

Commercial Real Estate 2020 Urban & Transition Lands

DIVERSIFIED SOURCES OF REVENUE FOR STATE TRUST LAND BENEFICIARIES



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WASHINGTON STATE DEPARTMENT OF
NATURAL RESOURCES

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Narrative

COMMERCIAL REAL ESTATE

Commercial real estate properties are an important part of the diversified asset portfolio that the Department of Natural Resources (DNR) manages on behalf of state trust land beneficiaries. Almost all DNR-managed commercial real estate benefits the Common School Trust, providing revenue for K-12 school construction projects across the state. Over the past decade, these properties have contributed approximately 9 percent of the total revenue generated for the Common School Trust.

DNR currently manages eight properties with commercial buildings, including retail businesses, commercial office buildings, and commercial warehouses, as well as 30 ground leases where DNR leases the state-owned lands, and the lessees own the improvements (buildings and other infrastructure) on those lands. These commercial properties are located across the state. In fiscal year 2019, the Department's Commercial Real Estate program generated almost \$10.2 million. In addition, lessees pay leasehold tax to the local jurisdiction, providing revenue to municipal governments as well.

Appendix A identifies the Commercial Ground Leases and Appendix B identifies the Commercial Building Leases.

URBAN/TRANSITION LANDS

Some of the above commercial properties were acquired as developed pieces and others developed from the urban and transition properties within DNR's managed lands. The current Urban/Transition lands have been identified based on the goals and policies established in the 1988 Transition Lands Policy Plan (TLPP). The definitions within the TLPP are as follows:

Urban Lands: Land expected to be urban due to designation as "urban" by local land use plans; or authorization for commercial, industrial or residential uses by local government; or where capital improvements and services exist or are scheduled to be available.

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

The Commercial Real Estate (CRE) group currently manages 76 properties across DNR's six regions. Currently, there are 41 properties identified as urban in nature and 35 properties identified as transition lands based on the TLPP. The CRE group annually reviews existing properties on the urban/transition lands list and works with region staff to identify new properties that should be added to the list. The CRE group works with local jurisdictions and reviews market data to determine which property entitlements will create a higher and better use and increase value for the Common School Trust or other

beneficiaries. The length of this process is dictated partially by local jurisdictions and their planning processes and partially by market demand. Once entitlements are finished, the properties are ready for direct sale, auction, or exchange with the ultimate goal of generating revenue for the Common School Trust.

The Urban & Transition Lands Portfolio ([link](#)) identifies both the Urban and Transition lands managed by the Commercial Real Estate Program.

References

Washington State Department of Natural Resources (1988). *Transition Lands Policy Plan*.

Appendices

Appendix A – Commercial Ground Leases
Appendix B – Commercial Building Leases
Appendix C – Urban/Transition Lands

2020 Commercial Ground Leases

LESSEE	TRUST	ADDRESS	COUNTY	ZONING	ANNUAL_RENT	DESCRIPTION
Aerowood Animal Hospital	COMM SCHOOL	2975 156th Ave. S.E. Bellevue 98007	King	Office (O/C), City of Bellevue	\$21,708	3,300 sf wood frame veterinarian clinic.
Alpine Vet Clinic, Denise Krytenberg, DVM (James Gjesvold)	COMM SCHOOL	741 E. Riverside Dr., Omak 98841	Okanogan	County zoning: R20	\$22,500	1 d.u./20 ac. zoning but property surrounded by Highway Business
Backstage Entertainment, LLC	COMM SCHOOL	1017 S. Boone St., Aberdeen 98520	Grays Harbor	Commercial, Aberdeen	\$48,000	A portion of the parking lot for a shopping mall.
Bob's Café at the Inn, Inc.	COMM SCHOOL	1807 E. Kittleson Rd, Moses Lake 98837	Grant	C-2	\$39,640	Stand alone restaurant building adjacent to motel
Duane G. Warren	COMM SCHOOL	P.O. Box 91, Trout Lake	Klickitat	rural resident./forest	\$510	SF residential house - 1970s pre-existing residential lease (under-performing)
Flowery Trail Community Asso. (Chewelah Basin Ski Corp)	COMM SCHOOL	P.O. Box 1309, Chewelah, 99109	Stevens	Forest (1d.u./20 ac.)	\$29,540	1970s Non-conforming residential subdivision
FRED MEYER	COMM SCHOOL	6100 E. Lake Sammamish Pl. S.E., Issaquah	King	Community Business (CB), Issaquah	\$1,318,600	167,561 sf prototypical Fred Meyer store.
H&S Assoc. (Port Orchard Retail)	COMM SCHOOL	2995 Mile Hill Dr., Port Orchard 98366	Kitsap	Business General, Port Orchard	\$48,806	Auto repair building (formerly Goodyear) and separate 4 tenant strip retail building.
	COMM SCHOOL		Kitsap	Business General, Port Orchard		
	COMM SCHOOL		Kitsap	Business General, Port Orchard		
John Fuller	COMM SCHOOL	P.O. Box 225, Trout Lake	Klickitat	rural resident./forest	\$200	1970s pre-existing residential lease (under-performing)
June Malone	COMM SCHOOL	8615 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac, Whatcom county.	\$42,894	Pre-existing residential subdivision with 29 lots
	COMM SCHOOL	8621 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac, Whatcom county.		
	COMM SCHOOL	8619 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac, Whatcom county.		
	COMM SCHOOL	8627 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8629 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8557 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8631 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8601 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8575 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8551 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8633 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8625 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8617 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8623 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8569 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8613 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8609 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8605 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8595 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8589 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8581 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8563 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8545 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8616 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8604 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
	COMM SCHOOL	8584 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac		
COMM SCHOOL	8560 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac			
COMM SCHOOL	8536 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac			
COMM SCHOOL	8512 SEMIAHMOO DR, BLAINE, WA	Whatcom	Urban residential 4 du/ac			
Key Park Northwest, Inc.	COMM SCHOOL	2100 2nd Ave., Seattle	King	DMR/R 85'/65', dwntn mixed residential, Seattle	\$122,482	6,500 sf lot in downtown (Belltown) Seattle.
L.C. Bertsch, Inc. dba Coulee Lodge	COMM SCHOOL		Grant		\$8,350	1970s Pre-existing recreation lease (under-performing)

Commercial Ground Leases

LESSEE	TRUST	ADDRESS	COUNTY	ZONING	ANNUAL_RENT	DESCRIPTION
Resort	COMM SCHOOL	33017 Park Lake Road N.E., Coulee City, WA 99115	Grant	Rural Remote (RRem)		
Lanny Smith	COMM SCHOOL	P.O. Box 101, Trout Lake	Klickitat	rural resident./forest	\$973	SF residential house - 1970s pre-existing residential lease (under-performing)
Long Lake Shores, Inc.	COMM SCHOOL	24899-24801 Longlake Shores Dr. Soap Lake 98851	Grant	Public Open Space (POS)	\$80,000	Pre-existing Manufacture home park
Mar Don Resort	COMM SCHOOL	8198 HWY 262 SE, Othello	Grant	Master Planned Res.	\$93,480	Pre-existing recreation resort with store, restaurant, cabins, RV hookup
Mar Don Resort - Federal Land sublease	COMM SCHOOL	8198 HWY 262 SE, Othello	Grant	Master Planned Res.	\$0	pads, camp sites and storage facility - see website.
Maverick, Inc.	COMM SCHOOL		Franklin	Retail Business (C-1)	\$51,206	Convenience/gas store and separate strip retail bldg.
Pacific Centers LLC (Eastgate Retail)	COMM SCHOOL	3181 156th Ave. S.E. Bellevue 98007	King	Community Business (CB), Bellevue	\$159,951	Jack n Box restaurant and Starbucks + office space building
	COMM SCHOOL	3181 156th Ave. S.E. Bellevue 98007	King	Community Business (CB), Bellevue		
Pasco Road 68, LLC (David Black)	COMM SCHOOL		Franklin	Retail Business (C-1)	\$480,000	Retail pads: Lowes, Sonic Restaurant, Jack 'n Box, Car wash + coffee stand, Petco (10,500 sf) + Aspen Dental (3,770 sf) bldg., vacant pad of 11.7 acres
	COMM SCHOOL		Franklin	Retail Business (C-1)		
	COMM SCHOOL		Franklin	Retail Business (C-1)		
	COMM SCHOOL		Franklin	Retail Business (C-1)		
Somnath Motel, LLC (dba Surestay Plus Hotel by Best Western)	COMM SCHOOL	1819 E. Kittleson Rd., Moses Lake 98837	Grant	C-2	\$66,000	Formerly Shilo Inn, recently renovated into Surestay Best W.
Sunbanks Resort	COMM SCHOOL	57662 Hwy 155 N, Electric City, WA	Grant	Master Planned Res.	\$84,025	Pre-existing Recreation resort with store/lodge, cabins, RV hookup, camp sites, houses, villa units
Terry & Lynn Welch	COMM SCHOOL	P.O. Box 142, Trout Lake	Klickitat	rural resident./forest	\$200	Pre-existing lease for a ski lodge building used as SF residence (under-performing)
Touchstone Corporation	COMM SCHOOL	15445 S.E. 30th Pl., Bellevue 98007	King	Office (O/C), City of Bellevue	\$509,472	70,000 sf office building, stuctural steel with dryvit façade.
U.S. Bank of Washington	COMM SCHOOL	800 S. Columbia, Connell 99326	Franklin	Commercial General	\$28,152	Approx. 3,000 sf wood frame, bank branch building.
Water Front Recreation	COMM SCHOOL	Apx. 10 mi. east of Cougar	Skamania	Mountain Recreational (MR 20), Skamania Co.	\$109,186	210 lot pre-existing residential, vacation cabin subdivision on east end of Swift Creek Resrvoir.
Water Front Recreation	FB PURCHASE	Apx. 10 mi. east of Cougar	Skamania	Mountain Recreational (MR 20)	\$5,400	
24-7 Property Maintenance	COMM SCHOOL	No address, portion of Alpine Vet parcel	Okanogan	County zoning: R20	\$8,394	Garage-like storage building and other non-permanent office bldg.
Soap Lake Road & Gun Club	COMM SCHOOL	No address, see adjacent lessee Coulee Lodge	Grant	Rural Remote	\$13,870	Pre-existing Tent and RV campsites, restroom and septic facilities, boat launch

2020 COMMERCIAL BUILDING LEASES

PROPERTY	TRUST	COUNTY	BUILDING_USE	TOTAL_SF	VACANT_SF	ACQUIRED	COST	ANNUAL_RENT
Costco	COMMON SCHOOL	Pierce	Retail Warehouse	111,776		9/9/1988	\$5,150,000	\$668,769
I-90 Lake Place Building A	COMMON SCHOOL	King	Single Tenant Office	70,197		10/29/1990	\$11,000,000	\$2,136,792
I-90 Lake Place Building B	COMMON SCHOOL	King	Office	55,225	55,225	10/29/1990	\$6,900,000	\$0
Boulevard Center	COMMON SCHOOL	Pierce	5-unit Retail Powercenter	121,552	23,063	3/23/1995	\$17,300,000	\$1,570,000
Creekview Building	COMMON SCHOOL	Snohomish	Multi-tenant Office	46,227	23,000	3/13/1999	\$7,000,000	\$180,000
Funko Warehouse	COMMON SCHOOL	Snohomish	Warehouse	200,500		6/30/2003	\$12,900,000	\$1,279,560
Walgreens - Mukilteo	AGRICULTURAL SCHOOL	Snohomish	Retail	15,120		2/22/2002	\$5,400,000	\$446,000
	CEP & RI							
	COMMON SCHOOL							
	UNIVERSITY ORIGINAL							
Walgreens - Des Moines	COMMON SCHOOL	King	Retail	14,820		4/11/2006	\$7,125,000	\$481,500
Bartells Arlington	COMMON SCHOOL	Snohomish	Retail	14,622		12/13/2019	\$9,075,000	\$482,526

URBAN/TRANSITION LANDS LIST

Property Name	Urban/ Transition	Trust	Region	County	UGA or City	Zoning	GIS Acres
Fancher	Urban	Common School	Northeast	Spokane	n/a	Urban Reserve	78.01
Joseph Street	Urban	Land Bank	Northeast	Spokane	City of Spokane	Light Industrial	0.36
Liberty Lake	Urban	Common School	Northeast	Spokane	City of Liberty Lake	Freeway Comm.	32.24
Shriners	Urban	Common School	Northeast	Spokane	City of Spokane	S-F Residential	1.39
Thorpe	Urban	Common School	Northeast	Spokane	City of Spokane	S-F Residential	203.62
Swenson	Urban	CEP&RI	Northeast	Stevens	Lake Spokane UGA	Rural Trad.-1du/10ac	48.47
Viller	Urban	Common School	Northeast	Stevens	Lake Spokane UGA	Residential-1du/1ac	241.23
Cemetery Road	Transition	University - Transferred	Northeast	Stevens	n/a	Forest Land	133.03
Hungry Hollow	Transition	Common School	Northeast	Okanogan	n/a	Residential-1du/20ac	11.92
McCloud	Transition	Common School	Northeast	Pend Oreille	n/a	Residential-1du/10ac	198.24
North 80	Transition	CEP&RI	Northeast	Spokane	n/a	Rural Conservation	84.18
Picnic Pines	Transition	Common School	Northeast	Spokane	n/a	Rural Trad.-1du/10ac	12.90
Prouty Corner	Transition	University - Transferred	Northeast	Stevens	n/a	Residential-1du/5ac	5.45
Scotia Road	Transition	Common School	Northeast	Pend Oreille	n/a	Public Use	71.97

Property Name	Urban/ Transition	Trust	Region	County	UGA or City	Zoning	GIS Acres
South 40	Transition	CEP&RI Agricultural	Northeast	Spokane	n/a	Rural Conservation	46.39
WA Parks TLT Site	Transition	School	Northeast	Stevens	n/a	Residential-1du/10ac	39.64
Washington Road	Transition	Common School	Northeast	Spokane	n/a	Agricultural	80.27
Whitmore Hill North	Transition	Scientific School	Northeast	Stevens	n/a	Residential-1du/5ac	79.46
Whitmore Hill South	Transition	Scientific School	Northeast	Stevens	n/a	Residential-1du/5ac	39.47
33rd Street Lots	Urban	Escheat	Northwest	Whatcom	City of Bellingham	High Density Res.	1.26
Bellingham 40s	Urban	Common School	Northwest	Whatcom	City of Bellingham	Residential (R-7,200)	78.28
Curtis Road	Urban	Common School	Northwest	Whatcom	Bellingham UGA	Airport Industrial	160.54
Darrington Airport	Urban	Scientific School	Northwest	Snohomish	Darrington UGA	Urban Industrial	3.79
Elwell Street	Urban	Administrative Site	Northwest	Snohomish	Darrington UGA	Urban Residential	0.20
Kickerville West	Urban	Common School	Northwest	Whatcom	Cherry Point UGA	Heavy Industrial	159.88
Meridian	Urban	Common School	Northwest	Snohomish	City of Bothell	R-9,600/Neigh. Bus.	7.12
Shelton View	Urban	Common School	Northwest	Snohomish	City of Bothell	Residential (R-9,600)	26.75
SW Bellingham	Urban	Common School	Northwest	Whatcom	City of Bellingham	MF/Public/Industrial	39.66
Bow Hill	Transition	Common School	Northwest	Skagit	n/a	Rural Res./Resource	525.50
Crystal Lake	Transition	Common School	Northwest	Snohomish	n/a	Residential (1du/5ac)	183.14

Property Name	Urban/ Transition	Trust	Region	County	UGA or City	Zoning	GIS Acres
Lake Stevens	Transition	Common School	Northwest	Snohomish	n/a	Residential (1du/5ac)	125.55
Lake Terrell	Transition	Common School	Northwest	Whatcom	n/a	Recreation/Open Sp.	39.11
Loomis Trail	Transition	Common School	Northwest	Whatcom	n/a	Residential (1du/5ac)	79.67
MJD Ranch	Transition	Common School	Northwest	Whatcom	n/a	Agriculture	79.48
Rees Corner	Transition	Escheat	Northwest	Snohomish	n/a	Farmland Resource	50.88
Sisco	Transition	Common School	Northwest	Snohomish	n/a	Residential (1du/5ac)	248.70
Skykomish River	Transition	Common School	Northwest	Snohomish	n/a	Commercial Forest	45.93
Skykomish River	Transition	State Forest Transfer	Northwest	Snohomish	n/a	Commercial Forest	34.87
Strawberry Point	Transition	Common School	Northwest	Whatcom	n/a	Medium Density Res.	50.32
Sultan West	Transition	Common School	Northwest	Snohomish	n/a	Residential (1du/5ac)	202.47
Boone Street E.	Urban	Common School	Pacific Cascades	Grays Harbor	City of Aberdeen	High Density Res.	28.99
Boone Street W.	Urban	Common School	Pacific Cascades	Grays Harbor	City of Aberdeen	Medium Density Res.	28.44
Pennington Road E	Transition	Escheat	Pacific Cascades	Lewis	n/a	Residential (1d.u./20 acr	30.20
Pennington Road W	Transition	Escheat	Pacific Cascades	Lewis	n/a	Residential (1d.u./20 acr	39.40
Koontz	Transition	Common School	Pacific Cascades	Lewis	n/a	Residential (1d.u./5 acre	40.00
Tukes Mountain	Transition	Common School	Pacific Cascades	Clark	n/a	Residential-(1du/5ac)	277.15

Property Name	Urban/ Transition	Trust	Region	County	UGA or City	Zoning	GIS Acres
Washougal North	Transition	Common School	Pacific Cascades	Clark	n/a	Residential(1du/10ac)	41.34
North Bend Garage	Urban	Administrative Site	South Puget Sound	King	City of North Bend	Commercial Business	0.76
Lakeview Lots	Urban	Escheat	South Puget Sound	King	Kirkland UGA	Residential	0.11
Patterson Creek	Urban	Common School	South Puget Sound	King	Sammamish UGA	Residential; 1du/1ac	37.75
Providence Hts.	Urban	Common School	South Puget Sound	King	Sammamish UGA	Res. 4-6du/acre	39.35
Shadow Lake	Urban	Common School	South Puget Sound	King	King County UGA	Residential 4du/1ac	14.93
Tickner Homesite	Urban	Common School	South Puget Sound	King	King County UGA	Residential 4du/1ac	1.90
Algona	Urban	Common School	South Puget Sound	King	City of Algona	Open Space	10.57
Pacific	Urban	Common School	South Puget Sound	King	City of Pacific	Community/Public	20.00
Bucklin Hill North	Urban	Common School	South Puget Sound	Kitsap	Silverdale UGA	Urban Res. 19-30/1ac	27.13
Fredrickson	Urban	Escheat	South Puget Sound	Pierce	Pierce County UGA	Residential	5.04
Martin Way	Urban	Common School	South Puget Sound	Thurston	City of Lacey	Commercial	18.36
Meridian Road	Urban	Common School	South Puget Sound	Thurston	Lacey UGA	Residential	28.31
Purdy D	Urban	CEP&RI	South Puget Sound	Pierce	City of Gig Harbor	Public Institution	5.62
Belfair	Transition	Common School	South Puget Sound	Mason	n/a	Residential Mix	358.66
Burley-Olalla	Transition	Common School	South Puget Sound	Kitsap	n/a	Residential-1du/5ac	319.52

Property Name	Urban/ Transition	Trust	Region	County	UGA or City	Zoning	GIS Acres
Benton City	Urban	Common School	Southeast	Benton	Benton City	Light Industrial	224.30
Mesa	Urban	Common School	Southeast	Franklin	City of Mesa	Residential MH/Ind.	348.78
North Pasco 16	Urban	Common School	Southeast	Franklin	City of Pasco	Industrial/Res.	655.20
Pasco 16	Urban	Common School	Southeast	Franklin	City of Pasco	Commercial/Off.	95.64
Richland 16	Urban	Common School	Southeast	Benton	City of Richland	Ag./Comm./Res. Mix	316.24
Richland 8	Urban	Scientific School	Southeast	Benton	City of West Richland	Ag./Residential	6.22
West Richland 36	Urban	Common School	Southeast	Benton	City of West Richland	Comm./Res.-4du/ac.	334.04
Kennewick 21	Transition	Common School	Southeast	Benton	n/a	Community Ctr./Res.	40.35
Stretch 90	Transition	Common School	Southeast	Benton	n/a	Rural Res.-1du/5ac.	60.87
Walla Walla 16	Transition	Common School	Southeast	Walla Walla	n/a	Agriculture	161.19
Hilltop Interchange	Urban	Common School	Southeast	Grant	City of Moses Lake	Commercial/Business	160.78
North Moses Lake	Urban	Common School	Southeast	Grant	City of Moses Lake	Urban Res.-1du/1ac	18.45
Woodlawn	Transition	Common School	Olympic	Grays Harbor		General Development 5	57.5
East Hoquiam Road	Urban	Common School	Olympic	Grays Harbor	City of Hoquiam	R1 and R2	244