
KAMIAH COMMERCE PARK BUSINESS PLAN



March 2012

**The Hingston Roach Group, Inc. ✦ Elesco, Ltd.
✦ Progressive Engineering Group, Inc.**

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The Feasibility Study section of this report provided the feasibility analysis for development of a commerce park at Kamiah, Idaho. This section provides a Business Plan to address some of the unanswered questions about the commerce park as well as a “next steps” discussion to lay the framework for moving the project forward. The outline of this business plan follows the recommended format by the U.S. Small Business Administration but it is tailored specifically toward business site development.

There are six parts to this Business Plan. The recommendations are those of the consulting team and are based on their experience with development, marketing and management of industrial sites in other communities. Additional input will come from engineers, architects, financial institutions, and various development agencies as issues arise and solutions are sought.

Part 1: Resolve Pre-Development Issues	1
Part 2: Management Organization	8
Part 3: Development Process	9
Part 4: Financial Plan	14
Part 5: Marketing Plan	14
Part 6: Developer’s Tool Box	19

PART 1: RESOLVE PRE-DEVELOPMENT ISSUES

There are four primary pre-development issues that will need to be resolved before any work can begin on this project:

1. Who will be the owner of the project – City of Kamiah or Nez Perce Tribe?
2. Which site will be selected for the project – City land or Tribal land?
3. Of the three development options, which one will be selected and pursued?
4. Who will be the developer of the project and handle the marketing?

Issue #1 - Owner / Developer

Both the City and the Tribe bring advantages and disadvantages to this project. Both have available land that can be used for the project with no acquisition cost. In both cases the land will remain off the property tax rolls until it is developed and one or more tenants are located on the site, significantly reducing carrying costs (City or Tribal land is tax exempt, while privately-owned buildings and personal property developed on the site would be taxable).

The primary advantages of City ownership of the project are (1) that the City qualifies for grant funding and other financing mechanisms that are only available to municipalities; (2) the City can control the development of utilities and road infrastructure; and (3) the City has a public works department that can be used as the staff resource for managing the physical development of the site. The City also has control of the planning and permitting processes and should be able to respond quickly to any requirements as they arise.

The City also has the advantage of being able to offer ground leases at below market or even free rents, deriving its revenues from the building rents and various induced economic benefits. However, this raises the issue of possible competition with the private sector and should be considered very carefully to avoid unintended conflicts.

The City's primary disadvantage, or concern, is that the politics of city government make the Council adverse to the kinds of financial risks that this type of project entails. The feasibility study provided three options for development with two of them requiring relatively little upfront capital investment. The trade-off for that lowering of risk is that those options can be used for marketing but will not produce a product that can be leased in the short term. That may discourage potential tenants and reduce the marketability of the commerce park.

The third option calls for more than \$400,000 of capital investment to develop one lot and construct a multi-tenant building of 5,600 square feet. Unless grant funds can be obtained to cover almost all of those costs, the City would be faced with carrying negative cash flows until the cumulative revenues amortize those costs. Even with the advantage of being able to borrow at below-market rates, the City would be subject to considerable financial exposure.

The Nez Perce Tribe also has excellent sites that are unencumbered and can be serviced with City utilities and roads. It is not certain whether the Tribal owners would consider providing the site at little or no annual cost in order to generate higher revenues from building rents or ground leases to tenants of build-to-suit facilities. These sites are currently in agricultural production so they currently produce some income to the owners. In the original pro formas for this project, a ground-lease revenue stream was assumed which added to the annual costs of the project.

The Tribe also has opportunities for grant funding, low-cost financing and other incentives to keep capital costs low. It is not known whether other revenues of the Tribe could be used to carry any negative cash flows. If they can, then the risk aversion cited for the City may not be as significant a factor.

An important advantage for the Tribe is that they already have the Nez Perce Tribal Enterprises organization that could be the catalyst for developing, marketing and managing this project. The Tribe is experienced in real estate development and can draw on many qualified resources to make this project work.

In a separate Business Plan that has been provided to the Tribe, several issues were discussed that will need to be resolved within the Tribal organization, such as the adoption of a Uniform Commercial Code (UCC). Other issues could include financial guarantees, TERO, and legal jurisdiction of disputes. The Tribe will need to make decisions on those issues if it is to be the owner of this project. Resolving those issues would lengthen the time before development could begin, which could be a disadvantage compared to City ownership.

There also is the possibility that the City and the Tribe could form a joint venture, dividing costs and benefits according to their relative strengths. For example, a project on Tribal land could be supported by the City for the development of infrastructure. There also may be an opportunity for a financing arrangement that would reduce or remove the downside risk to the City while assuring a revenue stream back to the Tribe. These are legal issues that would need to be worked out by attorneys for both the City and the Tribe.

Issue #2 – Which Site?

All four of the sites reviewed in the Feasibility Study would serve the community well as a location for a commerce park. All of them would have commercial access via No Kid Road as well as employee and customer access via Idaho Street.

Following the elimination of City Site #1 from consideration after confirming that it is tribally-owned, the City has only one site on the north side of the wastewater treatment plant that was judged suitable for development of the commerce park. As noted in the Feasibility Study, part of this parcel has been leased to the Kamiah Gun Club.

It is possible that the marketing effort for the commerce park will be effective for attracting outside companies to Kamiah. In that event, the two Tribal sites along Idaho Street have the advantage of having additional adjacent land that could be used to recruit larger companies to Kamiah and locating them next to the commerce park. The City site is more limited in size although it could be planned for development so that while the first phase is being completed, then the second phase could be used to recruit larger companies.

The Tribal sites also have the advantage of being closer to the downtown core with the possibility of being connected by sidewalks for foot traffic. That would be more difficult at the City site, which would require employees to drive to the restaurants and shops downtown.

Despite these minor differences, all four sites were selected because they fit the criteria for development of a commerce park. The decision on which site is chosen will depend primarily on which organization is most willing and able to move forward as the owner of the commerce park.

Issue #3 – Which Development Option?

It is the objective of this project that a Kamiah Commerce Park be developed that will meet the needs of local companies that are expanding or relocating, as well as new companies coming into the area. The development concept includes five one-acre sites to meet those needs, with a multi-tenant building constructed on the first site for smaller firms that prefer to lease space instead of constructing their own facilities.

However, three options for moving forward toward that objective were discussed in the feasibility analysis. Those options are not mutually exclusive and could be pursued sequentially to minimize upfront capital investment and financial risk. The market would determine how quickly the owner moves from one option to the next one.

It is recommended that the first option be undertaken to start the project as quickly as possible and enable the owner to proceed with marketing and pre-leasing efforts. That option would simply identify the site and stake it to outline the configurations of the lots. At the same time, internal planning could be done to make sure any issues are addressed that would affect development. Any other issues would be resolved in response to serious interests by companies that begin the negotiation process for locating on the site.

The second option would be the next step in the process. That would entail developing a Master Plan for the site, creating a “virtual site” but leaving flexibility to adjust lot sizes or dimensions to meet the needs of companies willing to sign pre-leasing agreements. The Master Plan will describe how each lot will be served by utilities and streets and will quantify the costs for providing ready-to-build sites. The multi-tenant building will be included in this Plan to show how it will be serviced and to quantify costs and rents. The major costs for this second phase will be for engineering and planning work.

The third option, or phase of development, will be the actual physical development of the property. That is when the hard costs of improvements will be incurred. At that time, the owner will have signed pre-lease agreements and will have secured its financial resources, especially grant funding. Pre-lease tenants also will have demonstrated their financial capabilities to perform, reducing any risks that the lease payments will default. This is a conservative approach which will necessarily delay construction but will ensure that the cash flows will time revenues to closely match the outlay of costs.

This phased approach eliminates the speculative aspects of development that have been a serious issue during the recent recession. At the same time, it allows the owner to move forward with the first phases of the project in the shortest period of time.

Issue #4 – Who Will Develop the Project?

It is not assumed that the owner of the property will also be the developer. While both the City and the Tribe have development capabilities, there are other options that would expand the available resources and add specific business park development experience to the project.

It is recommended that whichever owner and site are chosen, the resources of the Clearwater Economic Development Association (CEDA) and Ida-Lew Economic Development Council, be utilized for the development and marketing of the Kamiah Commerce Park. Those two organizations have a formalized association and both of them represent the economic development interests of Lewis and Idaho counties.

Only informal discussions were held on this topic prior to drafting this Business Plan. Both organizations expressed interest in assisting this project, whether it is done by the City or the Tribe. Discussions will be needed about exactly what roles the various participants will have in the project and how remunerations for time and expenses will be handled. It is recommended that these kinds of issues be identified and resolved as soon as a relationship is informally agreed upon, then formalize the relationship with a written Memorandum of Understanding (MOU). That will allow each party the opportunity to clearly define what its contribution will be in relation to those of the other parties.

It has been previously stated that this project will require skills in development, marketing, and management. The feasibility of completing this project through Phase 3 will require pre-leasing commitments from qualified companies, so the marketing element is equally as important as the development and management elements. The marketing needs to be started as soon as the issues described above are resolved and there is a firm plan to present to prospective tenants. Both CEDA and Ida-Lew have this marketing capability and can interface with other resources such as the Idaho Department of Commerce and Northwest Intermountain Manufacturers Association.

It also is recommended that the Kamiah Commerce Park be listed with a licensed real estate brokerage firm that has offices in Kamiah and/or Lewiston. This would provide the significant advantage of having the property listed in the Multiple Listing Service for north-central Idaho. That will require an agreement to pay a commission upon signing of a lease so that cost will have to be built into the financial model.

Both the City and the Tribe have other options, especially for the development of the project. A common practice is having an engineering firm draft the construction bid documents and act as project manager to ensure that the “as built” project matches those drawings and specifications.

It is also common to employ the architectural firm that designs the multi-tenant building to act in the capacity of overseeing the construction of the building. Again, the architect would be responsible to ensuring that the building is constructed to specifications and at the bid price.

Using these kinds of resources to manage the development of the Kamiah Commerce Park will provide assurance that the end product is what the owner contracted. At that point, the owner can take over ongoing management until the next phase requiring professional assistance.

When the project is finished, there will be requirements for ongoing management. One way to handle this is by creating a tenants’ association whereby the tenants themselves provide maintenance of the common areas and enforcement of the Conditions, Covenants and Restrictions (CC&Rs). In this arrangement, they usually pay a small fee such as \$100 per month into a maintenance fund and manage the project through a designated tenants’ committee.

PART 2: MANAGEMENT ORGANIZATION

The management organization will be determined by whether the City or the Tribe undertakes this project. As noted above, this process will be helped by using CEDA and Ida-Lew to assist with development and marketing. In any case, there are several critical points that need to be formalized by the owner.

First, it needs to be understood that development of a business park to attract tenants from the private business sector is not a regulatory exercise but is instead a problem-solving activity. Often there is a tendency in the public and non-profit sectors to view their role as making sure the private sector companies follow the regulations, obtain permits, and pay their fees. While these are necessary, the owner also has to make sure that barriers to successful business development and operation are removed so the companies are able to conduct their business and make a profit. This sometimes may require compromises, but it is more a matter of working together toward common goals.

The global economy often is referred to as the “fast” economy, meaning that those in business need to react quickly to changes in products and markets to ensure their continued success and competitiveness. When problems arise or needs are identified, their resolution also needs to be fast. For that reason, it is essential that this kind of project be managed by one individual with business experience who can provide that rapid response. That individual will be employed by the owner so his or her position must provide flexibility for making those rapid decisions within the context of protecting the interests of the organization. The old expression that “time is money” applies specifically to the development of business real estate.

In the Tribal system, this requirement means that it would be better to have the project managed by Nez Perce Tribal Enterprises, with as much decision-making authority as is necessary, rather than having all issues resolved by the Tribal Executive Council (NPTEC).

PART 3: DEVELOPMENT PROCESS

Most of this topic already has been covered in the descriptions of the phased development options as well as the discussion of resolving the pre-development issues. Following is a generic model of the process to serve as a guide and to answer any additional questions.

Three steps in the development process are outlined here:

1. Development planning
2. Site Development
3. Building construction

The third item applies to the multi-tenant building but also applies to any build-to-suit construction of buildings for specific tenants if the owner decides to offer turn-key facilities.

Development Planning

The development planning for the Kamiah Commerce Park already will have been addressed by the creation of the Master Plan. Among the detailed investigations and documentations provided in the Master Plan are:

- Topographic survey of the site
- Soils and foundation conditions
- Lot layout plan
- Street system plan
- Hwy 12 access plans
- Rail access options, if any
- Utility capacities, off-site and on-site requirements to serve the site
- Drainage issues
- Environmental and cultural issues

In most private industrial projects, this information is used to draft a subdivision plan and have it approved by the appropriate regulatory agency. This approval normally carries a set of “findings” or “Record of Decision” that imposes conditions on the project that will have to be met to obtain subsequent building permits. These usually are consistent with the applicable

provisions of the Comprehensive Plan and Zoning Ordinance, but may be more restrictive if it is felt that special conditions apply.

If this project is on Tribal land, there may be questions about jurisdictional authority. Any such regulatory issues need to be evaluated and resolved prior to proceeding with development.

The next step is to use the Master Plan as the base document for more detailed engineering work, including drafting the construction specifications. These normally are prepared by a qualified civil engineering firm, as noted above.

An example of the work that the engineering firm will provide is shown below, taken from an actual contract for services for the planning of a 31-acre industrial park:

1. Research
 - a) Meet with owner to review Master Plan and development objectives
 - b) Obtain record survey data from County Surveyor
 - c) Solicit as-built cable and utility data from providing companies
 - d) Coordinate buried utility locates
 - e) Review site in the field, inventory and photograph key features
 - f) Review title report provided by owner

2. Surveying, Mapping, and Plat Preparation
 - a) Review record survey data and compile project work map
 - b) Utilize GPS to tie monuments and establish a control point network
 - c) Perform field topographic design surveys on roadways
 1. Subject road lengths
 2. Subject area
 3. Three line profiles with shots at 50-foot intervals
 4. Locate marked or evident utilities (i.e., poles, guys, pedestals).
 5. Tie locations of structures (i.e., vaults, culverts, wells, etc.).
 - d) Reduce field survey data and compile project base map and DTM
 - e) Prepare a subdivision plat
 - f) Monument the new and missing property corners

- g) Secure the required plat signatures and facilitate recording
 - h) Prepare legal descriptions and exhibits for required easements
3. Construction Document Preparation
- a) Review research and survey findings with the owner
 - b) Prepare the following bidding and construction drawings
 - 1. Cover sheet with vicinity map, acknowledgments, & notes
 - 2. Overall site plan and index map (1" = 200')
 - 3. Road and utility plan and profiles (4 sheets @ 1" = 40')
 - 4. Miscellaneous construction details (2 sheets)
 - c) Review drawings @ the 75% and 100% complete points with:
 - 1. Owner
 - 2. City road engineer (and/or County/Highway District/ITD depending on location)
 - 3. City sewer engineer
 - 4. City water engineer
 - d) Submit sewer plans for regulatory review
 - e) Measure quantities and prepare a construction cost estimate
 - f) Prepare bidding and contract forms
 - g) Prepare general conditions and supplemental technical specifications
 - h) Publish thirty (30) bid document sets
4. Billing Period Services
- a) Prepare an advertisement for bids and distribute to publishers
 - b) Coordinate and attend an on-site pre-bid conference
 - c) Prepare addenda as needed to clarify the construction scope
 - d) Conduct a bid opening at a location to be arranged
 - e) Assist in review of bids and prepare an award recommendation
 - f) Prepare a Notice of Award and instructions to the apparent low bidder

Some of these steps may not be required for the Kamiah Commerce Park, while other steps may have to be added. There may also be some services that the City or the Nez Perce Tribe could perform in-house. In any case, the development planning stage performs all of the work necessary to actually issue a construction contract.

Site Development

The development of the site is normally managed by the construction contractor, with routine oversight by the owner either through a designated manager or by a board. A qualified contractor will hire the subcontractors, oversee their work, and file written documentation that the work has been performed to specifications. Invoices are normally submitted monthly and prompt payment is required to ensure that there are no breaks or slowdowns in the process. If the project is built on Tribal land, the Tribe should be aware that a general contractor may require payments in advance of work because Tribal sovereignty precludes the use of construction liens to ensure future payment.

Another option is to continue the services of the civil engineering company through the construction phase. The company that bid the services described above also makes a proposal to provide the following services during and after construction:

5. Construction Period Services
 - a) Coordinate and attend a pre-construction conference
 - b) Review bonds, insurance, and other requirement submittals
 - c) Coordinate and document monthly construction conferences
 - d) Provide construction staking and observe construction progress
 1. Offset stakes set at ROW line on 50-foot intervals
 2. Centerline subgrade hubs at 50-foot intervals
 3. Centerline top of rock hubs at 50-foot intervals
 4. Utility and drainage structures (MHs, FHs, vaults, etc.)
 - e) Perform daily sewer construction observations and file reports
 - f) Coordinate utility trench backfill compaction and materials testing
 - g) Maintain records of the construction staking and test results
 - h) Respond to clarification requests
 - i) Review/initiate and process change order requests and proposals
 - j) Maintain as-constructed drawings
 - k) Review progress payment requests submitted by the contractor
 - l) Complete BOLI Notice of Award form and review payroll certificates
 - m) Prepare completion punchlist and confirm compliance

6. Post Construction Services

- a) Prepare record drawings on mylar for archives (7 sheets)

Using a civil engineering firm in this construction management capacity will relieve the City or the Nez Perce Tribe of having to manage this complex process. It will ensure that the work will be performed to specifications and that the final product is in conformance with the Master Plan. The primary management requirements for the owner will be contracting with the engineering firm, contracting with the general contractor who will be responsible for doing the work, and paying the bills as the completed work is documented.

Building Construction

This essentially completes the requirements for managing the development process, unless the owner decides to go into the management of building construction. This would be done in order to offer build-to-suit construction capabilities and turn-key leases that combine both the land and the building space under a single lease. This would be attractive for companies that want to lease their space instead of having to construct owned buildings on leased land. It allows them to preserve their capital and invest it in their operations instead of in real estate.

The requirements for managing building construction are similar to those for land development. An architectural firm will provide all of the services described above similar to those of a civil engineering firm. Fees for the architect are normally wrapped into the construction financing so there may be no up-front capital cost. Most architects will oversee the actual construction, delivering the final product to the owner according to the tenant specifications. The costs of the building are generally amortized over the period of financing, while the specific tenant improvements (TIs) are amortized over the period of the lease. These terms are flexible according to the length of the lease period.

In summary, managing the development process will not impose a significant burden on the City or the Tribe if outside professional expertise is hired to do this job. If the job is done in-house, then the owner will need to hire a manager with all the technical experience to do the tasks described above. As cited earlier, there needs to be close interaction between the contractors and the owner's managers in order to build the experience and knowledge that will be needed for the on-going management of the industrial park.

PART 4: FINANCIAL PLAN

A detailed financial plan is not outlined in this report, in part because both the City and the Tribe have in-house financial and grant writing capabilities. The additional resources of CEDA and Ida-Lew also can be used to identify financial opportunities.

The Orofino Business Center received more than 76% of its financing from grants. Of a total cost of just over \$2.5 million, they received \$1,945,000 in grant monies. The primary grants came from the U.S. Economic Development Administration (EDA - \$1,500,000), and an Idaho Community Development Block Grant (ICDBG - \$445,000).

The financial analysis for the Kamiah Commerce Center estimated a total cost of about \$415,000 for pre-development work plus complete development of the first lot and construction of a multi-tenant building of 5,600 square feet. A grant of \$400,000 from U.S.D.A. or other sources would pay for all these initial development costs. Beyond that, funding would need to be found to develop the four remaining lots to a ready-to-build condition. However, it is assumed that the ground lease will have already been signed and the tenant could secure financing for the building.

PART 5: MARKETING PLAN

A marketing plan needs to be initiated as soon as the pre-development issues are resolved and a development concept plan, with schedules and costs, can be shown to prospective tenants. Again, it is recommended that the City of Kamiah or the Nez Perce Tribe use the resources and expertise of CEDA and Ida-Lew to the maximum extent possible to conduct the marketing.

A first step will be to contact the companies that responded to the survey saying they either would or might consider relocating over the next three-to-five years. That can begin a negotiating process to sign up the first tenants in the commerce park.

Beyond that, the following is a generic approach to a marketing plan that can be modified and adapted by the City or the Tribe to the specific circumstances of Kamiah.

1. Determine who will market the properties; create a management plan for the initial and on-going processes.

It is very important to decide *how* this process will be managed so that specific tasks can be assigned along with schedules and budgets, followed by implementation. There are several alternative ways of doing this. Many industrial parks have their own in-house staff that manages real estate development and leasing. If this is not practical, then one alternative is to solicit marketing proposals from qualified real estate brokers to bring prospects for negotiation of leases.

2. Develop a budget for the marketing component. The budget needs to be adequate to complete all of the tasks described below.
3. Adapt the site Master Plan into a marketing piece; create schematics, rendering of buildings; oblique aerials with drawings of completed projects; other “visual” graphics that will be used to convert the development plan into a marketing resource. Show proposed phases of development, as necessary.
4. Decide what “products” the commerce park will offer to prospective tenants. In addition to ground leases, this may include turn-key construction of build-to-suit facilities, and/or financing. It has been estimated that as much as 85% of the market prefers to either own its land and building, or lease space in a building that someone else owns, with only 15% willing to construct their own building on a ground lease.
5. Prepare internal operating documents, such as lease forms. These will require policy decisions on such matters as the lease rates and terms of leases. There will also need to be consistent zoning ordinances and CC&Rs to control uses and operations within the various areas of the industrial park. Performance standards may be better than fixed requirements.
6. Begin marketing the concept before development begins to start securing pre-lease commitments. Companies or agencies that will be making lease decisions within the next two years need to know about the Kamiah Commerce Park before they make commitments to other properties.

7. Initiate development by focusing on creating an attractive entrance to the Kamiah Commerce Park and removing any blight or other conditions that might detract from its appearance.
8. Develop and implement a plan for on-site signage and promotions. Business travelers using Hwy 12 should be exposed to the site as it is being developed. A signage plan needs to be developed to promote the project through signage strategically placed to be visible from both directions on Hwy 12. That signage needs to include contact information.
9. Involve the local real estate brokerage community. The only way to do this is by offering lease commissions. A typical commission rate on raw land is 5% of the lease rate for a period of three-to-five years to the broker who represents the buyer. If the owner decides to use a seller's broker, then that same rate would be paid to that broker as well.
10. Develop a promotional plan that includes production of flyers, brochures, direct mail promotions and other forms of marketing. A well-designed web site also needs to be created and maintained to showcase the promotional information. The best way to do this is through consultation with a professional public relations and advertising firm. This needs to be a consistent, on-going effort because company location decisions typically take anywhere from one to three years from when they are initiated. A one-time shot in the real estate business is typically a waste of time and money.

An example of a promotional plan for a developer of a large industrial park in the Seattle area includes the following elements:

Brochures, sales materials	\$ 9,000
Advertising, direct mail	\$11,200
Telemarketing	\$ 9,000
Travel, trade shows	\$10,000
Hosting local visits	<u>\$ 6,000</u>
Total Annual Budget	\$45,200

The ways these dollars are spent is shown in the table below:

Month	Advertise	Direct Mail	Telemarket	Travel/Shows	Local Visits
January		200	500	750	200
February		250	500	500	1,000
March	2,500		500	1,500	300
April		750	1,500	500	500
May		250	500	1,000	200
June		250	500	500	1,000
July	2,500		500	1,500	300
August		750	1,500	500	500
September		250	500	1,000	200
October		250	500	500	1,000
November	2,500		500	1,500	300
December		750	1,500	250	500

The rationale behind this schedule is that the advertising and trade shows produce the largest number of inquiries from prospects, which then causes the need for telemarketing and hosting local visits during the following month.

It is assumed that this schedule is too ambitious for the Kamiah Commerce Park, but the concept can be used to develop a more appropriate budget containing these same elements.

a. Advertising

Advertising is primarily useful for creating an awareness of the property in selected markets such as Lewiston. These can be geographic markets by using general publications in those areas, or industry markets by using trade publications. It rarely produces serious prospects, but may begin the process of encouraging companies to initiate a contact.

b. Direct mail campaigns

Direct mail is one of the most common techniques of marketing, especially to follow up on a target industry analysis. When specific companies have been identified, they are usually contracted first by direct mail.

c. Telemarketing

Many industrial park developers, and all real estate brokers, use the telephone for their marketing. Direct mail campaigns should always be followed up with telephone contacts to

make sure the information was received and to qualify any interest that it generated. In one marketing campaign, a 3% positive response from a direct mail program was increased to 15% when telephone calls were made to the company executives.

d. Trade shows / trade missions

State economic development agencies often attend trade shows and sponsor trade missions, inviting local development agencies to participate with them. Each opportunity has to be evaluated carefully to determine whether the potential benefits outweigh the costs.

e. Hosting local visits

Any marketing program has to have a response system, i.e., a plan for following up on a contact that expresses an interest in looking at the property. One way to do this is to invite the prospect to visit the site and the community. It is not uncommon to host such a visit as an inducement to get the prospect to make the trip.

As emphasized earlier, as an alternative to this kind of marketing program the City or Nez Perce Tribe could contribute funding to CEDA and Ida-Lew which could then develop this kind of program and budget to represent the Kamiah Commerce Park. In addition to being the marketing agencies for the region, they also have the established relationships with the state and federal economic development agencies in Idaho and the region. The City or Tribe should leverage these resources as much as possible, making sure that they are provided with promotional materials for the site.

There is a shift in economic development marketing to the Internet, so the commerce park needs to have its own web site that is linked to other economic development sites and other appropriate locations.

The purpose of marketing is to attract the interest of qualified tenants. However, actually locating those tenants at the Kamiah Commerce Park will require “closing the sale.” This means that the owner needs to have all of the tools prepared in advance to show prospective firms what terms and conditions apply to the industrial park. This is sometimes called the “developer’s tool box.”

PART 6: DEVELOPER'S TOOL BOX

There was an extensive discussion of development and marketing resources in the separate business plan provided to the Nez Perce Tribe for this project. The information below is specifically aimed at the City of Kamiah as the owner of the facility.

Incentive Package

An important aid in marketing the Kamiah Commerce Park (KCP) will be a package of incentives that make KCP more attractive to companies and reduce the costs of doing business there. The key incentive will be the ability to provide leasable space at competitive rental rates and/or build-to-suit facilities for qualified firms. In most cases, companies are more interested in being able to move quickly into their operational facilities than they are in subsidies.

Other possible incentives can be identified through CEDA and Ida-Lew, using both state and federal programs. It is not recommended that either the City or the Tribe provide financial incentives that will reduce the financial returns from this project.

Ground Leases

Because the owner will be leasing sites to tenants instead of selling them, there needs to be a lease agreement drafted that represents both the interests of the owner as well as those of the tenants. In addition, the lease agreement has to meet the needs of lenders so that the tenants can finance the construction of their buildings.

Leases are legal documents that should be created by a qualified attorney. They can be very complex, attempting to cover every contingency, or they can be relatively simple. The following information is provided as a general guide to the provisions that should be included in a lease.

1. Identify the parties to the lease (lessor and lessee).
2. Describe the property that is being leased.
3. Specify the beginning and termination dates.

4. Describe any construction or other work to be performed by the owner (landlord) prior to the commencement of the lease, including the conditions for the tenant's satisfaction.
5. Specify the intended and/or allowable uses.
6. Define the rental terms: Amount of rent, when it is to be paid, how it is to be paid, to whom it is to be paid, etc. Include any formulas for periodic increases.
7. Specify who pays any taxes, whether tax deposits are required, whether tenant can challenge taxes.
8. Specify what insurance coverage is required and who pays it. What limits are required?
9. Specify who is responsible for damages caused by floods, landslides, or other natural disasters. How are insurance proceeds to be used?
10. Provide for termination of lease in case of damage or other causes that prevent continued use of the site. Provide formula for pro-ration of rents paid.
11. Specify how the property is to be maintained and who is responsible for the costs.
12. Can the tenant assign or sublease without the owner's consent?
13. Does the lease remain in effect if the lessee sells its business to another firm?
14. Who pays for the utilities?
15. What are the obligations of the tenant and the owner to indemnify each other?
16. Provide for the owner's rights to inspect the property to ensure compliance with the CC&Rs.
17. Give the tenant the right to "quiet enjoyment."
18. Provide for condition of premises at the end of the lease term, transfer of ownership of buildings, removal of any appurtenances, etc.
19. Provide the owner's remedies in the event of various defaults by the lessee.

20. What financial statements are required from the tenant, who prepares them, are they required to be updated?
21. Is the lease to be recorded?
22. Who pays brokerage commissions, when are they due, to whom are they to be paid?
Provide for the tenant to protect the landlord from other claimants.
23. In case of dispute, who pays the attorney's fees?
24. What kind of signs can the tenant erect and where?
25. Will the tenant have an option to extend the lease, and if so, on what terms.
26. Will there be a security deposit, and, if so, how much? Can it be applied to the last month's rent? Will it earn interest?

Other items can be included as required. National companies with multiple facilities often have their own lease forms and may be relatively inflexible in changing them to suit the interests of the owners. Whatever form is used, the final lease agreement should always be reviewed by an attorney to make sure it fairly represents the interest of both parties. This is especially true for the Tribe because of sovereignty issues and special conditions that apply to Trust lands.

Conditions, Covenants, and Restrictions (CC&Rs)

The other major document that needs to be created in advance of site development and marketing is the set of CC&Rs that will apply to the sites. Following is an abbreviated list of the items that need to be written into the CC&Rs:

- a. Control of nuisances: Under controlled conditions, most products can be processed without adversely affecting nearby occupants. However, certain kinds of operations may have effects that would be considered nuisances by their neighbors. These may include noise, smoke, light, odor, vibrations, heat, or industrial waste. Performance standards are imposed to control measurable external nuisances, usually measured at the property line.

This may mean that a firm can operate within the industrial park even if it produces these effects, but it has to acquire enough property to confine them to its own site.

- b. **Use of the land:** The most common limitation on the use of the land in industrial sites is the prohibition of residences (except for security). Commercial uses may also be restricted. Mixed uses may be permitted to include wholesale activities or even limited retail if it is provided as an adjunct to a manufacturing or warehousing operation. In a large industrial tract, certain areas may be set aside for service businesses that provide support for the industries and their employees within the tract.
- c. **Outside storage:** Outside storage is usually prohibited in tightly controlled industrial parks but allowed in general industrial areas. Where it is allowed, it is usually controlled by a requirement for effective screening. There may also be height limits, requirements that it be behind buildings rather than along the sides, and limits on the kinds of products that can be stored outside. Any storage of hazardous or toxic materials also has to be controlled.
- d. **Site coverage:** Coverage of sites by buildings is usually limited to a maximum allowable range of 30–70 percent, with 50 percent being a common average. In a general-use industrial area, site coverage limits below 50 percent may discourage companies from locating there. As site coverage increases beyond that level, conflicts may arise with off-street parking requirements, outside storage allowances, and other uses of the land outside of the buildings.
- e. **Building lines and setbacks:** Building coverage usually is limited to areas of the site that are inside the setback lines. In many cases, these setback areas are also used for utility easements and emergency equipment access. Setbacks can be used to enforce the site coverage requirements, to provide areas for landscaping and off-street parking, and to facilitate the distinctive identification of individual companies.
- f. **Building construction and design:** Many industrial areas control the kinds of building materials that can be used, such as requiring concrete tilt-up or block construction, and/or restricting the construction of metal buildings. Some of them also control the design standards to assure the integrity of the area. Tenant associations in larger business parks have design review committees that have to approve building plans before construction.

- g. Sign controls: It is important that companies within the industrial area be easily found and identified, so good signage within the area and on individual buildings must be provided. However, most industrial areas limit the types, locations and sizes of signs.
- h. Off-street parking and loading: Some of the most frequent problems that occur in industrial areas are concerned with car and truck parking and loading. Curb-side parking requires substantially wider streets, and even then can cause congestion and conflicts with traffic flows. Off-street parking is required in almost every industrial development.

The amount of off-street parking required is generally determined by employment and visitor traffic, rather than type of use. A warehouse, for example, may have relatively few employees and visitors and therefore needs fewer parking spaces than an assembly operation that is labor-intensive. However, the warehouse may require more space for truck maneuvering and parking. In older industrial districts, it is not uncommon for trucks to extend into the streets while they are loading and unloading. This is the kind of problem that needs to be controlled by deed restrictions or building design specifications.

- i. Landscaping: Most industrial areas require some form of landscaping to improve their appearance. When the minimum requirements are met, they have to be maintained by the tenant. If they are not, the covenants allow the developer to maintain the landscaping and bill the costs to the tenant.
- j. Other provisions: Any number of other restrictions can be imposed, depending on the character of the area and the interests of the developer. One common restriction is to require construction within a certain period of time after the site is acquired in order to avoid having vacant lots throughout the project. There may even be a provision by which the developer can cancel the lease and take back the property if construction does not take place within the specified time period.

The lease document and the CC&Rs are essential tools for putting tenants into the industrial park. With a good quality of development and an effective marketing program, these tools will help the owner of the Kamiah Commerce Park to “make the sale.”

This completes the Business Plan section of this report. A more detailed plan can be drafted when the decisions are made about the ownership and site, management organizational structure, how the development will be financed, and how the property will be marketed. It is strongly recommended that these decisions be made before development begins.