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Economic and Development Services

MEMORANDUM

To:	Seth Otto – Maul Foster & Alongi, Inc. (MFA)
From:	Eric Hovee
Subject:	Phase 2 Market Analysis of Leichner Site Reuse Concepts
Date:	June 16, 2015

By memorandum dated March 12, 2014, E. D. Hovee & Company, LLC provided a Phase 1 overview market assessment for reuse of properties associated with the Leichner Landfill Master Plan process. Purposes of the Phase 1 overview assessment were to identify and briefly evaluate a wide range of potential industrial, residential, recreation and open space uses, and possible mixed use development options.

While the Phase 1 analysis addressed reuse opportunities for the entire 128-acre master plan area, the primary focus has been on development potentials for the 31.5-acre county-owned (Koski) property at the southern portion of the overall site assemblage. As the result of a recently awarded Integrated Planning Grant (IPG), the site area evaluated was expanded to include an adjoining privately owned 9.1-acre site (Fleischer), bringing the total area considered for business park or industrial development to approximately 40.6 acres.

The overview market assessment was reviewed with the MFA project team and Clark County together with a design charrette meeting involving a real estate expert panel. Based on the input received, the project team has prepared six conceptual planning options for further consideration as part of this more refined Phase 2 assessment.

For each of the six planning concepts, the purposes of this subsequent and revised Phase 2 market analysis are to:

- Refine site-specific market support (in terms of land needs and time required for land absorption), and supportable land pricing (net of environmental remediation).
- Evaluate potential resulting economic benefits (including jobs plus direct tax revenues to Clark County).
- Also address results of an appraisal completed for the Fleischer property in May 2015.

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Phase 2 Market Analysis Summary

Key observations and findings from this Phase 2 assessment are summarized as follows.

Concepts Evaluated. Six conceptual planning options were prepared for Phase 2 analysis:

- Three options involve only the **Koski property** of 31.5 acres – two industrial subdivision concepts with 90th or 88th Street access and a third industrial campus concept.
- Three added options involved the **Koski plus adjoining Fleischer property** totaling 40.6 acres – also involving 90th or 88th Street access and a third industrial campus concept.

Development Assumptions & Methodology. Assumed with this analysis is that:

- Properties retain light industrial (IL) zoning with future business park (BP) option.
- Infrastructure ranging from $1.2-$1.7 million would be a developer responsibility.
- Site developers are not responsible for costs with the Leichner Landfill Consent Decree.
- If purchased, the Fleischer property could have remediation costs from $1.0-$3.3 million plus site costs at up to a $1.6 million appraised value.
- Remediation can be partly funded through a State of Washington Department of Ecology Remedial Action Grant (50% funding assumed).
- Property will be subdivided and sold over time as demand warrants at fair market value.

Financial & Economic Evaluation. Over a 5-11 year period of site disposition:

- The **net present value (NPV) of land sales** to Clark County ranges from $1.5-$4.5 million. The Koski-only Option 2 of 88th Street access yields the greatest NPV return; Koski *plus* Fleisher options yield far less due to potential costs of site acquisition and remediation.
- Direct and economic multiplier impacts range from 1,245-1,940 jobs at build-out; direct state and local tax revenues range from $3.6-$5.6 in one-time taxes from site sales and development, followed by $1.5-$2.8 million per year at build-out (in 2014 dollars). Option 6 campus development with the full Koski *plus* Fleischer assemblage offers the greatest long-term **job and tax revenue benefits**, but the least direct property revenue.

Analysis Refinements. As added information has become available for the Fleischer property, analysis revisions have addressed implications of alternative clean-up strategies, refinements to assumed grant funding for environmental remediation, and (most recently) incorporation of a $1.6 million value figure for the Fleischer property (appraised as a clean site).

Bottom-line, if Clark County's share of costs for purchase and remediation of the Fleischer site exceed a combined total of $1.3-$1.4 million, the best Koski-only option likely yields greater NPV financial return to Clark County than the best available Koski + Fleischer scenario. If direct revenue from property sale is less of a priority than long-term employment and tax revenue impacts, then there is a stronger case to be made for inclusion of the Fleischer property.

Concept Planning Options Evaluated

As depicted by the map on the following page, the approximately 128-acre Leichner Landfill Master Plan Area is located on the east side of NE 94th Avenue, with the southern boundary of the site situated approximately 0.3 miles north of Padden Parkway. The northern boundary of the site extends just beyond what is planned as the future extension of NE 99th Street.

With input from the full MFA project team, BergerABAM identified six property development conceptual planning options for further market feasibility and economic impact analysis. The first three planning options are depicted for the 31.5-acre Koski property alone. The next three options assume potential opportunity for county purchase and/or joint development of the Koski plus adjoining 9.1-acre Fleischer properties on a combined basis:

Koski Property Only *(31.5 acres):*

- **Conceptual Planning Option 1**
  Industrial Subdivision – 90th Street Access (Six parcels of 1.87 - 11.43 acres in size)
- **Conceptual Planning Option 2**
  Industrial Subdivision – 88th Street Access (Six parcels of 3.63 - 5.36 acres)
- **Conceptual Planning Option 3**
  Industrial Campus Sites (Three parcels of 2.33 - 11.10 acres)

Koski + Fleischer Properties *(40.6 acres combined):*

- **Conceptual Planning Option 4**
  Industrial Subdivision – 90th Street Access (Nine parcels of 1.87 - 11.43 acres)
- **Conceptual Planning Option 5**
  Industrial Subdivision – 88th Street Access (Eight parcels of 3.63 - 5.62 acres)
- **Conceptual Planning Option 6**
  Industrial Campus Sites (Four parcels of 2.33 - 17.50 acres)

The map is followed by one-page summary descriptions of key development assumptions and then the methodology used for evaluating each of the six conceptual planning options. The final section of this report provides a side-by-side financial and economic evaluation of the six conceptual options, including summary implications for marketing and development.

Concept diagrams provided on the following pages focus only on the Koski and Fleisher portions of the Leichner Master Plan Area anticipated for re-development. Developable acreages are adjusted to assure consistency with total site area across all six conceptual options.

Options 4-6 include the Fleischer property, assuming that Clark County would be responsible for 50% of Fleischer site high-end remediation costs (or $1.675 million). Implications of lower cost remediation alternatives are discussed later in this report. With this report update, an appraised value estimate of $1.6 million for the Fleischer site is also included with the analysis.

Location of Leichner Master Plan Properties

Source: Maul Foster Alongi.

Option 1 – Industrial Subdivision w/90th Street Access (Koski Only)

This conceptual plan involves creation of an industrial subdivision of six parcels – ranging in size from about 1.9 - 11+ acres in size. Access from NE 94th Avenue would be from construction of a new street (NE 90th) extending west-east into the Koski property – together with two internal streets stubbed to the northern property line (between the Koski and Fleischer sites).

Acreage. Six parcels with 26.5 acres developable on the 31.5-acre site; remaining site area reserved for rights of way, buffer area, storm sewer, monitoring wells and methane collection facilities.

Conceptual Planning Option 1

Source: BergerABAM

Buildings. Estimated at 457,630 square feet of building development for overall FAR/site coverage of 0.40 (with predominantly 1-story development).

Uses. Single and multi-tenant commercial office and retail fronting on 94th Avenue, with single or multi-tenant industrial/service businesses on mid-parcels and space for large manufacturing or distribution use on the eastern 11+ acres.

Land Pricing. *Shovel-ready* pricing ranging from $4.00 per square foot for 11+ acre parcel at the eastern end of the property to $7.50 on 94th Avenue frontage. With deduction for infrastructure and accounting for parcel sales over a multi-year period, the net present value (NPV) of proceeds to Clark County is estimated at $3.09 per square foot over the full 31.5 acres.

Site Development. Conceptual planning includes development of approximately 2,000 lineal feet of interior roadway (least of any alternative) and water/sewer infrastructure at cost of $1.2 million. Net proceeds to Clark County, which includes the *sticker price* for land *minus* developer incurred infrastructure and transaction costs, is estimated at $4.9 million (in 2014 dollars).

Phasing. Likely starting at western street frontage on NE 94th Avenue, extending eastward as warranted by market demand. Option to develop eastern large site earlier with commitment from qualified credit user. Assumes land sales over 8 years with build-out by Years 9-10.

Economic Benefits. Including on-site plus economic multiplier benefits, reflects potential impact of 1,245 jobs at full development with wages averaging $53,550 per year. One-time development-related revenues are estimated at $3.8 million with subsequent ongoing tax revenues at $1.5 million annually to Clark County plus other state/local jurisdictions.

Option 2 – Industrial Subdivision w/88th Street Access (Koski Only)

This second conceptual plan option involves creation of an industrial subdivision of six relatively uniformly sized parcels – ranging in size from about 3.6 - 5.6 acres in size. Access from NE 94th Avenue would be from construction of a new street at the southern edge of the property (NE 88th) extending west-east into the Koski property – together with one internal street stubbed to the northern property line (between the Koski and Fleischer sites).

Conceptual Planning Option 2

Source: BergerABAM

Acreage. Six parcels with 26.1 acres developable on 31.5-acre site; remaining site area reserved for rights of way, buffer area, storm sewer, monitoring wells and methane collection facilities.

Buildings. Estimated at 432,310 square feet of building development for overall FAR/site coverage of 0.38 (with predominantly 1-story development).

Uses. Single and multi-tenant commercial office and retail fronting on 94th Avenue, with industrial/service businesses on interior parcels.

Land Pricing. *Shovel-ready* pricing ranging from \$5.00 per square foot for the most interior parcels at cul-de-sac ends to \$7.50 for a SW frontage parcel. With deduction for infrastructure and accounting for parcel sales over a multi-year period, the net present value (NPV) of proceeds to Clark County is estimated at \$3.26 per square foot (highest NPV of the options considered).

Site Development. Conceptual planning includes development of approximately 2,290 lineal feet of interior roadway and water/sewer infrastructure at cost of \$1.3 million. Net proceeds to Clark County, which include *sticker price* for land *minus* developer incurred infrastructure and transaction costs, is estimated at \$5.2 million in 2014 dollars (most yield of Koski-only options).

Phasing. Starting at western street frontage on NE 94th Avenue, extending east and north as warranted by market demand. Assumes land sales over 8 years with 9-10 year site build-out.

Economic Benefits. Including on-site plus economic multiplier benefits, reflects potential impact of 1,265 jobs at full development with wages averaging \$52,810 per year. One-time development-related revenues are estimated at \$3.6 million with subsequent ongoing tax revenues at \$1.5 million annually to Clark County and other state/local jurisdictions.

Option 3 – Industrial Campus Sites (Koski Only)

This concept involves just three parcels – ranging up to 11+ acres for industrial and business park development. 94th Avenue access would be from two new streets extending west-east into the Koski property – joined together for an industrial cul-de-sac at the eastern parcel.

Conceptual Planning Option 3

Source: BergerABAM

Acreage. Three parcels with 25.0 acres developable (least efficient of six concepts); rest of site for rights of way, buffer, storm sewer, monitoring wells, and methane collection.

Buildings. Estimated at 461,560 square feet of building development for overall 0.42 FAR.

Uses. The large parcel fronting NE 94th Avenue is likely developed as a multi-tenant business park with a mix of retail, service, office and smaller distribution uses. The smaller 2.3-acre parcel (mid-site) could be developed by a single industrial or office user. The eastern 10.5 acres could develop as a second phase business park or for a single industrial user.

Land Pricing. *Shovel-ready* pricing ranging from $4.00 per square foot for eastern 10+ acre parcel to $6.00 for frontage and small interior site. With deduction for infrastructure and accounting for parcel sales over a multi-year period, the net present value (NPV) of proceeds to Clark County is estimated at $2.46 per square foot of land area over the full 31.5-acre site.

Site Development. Conceptual planning includes development of approximately 2,680 lineal feet of interior roadway (most of the Koski alternatives) and water/sewer infrastructure at cost of $1.5 million. Net proceeds to Clark County, including *sticker price* for land *minus* developer incurred infrastructure and transaction costs, is estimated at $3.8 million (in 2014 dollars).

Phasing. Starting with one or both accesses from NE 94th Avenue, then closing the loop and extending eastward as warranted by market demand. By appealing to business park plus end user demand, land sales could occur in as little as five years with build-out by about Year 8.

Economic Benefits. Including on-site plus economic multiplier benefits, reflects potential impact of 1,360 jobs at full development with wages averaging $50,960 per year. One-time development-related revenues are estimated at $4.1 million with subsequent ongoing tax revenues at $1.9 million annually to Clark County and other state/local jurisdictions.

Option 4 – Industrial Subdivision w/90th Street Access (Koski+Fleischer)

This conceptual plan involves creation of an industrial subdivision of nine parcels (the most of any concept) – ranging in size from about 1.9 - 11+ acres in size. As with Option 1, access from NE 94th Avenue would be from construction of a new street (NE 90th) extending west-east into the Koski property – together with two internal streets stubbed north to the Fleischer property.

Acreage. Nine parcels with 35.3 acres developable on a 40.6-acre combined site; remaining site area reserved for rights of way, buffer area, storm sewer, monitoring wells and methane collection facilities.

Buildings. Estimated at 600,090 square feet of building development for overall FAR/site coverage of 0.39 (with predominantly 1-story development).

Conceptual Planning Option 4

Source: BergerABAM

Uses. Single or multi-tenant commercial office and retail situated at the 94th Avenue/90th Street intersection, with single or multi-tenant industrial/service businesses on mid-parcels and space for a large manufacturing or distribution use on the eastern 11+ acres.

Land Pricing. *Shovel-ready* pricing ranging from $4.00 per square foot for the 11+ acre parcel at the eastern end of the property to $7.50 on two 94th Avenue frontage parcels. Deducting for infrastructure and an assumed 50% county share of (high-end) Fleischer remediation costs, the NPV of proceeds to Clark County is estimated at $2.28 per square foot over the full 40.6-acre site. If the Fleischer site is purchased at appraised value, NPV drops to $1.41 per square foot.

Site Development. Includes development of 2,240 lineal feet of interior roadway with water/sewer at a cost of $1.3 million, plus the county share of Fleischer site remediation and land acquisition. Net proceeds to Clark County range from $3.6-$5.2 million (in 2014 dollars).

Phasing. Starting at western street frontage on NE 94th Avenue, extending east and north as warranted by market demand. Assumes land sales over 11 years with build-out by Year 12.

Economic Benefits. Including on-site plus economic multiplier benefits, reflects potential impact of 1,675 jobs at full development with wages averaging $53,290 per year. One-time development-related revenues are estimated at $5.0 million with subsequent ongoing tax revenues at $2.0 million annually to Clark County and other state/local jurisdictions.

Option 5 – Industrial Subdivision w/88th Street Access (Koski+Fleischer)

This conceptual plan involves creation of an industrial subdivision of eight relatively uniformly sized parcels – ranging in size from about 3.6 - 5.6 acres in size. As with Option 2, access from NE 94th Avenue would be from construction of a new street at the southern edge of the property (NE 88th) extending west-east into the Koski property – together with one internal street stubbed to the northern property line (at the boundary of the Koski and Fleischer sites).

Acreage. Eight parcels with 35.3 acres developable on a 40.6-acre combined site; remaining site area reserved for rights of way, buffer area, storm sewer, monitoring wells and methane collection facilities.

Conceptual Planning Option 5

Source: BergerABAM

Buildings. Estimated at 576,870 square feet of building development for overall FAR/site coverage of 0.37 (with predominantly 1-story development).

Uses. Single or multi-tenant commercial retail/service situated in proximity to the 94th Avenue/88th Street intersection, with opportunity for single or multi-tenant industrial/service businesses on interior parcels.

Land Pricing. *Shovel-ready* pricing ranges from $4.00 per square foot for the eastern parcel to $7.50 for the SW corner parcel. With deductions for infrastructure and a 50% county share of Fleischer (high-end) remediation costs, the Clark County NPV proceeds come in at $2.34 per square foot for the 40.6-acre site (or $1.46 if Fleischer is purchased at recent appraised value).

Site Development. Includes 2,290 lineal feet of interior roadway and water/sewer infrastructure at a cost of $1.3 million, plus the county share of Fleischer site remediation and land acquisition. Net proceeds to Clark County range from $3.7-$5.3 million (in 2014 dollars).

Phasing. Likely starting at western street frontage on NE 94th Avenue, extending eastward as warranted by market demand. Option to develop eastern large site earlier with commitment from qualified credit user. Assumes land sales over 11 years with build-out in 12 years.

Economic Benefits. Including on-site plus economic multiplier benefits, reflects potential impact of 1,750 jobs at full development with wages averaging $52,260 per year. One-time development-related revenues are estimated at $4.9 million with subsequent ongoing tax revenues at $2.1 million annually to Clark County and other state/local jurisdictions.

Option 6 – Industrial Campus Sites (Koski+Fleischer)

Option 6 comprises four parcels – ranging from about 2.3 to 17+ acres for business park development. Access from NE 94th Avenue would be from two new streets extending west-east into the Koski and Fleischer properties – with an industrial cul-de-sac at the eastern parcel.

Conceptual Planning Option 6

Source: BergerABAM

Acreage. Four parcels at 34.2 acres developable on a 40.6-acre site; rest of site area reserved for rights of way, buffer area, storm sewer, monitoring wells and methane collection facilities.

Buildings. Estimated at 624,940 square feet of building area (highest of any option), FAR of 0.42.

Uses. The 17-18 acre parcel fronting NE 94th Avenue is likely developed as a multi-tenant business park with a mix of retail, service, office and smaller distribution uses, possibly in multiple phases. The two mid-parcels (of 2-3 acres each) could be sold for single industrial or office users – with the eastern 10-11 acres developed as a final phase business park or for a single large industrial user.

Land Pricing. *Shovel-ready* pricing from $4.00 per square foot for the 10.5-acre parcel at the eastern end of the property to $5.75 for the large frontage parcel and $6.00 for the smaller interior sites. With deductions for infrastructure and (high-end) Fleischer remediation costs, the NPV of proceeds to Clark County is estimated at $1.65 per square foot over the 40.6-acre site (lowest of the site concepts considered), or $0.82 if Fleischer is purchased at appraised value).

Site Development. Includes 3,050 lineal feet of interior roadway (highest of any alternative) and water/sewer infrastructure at cost of $1.7 million, plus 50% county share of Fleischer site remediation and land acquisition. Net proceeds to Clark County range from $2.1-$3.7 million.

Phasing. Likely starting at western street frontage on NE 94th Avenue, extending eastward as warranted by market demand. Option to develop eastern large site earlier with commitment from qualified credit user. Assumes land sales over 11 years with build-out by about Year 13.

Economic Benefits. With on-site plus economic multiplier benefits, up to 1,940 jobs at build-out with wages averaging $50,260 per year. One-time revenues estimated at $5.6 million with subsequent ongoing tax revenues at $2.8 million annually to Clark County and other state/local jurisdictions. At build-out, jobs and tax revenues are the highest of the six concepts considered.

Development Assumptions & Methodology

This section of the report provides added explanatory detail regarding development assumptions and the methodology associated with the site specific profiles just provided. This discussion covers factors affecting site valuation and economic benefits of land use, mix of uses anticipated, site development costs, common infrastructure and environmental remediation costs, land pricing, absorption, and financial considerations.

Land Use

Land use can be considered from both regulatory and best practice industry perspectives. An important question for this analysis is the extent to which the site is developed in a primarily light industrial (IL) versus multi-tenant business park (BP) configuration. IL and BP uses are defined in a different, albeit related, manner for purposes of zoning regulation.

Current IL Zoning. All of the Koski and Fleischer acreages are currently designated for light industrial (IL) use. As described in the earlier overview market assessment, the IL light industrial designation allows for a wide range (of all but the heaviest) agricultural, utility, construction, manufacturing, wholesale trade, transportation and warehousing uses on an outright permitted basis. Also allowed as permitted uses are a number of office and service related activities, though it is noted that some educational and major health care uses are either excluded or allowed on a conditional use basis with limitations.

Retail, including food service, uses except for auto/motor vehicle dealers and general merchandise stores are generally allowed – though some retail uses are limited to a maximum of 10% of gross floor area of all buildings on the development site. Gasoline stations are a conditional use.

Alternative BP Zoning. As an alternative to the current IL designation, Clark County has requested consideration of the implications of re-designating part or all of the Koski/Fleischer property to a business park (BP) designation. The BP business park district is intended to provide for uses including limited light manufacturing and wholesale trade, light warehousing, business and professional services, research, business and corporate offices, and other similar uses not oriented to the general public.

There is no substantive difference between IL and BP designations for many industrial and related uses. The limitation of 10% of development site floor area for retail uses that is applied to IL is also mirrored by the BP designation. Uses permitted in IL but not in BP include:

- Outdoor storage – as for building materials and contractors' equipment
- Chemical, plastics, clay/glass, much of metals, transportation, furniture manufacturing
- Retail sales of construction and industrial equipment, building materials and fuel dealers
- Rental and leasing services and personal property storage

However, the BP designation provides greater flexibility to accommodate a number of service related uses on either an outright or conditional use basis – including business/computer/ management training schools, educational support services, hospitals, nursing and residential care facilities, social assistance, lodging, funeral homes, and religious/non-profit/professional organizations.

Site development standards for BP and IL districts are similar, except that BP has a minimum lot area of 5 acres (unless consistent with a site plan approval), requires 20 foot side and rear setbacks (when abutting residential property), and requires minimum landscaping of 15% rather than 10% for IL zoning.

BP properties are subject to additional development standards related to setbacks, fencing, site landscaping and building design, and pedestrian access. The BP designation also allows retail uses to exceed the 10% minimum with an added 2.5% each for inclusion of structured parking, half-mile access to a transit stop, provision of child care facilities on-site, and provision of pedestrian spaces and amenities. Structured parking is not anticipated to be financially feasible with this site.

IL/BP Comparison. Major advantages of continuing with the IL designation appear to include a greater range of industrial uses allowed and greater building site coverages possible to maximize land utilization.

In comparison, BP offers the advantage of avoiding uses and site proximity which may be viewed as detrimental to adjoining residential use – especially for the large site area furthest from the 94th Avenue frontage. The BP designation also widens the range of service uses and retail space that is possible – with potential improvements to land values in proximity to 94th Avenue.

BP designation may lead to lower overall site utilization; however this may be offset by increased per square foot land valuation. A proposal that involves greater orientation to service, including office-related business, than manufacturing or distribution space might benefit more readily from a BP redesignation.

Parking & Loading Requirements. By Clark County code, parking requirements are applied similarly across all zoning designations, depending on the use under consideration. The code also stipulates that where a building may be used for more than one purpose without limiting permitted used, parking spaces are to be provided based on the possible uses that require the most spaces. In these cases, a developer of multi-tenant space is typically inclined to err on the side of providing ample, rather than too little, parking:

- For industrial uses, parking is required at a rate of 1 space per 1,500 square feet of distribution space, 1 space per 600 square feet of lab and research space, and 1 space per 500 square feet of other permitted uses. For this analysis, an average ratio of 1 space per 600 square feet of floor area is assumed.

- For commercial uses, parking requirements range from 1 space per 200 square feet of building area with medical/dental offices to 1 space per 750 square feet of floor area for service or repair shops – with most office uses at 1 space per 400 square feet and dining at 1 space per 250 square feet. For this analysis, an average ratio of 1 space per 250 square feet of floor area is assumed with IL zoning/use mix and 1 space per 300 square feet with more office-oriented BP mix.

For both industrial and commercial uses, one truck loading berth is required for buildings of 30,000 - 100,000 square feet in size, with an additional berth required for larger buildings.

Consideration of parking and loading requirements has influenced planning assumptions made with regard to anticipated site coverages and floor area ratios (FARs) utilized for varied uses with this Phase 2 market analysis – as detailed by a subsequent section to this report.

Zoning Assumption. For purposes of this market and economic analysis, it is assumed that the existing IL zoning remains in place for the Koski and Fleischer properties. At this preliminary stage, our analysis would also indicate that there is not likely to be an appreciable difference in property value realized with BP than IL designation.

However, as market conditions change and as specific purchasers emerge, it is possible that some development plans might be more suited to BP than IL designation. Flexibility to consider proposals for partial or complete site redesignation to BP use is recommended as a means to better facilitate property marketing and pricing.

Business Use Mix & Cost

Conceptual planning options as illustrated have been categorized as:

- Single use light industrial (IL) or campus-oriented, multi-tenant business park (BP)
- Industrial (light manufacturing, distribution) or commercial (retail, office, service) use

Site Parameters. Each combination of IL/BP configuration and industrial/commercial use is associated with varied site parameters covering such items as:

- Number of floors – assumed as single level for IL site configuration, with perhaps a 10%-20% proportion of 2-story development in BP configuration.
- Parking ratios – greater for commercial than industrial use.
- Landscaping allocation – set at a minimum of 10% of site area for IL And 15% for BP related development.

Added detail regarding these and related site parameters are provided by the appendix to this report.

Parcel-Specific Development Costs. As is also detailed by the appendix, hard cost estimates cover:

- Building construction – with higher costs indicated for commercial than industrial use.
- Site preparation – allocated on a per square foot of land area basis.
- Parking – associated with land area needed for on-site parking and loading.

Infrastructure & Environmental Remediation Costs

In addition to parcel specific costs, there are two categories of site cost that are distributed across all parcels. These are costs of infrastructure and environmental remediation.

Infrastructure. As was detailed by the Phase I market overview, the Leichner area appears to be served with street and utility that would be adequate to support industrial reuse of the Koski and Fleischer properties. Widening of NE 94th Avenue planned for 2015 is of particular importance to improve site accessibility and relative attractiveness of this property for both freight-related industrial users, as well as for retail-service activities with street frontage orientation. One issue that likely will need to be addressed with manufacturing use is improvement of natural gas capacity.

For prospective purchaser(s), the need for construction together with the associated cost of on-site infrastructure will be the primary added question affecting development feasibility. Specifically assumed with this analysis is the need for:

- Internal commercial/industrial street network – likely as a privately developed 42-foot-wide roadway together with inclusion of sidewalks, curbs and gutters.
- Associated storm drainage, sanitary sewer, and water main.
- Roadside bio-filtration and a separate treatment pond.

As detailed by the appendix to this report, MFA has prepared infrastructure cost estimates for each of the six site development concepts. The range of cost is from just under $1.2 million to $1.7 million. This range is influenced by the lineal feet of roadway and by whether the development includes the Fleischer, as well as Koski, property.

It is likely that infrastructure construction will be phased to match, rather than occur too far in advance of, demand from specific users or tenants (as noted with the option-by-option descriptions). This avoids the risk of making infrastructure investments without an immediate source of repayment. With this analysis, it is also assumed that 100% of the cost of providing the above noted infrastructure will be the responsibility of the site purchaser(s).

Environmental. The Washington State Model Toxics Control Act (MTCA) creates “strict, joint, and several liability” for contaminated sites. The term “strict liability” means that responsibility is imposed without fault and parties cannot argue lack of due diligence or ignorance.

“Joint and several liability” means that all potentially responsible parties are responsible for all costs of the cleanup, regardless of the existence of other potentially liable parties. This rigorous framework provides certainty in regards to liability and obligation for cleanup and ongoing obligations.

MTCA establishes administrative pathways that provide a framework for how cleanup projects are processed through Ecology’s Toxics Cleanup Program and what liability protections are available. In the case of the Leichner Landfill and all associated properties, the mechanism in place is a Consent Decree, which is a legal settlement of liability with the state.

Judicial approval of the consent decree provides the affected party with both a covenant not to sue from the state and contribution protection, which precludes claims by other parties. In this regard, the Consent Decree protection provides the greatest liability protection, but also requires the greatest level of state oversight and highest transaction costs.

The entire acreage of the industrially designated Leichner (including Koski) property is included as part of the Consent Decree under the jurisdiction of the Washington State Department of Ecology (WADOE). For the Koski property, provisions of the Consent Decree during and after development will include needed access to landfill monitoring facilities.

Potential developers of the site will not be responsible for any costs associated with implementation of the Leichner Landfill Consent Decree. Clark County is wholly responsible for implementation of the requirements of the Consent Decree. Maintenance and monitoring of the landfill site is funded through rate payer funds collected prior to the landfill closure. In the event these funds are exhausted, the County is obligated to fund on-going obligations by increasing rates charged at the County solid waste transfer system.

Mitigation efforts since the landfill closed in 1992 have reduced environmental impacts to adjacent properties to the point where development can occur. No cleanup actions are anticipated in the future. However in the event of a release from the landfill, potential developers would be indemnified under a $40 million pollution liability policy maintained in by the County.

The adjoining Fleischer property is subject to a separate preliminary remedial investigation and feasibility study. At this time, there appear to be no other significant non-contamination related environmental issues (such as floodplain or wetland designation) that would serve to substantially constrain development of the Koski and/or Fleischer properties.

As noted by the Phase 1 market assessment and previous property appraisal, several environmental factors have been identified that could affect property marketability and pricing as extraordinary cost factors. Based on the background information described above from discussions with MFA and Clark County, the following assumptions have been made for purposes of this Phase 2 market evaluation:

- Cost of a geotech study – assumed to be conducted, if required, by Clark County. This does not include parcel-specific development plans, which may involve additional evaluation as a property purchaser responsibility.
- Legal fees in conjunction with a proposed release and/or amendment of the WADOE Consent Decree – assumed to be the responsibility of Clark County rather than prospective purchaser(s).
- Extraordinary site preparation to replace overburden removed for the landfill cap – no longer assumed to be required other than normal site grading with the possible exception of one portion of the site (at relatively nominal expense).
- Capital and ongoing costs of site monitoring – currently not viewed as a major cost factor for private development of the Koski site. While there may be a need for added monitoring devices, this is assumed to be a Clark County responsibility, including possible relocation of some monitoring devices (gas probes or groundwater monitoring wells) to the perimeter of the site as part of the property not sold for private reuse. It is possible that DOE may also require installation of additional monitoring devices near the perimeter of the landfill; this installation also should not affect property redevelopment.
- Time discount covering the period to achieving relief from the Consent Decree – currently viewed as not applicable since the NPV discounting taken with this analysis covers the period of site marketing beginning with Clark County determination to market the Koski and possibly Fleischer sites as site-ready for development.

  Discounting of property pricing due to timing uncertainty or delay would be expected only if environmental approvals were required subsequent to a land transaction that resulted in time delays to development beyond what is typical for a clean greenfield site. However, it is currently assumed that needed environmental approvals would occur prior to sale of the property.
- Added developer profit margin that may be associated with higher perceived risk of redeveloping a brownfield property – not applicable to the extent that Clark County assumes full risk for any future contamination from the landfill or that DOE approvals of site use are not required. The County and DOE are in the early phases of discussing the release of the Koski site or amending the point of compliance. However, it is possible that some form of restrictive covenant will remain in place allowing DOE to comment on the type of development allowed.

  Any liability or discounting required by a purchaser would be due to conditions that might be perceived as limiting property development, site utilization or approval of specific site uses. While no price discounting is currently assumed with this analysis, it is possible that reconsideration might be required depending on the outcome of discussions between the County and DOE.

For the 9.1-acre Fleischer property, MFA has identified a range of clean-up costs as might be associated with three site remediation alternatives:

Alternative 1 – Excavation and off-site disposal of impacted soil $3,349,900

Alternative 2 – Capping of impacted soil	$1,039,500
Alternative 3 – Targeted excavation of impacted soil supporting redevelopment with capping of remaining impacted soil	$1,842,300

Due to the preliminary nature of the remedial investigation and feasibility study results to date, this Phase 2 market analysis has assumed a *worst case* cost outcome – as is associated with Alternative 1. However, this option may also offer the greatest market appeal for development.

Also assumed is that a substantial portion of the cost of remediation could be secured via WADOE or federal funding, with the Clark County cost share preliminarily estimated at approximately 50% for purposes of this Phase 2 analysis. Market and financial implications of the two lower cost options of Alternatives 2 and 3 are further detailed later in this report.

Land Pricing

With this market analysis, it is useful to consider land pricing from the perspectives of:

- Clark County as purchaser – a consideration applicable only to the Fleischer property not currently owned by the County.
- Clark County as seller – for the Koski *or* Koski plus Fleischer site to one or more private parties for industrial and/or business park development.

Clark County as Purchaser. For Clark County, no acquisition cost is assigned to the Koski property as this site is already under County ownership together with the former landfill. The Fleischer property is not owned by the County but may be considered for possible acquisition as part of a larger industrial / business park assemblage.

Subsequent to submittal of an earlier draft Phase 2 market analysis draft report, the Fleischer property has now been appraised by an independent appraiser at $1.6 million.[1] This is understood to be the market value of a clean site without environmental contamination.

Consequently, this revised Phase 2 market analysis evaluates the financial implications of two alternative approaches to potential Fleischer site acquisition:

- A no-cost acquisition with the site donated to Clark County in exchange for the County assuming responsibility for required environmental remediation (also termed as the **base case** condition).
- A price equal to the appraised value of $1.6 million with the County also assuming responsibility for site remediation (termed as the **revised case** condition).

[1] A Washington State Department of Transportation Narrative Appraisal Report was completed by appraiser Richard F. Duncan, MAI, as of May 3, 2015. The report notes that the subject site "has been appraised as clean." The estimated valuation is $1,590,000, rounded to $1.6 million for purposes of this Phase 2 market analysis.

It is understood that, in the event of County purchase, a negotiated price could fall within this overall price range. Consequently, the two cost conditions evaluated may appropriately be considered as likely minimum and maximum expectations regarding potential acquisition costs.

Clark County as Property Seller. Once Clark County has received approval from WADOE for disposition of the Koski and possibly the Koski + Fleischer properties, it will be in position to proceed with plans to make these sites available for industrial and/or business park development. Consequently, a major focus of the Phase 2 market assessment has been to determine likely fair market valuation of the property to developers and/or end users of industrial and business park property. This analysis is not be construed as an appraisal but rather as a generalized market review consistent with available data regarding potential comparable sites in Clark County.

Phase 1 Land Valuation Review. With the earlier Phase 1 market assessment, a preliminary review of readily available land value information was made from two perspectives:[2]

- Current tax assessed values for industrially designated properties adjoining the Leichner landfill, but which are not subject to the Consent Decree. Assessed values of these sites generally appeared to range between about $2.50 - $3.00 per square foot.
- Twelve industrial land sales transactions on parcels of 5-20 acres in Clark County between 2011-14. Market transaction values ranged from less than $1.50 to nearly $6.00 per square foot, averaging about $3.00 across a wide range of property sizes and site conditions. Market valuation appeared to average somewhat above the tax assessed land value of these properties at about $2.25 per square foot.

The initial review indicated a reasonable correspondence between the assessed values of Leichner area industrial sites and recent market transactions countywide. However, site by site review also indicates the need for adjustments to reflect infrastructure, as well as extraordinary, costs that might be needed to make specific properties *shovel ready* without undue site or cost constraints.

Phase 2 Augmented Analysis. More in-depth review of sales values has been conducted with this Phase 2 analysis. This has involved:

- Compilation of assessor's data on taxable assessed valuations and sales transaction prices for 45 ownerships of vacant industrial parcels of more than one acre over the 2004-14 period.[3]

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[2] Clark County tax assessed valuations are as of 2013. Land transaction data is based on a compilation by CoStar.

[3] The number of sales transactions reviewed is considerably greater than the number of ownerships because many of the ownerships involve multiple adjoining parcels that were included within the overall purchase price. Adjoining properties were combined as assemblages for purposes of this analysis.

- Inclusion of data regarding recent major industrial vacant land transactions on the Oregon side of the metro region – focused on parcels of 5+ acres.
- Review of a prior 2007 appraisal for the subject Koski site on behalf of Clark County.

Pricing Methodology. A two-step methodology is used for land pricing of parcels associated with the Koski, and possibly Fleischer, properties:

- A *shovel-ready price* (or sticker price) – indicating market value assuming that the site is 100% shovel-ready with infrastructure in place and no constraints or added costs for environmental remediation.
- An *adjusted price* (or net proceeds to Clark County) – after deducting for costs of on-site infrastructure, environmental remediation and transaction costs.

Shovel-Ready Pricing. With this first step, assumptions used for pricing of property parcels with this analysis are as detailed by the following chart, differentiated by:

- Parcel size – with smaller sites typically commanding higher values on a per square foot of land value basis.
- 94th Avenue Frontage – with sites having direct traffic access and visibility expected to command higher per square foot sales values than interior parcels.

Shovel-Ready Land Pricing (2014 $)

Parcel	Price per SF		% of Top Price	
Size	Frontage	Interior	Frontage	Interior
< 5 acres	$7.50	$6.00	100%	80%
5-10 acres	$6.75	$5.00	90%	67%
10-15 acres	$6.00	$4.00	80%	53%
15+ acres	$5.25	$3.00	70%	40%

Note: All prices assume that site is 100% shovel-ready with infrastructure in place and no constraints or added costs for environmental remediation.

Source: E. D. Hovee & Company, LLC.

For each conceptual pricing alternative, parcel pricing was applied consistent with this matrix approach. Top of market pricing is expected for smaller parcels of less than 5 acres that offer direct access from 94th Avenue. As additional curb cuts are not expected on 94th, this pricing is only for frontage parcels with which there is direct access via 94th on an internal street (e.g., 88th or 90th). Fronting parcels without immediate access are discounted to the next lower price tier. For example, an Option 2 or 5 parcel with direct access to 88th Street would be valued higher than another 94th Avenue frontage site without ingress /egress directly from 88th Street.

Because none of the conceptual planning options involves an interior parcel of more than 15 acres, the lowest per square foot pricing applied with this analysis is $4.00 per square foot, applied to interior sites of 10-15 acres.

Adjustments from Shovel-Ready Conditions. To be competitive for development, market pricing of the Koski property will need to be adjusted for costs as required to bring a site to shovel-ready status (and valuation). In some cases, the adjustments will occur as a responsibility of the developer; in others, the adjustment will occur as a Clark County cost responsibility. In either case, net proceeds to Clark County can be defined as the *shovel-ready* (or sticker) price of the land *minus:*

- Cost of internal infrastructure – assumed as a developer responsibility.
- Cost of environmental remediation – assumed for this analysis to be a Clark County responsibility (and estimated only for the Fleischer property).
- Transaction costs – assumed at 5% including real estate brokerage fee plus closing costs (with the bulk of this expense typically a seller responsibility).

While some costs may be subject to negotiations shifting between buyer and seller, they typically have little effect on net proceeds to Clark County (at least in nominal 2014 dollars). Also noted is that transaction costs might be reduced, for example, by an owner sale without a broker commission. However, the absorption assumptions (provided below) assume the broadest possible marketing exposure with broker involvement. Reduced marketing exposure could be expected to slow sales, extending the time frame and/or risking below market pricing lower than what is assumed with this analysis.

Resulting Pricing Observations. As is detailed with tabular data in a subsequent section of this report, average sticker pricing assuming shovel-ready status ranges from just under $5.00 to close to $6.00 per square foot – depending on the conceptual planning option considered. Net proceeds to Clark County (in net present value terms adjusted for sales timing) ranges between $2.46 to $3.26 per square foot assuming development of the Koski property only.

If the Fleischer property is added with deduction for environmental remediation, the NPV drops to $1.65 to $2.34 per square foot of site area with 50% non-County funding – also assuming that the Fleischer site is donated at no cost to the County. If Clark County were to purchase the site at the appraised clean price of $1.6 million and also bear 50% of remediation costs, the NPV return to Clark County would drop to $0.82 to $1.46 per square foot of site area. NPV returns would drop further if the County assumes more than 50% of clean-up cost.

Absorption

Unless sold in a single transaction to one developer, the site is expected to be subdivided and sold over a multi-year period parcel-by-parcel. Supportable absorption potentials for the Leichner property are considered from three perspectives:

- Historical pattern of industrial land sales in Clark County.
- Trend of industrial plus flex space absorption in Clark County.
- Experience of a potentially comparable business park development.

Industrial Land Sales Trend. From 2004-14, the Clark County land sales reviewed indicates industrial site transaction activity (for sites of 1+ acres) averaging 155 acres per year. Much of this occurred as speculative activity prior to the Great Recession. Also noted is that not all transactions have result in any substantial on-site development; many sites are only partially developed.

Over the 2008-14 period including much of the recessionary effect, industrial land sales have averaged a more modest 60 acres per year. This is the baseline land absorption figure assumed for this analysis.

Industrial + Flex Space Absorption. CoStar data indicates that Clark County has experienced net industrial plus flex building space absorption averaging about 215,000 square feet per year since 2005. This 10-year period has covered seven years of positive net space absorption together with three years from 2008-10 of significant negative space absorption (over which time vacancies outpaced new leases). From 2011 to present, absorption has averaged over 250,000 square feet per year.

Space absorption data covers both single user and multi-tenant space. In Clark County, the pattern of absorption appears to be more stable year-to-year for multi-tenant than single user space. Closure or relocation of a major industrial firm can have a significant effect on single user demand. In some areas, older or obsolete user space may also be removed from the inventory or converted to other uses over time.

The 10-year average absorption figure of 215,000 square feet per year can be considered as a base case expectation over a full economic cycle with countywide industrial and flex space demand looking forward. To the extent that the Great Recession is viewed as an anomaly not likely to be again repeated in its severity, this absorption target could be viewed as a conservative representation of annual space demand in Clark County – as noted with demand currently on a higher growth trajectory than indicated with this base case figure.

Comparable Business Park Development. Two of the six conceptual options considered for the Leichner site involve development of an industrial or business park campus. A useful case study comparable for this analysis is provided by the Eastridge Business Park situated on SR 503 at 99th Street.

Developed over 27 years from 1979-2006 with 1.1 million square feet of building space on about 90 acres, lease space currently under business park management is identified by CoStar as comprising close to 628,000 square feet in 28 buildings.[4] While located somewhat closer to the urban core, Eastridge also serves a similar market area as the Leichner property – in addition to drawing from a similar labor force and accessed by the I-205 freeway system.

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4 Portions of the site have been sold to individual owner-user firms and are not under Eastridge management.

The business park's 130 tenants average about 3,400 square feet of occupied building area – ranging from as little as 400 to about 24,000 square feet in size. As of the 2006 build-out of the Eastridge property, the mix of space was about 50% flex/industrial, 38% office, and 12% retail.

Currently, the largest tenant is a non-profit running youth programs. Other tenants range from technology and sales/distribution firms to contractors to religious organizations to financial, insurance, real estate, fitness, medical/dental, and dining businesses. Over time, business park management has aimed to increase the retail component (especially for buildings fronting SR 503) as well as converting flex space to office use as means to increase rental income.

While experiencing overall occupancy of 87% in 2006, vacancies increased with the recession. Even with subsequent economic recovery, CoStar estimated Eastridge business park vacancy to be at 28-29% as recently as October 2014. This vacancy likely would need to be reduced prior to significant development of the Leichner site for similar business park use.

While development has come in waves depending on the economic cycle, the 628,000 square feet of building space currently managed by Eastridge equates to the addition of about 23,250 square feet per year averaged over an unusually long 27-year time period.

Implications for Koski/Leichner Site Absorption. This analysis relies primarily on the 2008 to present absorption experience of 60 acres per year of 1+ acre industrial transactions in Clark County. Assuming that the Leichner submarket area captures its current 13% share of the countywide industrial space inventory and that redevelopment of the industrial portions of the former landfill site captures one-half of net new subarea demand, the subject site would be expected to experience annual absorption of just under four acres per year.

At this pace, redevelopment of the 31.5-acre Koski site could occur over about a 9-year period. If combined with the Fleischer property for a 40.6-acre assemblage, time to completed sales would be in the range of 11 years (with development build-out in up to 13 years). If multi-tenant business park development were part of the site use mix at a pace similar to that experienced by Eastridge, this could account for 40-50% of total land demand through the absorption periods noted – whether for Koski or the larger Koski plus Fleischer assemblage

Depending on parcel configuration and suitability for campus style business park use, this rate of absorption may vary as illustrated with the six conceptual planning options evaluated. Adaptability for multi-tenant business park usage would also appear to broaden the base of businesses for whom the site is suitable and provide a more stable flow of demand than would occur with sole reliance on single user industrial firms.

Financial Variables

With development projects that play out over a multi-year period, financial variables become important to account for changes in costs and returns that will not materialize all at once.

Net Present Valuation (NPV) Analysis. Recognizing that the value of a dollar received in five years is worth less today than a dollar received now, NPV evaluation is a mechanism used to bring cash flows occurring at different times to a consolidated *present value* estimated in today's dollars. Future cash expenditures and receipts are discounted back to an NPV figure using a discount rate – reflecting returns available with alternative uses of funds together with an assessment of associated risk. Because the cost of borrowing is generally less expensive for public agencies (with tax exempt debt) than private debt and equity financing, discount rates are generally less for public than private sector related investment.

Financial Parameter Assumptions. The following financial variables are of importance to this evaluation:

- Rate of inflation – to escalate construction costs for projects not occurring immediately (based on Rider Levett Bucknall cost estimating data).
- Value gains – reflecting land value appreciation prior to construction (based on a review of per square foot pricing changes for large lot vacant industrial sites from 2004-14).
- Discount rate – applied to the NPV analysis (and estimated as a composite of federally approved rates for cost-benefit analysis).
- Property limitation – a 1% property tax limit as approved by Washington voters.

Rates applied to the financial model used for this evaluation are summarized as follows.

Escalation Rates Used with Market Feasibility Analysis

	Inflation	Value Gain	Discount	Prop Limit
Annual % Change	2.00%	1.00%	5.00%	1.00%

Sources: E. D. Hovee & Company, LLC based on public agency and industry sources as noted above.

Economic & Fiscal Benefits

A final portion of this analysis addresses anticipated economic and fiscal benefits associated with each of the conceptual planning options – as of project build-out.

Economic Benefits. Measurable estimates of economic benefit are made for:

- Employment
- Total payroll
- Average wage per employee

Each of these benefits can be further distinguished between direct impacts from on-site business activity and economic multiplier effects from added employment countywide stimulated by on-site business spending and household incomes. Economic multipliers are based on the nationally recognized IMPLAN economic model and regional economic multipliers as prepared for the State of Washington Department of Ecology in 2009.

Regional multipliers for Southwest Washington cover the counties of Clark, Cowlitz, Lewis, Pacific, Skamania and Wahkiakum Counties. The predominant portion of the impact from Leichner site development is expected to occur in Clark County. A detailed listing of business and economic impact factors applied to this analysis is provided by the Appendix to this report.

Fiscal Benefits. In addition to the community economic outputs noted above, comparative estimates have also been made of anticipated tax revenue benefits to Clark County and other affected state/local taxing jurisdictions covering:

- One-time tax benefits from initial development – both sales and real estate excise tax.
- Ongoing tax benefits recurring annually from completed development – including property and sales tax.

Applicable tax rates uses are also provided with the Appendix to this report.

FINANCIAL & ECONOMIC EVALUATION OF CONCEPTUAL OPTIONS

Consistent with the analysis and assumptions as described, this report proceeds to provide comparative results of economic modeling for each of the six conceptual planning options considered. Covered by this discussion are results of the development and financial analysis, followed by economic and tax revenue benefits, and then an overall summary comparison.

Development & Financial Analysis

This development and financial analysis begins with a brief review of the site and development program, followed by value and cost factors, and developer incurred costs. County proceeds are considered under: a) *base case* assumptions where the Fleischer site is donated to Clark County *versus* b) *revised* assumptions assuming that the Fleischer site is purchased by Clark County at the cost of $1.6 million as indicated by recent appraisal. Also considered with this analysis is valuation of development concepts together with Fleischer remediation alternatives.

Site & Development Program. As noted, the first three concepts involve gross site area of approximately 31.5 acres (for the Koski property only). Site Options 4-6 involve development on 40.6 acres (as the sum of the Koski and adjoining Fleischer properties):

- The portion of the site area available for development ranges from 79% to 87% of gross site acreage. Undeveloped area includes portions of the site reserved for street/utility rights of way, buffer, storm sewer, monitoring well and methane collection facilities. Site use efficiency is greater for the single use rather than campus concepts and more for the Koski plus Fleischer properties than for the Koski property alone.
- Building square footage ranges from about 37% to 42% of developable site area – with greater intensity of development anticipated for the campus concepts (Options 3 and 6).

- Time period to complete sale of all parcels ranges about 5 years (Koski site only with campus development) to 11 years (for all of the Koski plus Fleischer options).

Value & Cost Factors. Key observations are noted as follows:

- With per square foot sales pricing (assuming shovel-ready development status) varying by parcel size and anticipated use, the range of overall sticker pricing ranges from just under $5.00 to nearly $6.00 per square foot – with the highest average value for Option 2 (Koski only).
- These *shovel-ready* values are partially offset by the costs of road and utility infrastructure (ranging from less than $1.00 to about $1.40 per square foot of land area for the Koski site) – with lower per square foot costs noted if averaged across both the Koski and Fleischer properties (on a combined basis).
- Added to infrastructure costs is Clark County's share of environmental remediation costs when the Fleischer property is included. The Clark County share is estimated at $0.95 per square foot of land area averaged across both the Koski and Fleischer properties.

  Assumed is that 50% of this cost is grant funded, as through the Washington State Department of Ecology. If remediation costs were to be fully funded through Clark County, the cost could approach $2.00 per square foot averaged across all 40.6 acres. If cost recovery is considered for the Fleischer acreage alone, remediation costs equate to more than $8 per square foot – exceeding the shovel-ready value of industrial land under any current market scenario.

Developer Incurred Costs. For purposes of the scenarios evaluated, developer incurred costs are defined as including the purchase price plus internal street/utility and treatment pond related infrastructure (assumed as a 100% developer responsibility). As noted, shovel-ready valuations are *adjusted down* by deducting the cost of infrastructure expense assumed by the developer (or property purchasers).

Purchaser incurred costs (prior to building development) range from $5.6 to $8.6 million, with higher costs associated with industrial (rather than campus) options and with the Fleischer plus Koski sites (due to greater developable land area and smaller, higher priced parcels involved).

The charts on the following two pages provide summary results for the six conceptual options from the perspectives of site and development program, value and cost factors, developer incurred costs, county proceeds, and valuation of land at full property build-out:

- The first **base case** chart assumes that the Fleischer property is essentially donated at no charge to Clark County in exchange for the County covering the costs of environment remediation.
- The second **revised** chart assumes that the County purchased the Fleischer property at the recently appraised value approximating $1.6 million (for a clean site) while also bearing an estimated 50% of the costs of site remediation).

Financial Results – Six Conceptual Planning Options Compared
(*Base Case* With No Fleischer Land Cost for Options 4-6)

Jurisdiction Tax Revenue By Category	Koski Property Only			Koski + Fleischer Properties		
	1 - Ind/90th	2-Ind/88th	3-Campus	4- Ind/90th	5-Ind/88th	6-Campus
One-Time Tax Revenues (w/Property Sale & Construction in 2014 $)						
Clark County						
Real Estate Excise (REET)	$26	$27	$20	$36	$37	$28
Sales Tax on Construction	$523	$507	$569	$693	$678	$792
Subtotal Clark County	$549	$534	$589	$729	$715	$820
Other Taxing Jurisdictions						
Real Estate Excise (REET)	$66	$70	$52	$92	$93	$72
Sales Tax on Construction	$3,138	$3,040	$3,414	$4,156	$4,069	$4,751
Subtotal Other Jurisdictions	$3,204	$3,109	$3,466	$4,248	$4,162	$4,823
All Taxing Jurisdictions						
Real Estate Excise (REET)	$92	$97	$72	$128	$130	$101
Sales Tax on Construction	$3,660	$3,546	$3,983	$4,849	$4,747	$5,542
Total All Jurisdictions	$3,752	$3,643	$4,055	$4,977	$4,877	$5,643
Ongoing Tax Revenues (Annualized @ Full Build-Out in 2014 $)						
Clark County						
Property Tax	$164	$159	$178	$217	$212	$248
Sales Tax	$122	$130	$174	$168	$184	$260
Subtotal Clark County	$285	$288	$352	$385	$396	$508
Cumulative NPV - 30 Years	$3,869	$4,022	$4,758	$4,929	$5,213	$5,837
Other Taxing Jurisdictions						
Property Tax	$465	$450	$506	$615	$603	$704
Sales Tax	$730	$777	$1,042	$1,006	$1,103	$1,562
Subtotal Other Jurisdictions	$1,195	$1,228	$1,547	$1,621	$1,705	$2,266
Cumulative NPV - 30 Years	$16,672	$17,586	$21,488	$21,376	$23,124	$26,662
All Taxing Jurisdictions						
Property Tax	$628	$609	$684	$832	$815	$951
Sales Tax	$852	$907	$1,215	$1,174	$1,286	$1,823
Total All Jurisdictions	$1,480	$1,516	$1,899	$2,006	$2,101	$2,774
Cumulative NPV - 30 Years	$20,541	$21,608	$26,246	$26,304	$28,337	$32,499

Source: E. D. Hovee & Company, LLC. Options 4-6 assume that the Fleischer property is donated to Clark County, and Alternative 1 high-end remediation costs; implications of Alternatives 2-3 are evaluated later in this report.

Base Case County Proceeds (with no Fleischer Site Acquisition Cost). Clark County net proceeds are defined as the adjusted purchase price from developer(s) *minus* costs borne by Clark County for Fleischer site acquisition and remediation, *minus* transaction costs (including brokerage commission and closing costs).

Not included with Options 4-6 of the base case are the potential costs of purchasing the Fleischer property. In effect, the base case assumes that the Fleischer property is donated to Clark County with the County then responsible for site remediation (including potential for grant funding to offset a portion of remediation costs).

For all options, net proceeds to Clark County of this **base case** approach can be considered from at least three perspectives:

- When evaluated at time of sale in 2014-15 dollars, net proceeds to Clark County range from $3.7 million to $5.3 million. Option 5 with industrial development and 88th Street access for both the Koski and Fleischer properties appears to yield the greatest value to Clark County. This base case assumes that 50% of environmental remediation for the Fleischer site comes from non-county sources and does not account for deductions to net sales proceeds for Fleischer property pricing yet to be determined with Clark County.
- When considered in terms of net present value (NPV) through the 5-11 year period of site disposition (and accounting for the cost of money over this period), the array of valuation is somewhat lower – ranging from an NPV of $2.9 to $4.5 million. Option 2 performs ahead of Option 5 (by over $300,000) in terms of NPV to Clark County due to a more rapid period of absorption – assuming 50% county funding of remediation costs. The NPV results for the Fleischer options reflect not only Clark County's cost share of site remediation, but also the need to remediate *before* development can occur.

  In terms of per square foot values, the NPV range is from $1.65 - $3.26 per square foot. NPV values are below nominal *sticker price* values due to a forecast time horizon of 5-11 year for completing all transactions, with discounting of revenues received in out-years.
- If state or federal funding support for remediating the Fleischer site is not available and Clark County becomes responsible for 100% of site remediation, the financial results to Clark County change considerably for the worse. The NPV of net proceeds to Clark County could be reduced to as little as $1.4 million – more than $3 million below the NPV associated with best option available with the Koski property developed alone. Whether for the Koski property alone or Koski + Fleischer assemblage, the 88th Street access options (Option 2 or 5) yield the a somewhat greater net return to Clark County than 90th Street options, due to greater efficiency (or less road length) of internal roadway configuration.

Revised Case County Proceeds (with Fleischer purchase at appraised value). The revised case assumes that Clark County purchases the Fleisher site at the appraised value for a "clean site" of $1.6 million. Also assumed is that the County takes responsibility for site remediation at its cost, except to the extent offset by funding from non-county grant sources for clean-up. As with the base case, the revised case estimates assumes a Clark County 50% share of cost for Fleischer site remediation.

Detailed results of this scenario are provided by the chart on the following page. There is no difference between the financial results of Options 1-3 under base case versus revised case conditions. This is because Options 1-3 do not involve the Fleischer property. The difference lies with the financial results for Options 4-6 that do involve County purchase and remediation of the Fleischer site.

Financial Results – Six Conceptual Planning Options Compared
(*Revised Case* With $1.6 Million Fleischer Land Cost for Options 4-6)

Summary Results For Clark County & Purchaser(s)	Conceptual Planning Option: Koski Property Only			Koski + Fleischer Properties		
	1 - Ind/90th	2-Ind/88th	3-Campus	4- Ind/90th	5-Ind/88th	6-Campus
Site & Development Program						
Total Site Area (Acres)	31.5	31.5	31.5	40.6	40.6	40.6
Developable Land (Acres)	26.5	26.1	25.0	35.3	35.3	34.2
Building SF	457,630	432,310	461,560	600,090	568,870	624,940
Building FAR	0.40	0.38	0.42	0.39	0.37	0.42
Years to Sell All Parcels	8	8	5	11	11	11
Value & Cost Factors (2014 $)						
Valuation (per SF land area):						
Shovel Ready Land	$5.49	$5.95	$5.12	$5.53	$5.62	$4.96
Common Area Infrastructure & Extraordinary Site Cost (per SF land area):						
Road + Treatment Pond	$1.03	$1.16	$1.40	$0.85	$0.87	$1.16
Fleischer Remediation	--	--	--	$0.95	$0.95	$0.95
Transaction Cost (%)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Developer Incurred Costs (x $1,000 - 2014 Values)						
Purchase Price (adjusted)	$5,158	$5,436	$4,047	$7,192	$7,303	$5,664
Road + Treatment Pond	$1,185	$1,318	$1,524	$1,313	$1,332	$1,725
Fleischer Remediation	--	--	--	--	--	--
Total Shovel Ready	$6,343	$6,754	$5,571	$8,505	$8,635	$7,389
County Proceeds (x $1,000 - 2014 Values)						
Purchase Price (adjusted)	$5,158	$5,436	$4,047	$7,192	$7,303	$5,664
less:	--	--	--		--	--
Road + Treatment Pond	--	--	--	--	--	--
Fleischer Site Purchase	--	--	--	$ (1,600)	$ (1,600)	$ (1,600)
Fleischer Remediation	--	--	--	$ (1,675)	$ (1,675)	$ (1,675)
Transaction Cost	$ (258)	$ (272)	$ (203)	$ (360)	$ (365)	$ (284)
Net Proceeds to County	$4,900	$5,164	$3,844	$3,557	$3,663	$2,105
Net Present Value (NPV) of Proceeds to County						
Total NPV (x $1,000)	$4,235	$4,480	$3,374	$2,486	$2,588	$1,453
NPV Per SF of Land Area	$3.09	$3.26	$2.46	$1.41	$1.46	$0.82
Valuation of Development @ Build-Out						
Valuation (in 2014$)	$43,577	$42,218	$47,418	$57,722	$56,513	$65,980
NPV Valuation (w/phasing)	$36,609	$36,035	$39,829	$47,084	$46,394	$51,300

Source: E. D. Hovee & Company, LLC. Options 4-6 assume that Clark County purchases Fleischer at appraised value and Alternative 1 high-end remediation costs; implications of Alternatives 2-3 are evaluated later in this report.

As with the base case analysis , net proceeds to Clark County of this **revised case** approach also can be considered from three perspectives:

- When evaluated at time of sale (in 2014 dollars), net proceeds to Clark County range from $2.1 million to $5.2 million. Option 2 with industrial development and 88th Street access for the Koski site only appears to yield the greatest value to Clark County. The potential advantage that Fleischer presents with the base case is eliminated with the inclusion of a $1.6 million purchase price in the revised case. The best case Fleischer scenario (Option 5) generates only $3.7 million in net proceeds to Clark County – $1.5 million below what is possible with Koski only Option 2.

- As with the base case, this revised case assumes that 50% of environmental remediation for the Fleischer site comes from non-county sources. If 100% of remediation costs were to be a County responsibility, acquiring the Fleischer site could be as much as $4.6-$4.7 million more expensive in terms of reduced net proceeds (with Option 6) as compared with the Option 2 Koski-only alternative.
- When considered in terms of net present value (NPV) through the 5-11 year period of site disposition (and accounting for the cost of money over this period), NPV to the County ranges from less $1.5 million to $4.5 million. With this revised case analysis, Option 2 performs between $245,000 - $1.1 million better than the other Koski-only options, and $1.9 - $3.0 million ahead of the Koski + Fleischer options.

  In terms of per square foot values, the NPV range is from $0.82 - $3.26 per square foot. NPV values are below nominal *sticker price* values due to a forecast time horizon of 5-11 year for completing all transactions, with discounting of revenues received in out-years.
- If state or federal funding support for remediating the Fleischer site is not available and Clark County becomes responsible for 100% of site remediation, the financial results to Clark County change considerably for the worse. The NPV of net proceeds to Clark County could be reduced to less than a break-even proposition with Option 6 – by $4.6 million less than for the best option available with the Koski property developed alone. Whether for the Koski property alone or Koski + Fleischer assemblage, the 88th Street access options (Option 2 or 5) yield the a somewhat greater net return to Clark County than 90th Street options, due to greater efficiency (or less road length) of internal roadway configuration.

Valuation of Development @ Build-Out. At full build-out, likely assessed valuation of new construction ranges from $42 to about $66 million (measured in 2014 dollars). The highest valuation is indicated for Option 6 (campus development on the Koski and Fleisher sites combined).

When measured in NPV terms to account for multi-year phasing, valuation is estimated at $36 to $51 million – with Option 6 also yielding the highest NPV. While donation or acquisition of the Fleischer site does affect net proceeds to Clark County, it is not expected to make an appreciable difference in property valuation at site build-out.

Alternative Fleischer Remediation Implications. To this point, this analysis has assumed implementation of the Alternative 1 clean-up scenario – involving excavation and off-site disposal of impacted soil. Because of the substantial effect that this higher cost alternative has on overall project feasibility, it is useful to also consider market and financial feasibility implications of the other two remediation alternatives as outlined by MFA.

As earlier described, Alternative 2 involves capping of impacted soil – and is the lowest cost of the three alternatives considered. Alternative 3 would involve targeted excavation of impacted soil supporting redevelopment with capping of remaining impact soil – coming in between the costs of Alternatives 1 and 2.

The following chart summarizes net present valuation (NPV) of multi-year proceeds to Clark County under conditions of:

- Alternative remediation cost scenarios.
- Base case donation of the Fleischer property versus purchase by Clark County at the appraised valuation of approximately $1.6 million.

Net Present Value of Proceeds to Clark County with Remediation Alternatives (With Base or Revised Case Fleischer Acquisition)

Summary Results for Clark County by Cost of Fleischer Site Cleanup	Clark County NPV by Conceptual Planning Option (x $1,000)					
	Koski Property Only			Koski + Fleischer Properties		
	1 - Ind/90th	2-Ind/88th	3-Campus	4- Ind/90th	5-Ind/88th	6-Campus
Base Case Fleischer Donation of Property (applicable to Options 4-6 only)						
Alternative 1 - $3.35 million	$4,235	$4,480	$3,374	$4,041	$4,142	$2,920
Alternative 2 - $1.04 million				$5,163	$5,264	$3,979
Alternative 3 - $1.84 million				$4,773	$4,874	$3,611
Revised Case Purchase of Fleischer Property @ Appraised Value (applicable to Options 4-6 only)						
Alternative 1 - $3.35 million	$4,235	$4,480	$3,374	$2,486	$2,588	$1,453
Alternative 2 - $1.04 million				$3,608	$3,710	$2,512
Alternative 3 - $1.84 million				$3,219	$3,320	$2,145

Note: All of the above NPV calculations for the Fleischer site (Options 4-6) assume that Clark County will need to fund approximately 50% of site remediation costs, with the remainder covered by grant funding sources. Acquisition costs associated with purchase at appraised value are assumed to be 100% funded by Clark County.

Sources: E. D. Hovee & Company, LLC.

As the chart illustrates, these alternative remediation and Fleisher site acquisition cost scenarios do not affect Koski-only concept planning options 1-3. NPV variations are all attributable to varied outcomes possible with the Fleischer property (as options 4-6).

If a decision as to whether to proceed with acquisition of the Fleischer property is to be based primarily on NPV return to Clark County, the following observations are noted:

- NPV considerations appear to favor purchase of the Fleischer **property if the site is donated** to Clark County and lower cost remediation Alternatives 2-3 are successfully implemented. The implication of high cost Alternative 1 is to not proceed with Fleischer property purchase and development. The NPV proceeds to Clark County are less than would result from undertaking Koski property development alone, in effect meaning that Fleischer represents a net loss proposition to the County (plus added risk).

- If Clark County **purchases the Fleischer property at the recent appraised value of $1.6 million,** there is no NPV alternative that would provide a financial return to Clark County that is better than what is available with the Koski site alone. In effect, positive NPV realized from the Koski portion of a combined property assemblage would be needed to offset negative NPV associated with the substantial acquisition and remediation costs association with inclusion of the Fleischer site.
- Even though implementation of remediation Alternatives 2 or 3 would appear to swing the NPV calculation in the favor of obtaining the Fleischer property (assuming a no cost donation of the site to Clark County), there is **no clear assurance** that this will result in the NPV returns indicated. This is because a lower cost remediation alternative may reduce marketability of the site to industrial or business park users, lowering property pricing and/or extending the absorption period required for full build-out.

  While beyond the scope of this assignment to evaluate in monetary terms, the apparent NPV advantage of Fleischer site purchase may be effectively reduced to the extent that marketability to potential site users is impaired. This could occur, for example, to the extent that full or partial capping of the site proves to unduly constrain or increase the cost of building development. It is also possible that the lesser amount of remediation could reduce appeal for outside funding of remediation, raising the cost share of remediation that becomes the responsibility of Clark County.

As is indicated from this initial evaluation, a better understanding of the net value of adding versus not proceeding with the Fleischer property can best be made based on consideration of: a) reaching a mutually agreed acquisition price consistent with cost and NPV return objectives for Clark County; b) further evaluation of development constraints that may occur as a result of implementing lower cost remediation Alternatives 2 or 3, and c) discussion with state or related funding agencies as to cost share implications of these varied clean-up alternatives.

Community Economic Benefits

Economic benefits addressed with this analysis are employment, total annual payroll, and average annual wage. As noted, these benefits are considered in terms of:

- Direct on-site economic activity from businesses located at the redeveloped property, *plus*
- Economic multiplier effects of indirect spending (with business procurement purchases) and induced consumer household spending. Economic multipliers are for SW Washington, albeit with the bulk of the anticipated impact expected to be in Clark County.

All effects are as of project build-out, in 2014 dollars. A comparison of potential direct and multiplier effects across all six conceptual planning options is provided by the chart on the following page.

Community Economic Benefits – Six Conceptual Planning Options Compared

Employment & Payroll Category	Conceptual Planning Option: Koski Property Only			Koski + Fleischer Properties		
	1 - Ind/90th	2-Ind/88th	3-Campus	4- Ind/90th	5-Ind/88th	6-Campus
Employment						
Direct	705	735	820	960	1,030	1,195
Indirect & Induced	540	530	540	715	720	745
Total Economic Impact	1,245	1,265	1,360	1,675	1,750	1,940
Economic Multiplier	1.77	1.72	1.66	1.74	1.70	1.62
Payroll (x $1,000)						
Direct	$41,360	$42,090	$44,340	$55,730	$58,170	$63,170
Indirect & Induced	$25,310	$24,720	$24,970	$33,530	$33,280	$34,340
Total Economic Impact	$66,670	$66,810	$69,310	$89,260	$91,450	$97,510
Economic Multiplier	1.61	1.59	1.56	1.60	1.57	1.54
Average Wage						
Direct	$58,670	$57,270	$54,070	$58,050	$56,480	$52,860
Indirect & Induced	$46,870	$46,640	$46,240	$46,900	$46,220	$46,090
Total Economic Impact	$53,550	$52,810	$50,960	$53,290	$52,260	$50,260

Note: Estimates are as of completed site build-out; monetary values are estimated in 2014 dollars consistent with an evaluation process based on project research and conducted in 2014.

Source: E. D. Hovee & Company, LLC.

Key observations are noted as follows:

- The range of employment impact (including economic multiplier effects) is from 1,245 to 1,940 jobs. Due to greater land area, there is greater job potential if the Fleischer site is also made available for development. The campus options provide somewhat greater job potential (with more jobs per acre) than the industrial only concepts.
- Total annual payroll is roughly equivalent to job estimates across the options considered – with the major variation in payroll due to the acreage of property to be developed.
- Average annual wages (per worker) can be expected to be greater with the industrial only, when compared with the campus development options involving a greater mix of retail and office-related use.
- Economic multipliers (or ratios of total to direct impact) also are greater for industrial than campus-related development, due primarily to the wage differences noted.

Tax Revenue Implications

A final set of comparisons is made with respect to tax revenues anticipated to be generated from development of the subject property. Revenues are distinguished between:

- One-time revenues received in conjunction with property sale and construction – notably real estate excise tax (REET) and sales tax on construction.

- Ongoing tax revenues – received annually from operations of on-site businesses with building completion and occupancy, in the form of property and retail sales taxes (together with estimates of net present value (NPV) of ongoing revenues over 30 years.

Tax Revenue Benefits – Six Conceptual Planning Options Compared

Clark County & Other Jurisdiction Tax Revenue By Category	Conceptual Planning Option: Koski Property Only			Koski + Fleischer Properties		
	1 - Ind/90th	2-Ind/88th	3-Campus	4- Ind/90th	5-Ind/88th	6-Campus
One-Time Tax Revenues (w/Property Sale & Construction in 2014 $)						
Clark County						
Real Estate Excise (REET)	$26	$27	$20	$36	$37	$28
Sales Tax on Construction	$523	$507	$569	$693	$678	$792
Subtotal Clark County	$549	$534	$589	$729	$715	$820
Other Taxing Jurisdictions						
Real Estate Excise (REET)	$66	$70	$52	$92	$93	$72
Sales Tax on Construction	$3,138	$3,040	$3,414	$4,156	$4,069	$4,751
Subtotal Other Jurisdictions	$3,204	$3,109	$3,466	$4,248	$4,162	$4,823
All Taxing Jurisdictions						
Real Estate Excise (REET)	$92	$97	$72	$128	$130	$101
Sales Tax on Construction	$3,660	$3,546	$3,983	$4,849	$4,747	$5,542
Total All Jurisdictions	$3,752	$3,643	$4,055	$4,977	$4,877	$5,643
Ongoing Tax Revenues (Annualized @ Full Build-Out in 2014 $)						
Clark County						
Property Tax	$164	$159	$178	$217	$212	$248
Sales Tax	$122	$130	$174	$168	$184	$260
Subtotal Clark County	$285	$288	$352	$385	$396	$508
Cumulative NPV - 30 Years	$3,869	$4,022	$4,758	$4,929	$5,213	$5,837
Other Taxing Jurisdictions						
Property Tax	$465	$450	$506	$615	$603	$704
Sales Tax	$730	$777	$1,042	$1,006	$1,103	$1,562
Subtotal Other Jurisdictions	$1,195	$1,228	$1,547	$1,621	$1,705	$2,266
Cumulative NPV - 30 Years	$16,672	$17,586	$21,488	$21,376	$23,124	$26,662
All Taxing Jurisdictions						
Property Tax	$628	$609	$684	$832	$815	$951
Sales Tax	$852	$907	$1,215	$1,174	$1,286	$1,823
Total All Jurisdictions	$1,480	$1,516	$1,899	$2,006	$2,101	$2,774
Cumulative NPV - 30 Years	$20,541	$21,608	$26,246	$26,304	$28,337	$32,499

Source: E. D. Hovee & Company, LLC. See appendix for added tax rate detail.

Revenues are shown for Clark County and other benefitting state/local taxing jurisdictions. Revenues are estimated only for taxes derived directly from property redevelopment and subsequent operations. Observations of note are summarized as including:

- Total **one-time development related tax revenue** to all benefitting jurisdictions of $3.6 - $5.6 million through build-out (estimated in 2014 dollars). The Clark County share of this one-time tax revenue is estimated to range between $534,000 and $820,000.

  The greatest potential for one-time tax revenue is associated with combined development of both the Koski and Fleischer properties. Campus-related development could be expected to generate somewhat greater one-time tax revenues (up to 16% more) than is estimated for industrial-only development.

  Of the two primary one-time revenue sources, sales tax on construction can be expected to generate significantly more revenue than REET (although no estimate of REET has been made for future site re-sales beyond the initial property disposition by Clark County).

- **Ongoing tax revenue** is estimated to range between $1.5 - $2.8 million per year (as calculated in 2014 dollars subsequent to site build-out). The Clark County share of property and sales tax revenues ranges between $285,000 - $508,000 per year.

  As with one-time revenues, greater revenue potential is associated with the combined assemblage of the Koski plus Fleischer properties and with campus rather than industrial-only development. For benefitting jurisdictions, sales tax revenue is expected to account for a larger share of total revenues than property tax. This is the case even though much lower portions of industrial-service business activities are subject to sales tax than for retail business – albeit with the major share of sales tax revenue accruing to the State of Washington. For Clark County, property and sales tax revenues are expected to be more evenly balanced.

  The net present value (NPV) of on-going tax revenue over 30 years ranges from $20.5 to $32.5 million – with Option 6 indicated as yielding the greatest long-term revenue potential. NPV calculations reflect lower revenue in early years as development occurs incrementally, with a more substantial and stable revenue stream once property build-out is achieved.

Summary Comparison

This Phase 2 market report concludes with a one-page comparison of the six Leichner options considered followed by summary implications for subsequent site marketing and development.

Matrix Comparison. The chart on the following page provides a summary *matrix comparison* of the suitability of these uses in terms of such factors as build-out capacity, sales period, developer site costs, net proceeds to Clark County, construction build-out valuation, job and wage benefits, and direct one-time and ongoing tax revenues.

Also provided are summary notes by concept option, as well as by property assemblage alternative. For ease of comparison, all of the financial figures associated with the Fleischer property in the matrix chart assume implementation of the high-end Alternative 1 clean-up involving excavation and off-site disposal of impacted soil.

Leichner Landfill Area Master Plan – Summary Comparison of Six Planning Concepts

Comparative Measure	Koski Property Only (31.5 acres)			Koski + Fleischer Properties (40.6 acres)		
	1 – Ind/90th	2 – Ind/88th	3 – Campus	4 – Ind/90th	5 – Ind/88th	6 – Campus
Build-out SF # of Parcels	• 457,560 SF • 6 parcels	• 432,310 SF • 6 parcels	• 461,560 SF • 3 parcels	• 600,090 SF • 9 parcels	• 568,870 SF • 8 parcels	• 624,940 SF • 4 parcels
Uses / Sales Time (for all parcels)	• O/R on 94th, M/W interior • 8 years	• O/R on 94th, M/W interior • 8 years	• BP on 94th, M/W interior • 5 years	• O/R on 94th, M/W interior • 11 years	• O/R on 94th, M/W interior • 11 years	• BP on 94th, M/W interior • 11 years
Developer Site Costs	• $6.3 million	• $6.8 million	• $5.6 million	• $8.5 million	• $8.6 million	• $7.4 million
County Net Proceeds (NPV)	• $4.2 million	• $4.5 million	• $3.4 million	• $4.0/$2.5 million (based on site cost)	• $4.1/$2.6 million (based on site cost)	• $2.9/$1.5 million (based on site cost)
Construction Buildout (2014$)	• $43.6 million	• $42.2 million	• $47.4 million	• $57.7 million	• $56.5 million	• $66.0 million
Total Jobs / Average Wage	• 1,245 jobs • $53,550 wage/yr	• 1,265 jobs • $52,810 wage/yr	• 1,360 jobs • $50,960 wage/yr	• 1,675 jobs • $53,290 wage/yr	• 1,750 jobs • $52,260 wage/yr	• 1,940 jobs • $50,260 wage/yr
Direct Taxes for All Jurisdictions	• $3.8 million one-time plus $1.5 million per year	• $3.6 million one-time plus $1.5 million per year	• $4.1 million one-time plus $1.9 million per year	• $5.0 million one-time plus $2.0 million per year	• $4.9 million one-time plus $2.1 million per year	• $5.6 million one-time plus $2.8 million per year
Comments by Option	• Highest average wage but lowest job count & annual tax revenue of six concept options	• Most net site income to Clark County of Koski-only options (or of all 6 options in NPV terms)	• Most rapid site sales w/small number of large plus small sites	• Most parcels of any site concept	• Most site cost to developer • Most site income to Clark County in 2014$ (@50% of clean-up cost)	• Maximum value of development • Most one-time plus ongoing tax benefits
Comments by Assemblage	• Lowest cost & risk options due to quicker site disposition time and no substantial added remediation costs • Less market presence together with lower economic and tax benefits long-term than with full assemblage			• Greatest swing in net site income to county depending on non-county funding for remediation and land cost • Offers greatest economic and tax benefit potential		

Note: Use abbreviations are M – manufacturing, O – office, R – retail, W – warehouse/distribution, BP – business park.

Source: E. D. Hovee & Company, LLC. Analysis is intended for illustrative purposes, and subject to revision.

Summary Implications. As is clear from the evaluation in this Phase 2 market analysis, there is no conceptual planning option that comes out as a *clear winner* across all of the financial and economic impact factors considered. Selection of a preferred concept will depend, in large part, on the relative weights given to the varied outcome measures evaluated:

- If maximizing net sales income to Clark County is the primary priority, the Koski + Fleischer Option 5 appears to be a slight favorite over the Koski-only Option 2 scenario (with both options predicated on 88th Street access). This analysis assumes that no more than 50% of Fleischer site remediation costs are borne by Clark County and that the Fleischer property can be purchased at no cost or a relatively nominal value (of about $100,000 or less – well below the recent appraised value of $1.6 million).
- However, when considered in terms of net present value (NPV) to Clark County, the Koski-only Option 2 performs nearly $340,000 better than Option 5 (even if the Fleischer site were to be donated). This is because land sales with the combined Koski + Fleischer property are estimated to take about three years longer than with the Koski only approach. At this time, the Koski + Fleischer options also involve considerably greater risk due to as yet unresolved uncertainties related to total site remediation cost, the Clark County share of remediation costs, and a negotiated land purchase price.
- At first glance, the Koski + Fleischer options would appear to be financially more favorable if lower cost remediation Alternatives 2 or 3 are implemented, the site is donated and the County's share of remediation cost held to 50%. However, the lower cost remediation options involve some amount of capping that could affect site development capacity, marketability and/or grant funding appeal.
- Bottom-line, if Clark County's combined share of costs for purchase and/or remediation of the Fleischer site exceed a collective total of about $1.3 - $1.4 million, the best Koski-only development (with Option 2) likely yields greater NPV financial return to Clark County than the best available Koski + Fleischer (Option 5) development scenario.
- If a primary goal is to dispose of the property as quickly as possible, though likely on a phased basis, the Option 3 campus business park concept becomes more attractive than indicated by the NPV calculations alone, assuming that a large site business park buyer can be secured within a reasonable time frame at pricing to market.
- Alternatively, if long-term community economic and local jurisdiction tax revenues are of primary importance, going with the larger Koski + Fleischer assemblage offers greater opportunity and community benefit than a Koski-only approach. The campus approach (Option 6) offers the greatest potential job and tax revenue yield, while the light industrial concepts may be associated with somewhat higher average annual wage levels.

All six options assume that parcel sales are phased over a multi-year time period. An alternative approach would be to sell all Koski or Koski + Fleischer properties wholesale as a single package. Sale of the full Koski site appears to be advantageous if Clark County could achieve at least the NPV of a phased parcel sales program. The target price for a single sales transaction would appear to be in the range of about $4.2 - $4.5 million (or of up to about $3.25 per square foot).

A similar wholesale disposition and pricing approach could be taken with respect to valuing a package assemblage for the Koski + Fleischer properties combined. At this time, determining appropriate pricing appears premature, pending resolution of environmental cleanup cost and funding responsibility together with a supportable purchase price for Fleischer property acquisition.

E. D. Hovee & Company, LLC appreciates the opportunity to provide this revised Phase 2 market assessment of Leichner site reuse concepts. We would be happy to respond to questions regarding any aspect of this report.

Appendix. Supplemental Data Tables

On the following pages are provided detailed supplemental data tables used for this Phase 2 market analysis of Leichner site reuse concepts.

Land Use & Construction Cost Allocation

The following site related and construction cost parameters are utilized with this analysis. These site and cost parameters are varied by IL versus BP site configuration and industrial versus commercial use.

Land Use & Construction Cost by Development Configuration & Use Type

Parcel Allocation	IL Configuration Industrial	IL Configuration Commercial	BP Configuration Industrial	BP Configuration Commercial
Land Allocation				
Site Parameters				
Number of Floors (Avg)	1.00	1.00	1.10	1.20
Parking Ratio	1 sp / 600 sf	1 sp / 250 sf	1 sp / 600 sf	1 sp / 300 sf
Parking Ratio/1000 SF	1.67	4.00	1.67	3.33
Land Area per Space (SF)	375	375	375	375
% Landscaping	10%	10%	15%	15%
% Site Utilization				
Building Footprint	45%	30%	45%	33%
Parking	28%	45%	28%	42%
Landscaping	10%	10%	15%	15%
Other Undeveloped	17%	15%	11%	10%
Total	100%	100%	100%	100%
Building FAR	0.45	0.30	0.50	0.40
Construction Costs				
Per Square Foot Costs				
Building Area (SF bldg)	$75	$90	$90	$120
Site Costs (per SF land)	$4.00	$4.00	$4.00	$4.00
Parking Area (SF pkg)	$7.50	$7.50	$7.50	$7.50

Note: Construction costs are estimated in 2014 dollars.

Sources: Rider Levett Bucknall, E. D. Hovee & Company, LLC.

Infrastructure Cost Estimate

The following charts detail infrastructure cost estimates associated with each of six conceptual planning options. Preliminary planning level quantity requirements and cost estimates are made by Maul Foster Alongi, as lead project consultant to Clark County.

MAUL FOSTER ALONGI

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Leichner Master Plan – Conceptual Planning Cost Estimates

42' wide road (Local Commercial/Industrial)
AASHTO Soil Type: A-4
6' sidewalks
Curb and Gutter
Subgrade Prep
0.6' HMA
12" Crushed Surfacing Base Course
12" Storm drain – MH's @ 400' – CB's @ intersections
8" Sanitary Pipe – MH's @ 400'
12" Water Main – Fire hydrants and gate valves @ 350'
Roadside Biofiltration – $28/LF

Road	*Option 1*	*Option 2*	*Option 3*	*Option 4*	*Option 5*	*Option 6*
Linear Feet of Road	2000	2290	2680	2240	2290	3050
Estimated Road	$ 993,100	$ 1,116,555	$ 1,312,260	$ 1,099,380	$ 1,116,555	$ 1,485,875
Estimated Roadside Biofiltration	$ 56,000	$ 64,120	$ 75,040	$ 62,720	$ 64,120	$ 85,400
Total Cost	$ 1,049,100	$ 1,180,675	$ 1,387,300	$ 1,162,100	$ 1,180,675	$ 1,571,275

Treatment Pond	*Options 1-3*	*Options 4-6*
Grading @ $0.35/SF	$ 10,600	$ 10,600
Excavation @ $8/CY	$ 102,175	$ 118,450
Fence @ $15/LF	$ 3,600	$ 3,600
Rock	$ 20,000	$ 20,000
Total Cost	$ 136,375	$ 152,650

	Option 1	*Option 2*	*Option 3*	*Option 4*	*Option 5*	*Option 6*
Road	$ 1,049,100	$ 1,180,675	$ 1,387,300	$ 1,162,100	$ 1,180,675	$ 1,571,275
Treatment Pond	$ 136,375	$ 136,375	$ 136,375	$ 152,650	$ 152,650	$ 152,650
Total Cost	**$ 1,185,475**	**$ 1,317,050**	**$ 1,523,675**	**$ 1,314,750**	**$ 1,333,325**	**$ 1,723,925**

Business & Economic Impact Factors

As with land use and construction cost, business and economic impact factors are varied by IL versus BP site configuration and industrial versus commercial use. These factors are depicted by the following chart.

Land Use & Construction Cost by Development Configuration & Use Type

Parcel Allocation	IL Configuration		BP Configuration	
	Industrial	Commercial	Industrial	Commercial
Business Revenues/SF				
Inflation Adjusted to 2014	$188.50	$243.60	$188.50	$255.20
% Subject to Sales Tax	7.50%	18.00%	7.50%	26.00%
Taxable Sales/SF Bldg	$14.14	$43.85	$14.14	$66.35
Taxable Sales/Ac ($1,000)	$277	$573	$277	$867
Employment Density				
Jobs per 1,000 nsf	1.10	2.60	1.10	2.50
Comments	90% eff w/flex	@ 90% NSF/GSF	90% eff w/flex	@ 90% NSF/GSF
Average Wage				
Inflation Adjusted to 2014	$65,140	$50,728	$65,140	$48,268
Economic Multipliers				
Jobs	1.97	1.52	1.97	1.49
Income/Payroll	1.71	1.46	1.71	1.47
Output	1.45	1.51	1.45	1.51
Comments	mix I/W/Flex	10% retail	mix I/W/Flex	20% retail

Notes: Construction costs are estimated in 2014 dollars. I denotes industrial, W wholesale/distribution.

Sources: Rider Levett Bucknall, E. D. Hovee & Company, LLC.

Tax Rates for State & Local Jurisdictions

This final chart on the following page provides 2014 rates for applicable local and state taxes related to one-time development activities and ongoing business operations subsequent to construction.

Land Use & Construction Cost by Development Configuration & Use Type

Tax / Jurisdiction	Rate
Real Estate Excise Tax (REET)	
State	1.28%
Unincorp Clark County	0.50%
Total Rate	1.78%
Sales Tax (as % of Taxable Sales)	
Clark County Basic	0.50%
Clark County Optional	0.50%
Criminal Justice	0.10%
Mental Health	0.10%
Transit	0.70%
State	6.50%
Total Rate	8.40%
Clark County Subtotal	1.20%
Property Tax (per $1,000 TAV - 2014)	
STATE SCHOOLS	$2.347095
PORT VANCOUVER BONDS	$0.227447
PORT VANCOUVER GENERAL	$0.172241
SD114 EVERGREEN DEBT SVC	$1.959577
SD114 EVERGREEN M&O	$3.932508
SD114 EVERGREEN M&O ADREF	$0.023821
FIRE DIST #5 GENERAL	$1.500000
FT VANCOUVER REG LIBRARY	$0.497966
FT VANCOUVER REG LIBRARY ADREF	$0.001738
METROPOLITAN PARK DIST	$0.246451
METROPOLITAN PARK DIST ADREF	$0.000661
VETERANS ASST	$0.009228
ROADS	$1.735404
ROADS ADREF	$0.003743
ROADS DIVERSION	$0.248211
CONSERVATION FUTURES ADREF	$0.000190
CONSERVATION FUTURES	$0.057933
COUNTY GENERAL	$1.426384
COUNTY GENERAL ADREF	$0.004378
DEV DISABILITY	$0.012500
MENTAL HEALTH	$0.012500
PORT VANCOUVER GENERAL ADREF	$0.000000
Total Rate	$14.419975
Clark County + Parks Subtotal	$3.757581

Sources: State of Washington Department of Revenue, Clark County Assessor's Office.