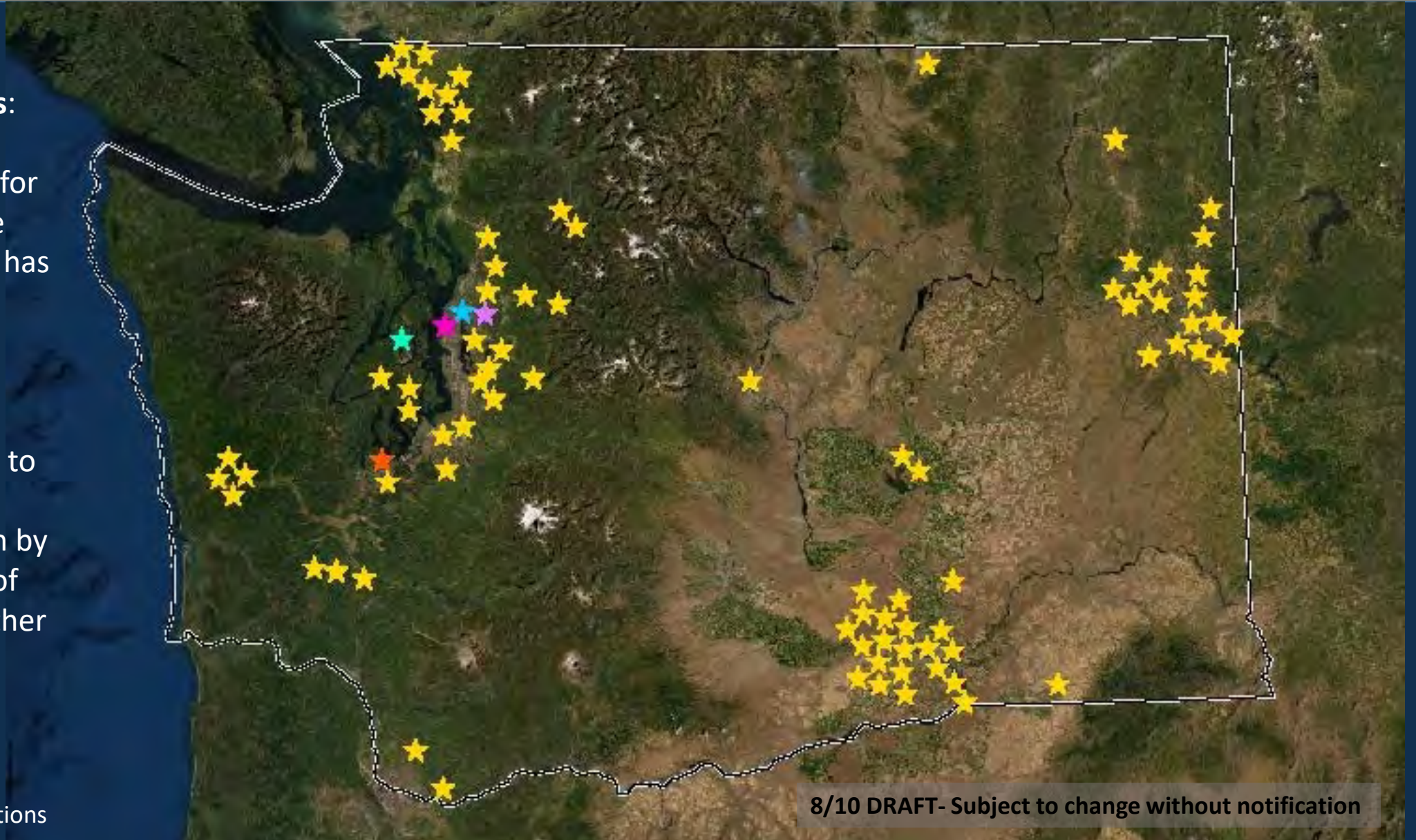
Transition Lands

Transition Lands:

Land currently being managed for natural resource production that has characteristics indicating an opportunity for more efficient management or to obtain a higher economic return by the conversion of the land to another use.

76 Total

41 in Urban Designations



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How Do Transition Lands Get Identified ?

- Annual reviews of existing properties are conducted between region staff and Commercial Real Estate Program staff to identify new properties
- An updated list of transition lands is brought to Board of Natural Resources in July
- Sites get added to the map on DNR's website

<https://wadnr.maps.arcgis.com/apps/webappviewer/index.html?id=47c463498d384e659c4b37ac02e840c8>

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DNR Urban & Transition Lands Viewer

Find address or place

Transition Lands - points

Options Filter by map extent Zoom to Clear selection Refresh

Property Name	County	Region	Zoning	GIS Acres	Land Cover	In UGA	In City Limits	Urban/Transition	DNR Surface Trust	Google Maps Link
South 40	Spokane	Northeast	Rural Conservation	46.4	Evergreen Forest	N	N	Transition	Charitable/Educ & Reformatory Instit.	http://maps.google.com/maps?q=47.9
Kickerville West	Whatcom	Northwest	Heavy Industrial	160.3	Woody Wetlands	Y	N	Urban	Common School and Indemnity	http://maps.google.com/maps?q=48.8

88 features 0 selected

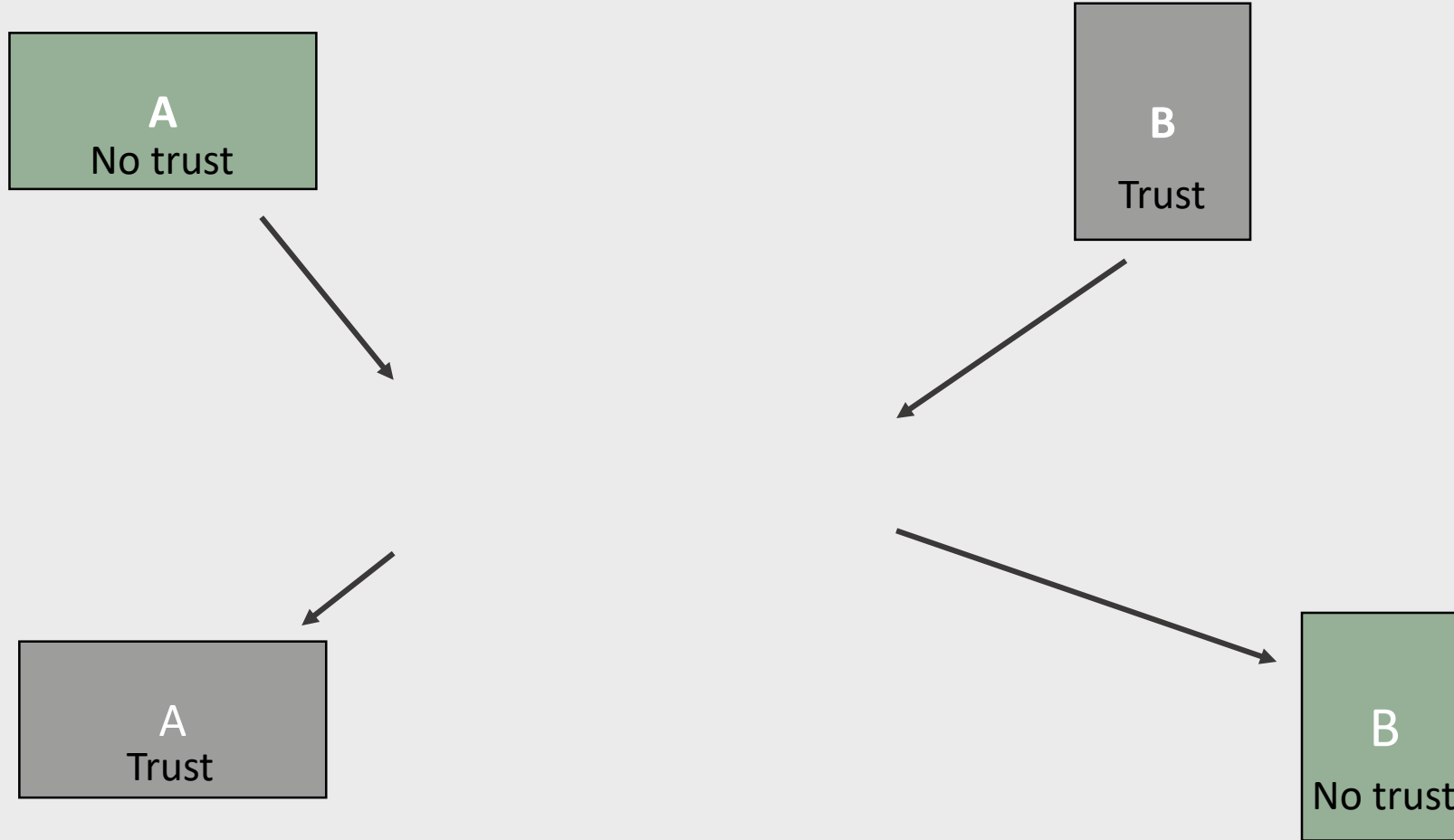
Transaction Processes and Transition Lands

- Prior to the transaction, program staff work with local jurisdictions, review market data, and evaluate and change entitlements as necessary
 - Examples: Zoning, Access Improvements, Utility Easements, etc.
- Market properties
- The length of the process is variable (9 months to 2 years) and depends on the type of transactions: direct sale, public auction, or land exchange
- Program receives Letter of Interest from external parties
- Letter of Intent is generated internally by program staff
- Transaction process begins
 - Public participation/ outreach
 - Survey, appraisal, sale negotiations/terms, Land Bank Exchange (if necessary), etc.

What is the Land Bank?

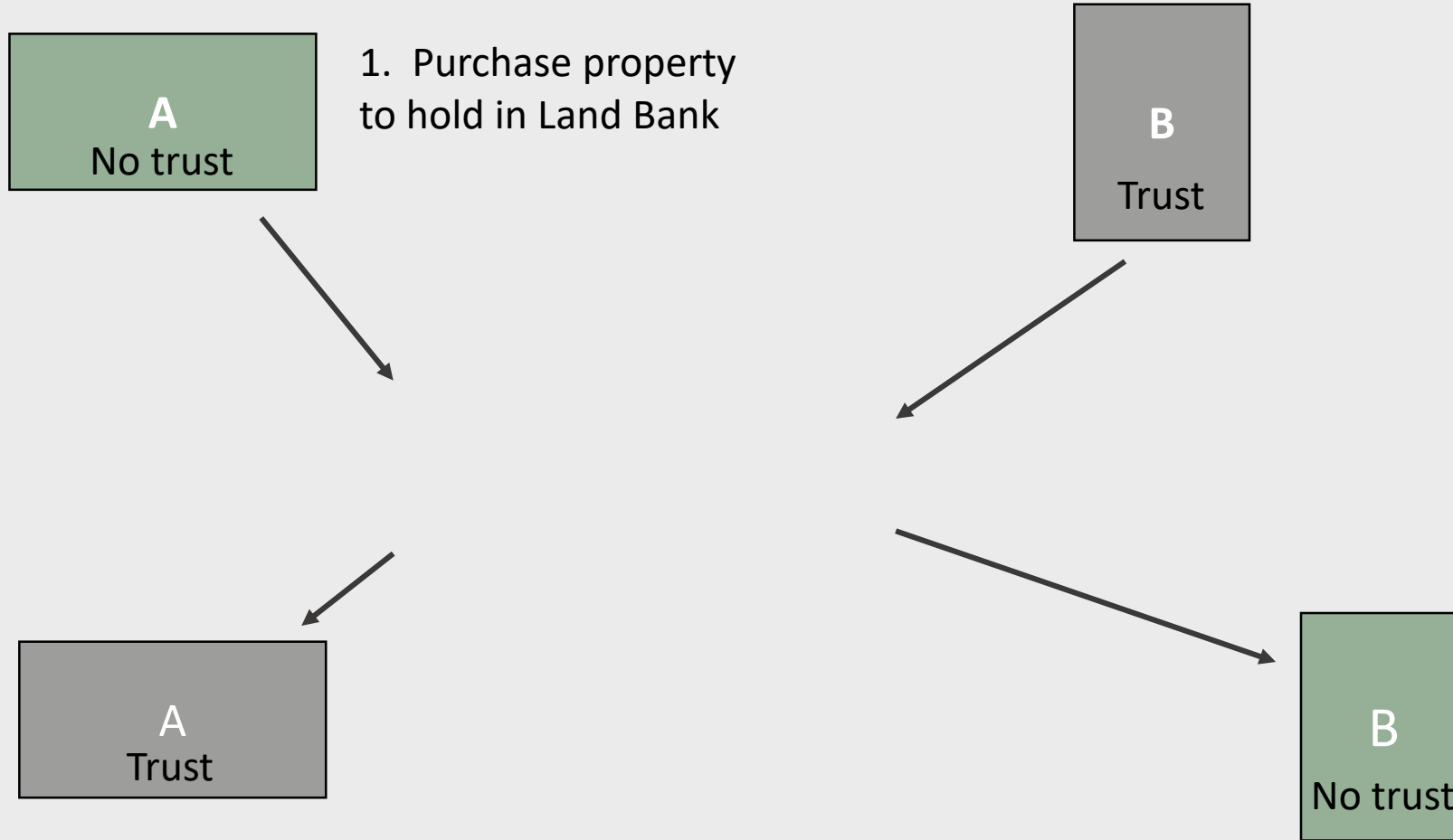
- Prior to 1977, proceeds from the sale of surplus trust land were deposited into the permanent fund.
- A tool for maintaining the trust land base.
- Ensures replacement of state lands sold at auction.
- The “Land Bank” is a holding area for properties waiting to become trust land and former trust land waiting to be sold.
- Utilizes a four-step process.

The Land Bank Four Step Process



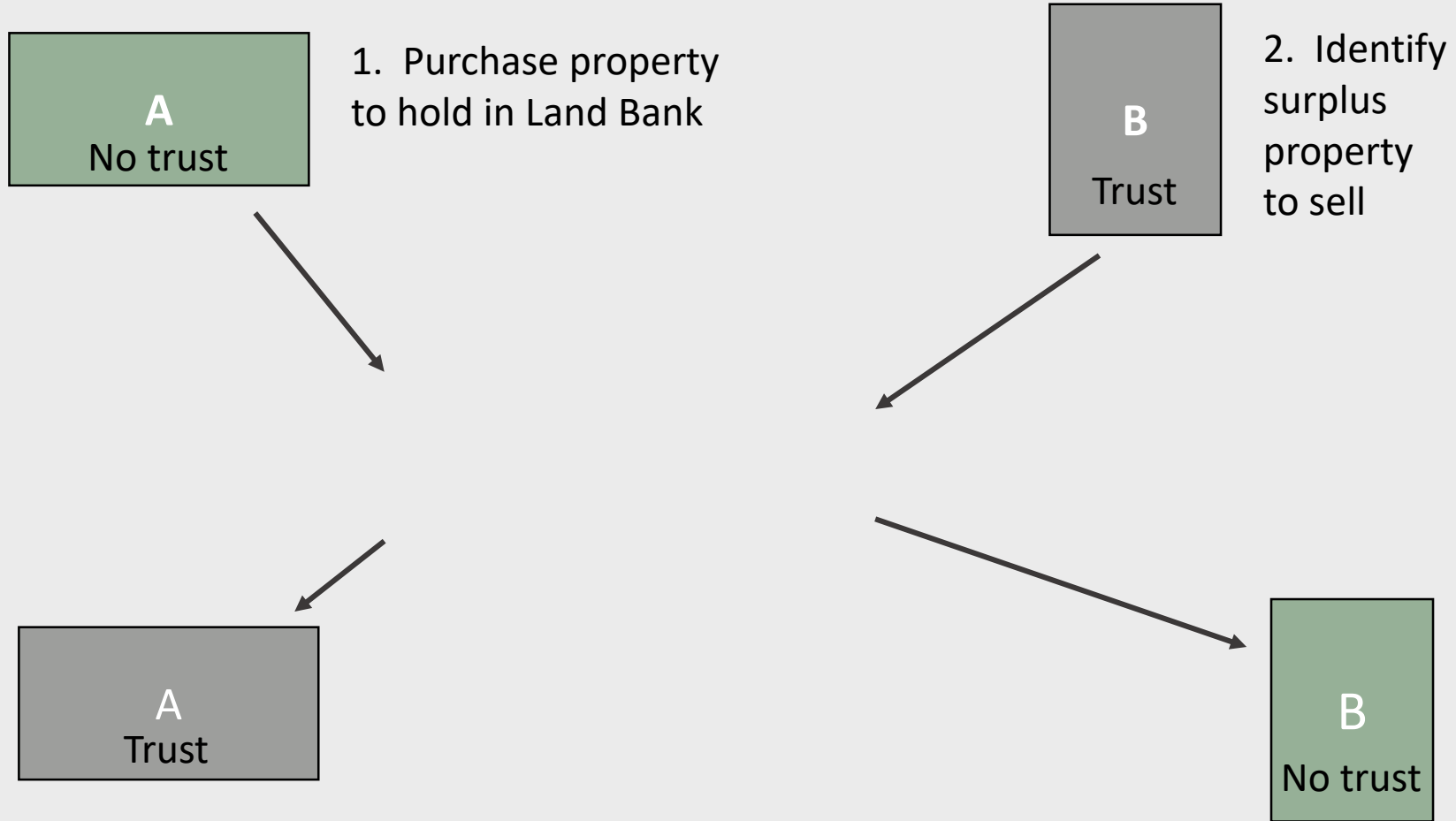
The Land Bank

Four Step Process

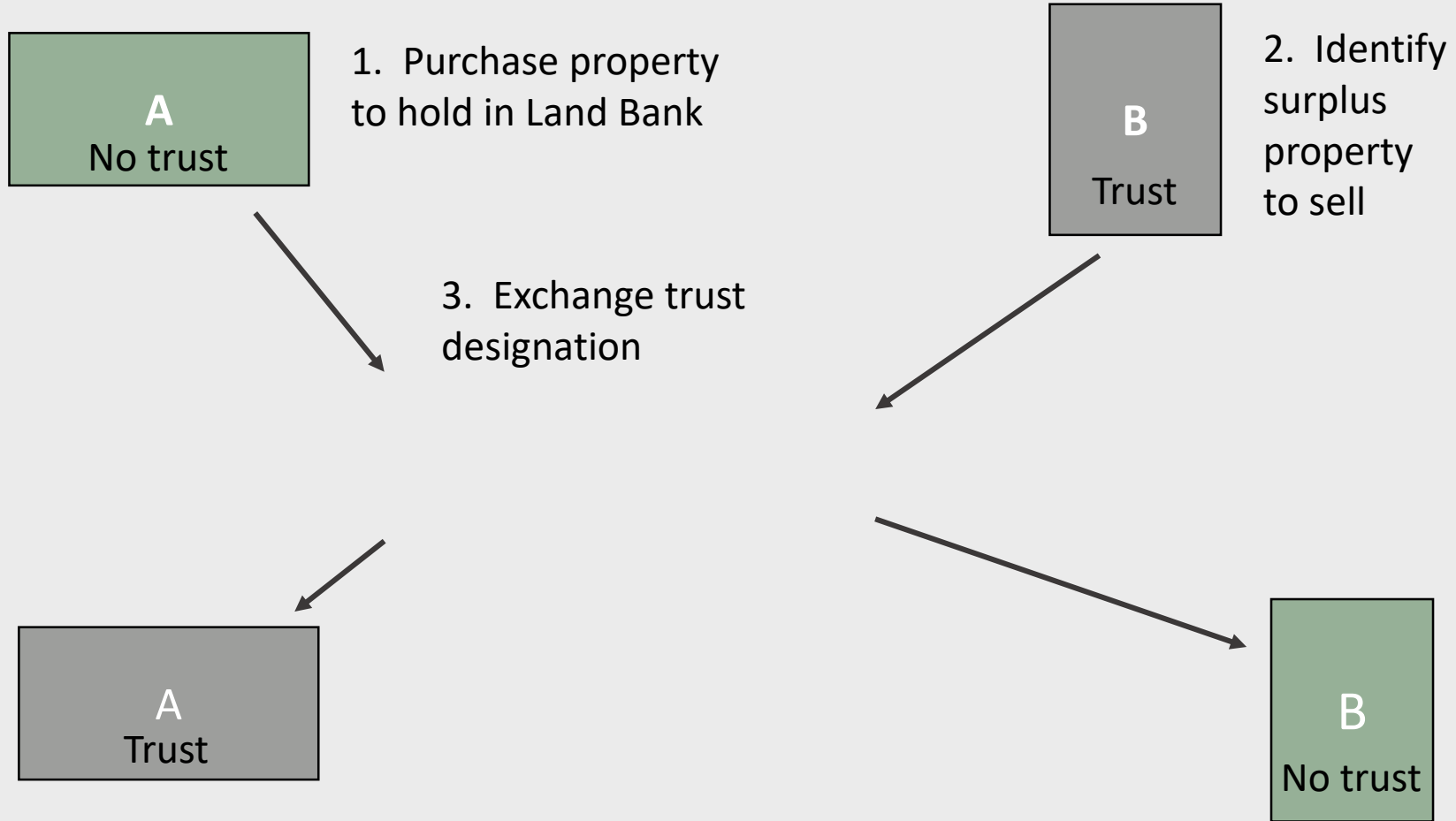


The Land Bank

Four Step Process

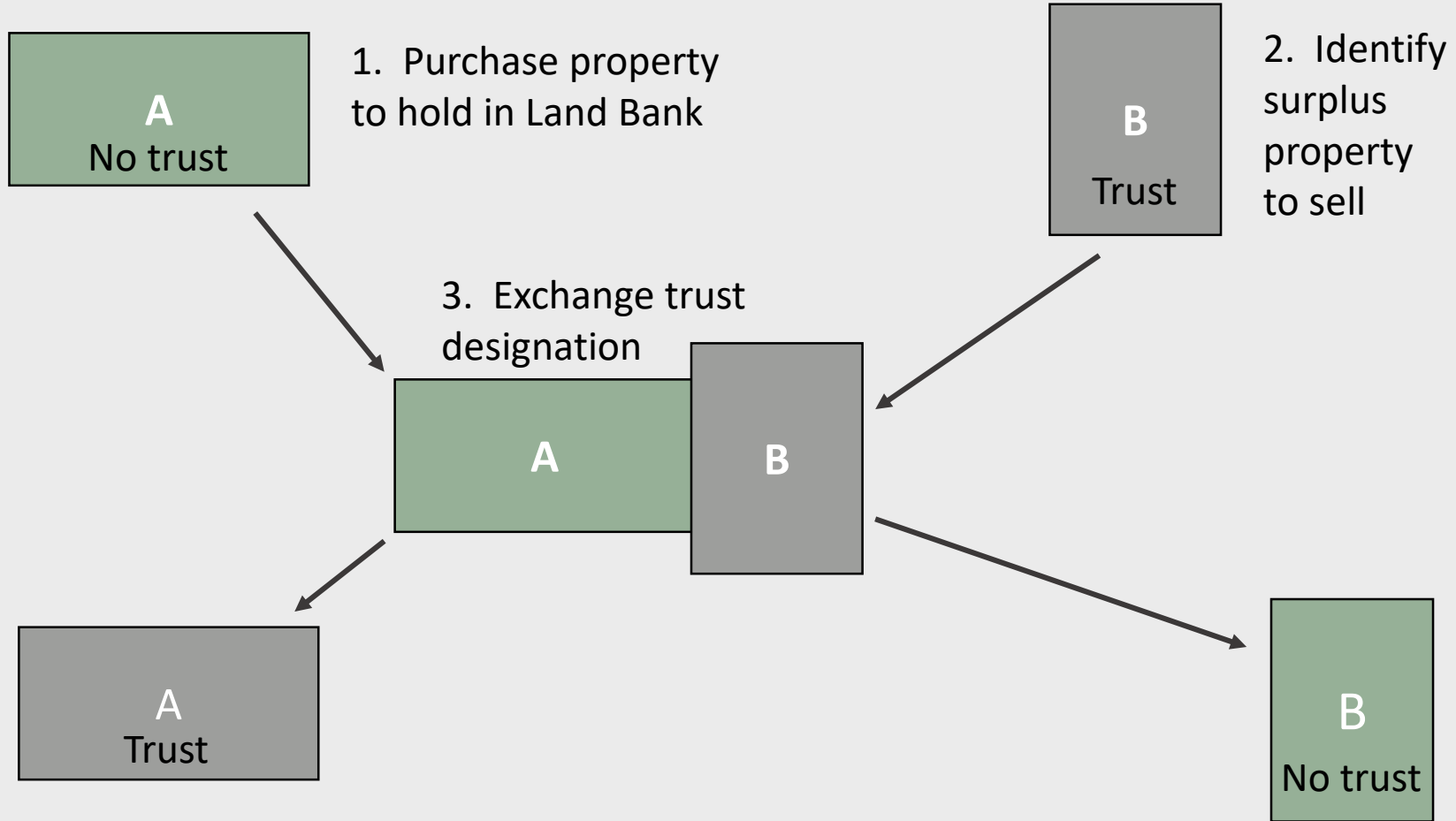


The Land Bank Four Step Process



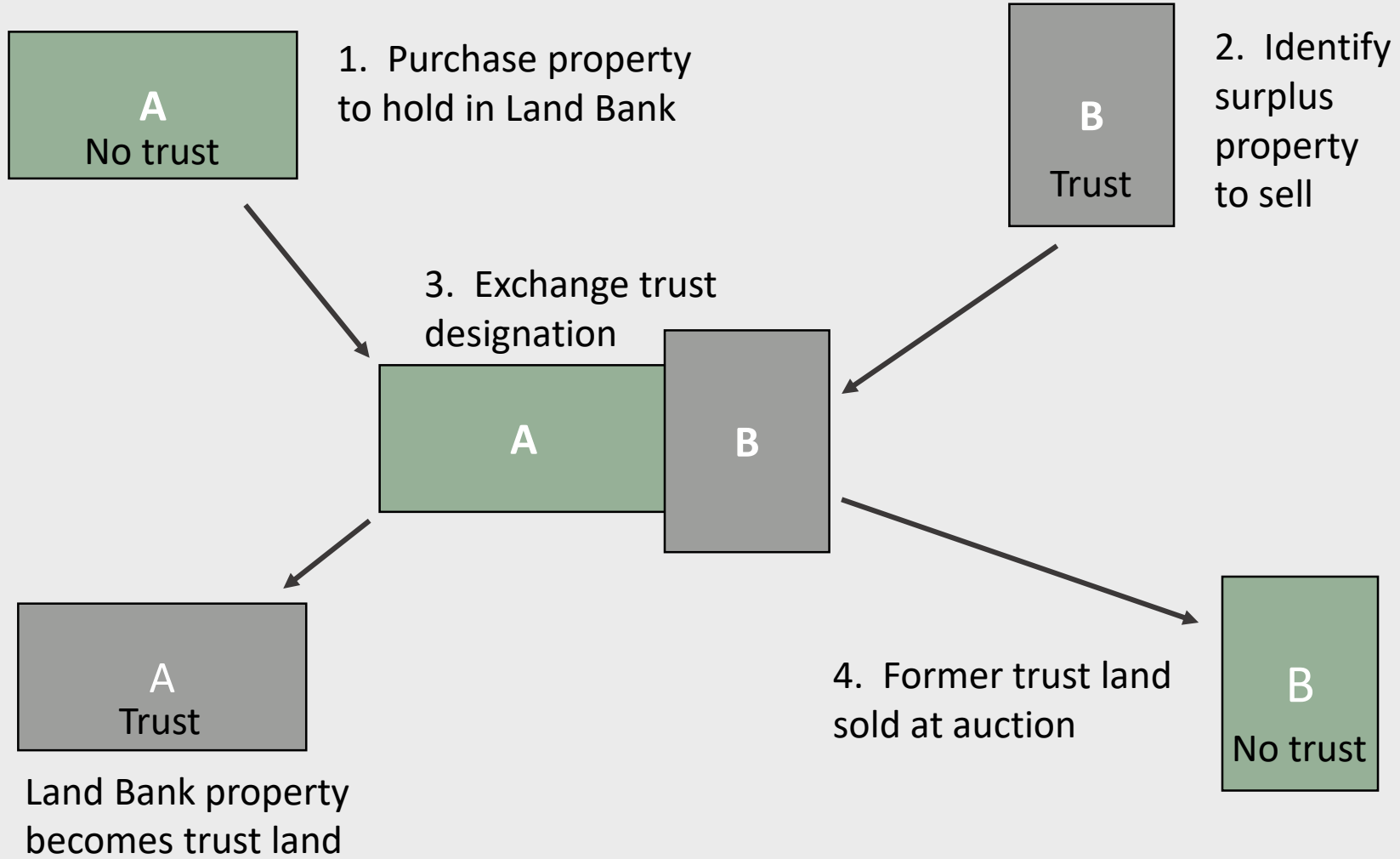
The Land Bank

Four Step Process



The Land Bank

Four Step Process



5 Sites

Site #1

Forested Areas/Urban Settings/Land Exchanges

Ridgetop/Bucklin Hills

Sites #2, #3

Forested Areas in Urban Settings

Meridian & Shelton View

Site #4

Rural Areas in Rural Settings

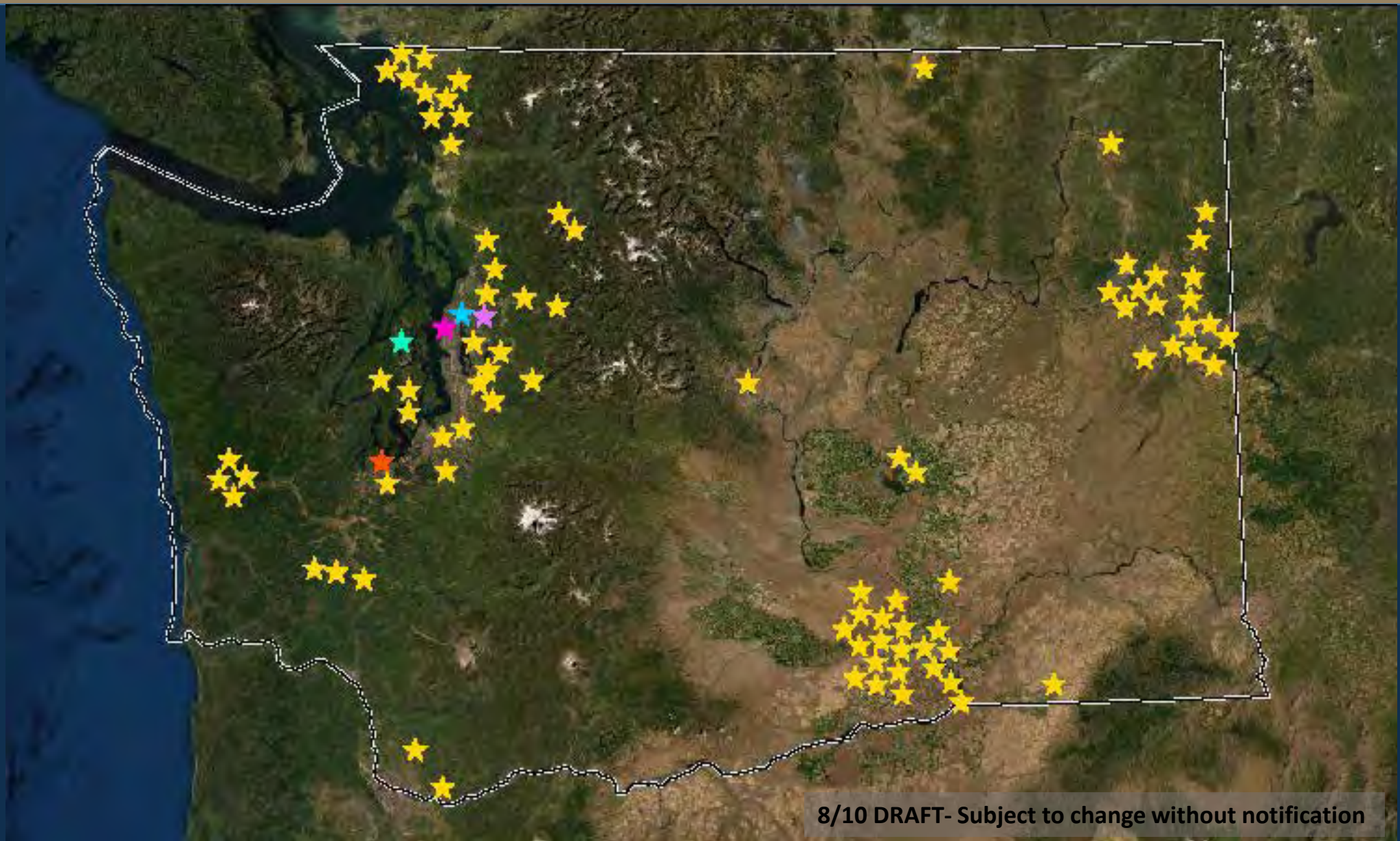
Crystal Lake

Site #5

Property in Urban Area- Ready to Develop

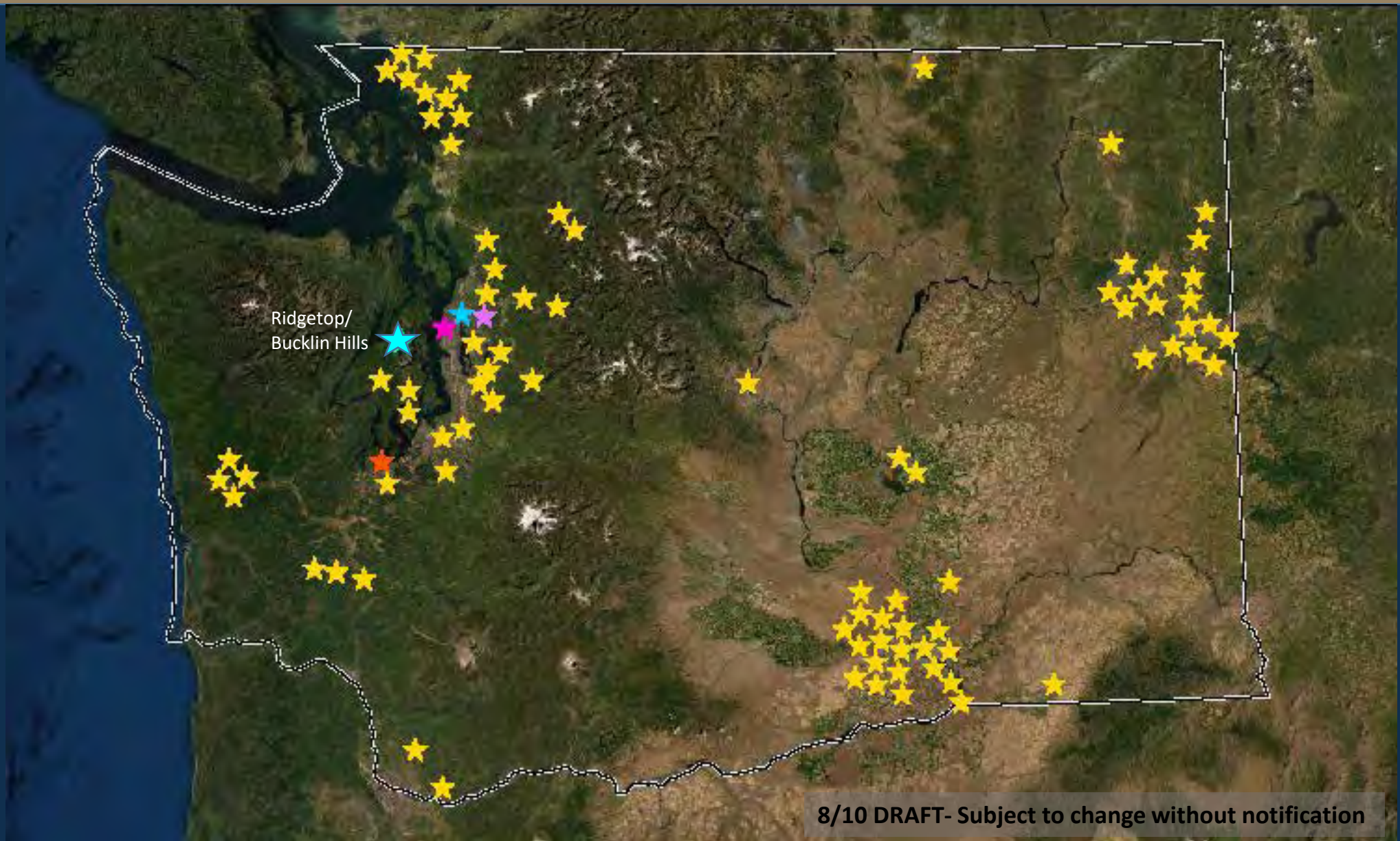
Martin Way/Lacey

Transition Lands



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Transition Lands



SR3

T25-ON R1-OE S08

T25-ON R1-OE S09

T25-ON R1-OE S10

Ridgetop

Section 16

Hospital

Silverdale

T25-ON R1-OE S15

T25-ON R1-OE S21

T25-ON R1-OE S21

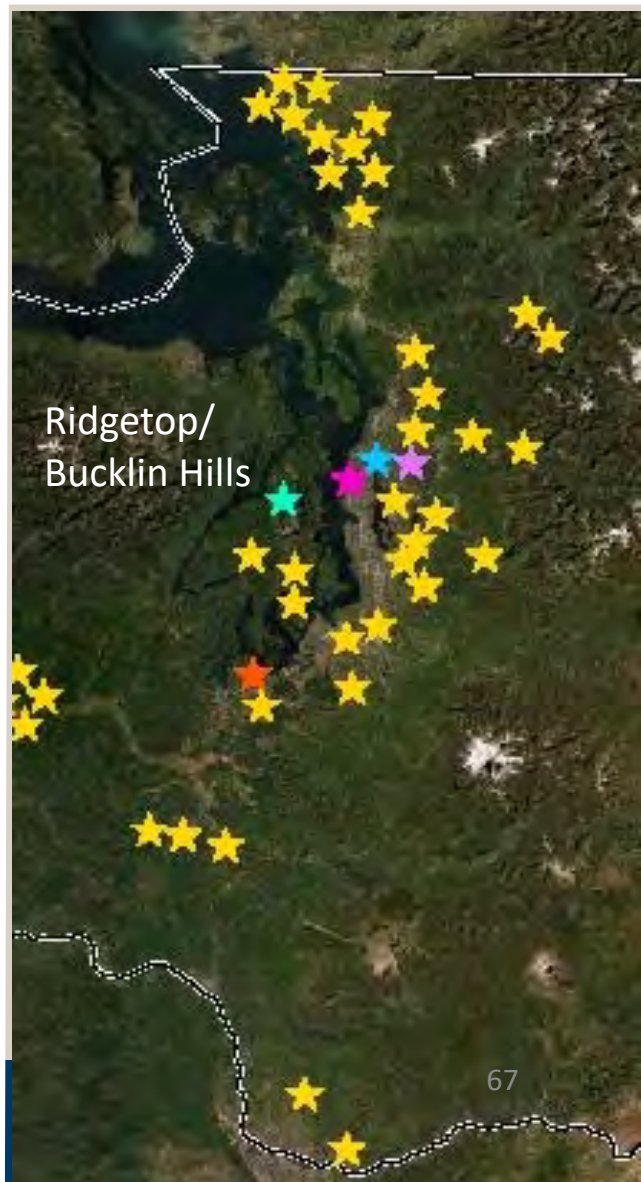
T25-ON R1-OE S22

T25-ON R1-OE S20

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Imagery: 2019

Forested Areas/ Urban Settings/ Land Exchanges
SITE #1 - Ridgetop

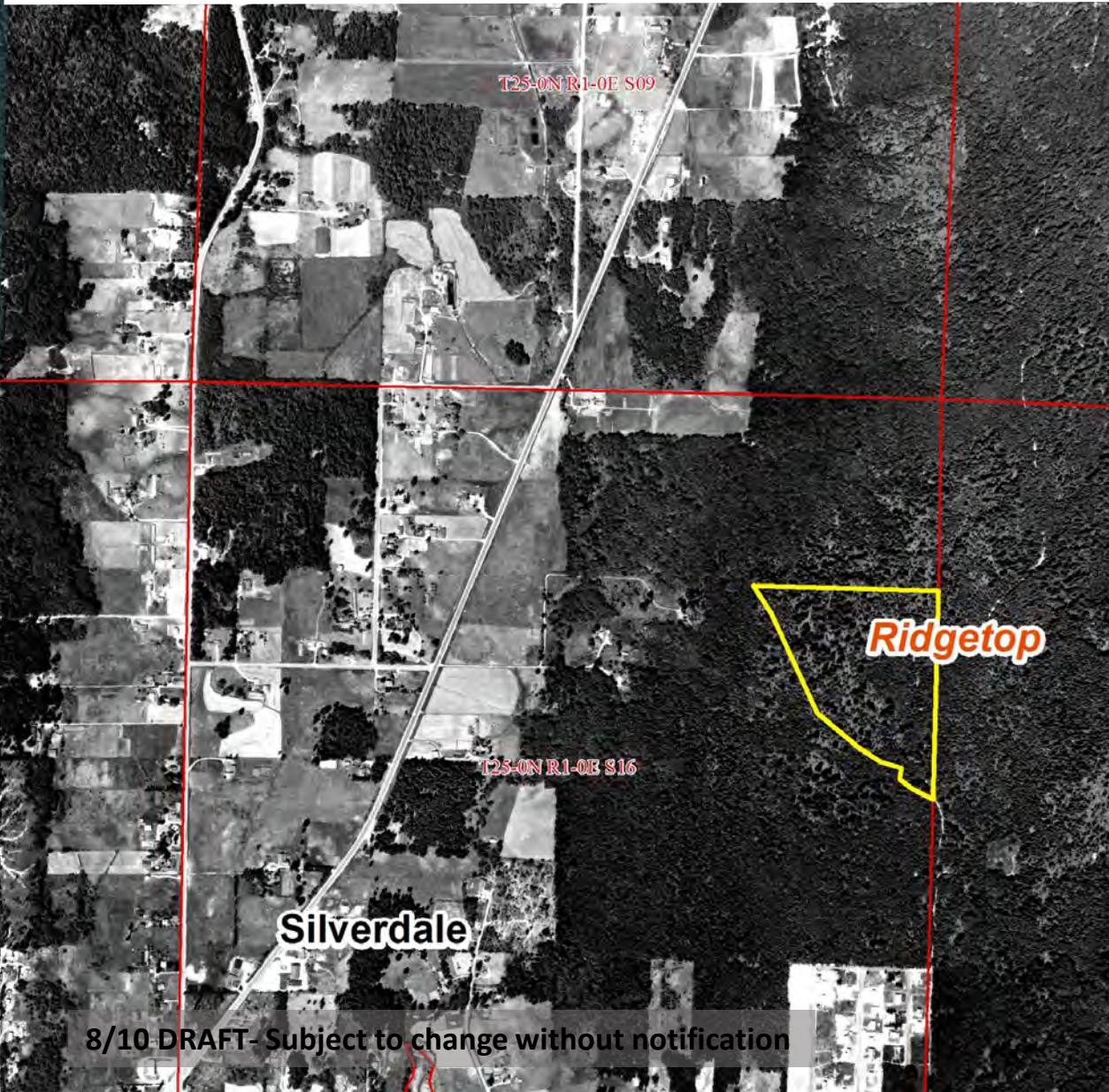


Ridgetop/
Bucklin Hills

15
1965

Forested Areas/ Urban Setting/ Land Exchanges
SITE #1- Ridgetop

2018



RIDGETOP Video

Exchanging Land

Arlington Purchase

Overview



- Building size: 14,160 sqft on 1.54 acres
- New construction: built in 2018
- Property is currently leased to Bartell Drugs
- Generates annual revenue of \$ 482,526

Repositioning Assets

- Staff continually evaluate potential acquisitions
- Exchanges of land allow DNR to leverage the value of land
- Preserves Land Bank and Real Property Replacement funds
- Is a complicated process that takes a willing partner



RIDGETOP DNR PROPERTY

KITSAP STRATEGY FOR ACQUISITION

Kitsap has continued conversations with potential partners for acquisition of the Ridgetop DNR property. This acquisition would provide opportunities for multiple community benefits in the heart of Silverdale while providing DNR a financial return. We have made progress and our goals are shown below.

The obvious caveat is COVID-19 and its continued financial impacts may affect each partners ability to fully participate as hoped. We are following up with each partner as the crisis allows for their attention.

Community Benefits

- Public Facilities (Fire station and future school site)
- Affordable and Market-Rate Housing
- Open Space and Watershed Protection
- Regional Trails
- Traffic Circulation



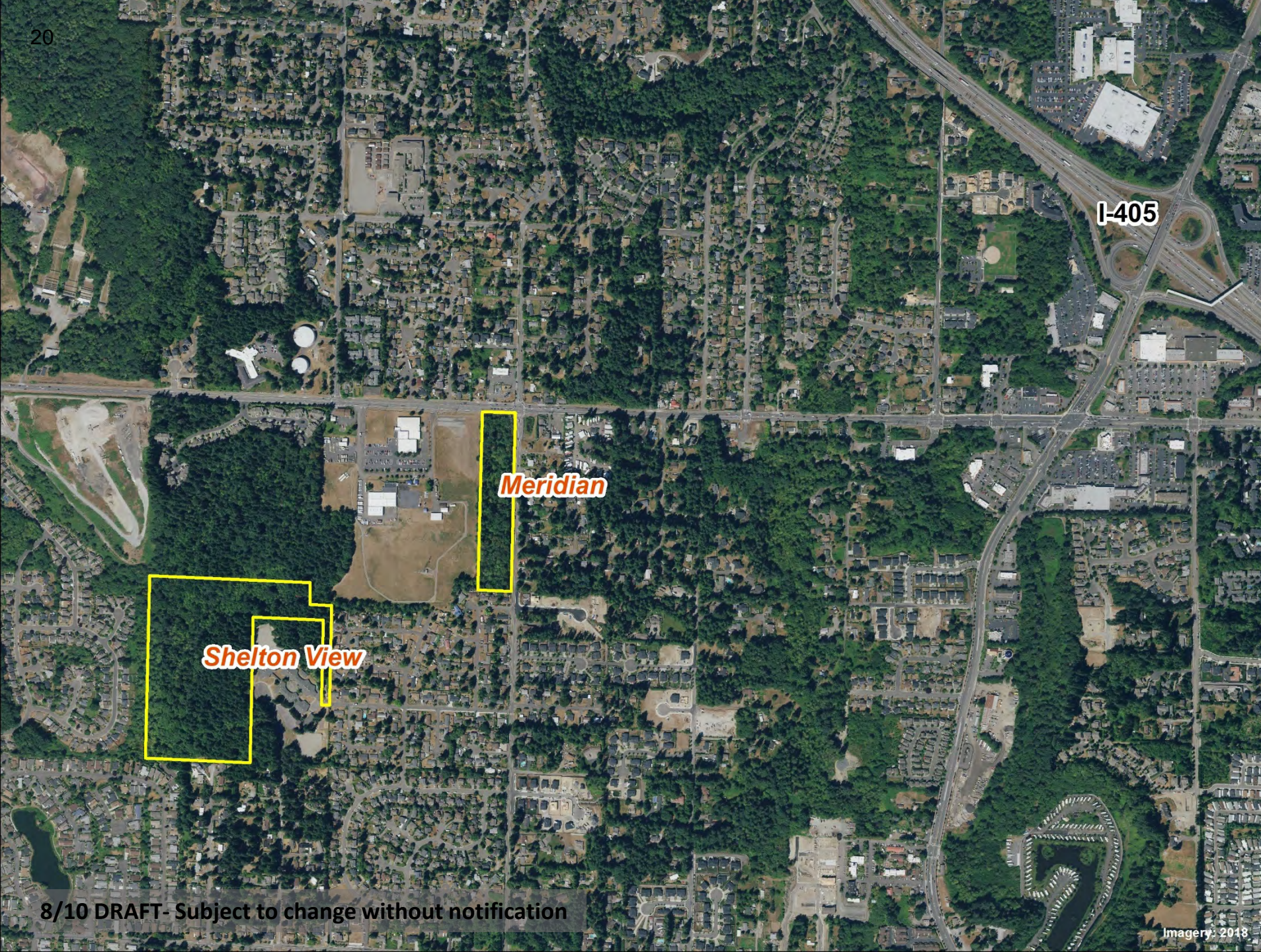




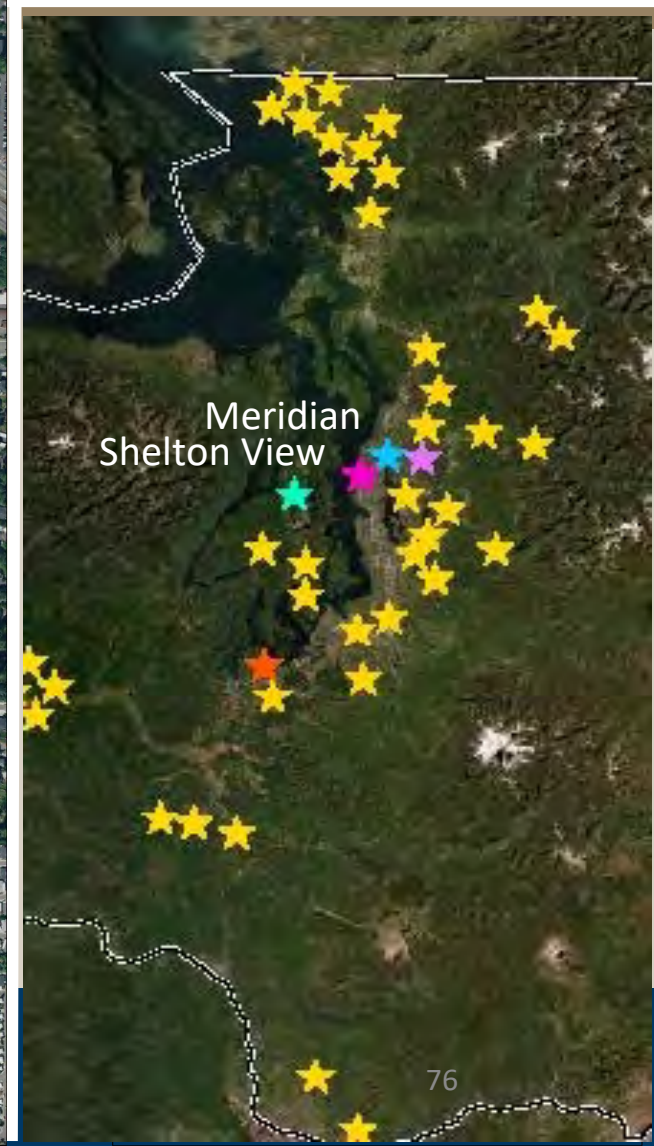


Meridian &
Shelton View





Forested Areas in
Urban Settings
SITES #2 & #3
Meridian & Shelton View





Forested Areas in
Urban Settings
SITE #2 - Meridian





Forested Areas in
Urban Settings
SITE #3- Shelton View





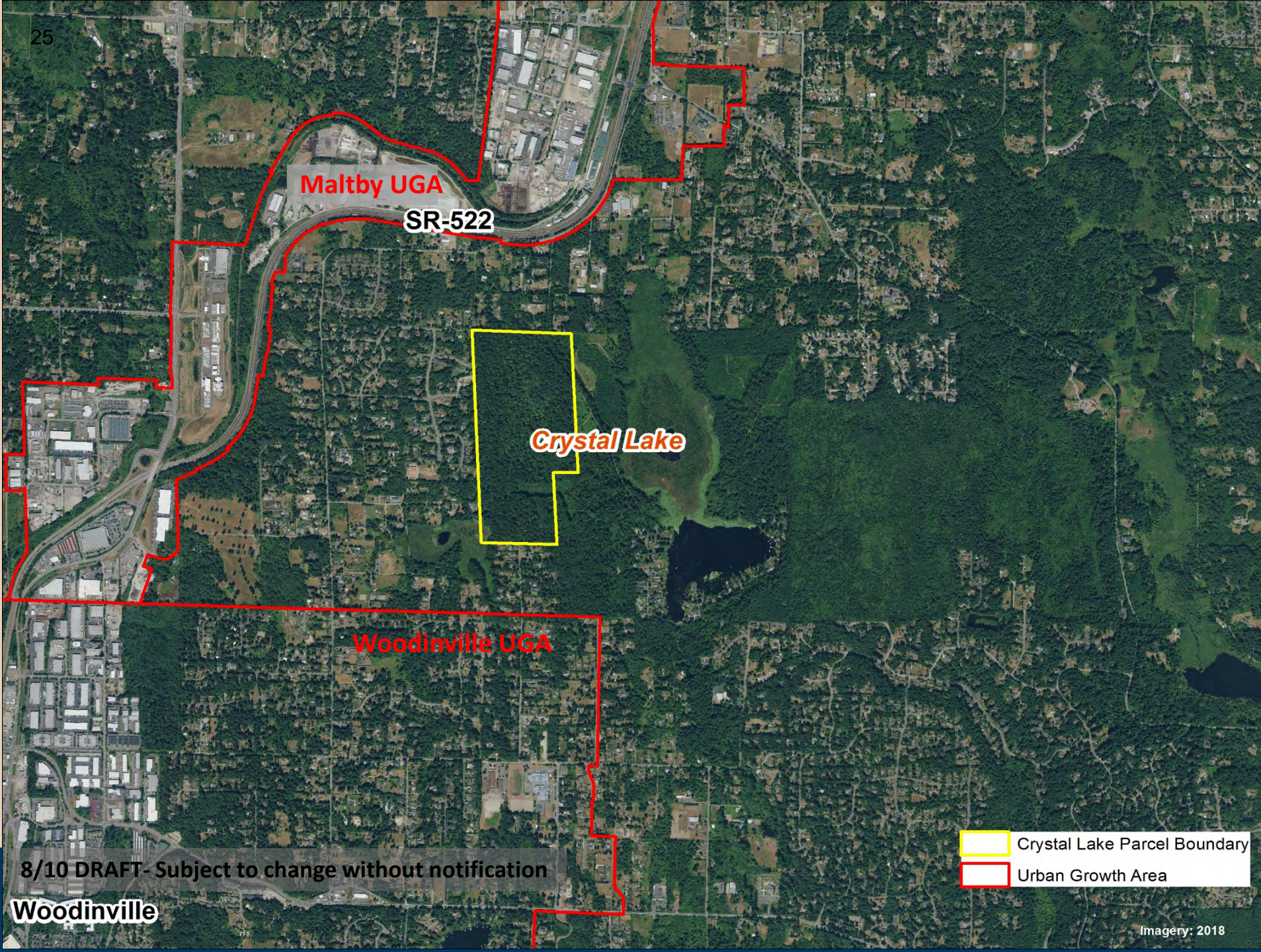


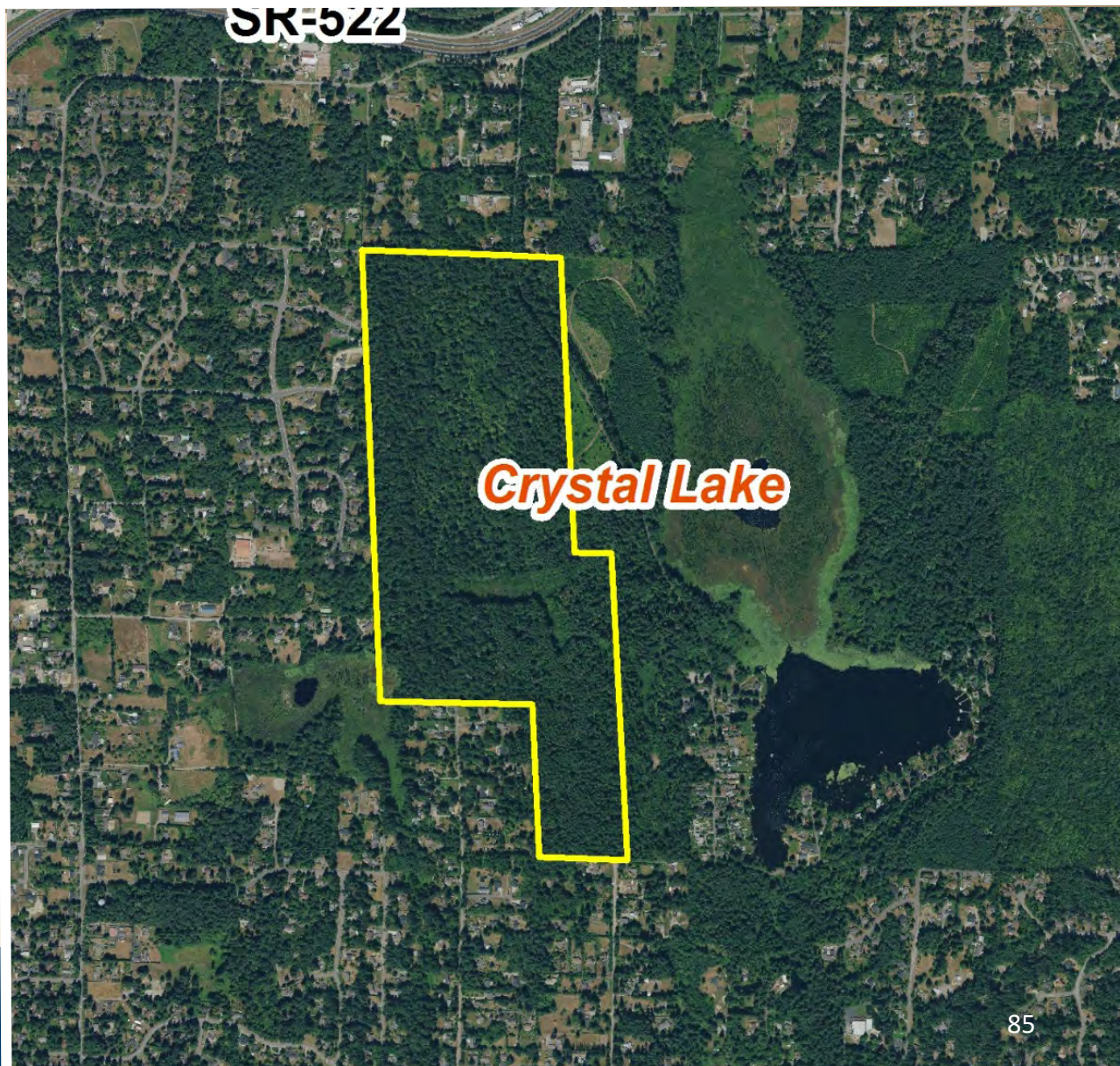
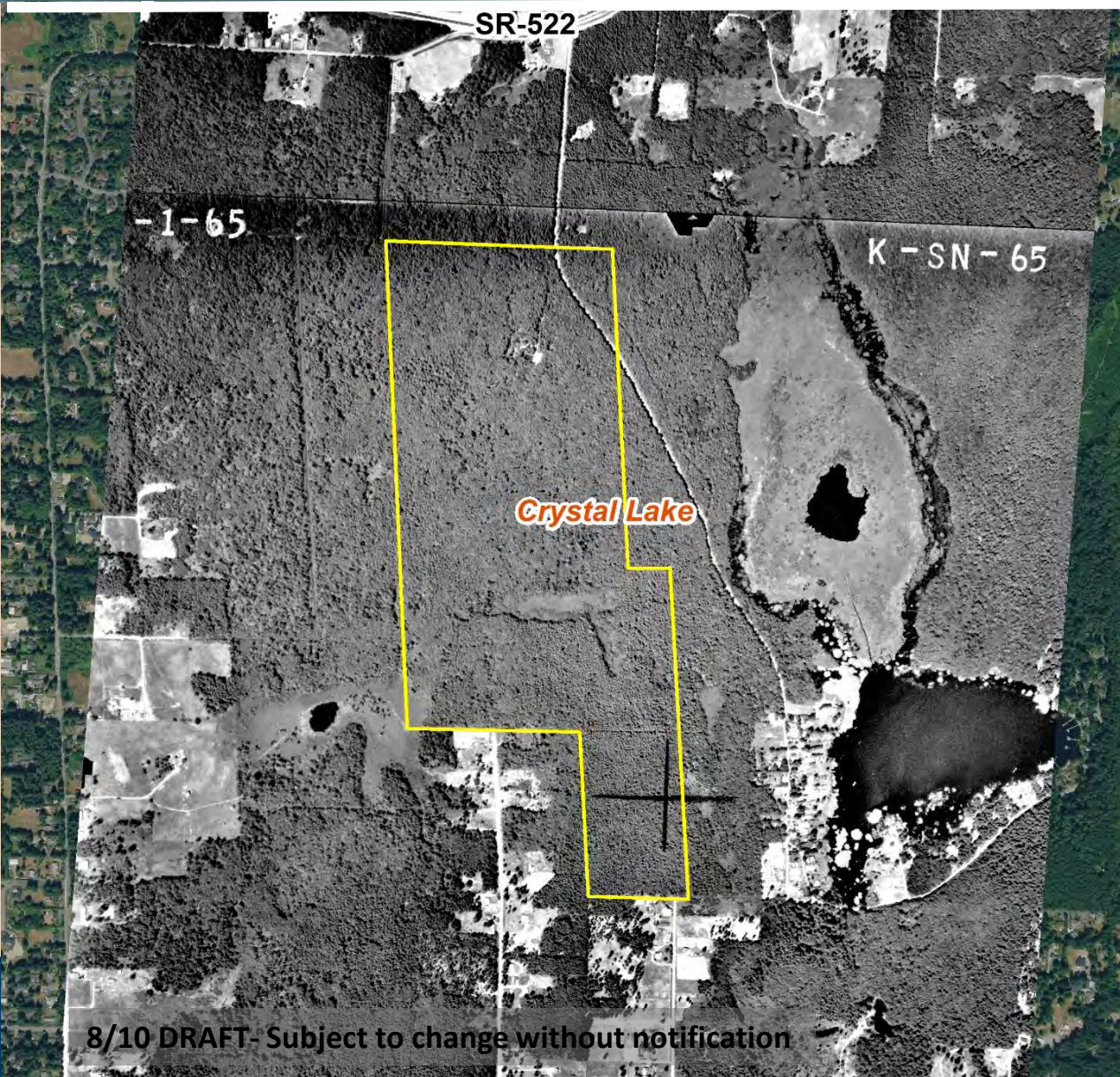




Crystal Lake

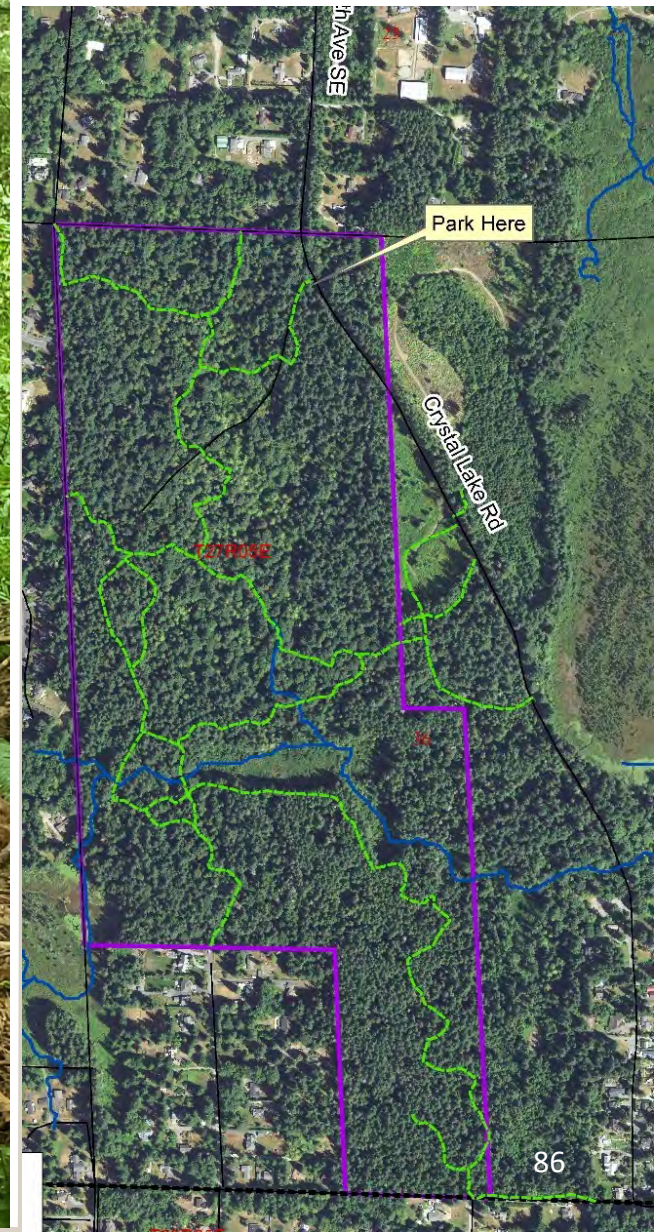
Forested Areas in Rural Settings SITE #4- Crystal Lake







Forested Areas in Rural Settings SITE #4- Crystal Lake

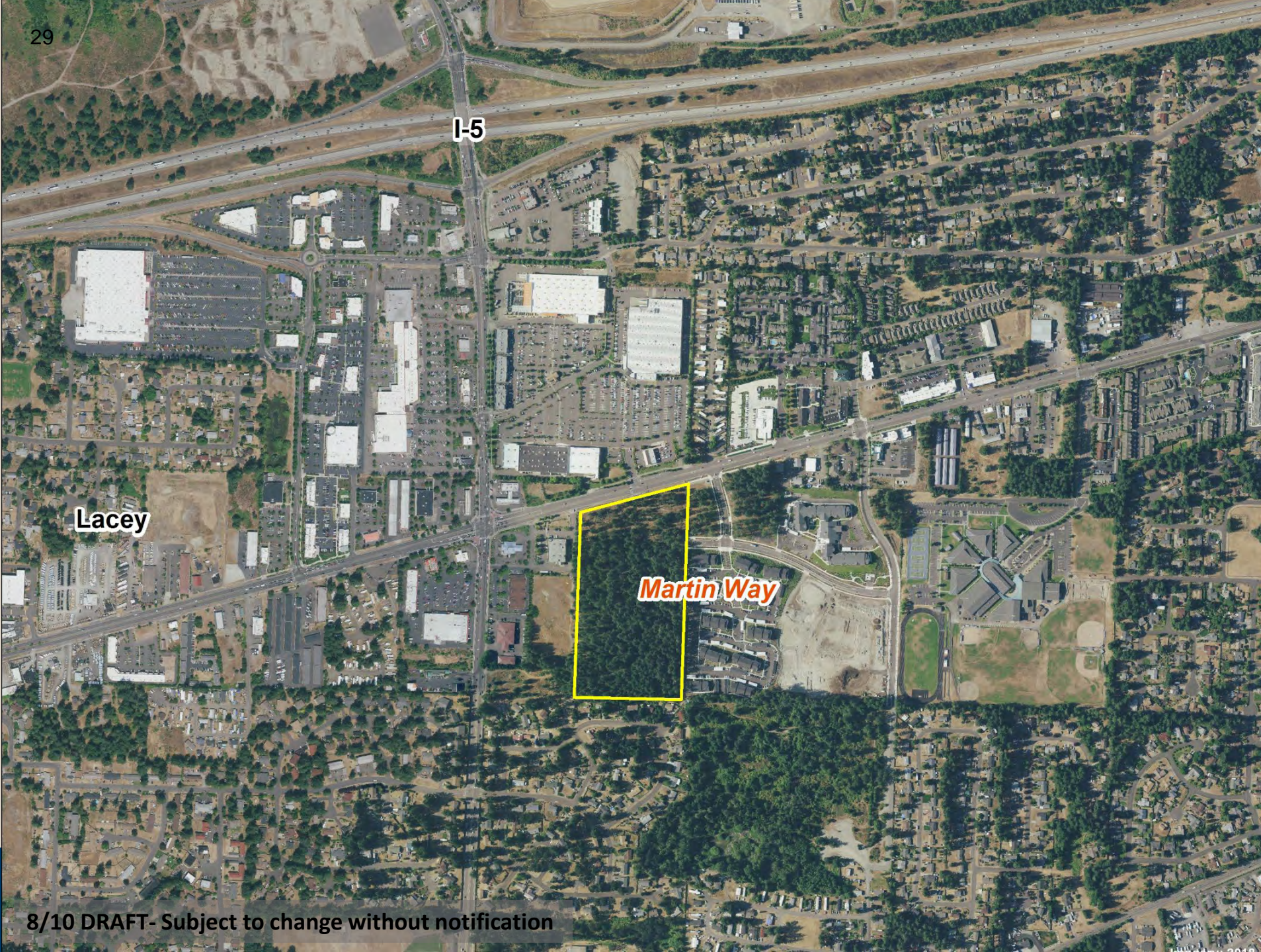








Martin Way/
Lacey



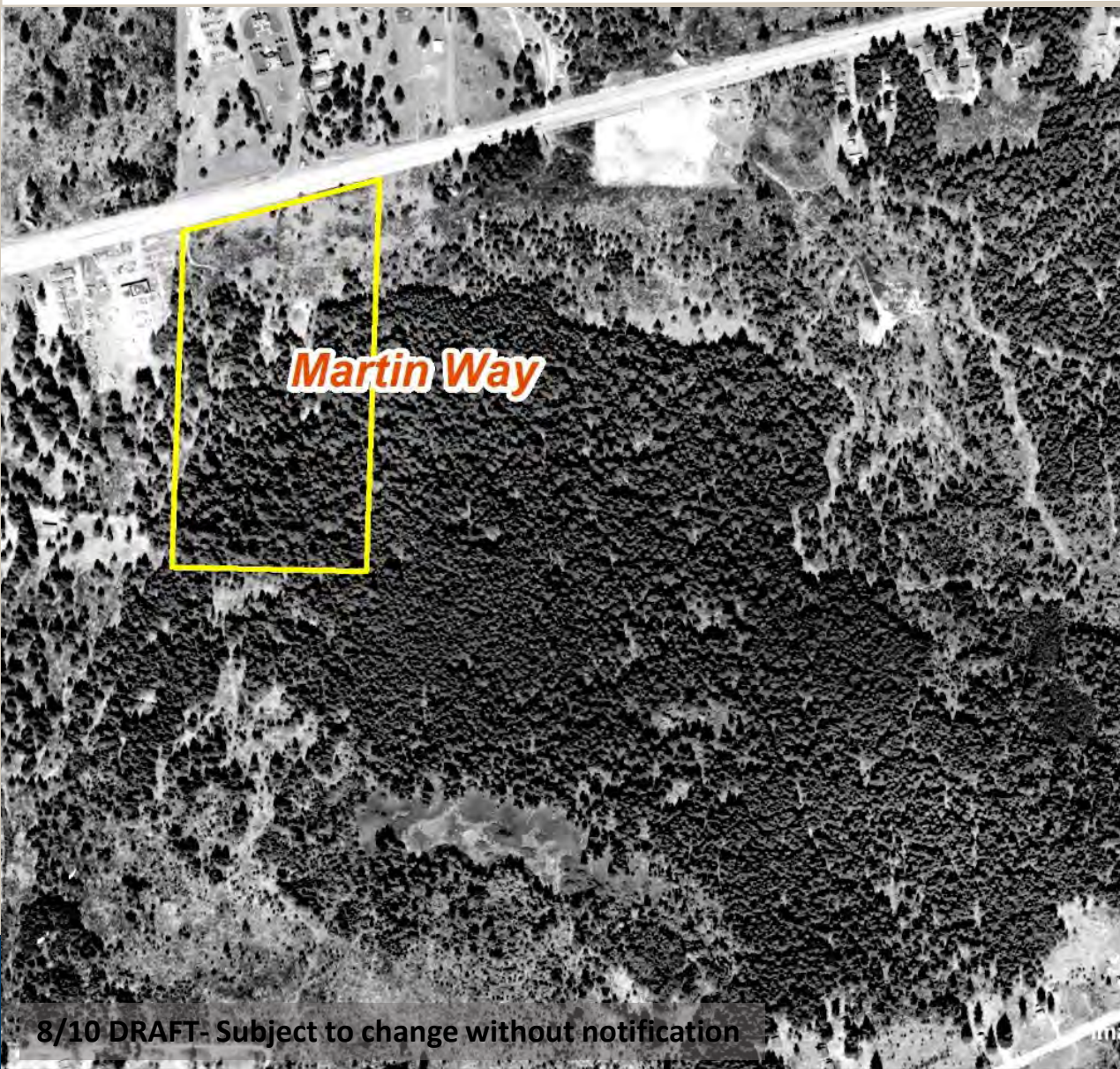
Forested Areas in Rural Settings
SITE #4- Martin Way/Lacey



1961

Forested Areas in Urban Settings
SITE #5 - Lacey

2018



SITE #5- Lacey Preliminary Site Plan & OTHER OPTIONS

EXCHANGE for another property

HOLD for changing market conditions

DISPOSE of property

GROUND LEASE for development

Lacey VIDEO

PRELIMINARY SITE PLAN		DATE: 08/10/2010	
PROJECT: Small retail building		LOCATION: W4 - Martin Way E. east of Martin Road NE	
DESIGNER: L&L	DEVELOPER: [blank]	DESIGNER: [blank]	DATE: [blank]
SCALE: 1/8" = 1'-0"	SHEET NO: 16	TOTAL SHEETS: 22	
CHECKED BY: [blank]	DATE: 08/10/2010	PROJECT NO: [blank]	
UNUSUAL CONDITIONS: Main Access Roadway in will need to be completed			

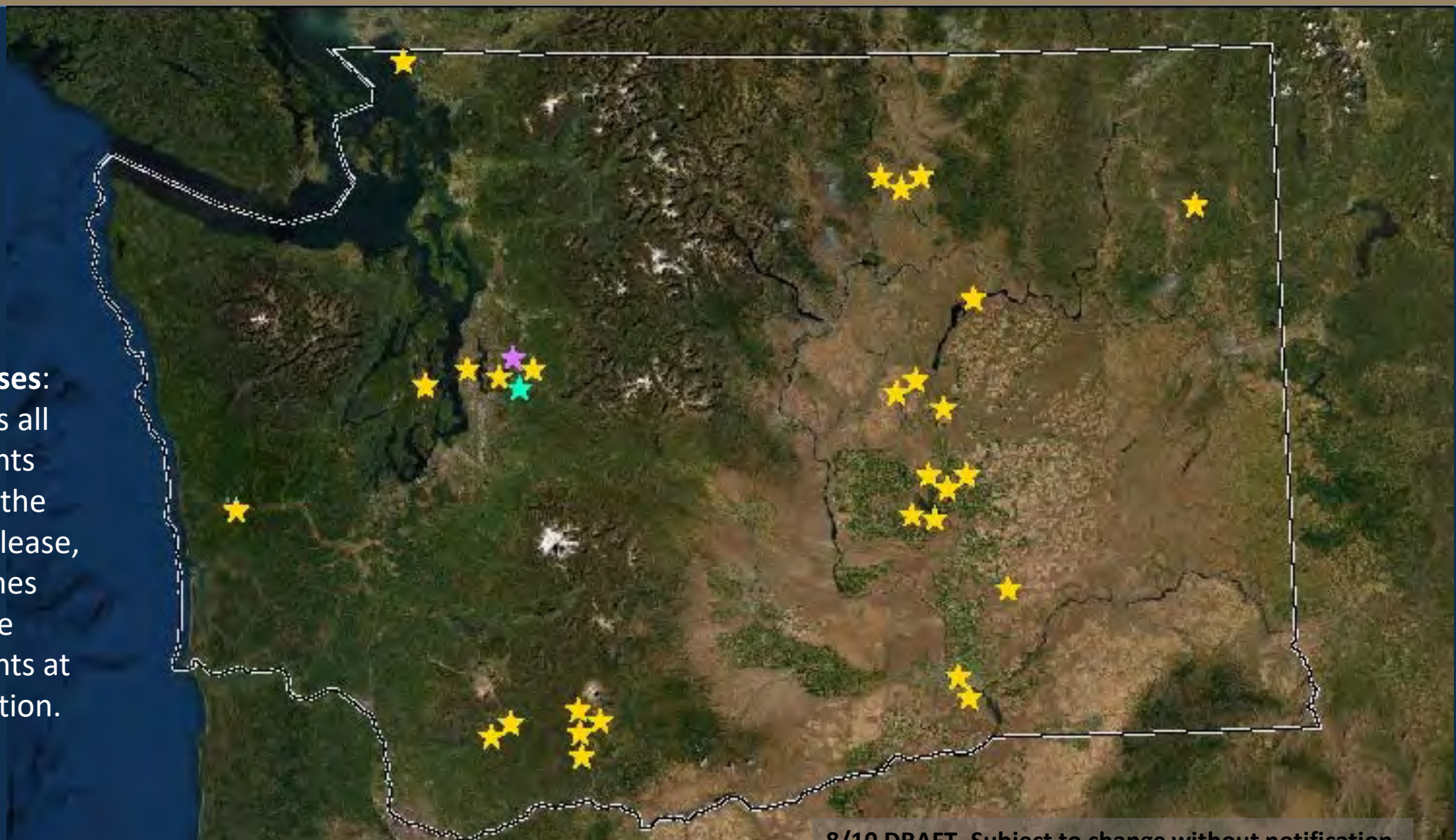
The Commercial Real Estate Program Today

- Primarily tied to the Common School Trust.
- Part of a diversified asset portfolio.
- Generated almost \$11 million dollars in fiscal year 2018.
- Lessees pay a leasehold tax to the local jurisdiction.
- Properties including retail businesses, commercial office buildings, and commercial warehouses.
- Lands are managed with either a BUILDING LEASE or a GROUND LEASE.

Properties with Ground Leases

Ground Leases:
Tenant owns all improvements throughout the term of the lease, State becomes owner of the improvements at lease expiration.

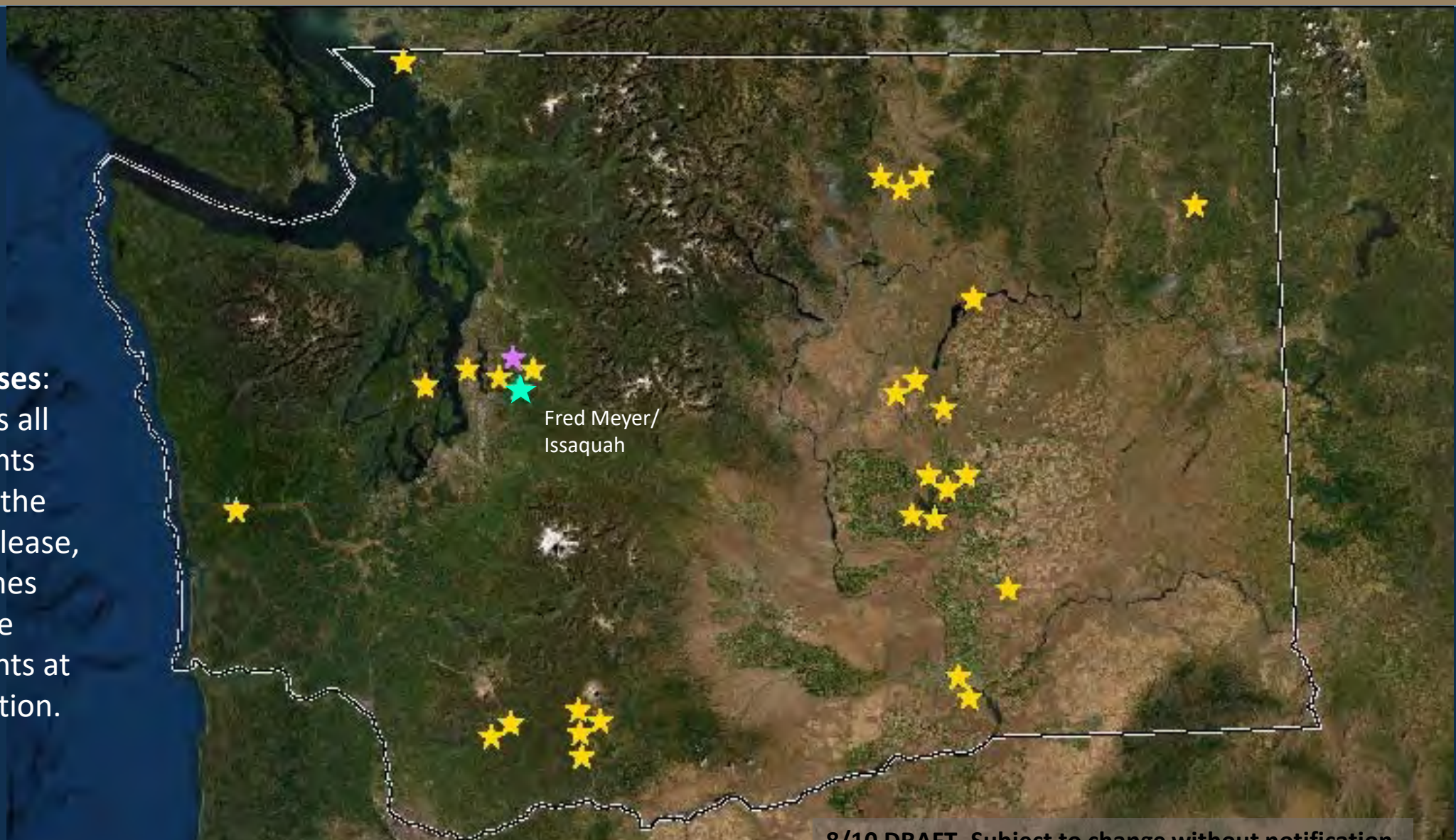
27 Total



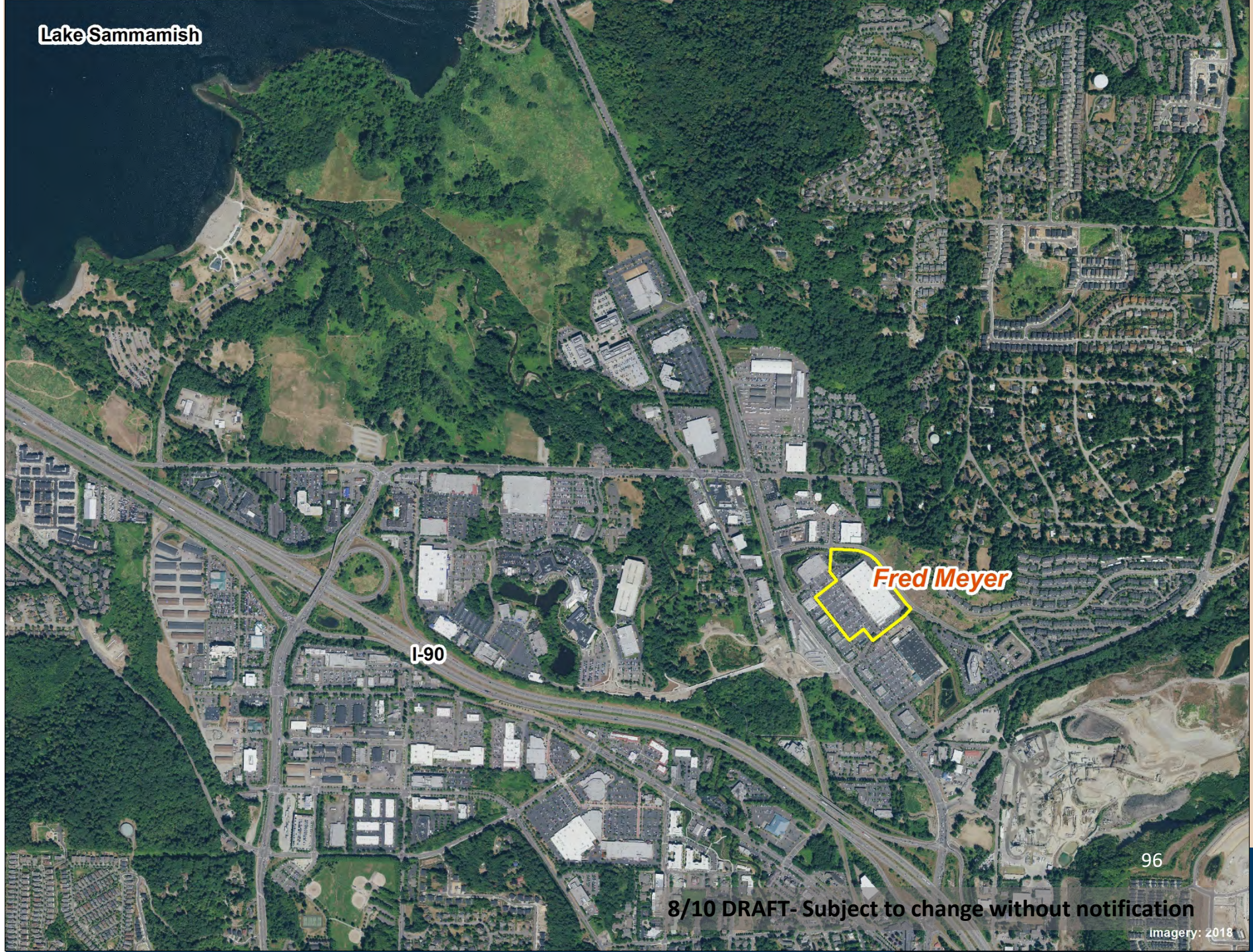
Properties with Ground Leases

Ground Leases:
Tenant owns all improvements throughout the term of the lease, State becomes owner of the improvements at lease expiration.

27 Total



SITE #1 – FRED MEYER



SITE #1 – FRED MEYER



12.2 Acres

Annual Rent = \$1,318,600

Trust = Common School





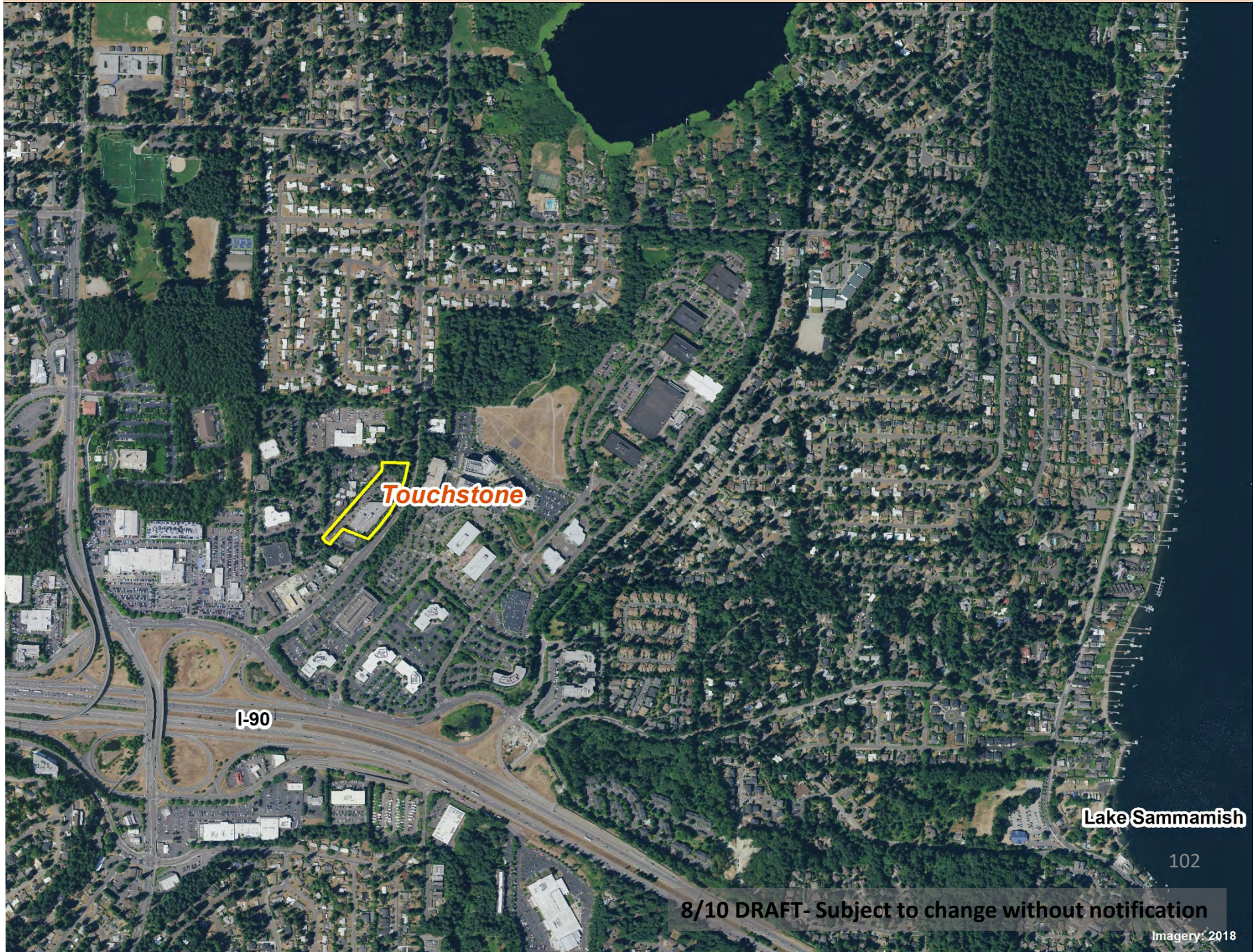




Touchstone



37 Ground Lease
SITE #2 – TOUCHSTONE



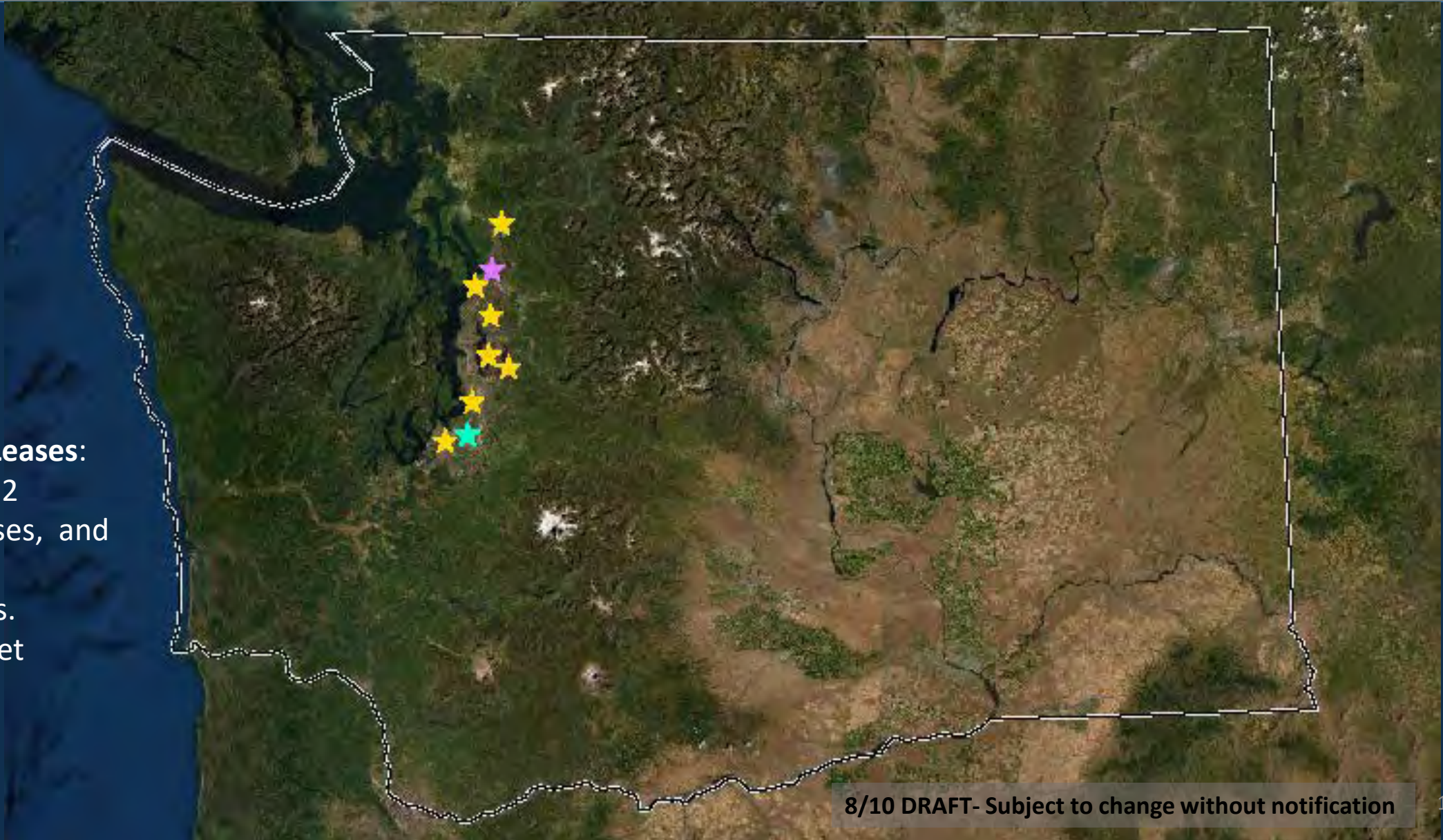


3.45 Acres Annual Rent = \$509,472 Trust = Common School

Properties with Building Leases

Building Leases:
3 Offices, 2
Warehouses, and
4 Retail
Properties.
All are “Net
Leases”.

9 Total

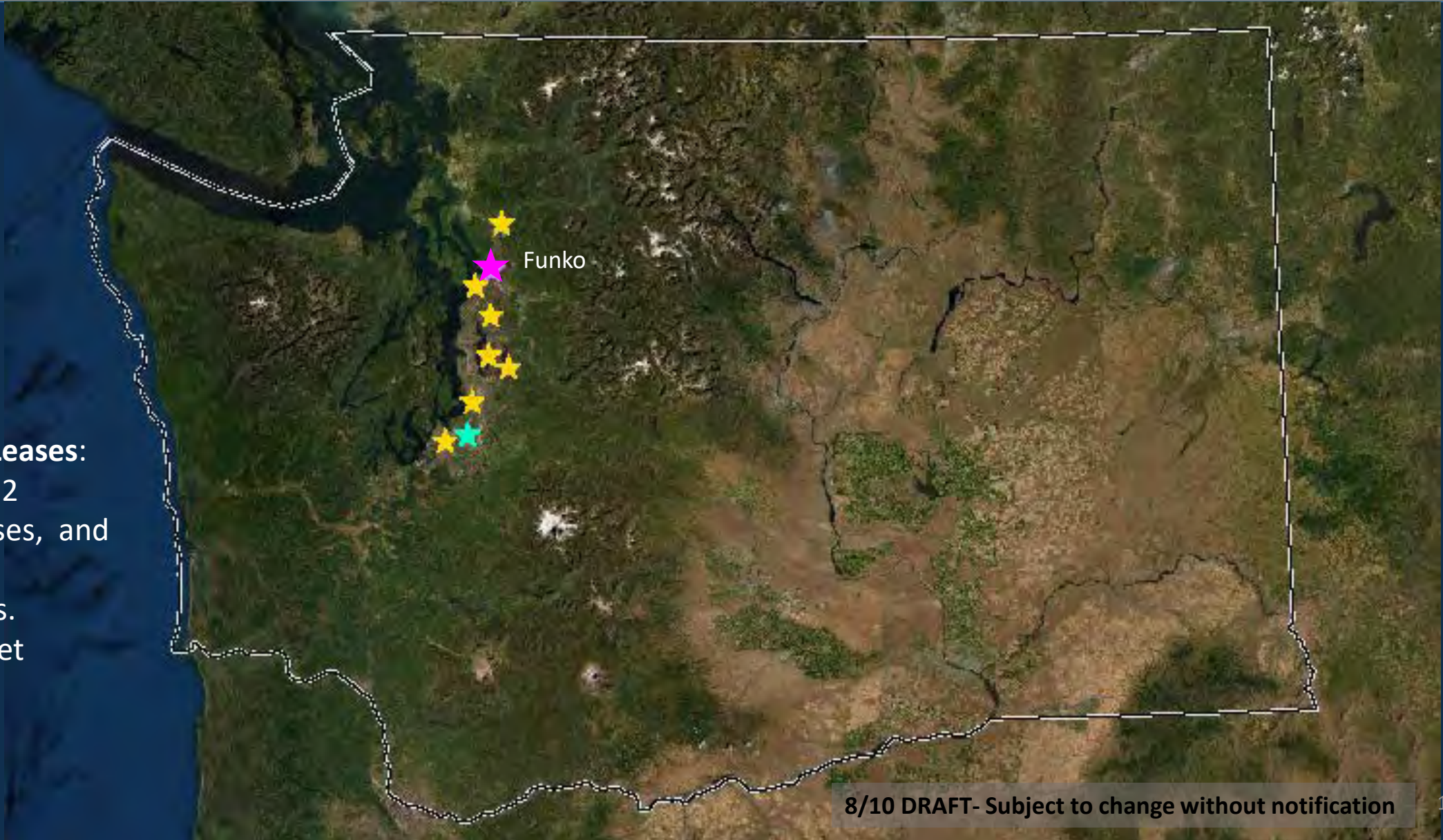


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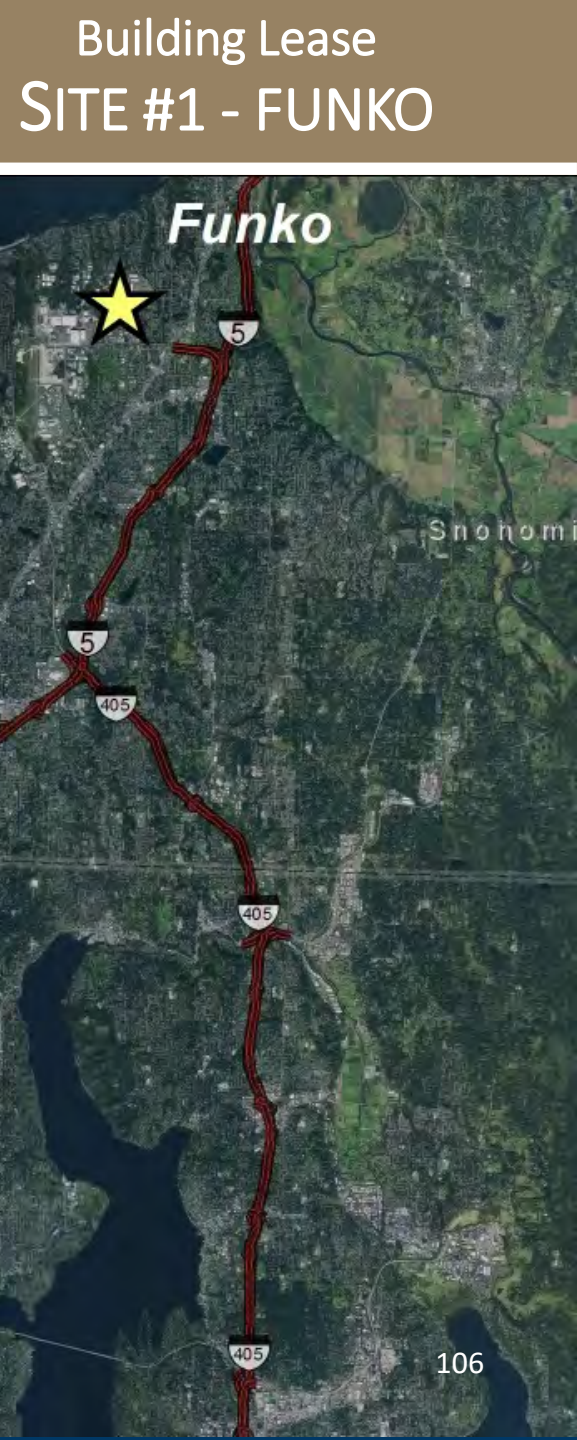
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3 Offices, 2
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Leases”.

9 Total



8/10 DRAFT- Subject to change without notification



Building Lease
SITE #1 - FUNKO

8/10 DRAFT- Subject to change without notification



10 Acres

Annual Rent = \$1,279,560

Trust = Common School



Building Lease
SITE #1 - FUNKO

10 Acres

Annual Rent = \$1,279,560

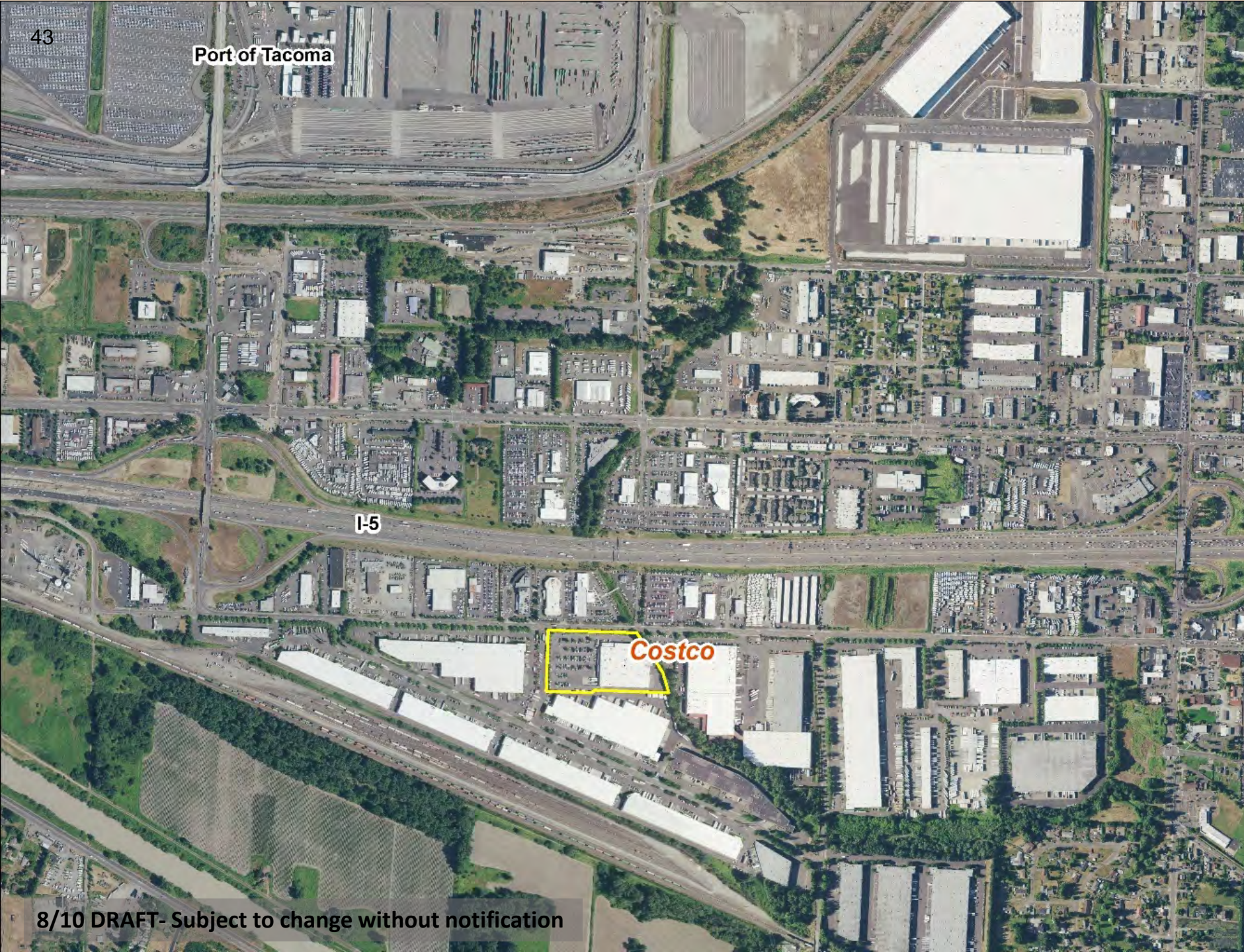
Trust = Common School



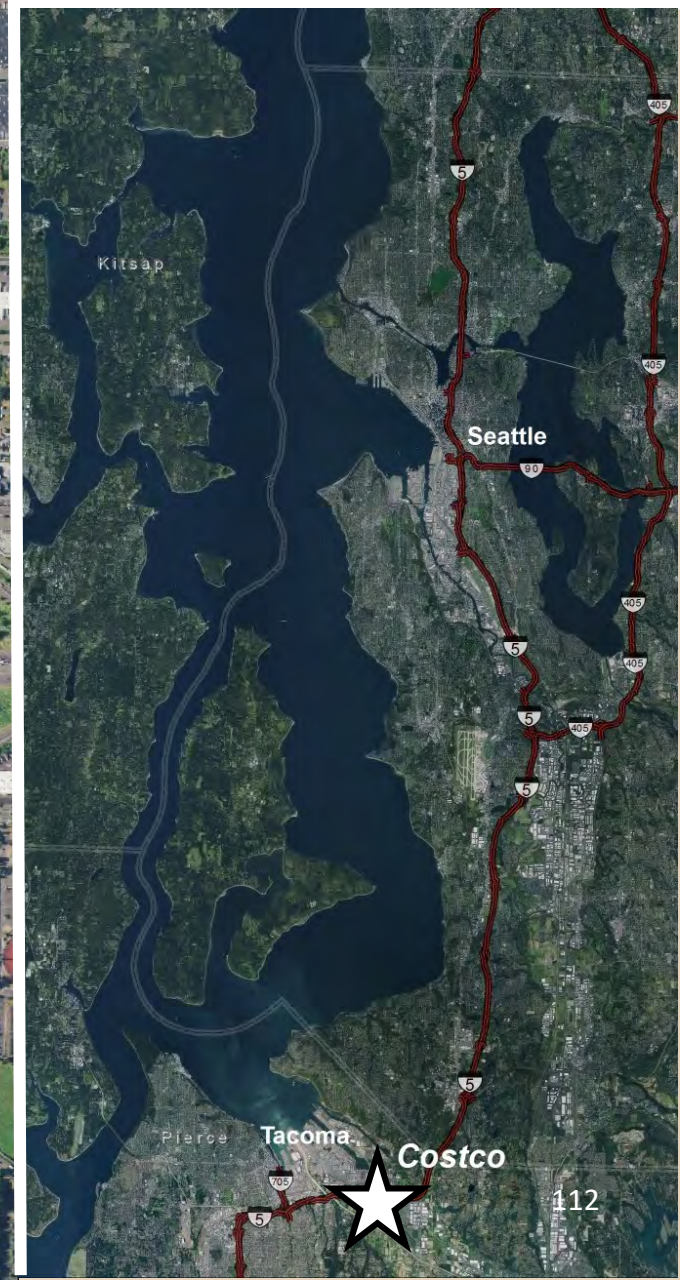




Costco/
Fife



Building Lease
 SITE #2 - COSTCO





7.86 Acres

Annual Rent = \$668,769

Trust = Common School



BOARD CONVERSATION

