



## KENNEWICK IRRIGATION DISTRICT POLICY 9.6 Leasing Commercial Real Property


1. Purpose:
  - 1.1 To lease Kennewick Irrigation District (KID) commercial real property in accordance with the requirements of RCW 87.03.136, in addition to the applicable federal or state laws and regulations.
2. General Guiding Principles:
  - 2.1 Leasing KID-owned commercial real property shall only be permitted for pre-defined development or specific use and not for speculative purposes. To serve this goal, leases will only be entered into with a qualified lessee pre-approved by both the Realty Committee and Board of Directors. KID does not subordinate to leasehold lenders.
  - 2.2 Long term leasing options and other terms of the commercial lease shall be negotiated between KID and the tenant with final approval and execution of the lease by the District Manager and Board of Directors. All final negotiated leases accepted by the Board shall be way of an approved by motion in an open public meeting.
  - 2.3 No property shall be negotiated for lease until a valid written offer to lease or letter of intent has been submitted to the KID. All written offers or letters of intent shall contain the following information in order to be presented to the Realty Committee and Board of Directors for review:
    - a. Legal description of the property that is the subject of the offer;
    - b. Full legal name of the leasing party including names, titles and contact information of individuals authorized to execute the lease agreement;
    - c. Proposed use of the property to be leased, including the identity of the business that will occupy the property along with estimated timeline for construction and opening date;
    - d. Number of years requested for the initial term of the lease, and additional requested options for renewals at the end of the initial lease term;
    - e. Annual lease amount offered including any special terms for payment of lease and any proposed contingencies; and
    - f. Stipulation for end of lease.
  - 2.4 Staff shall present the offer to lease, or letter of intent at the next scheduled Realty Committee meeting (usually within 30 days of the submission of the offer to staff). The Committee shall accept to negotiate the offer, reject the offer, or present a counteroffer to the leasing party. The Realty Committee shall respond to offers through the District Manager or designee, who shall communicate the response to the offer as soon as practicable.
  - 2.5 Unless otherwise stated in writing, all KID ground leases shall be leased "AS IS" with no improvements or maintenance provisions required of the KID. The Lessee is solely responsible for all improvements and meeting State, City and or County requirements for land

use including accesses, roads and utilities. All prospective lessees shall be encouraged to meet with State, City or County staff in the appropriate jurisdiction to review the proposed site conditions such as zoning, access, servicing, topography, grading, history of the property, etc. and consult with state and local agencies regarding potential site limitations (e.g., highway access, availability of services).

- 2.6 KID staff may offer reasonable assistance to prospective lessees which may include providing basic property information such as parcel size and a proposed parcel value. Staff assistance shall not be deemed to reserve any parcel of real property for any party nor shall staff assistance be deemed a commitment in any way whatsoever with respect to any KID real property.
- 3. Transactions:
  - 3.1 The KID, because of its status as a municipality, may administer, collect funds, and disperse payments. It shall be the responsibility of the Treasurer to assist the District Manager or designee in the collection of any receivables created by a lease of property.
  - 3.2 Fees and/or deposits in real estate lease transactions shall be as follows:
    - 3.2.1 Security deposits on lease transactions shall be a minimum of 5% of the gross lease price over the term of each lease as negotiated; and
    - 3.2.2 Late payment penalties on KID-financed transactions shall be 20% of the scheduled payment, but not less than \$250, whichever is greater, and shall be assessed on each month, or portion thereof, if the payment is past due.
    - 3.2.3 KID will pay a one-time fee not to exceed three percent (3%) of the base gross lease price over the term of each lease as negotiated, on lease agreements to a Washington State licensed real estate agent/broker representing a lessee in the lease of KID real property. The one-time fee shall be outlined in the lease agreement and will be paid by KID within 30 days after execution of lease agreement. There will be no additional sales commission after the one-time fee payment, including, but not limited to renewals or escalators.
  - 3.3 In exchange for a potential fee from the lease of a KID property, the agent recognizes and acknowledges they are obligated to fulfill certain responsibilities to the Real Estate Division of KID. These obligations are stated on the attached Policy Form 9.4.1/9.6.1, and must be read and signed by the Real Estate Agent representing the lessee.

4. Forms

- 4.1 Policy Form 9.4.1/9.6.1 Obligations

Date	Rev. #	Action	Signature
Nov. 6, 2018	0	Initial Approval of Policy 9.6 Leasing Commercial Real Property	 Dean Dennis Board President