

CHELAN DOUGLAS REGIONAL PORT AUTHORITY POLICY REGARDING CAPITAL INVESTMENTS

Per the Interlocal Agreement dated June 11, 2019, real property and improvements associated with Pangborn Memorial Airport will be transferred to the CDRPA and each Port is retaining ownership of all real property and improvements owned prior to January 1, 2020. Each Port has assigned to the CDRPA the right to receive rents and otherwise manage properties separately owned by the Ports (please see Section 5.1 of the Interlocal Agreement). The Interlocal Agreement anticipates the adoption of policies as part of an overall plan of functional consolidation (please see Section 5.2 of the Interlocal Agreement). The following policies shall govern the capital investments to Port of Chelan and Port of Douglas real properties, the acquisition of real property after January 1, 2020 (and capital improvements thereto), and capital investments at Pangborn Memorial Airport. As more fully set for below, the CDRPA and the Ports agree to adopt an Ownership Allocation Memo as the means to allocate the percentage of ownership of real property under certain circumstances. Any ownership Allocation Memo adopted and approved by the Ports will be binding on the Ports in the event the CDRPA is dissolved. Real property titled separately in one Port as set for in the Interlocal Agreement shall remain an asset of that Port. The value of the ground separately held by each Port as set forth in the Interlocal Agreement shall not be included or factored into an Ownership Allocation Memo (i.e. the ground associated with properties identified in Exhibit E in the Interlocal Agreement shall always be wholly owned by the Port).

1. Real Property owned by the Port of Chelan or Port of Douglas prior to January 1, 2020 – Capital Investments less than \$1.0 Million

Capital investments less than \$1.0 million by the CDRPA into any existing property of either Port shall not be subject to any ownership reallocation.

Example: The CDRA approves a capital budget allocation of \$250,000 to replace a roof on a Port building. The ownership of that building does not change (i.e. there is no Ownership Allocation Memo).

2. Real Property owned by the Port of Chelan or Port of Douglas prior to January 1, 2020 – Capital investments equal to or over \$1.0 million.

In the event of a major remodel, new construction (e.g. new building or addition to a building) and/or investments to real property owned by either Port equal to or over \$1.0 million, the CDRPA must first approve the project, subject to financing. The Port owning the property has the right to fund said project by the issuance of separate debt. If successful, the ownership of the property remains unchanged (an Ownership Allocation Memo is not required). If not possible or the Port owning the property elects not to separately incur debt, CDRPA will work on a financing plan incorporating both Ports participation. As part of the Board of Directors approval of the joint financing plan, an Ownership Allocation Memo

addressing ownership of the capital investment must be adopted and approved by both Ports.

Example: A Port owns a building that has a book value of \$3.5 million. The CDRPA wants to undertake a \$1.5 million remodel to accommodate a new tenant that will create new jobs or create additional inventory. The Port who owns the property elects not to issue new debt to fund the project. The CDRPA approves a financing plan where each Port contributes \$750,000. An Ownership Allocation Memo must be approved as part of the approval of the financing plan that recognizes the respective ownership in the building or capital investment going forward, including the current value of the existing building along with each Ports new investment into the property. In this example, the Port who owns the building would hold an 85% (\$4,250,000/\$5,000,000) interest in the building after the investment, and the other Port would hold a 15% (\$750,000/\$5,000,000) interest in the building, which allocation will be only a factor in the event the CDRPA is dissolved.

3. Real Property Acquired after January 1, 2020

For the acquisition of real property and future improvements of said properties, an Ownership Allocation Memo will be adopted by the Board of Directors for the acquisition and each capital investment made on said property.

4. Pangborn Memorial Airport- Existing Real Property prior to January 1, 2020

All existing real property and improvements will be recognized as owned by the CDRPA per the interlocal agreement (except for buildings owned by the Port of Douglas or the Port of Chelan as of December 31, 2019 as set forth in the Interlocal Agreement).

5. Pangborn Memorial Airport- Real Property Acquired and improvements occurring after January 1, 2020

For capital investments into new real property or new capital improvements (e.g. new building such as hangars, new commercial building, etc.) after January 1, 2020, (for purposes of this Policy No. 5, "New CDRPA Assets"), an Ownership Allocation Memo will be adopted by the Board of Directors and the Ports, except as provided in paragraph (a) and subject to the condition in paragraph (b), below:

- a. Capital Investments into airfield dependent uses necessary for the operation of a commercial airport (runways, taxiways, property acquired for runway protection zones, and terminal uses and expansion) and improvements to any existing building owned by the CDRPA as of January 1, 2020 (whether or not airfield dependent) shall not require an Ownership Allocation Memo.

- b. Future capital improvements to New CDRPA Assets shall be governed by the principals set for in Policies 1 and 2, above: (i) if the future capital improvement is less than \$1 million, then the underlying Ownership Allocation Memo shall not change, and (ii) if the future capital improvement is equal to or greater than \$1 million, then a new Ownership Allocation Memo will be required.

Approved by the Chelan Douglas Regional Port Authority Board of Directors on:

November 12th, 2019