King County

Facilities Management Division
Anthony Wright, Interim Director
Department of Executive Services
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January 29, 2015

The Honorable Dow Constantine
King County Executive
401 5th Avenue, Suite 800
Seattle, WA 98104

Dear Executive Constantine:

The purpose of this letter is to inform you that King County has entered into direct negotiations for a long term lease with Hangar II LLC, a wholly owned subsidiary of Gateway USA, L.L.C. dba Clay Lacy Aviation ("Clay Lacy") at King County International Airport ("KCIA"). If you disagree with this approach you may direct Facilities Management Division to offer the lease for competitive bidding.

Clay Lacy is a service based company for corporate jet travelers providing aircraft chartering and sales, fueling, maintenance, food, offices, ground transportation and pilot training. They are a gateway to Seattle for public officials, musicians, sport figures and corporate executives. Clay Lacy has been at KCIA since May 2003 when they purchased an existing facility and leasehold. Over the past 11 years they have expanded to 55 employees and added a Maintenance Department.

Clay Lacy currently has a long-term lease that expires in 2047 on the adjacent 9.73 acre leasehold to the north of the subject parcel. The proposed agreement contemplates the demolition and construction of new hangars on a 4.71 acre leasehold. The requested length of the term will be 35 years at a fair market value ground rent. FMD received a new appraisal of KCIA in 2014 and an adjusted rent for 2015 will be addressed in the new lease language.

King County Code section 4.56.160(B) allows King County to directly negotiate leases if the director of the facilities management division determines it is advantageous to the county to negotiate without bidding. I consider it advantageous to directly negotiate this lease for the reasons listed below.

1. Clay Lacy plans to demolish six obsolete hangar buildings on the property and build approximately 110,000 square feet of hangar space and aircraft parking ramp which will

allow them to be more flexible in the types of aircraft they park and the services they provide. This expanded presence on the airfield will not only provide land rent to the airport but also increased landing fees and fuel flowage fees over that typically produced by a private hangar tenant.

2. Given the requested length of lease, KCC 4.56.180(A.2) will require Clay Lacy to invest an amount equal to the value of the ground being leased. In this case that amount is $5.13 million. The improvements being proposed by Clay Lacy have an estimated value of $8 million, in excess of what is required to satisfy the financial investment requirements required by KCC to justify a lease length of 35 years. If after negotiation, Clay Lacy's investment does not exceed that required under KCC, FMD will offer the real estate with an RFP.

3. Additionally, Clay Lacy is assuming a greater amount of expense and demolition costs than would be expected from a tenant responding to a RFP process. Clay Lacy is assuming the cost of demolition of existing obsolete hangars and site preparation and will also be remediating, at their costs, any environmental contamination on the property. They will also be paying full rent during their permitting and construction period.

If you have any questions regarding this proposal, please call me at 206-296-0630.

Sincerely,
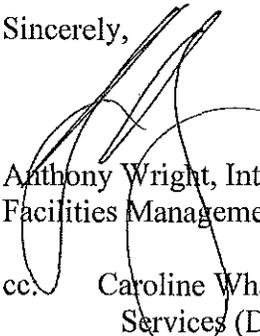
Anthony Wright, Interim Director
Facilities Management Division

cc: Caroline Whalen, County Administrative Officer and Director, Department of Executive Services (DES)
Elissa Benson, Interim Deputy Director, Facilities Management Division (FMD), DES
Gail Houser, Manager, Real Estate Services Section (RES), FMD, DES
Heather Marlow, Acting Leasing Supervisor, RES
Harold Taniguchi, Director, Department of Transportation (DOT)
Robert I. Burke, Director, King County International Airport (KCIA)

DECISION

___DISAPPROVED – CONDUCT PROCESS FOR COMPETITIVE BIDDING

___SEE ME