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## Memorandum of Understanding

This Memorandum of Understanding ("Document MOU") made this XX day of July 2022 ("Execution Date")

BETWEEN:

**Dragonwheel Investment Group LLC**

A company duly incorporated under the laws of Washington State, USA, having its office located at 14307 Barbo DR SW, Tenino, WA 98589, (hereinafter referred to as the "**Proponent**"); (hereinafter collectively referred to as the "**Parties**").

AND JOINTLY

**City of Tenino ("CITY" & "Owner")**

A municipality incorporated under the laws of Washington State, USA having its primary office (city hall) at 149 Hodgden Street, South, Tenino, WA 98589, (hereinafter referred to as the "**CITY**"); (hereinafter collectively referred to as the "**Parties**").

**Thurston Economic Development Council & Center for Business & Innovation ("CB&I" & "Owner Representative")**

A non-profit 501 c (3) organization formed under the laws of Washington State, USA, having its office at 4220 6<sup>th</sup> Avenue, SE, Lacey, WA 98503 (hereinafter referred to as the "**CB&I**");

**INTENT:**

This Document MOU will establish the basic terms for the **Parties** to continue collaborations in the preparation of a formal agreement to advance the initial development phase of the SW WA Agricultural Business & Innovation Park ("**Ag Park**"), in Tenino, WA, with the intent to engage in a future financial arrangement and land-lease agreement between the parties.

The terms contained in this document MOU are not comprehensive and it is expected that additional terms may be added, and the existing terms may be changed or be deleted at the consent of both parties.

**WHEREAS:**

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- The CITY is the landowner of industrial/commercial property known as the SW Washington Agricultural Business & Innovation Park ("Ag Park").
- The CB&I and CITY completed the Ag Park Master Plan in 2020 that outlines the development concepts, guidelines, and initial site diagrams showing the buildout of the property.
- The CB&I received state grant funds administered by the WA State Department of Commerce for purposes of constructing necessary site infrastructure improvements to facilitate the development of the Ag Park.
- The CB&I is managing the state funds and secured professional architectural and engineering firms to complete design concepts, site plans and utility infrastructure drawings for the initial phases of development.
- The PROPONENT has conducted initial due-diligence conversations with the CITY and CB&I to evaluate the development potential of the site.
- The PROPONENT wishes to construct a commercial multi-tenant building and intends to occupy a portion of the building for its operations.
- The PROPONENT has shared the building concept, potential tenant mix and vision of the building with the CITY and CB&I.
- The CITY and CB&I have provided preliminary approval of the building layout, site concept and timeline to occupy such building.
- The PROPONENT understands and acknowledges the property is owned by the CITY, and currently under lease to the CB&I, and as such, a formal "Land-Lease" between the Developer and CITY will be the required instrument to establish entitlement to build and occupy the building.
- The PROPONENT has retained a professional real estate commercial broker with expertise in establishing fair-market lease rates for industrial/commercial buildings including land lease provisions and commitments.
- The PROPONENT wishes to enter into a long-term land lease with the CITY to ensure the financial viability and merits of the project.
- The CITY has agreed to advance formal discussions with the Developer in executing such land-lease.

This Document MOU will establish the basic terms used in a future Real Estate Land-Lease Contract (the "Contract") between the PROPONENT and CITY.

Concurrent to the creation of this MOU, the EDC/CB&I will be recreating its signed lease and/or agreement with the City of Tenino that allows for the City to establish the basic terms for this MOU.

The CITY and EDC/CB&I understand that the CITY's current lease with the EDC/CB&I for the Ag Park property will need to be amended to implement the terms of this MOU and allow PROPONENT to enter into a ground lease for the portion of the Ag Park property to be developed as "Building A".

The obligations of CITY and EDC/CB&I under this MOU are expressly conditioned on receipt of consent from the Washington State Department of Commerce to the proposed use of state Ag Park grant funds

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received. The EDC/CB&I requested consent on June 13, 2022 [date of letter]; a response is pending as of the date of this MOU.

**The basic terms are as follows:**

**A. TRANSACTION DESCRIPTION:**

1. The property (the "Property") that is the subject of this Document MOU is located in the Ag Park at: 16402 Old Highway 99 SE, Tenino, WA
  - Reference "Building A" in **Attachment A** – Site & Short Plat Plan
    - i. A 20,000 square feet, parking, and open space (\*size and design subject to change in final construction documents).
2. PROPONENT will have a 120-day due diligence period to assess final building parameters, financial proforma, land lease terms and financial lender underwriting provisions.
3. During the due-diligence period, CITY will not entertain or enter into any other agreements with a third-party for similar purposes defined to and agreed with the PROPONENT.
4. PROPONENT shall have exclusivity to enter a land-lease with CITY for purposes of constructing and operating a building referenced as Building A (A1 & A2) on Attachment A once due-diligence period is waived.

**B. PAD DELIVERY AND SITE PLANNING - TERMS & CONDITIONS**

1. CITY will advance necessary survey and planning to develop a short plat to create legal lots for the building envelopes – short plat and legal lots recorded within 90 days of the execution of this document MOU. **Attachment A** will provide the initial intent of the short plat plan area and building pad areas.
2. CITY/CB&I will deliver a buildable pad to accommodate a minimum of 20,000 square foot multi-tenant building referenced as Building A. The Pad A envelope will be cleared, graded, and compacted in accordance with the soils and geotechnical report and structural soil density requirements.
3. Buildable pad and site development will be defined as having the following improvements and features:
  - a. Water service lines extended to within 5 feet of the building, a minimum of two service connections to building.
  - b. Sewer force main extended to within 5 feet of building – minimum of two service connections to building
  - c. All surface paved access roads, parking lots, service drive aisles, etc. serving the site and Pad A
  - d. All site storm water facilities.
  - e. Parking lot lighting, pedestrian level lighting for hardscape areas and lighted bollards as necessary to illuminate sidewalk pathways to building and parking lots

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- f. Sidewalks and ADA ramps around perimeter of Pad A building
- g. Landscaping and hardscape per approved preliminary design civil engineering plans will be added as attachment to this document MOU when completed, prior to signing.
- h. Paved multi-use path along Old 99 frontage.
4. CITY will be responsible to provide necessary sewer STEP system improvements to support the building including septic tanks, grinder pumps, electrical controls, etc. consistent with STEP design criteria and standards applied for all new sewer connections. STEP sewer improvements will be considered part of the required Pad A improvements.
5. CITY will provide the Ag Park Monument sign on Frontage of Old 99. Monument signage will include space for Pad A building placard. Design and placement of monument sign will be detailed on the civil and landscape design plans.
6. CITY/CB&I will advance final civil engineering and construction documents to solicit construction bids within 90 days of execution of this document MOU.
7. CITY/CB&I will complete and deliver the final site pad improvements by March 2022.

**C. BUILDING DELIVERY - TERMS & CONDITIONS – it is understood by the Parties that the terms and conditions of a potential binding agreement between the Parties will generally include the following, with details subject to negotiation:**

1. PROPONENT will be responsible to make utility extensions from point of connection (5 feet from building) to new building pad
2. PROPONENT will construct a fully serviced multi-tenant building per concept plans developed and approved by the CB&I in accordance per the guidelines established and created by the Green Ribbon Advisory Panel (GRAP) – the GRAP was created to provide a framework for the operations and tenancy of the business park.)
3. PROPONENT will advance building design and tenant improvement plans at own costs and will submit for building permit approval.
4. Time is of the essence and the PROPONENT will have the option to prepare a separate grading and erosion control plan to obtain an early start permit to provide site grading and, foundation/slab construction for Pad A. The site grading will be limited to the Pad A footprint plus a 10-foot perimeter around the building envelope.
5. The PROPONENT will prepare an itemized cost of the site grading and erosion control improvements plus design and permit fees. The costs will be accounted for as defined in Section D below.

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**D. LEASE - TERMS** - it is understood by the Parties that the terms and conditions of a potential lease agreement between the Parties will generally include the following, with details subject to negotiation:

Following waiver of feasibility period, PROPONENT and CITY/CB&I will prepare a formal land-lease agreement including but not limited to the following terms:

1. PROPONENT will receive approval from CB&I management to enter into lease agreements with tenants – this only includes approval of the type of tenant, not lease terms; as per the guidelines established and created by the Green Ribbon Advisory Panel (GRAP) – the GRAP was created to provide a framework for the operations and tenancy of the business park.)
2. PROPONENT will accommodate net-free cost space for the CB&I to have office/training space in the building – final floor plan and amount of build-out space and occupancy to be determined at a later date – and will be referenced in the MOU between the City and the CB&I)
3. PROPONENT will enter into a long-term land lease with CITY who holds title to the property – 30-year land lease with two 15-year extensions.
4. A set land lease rate of \$xx.xx per buildable sf per month will be assessed and paid to CITY on a quarterly basis. Escalation costs increases will be defined in final land-lease term sheet.
5. PROPONENT will receive credit to land-lease costs to offset the property site maintenance costs as well as CB&I office space costs. Duration of credit will be in place until such time other buildings and tenants are in the Ag Park to help offset the front load costs of maintenance and CB&I office space.
6. PROPONENT will prepare an itemized cost breakdown of the maintenance cost and provide to CITY for acceptance in determining the amount of credit to land-lease cost.
7. PROPONENT will provide to the CITY the fair-market value of the CB&I leased space in determining the amount of credit to the land-lease cost.
8. PROPONENT will be responsible for maintenance of all of the initial site improvements until such time additional buildings are completed then subsequent cost sharing will be on a pro-rata basis of total building area in the park.
9. PROPONENT will be reimbursed by the CITY/CB&I for “eligible” costs associated with the early permit to complete the grading and erosion control for Pad A. (note: the funds that will be used for this action, are attached to the appropriation secured by the CB&I by the Washington State legislature.)
10. Additional items such as signage, marketing, branding etc. will be defined and provisions incorporated into the future land-lease agreement.

**E. REAL PROPERTY DISCLOSURE:**

1. The CITY/CB&I does not know of any material facts that would affect the development of PAD A, except those observables by the PROPONENT or known to the CITY/CB&I as stated in this MOU Document. CITY/CB&I makes no representations with respect to any material

**DRAFT**



facts not stated in this document. PROPONENT is responsible for, and must make its own determination, whether any facts exists that would in any way adversely affect its intended use or development.

2. The PROPONENT understands that the proposed development is located within the Ag Park which has a vision of hosting and growing agriculture and innovative industries within the region and the requirement that any project be consistent with this vision.

**F. REPRESENTATION:**

1. The CITY/CB&I represents and warrants that the Property (for building Pad A – not entire Business Park) is free and clear of any liens, charges, encumbrances, or rights of others. If the representation of the CITY is untrue, the PROPONENT may terminate any future agreement without penalty, which is PROPONENT's sole recourse against the City and CB&I or anyone acting on the City of CB&I's behalf.

**G. TERMS & AMENDMENTS**

1. The signing parties have agreed to the terms of this agreement and are bound hereby to these terms to the extent indicated herein.
2. Amendments to the terms of this agreement MOU may only be made by the written agreement and approval of each of the signing parties.
3. Any financial obligations of the Parties will be reflected in subsequent Agreements; no financial obligation is created by this MOU.
- 2.4. All Parties understand that any subsequent Agreements in which the City is a Party may be contingent upon approval by the City Council.

**H. TRANSFERABILITY**

1. The PROPONENT will have the right to transfer and/or assign this Memorandum of Understanding to one of its holding companies if so desired before the end of the due-diligence period. Prior to any proposed transfer, PROPONENT will provide at least 30 days' written notice to CITY/CB&I in order to allow sufficient time for the latter to evaluate the proposed transfer and provide PROPONENT with any questions or concerns it may have.

**I. ESTABLISHMENT OF BUSINESS PARK ASSOCIATION**

1. The PROPONENT will act as the business park association until such time that the entire park achieves a build out occupancy of 50% of leasable building space. At that time, the tenants will have cause to form a Business Park Association. This will be established to create funds that will be dedicated and used for management of the park, general maintenance of common areas, and will operate in general and broad terms to ensure the Park's professional operations and maintenance.

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**J. DISPUTE RESOLUTION**

1. The Parties will meet and confer within 30 days and in good faith attempt to resolve any disputes between the Parties arising out of this MOU or subsequent agreements resulting from this MOU. If the Parties are unable to resolve the dispute after they meet and confer, the dispute will be referred to mediation on terms and conditions agreed to by the Parties in writing. If the Parties are unable to agree to the terms and conditions of mediation, the dispute will be referred to the Judicial Arbitration and Mediation Service (JAMS) nearest office, with JAMS to select the mediator if the Parties are unable to do so. The cost of any mediation services will be shared equally among the Parties to the dispute. Each Party to the dispute will be responsible for its own attorney fees and costs. Mediation shall be required prior to suit being brought in any court having jurisdiction over the matter.

**K. TRANSPARANCY/CONFLICT OF INTEREST**

1. If any person with an ownership interest in a company provides services to the City at any time during the effective dates of this MOU, or any agreements arising therefrom, while the same person has an ownership interest in PROPONENT, or any company affiliated with PROPONENT, the company providing such services shall not be involved in permitting, land use, planning, enforcement, or any other City activity that impacts, or is reasonably likely to impact, the project or projects which are the subject of this MOU and any agreements arising therefrom.

2. The Parties further agree that the City may at its discretion forego any other services provided by the company referred to in the preceding paragraph if in the best interest of the City.

3. The requirements in this paragraph K will be included in any subsequent agreements between the parties arising out of this MOU.

*Signatures on Following Page*

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This Document MOU accurately reflects the understanding between the Seller and Purchaser, signed on this XX day of April/July-2022.

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**PROPOSER**

Perry Shea, President  
Dragonwheel Investment Group

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**Owner**

(Contact)  
City of Tenino

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**CB&I, Owner Representative**

Michael Cade, Executive Director  
Thurston Economic Development Council and Center for Business & Innovation

## **ATTACHMENT A – SITE PLAN**

