

January 6, 2000

Chairman David Graham
Port Ludlow Village Council
P.O. Box 65012
Port Ludlow, Washington 98365

Re: Port Ludlow Commercial Development

Dear David:

You have asked me to make a presentation to the council on the status of commercial businesses within the Port Ludlow Master Planned Resort. In addition, you requested an outline of what I felt were future business services that would be required to meet the growing needs of our community. This was to include a strategic plan for implementing those ideas.

I have enclosed reference materials to help show how commercial development can impact the future growth of Port Ludlow. Also included is my project resume to give you an idea of my background in commercial development.

Sincerely,



Bert Loomis

PORT LUDLOW COMMERCIAL CENTER

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No. 08-1004-99**
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SUMMARY OF ECONOMIC OVERVIEW JEFFERSON COUNTY & PORT LUDLOW

The real estate industry generally recognizes four market forces as influencing real estate value trends within an area. These forces include physical, social, political and economic factors that directly or indirectly impact the desirability of an area for both commercial and residential development. The following paragraphs summarize the most significant factors impacting real estate values in the subject property region.

Physical Environment

Jefferson County includes 1,305 square miles and is located on the northern portion of the Olympic Peninsula, with Clallam County forming its northern border and Grays Harbor and Mason Counties forming its southern border. Jefferson County stretches from the Pacific Ocean on the west to Admiralty Inlet, Hood Canal and Kitsap County on the east. This county, along with Clallam County, is a sparsely developed county, which includes a substantial volume of timber and recreation land.

The topography of Jefferson County varies from sea level to the 7,965-foot Olympic Mountain Range, with three-quarters of the county's total land area within the Olympic National Park and Forest. A majority of the county's population is in the eastern portion of the county, generally influenced by the Puget Sound environment. While the climate varies by location, Port Townsend benefits from a relatively mild climate, with average temperatures ranging from a low in January of 39 degrees to a high in July of 61 degrees.

Jefferson County Area Data

Only two days a year (on average) include temperatures below 32 degrees Fahrenheit and the growing season for this area is 180 days.

Overall, the natural beauty and considerable recreational land area included within Jefferson County, along with the aforementioned climate, provide positive influences for this county and Port Townsend, which in turn influence social forces impacting real estate trends.

Social Forces

Social considerations potentially influencing real estate values include tangible and intangible factors motivating people and to locate in a region. For example, the aforementioned physical and location characteristics typical of this area provide for a variety of recreational activities, including hiking, fishing, boating and sightseeing. In fact, tourism and recreational oriented businesses represent the most quickly growing economic sector of the economy, with the historical base industry of timber and timber-related businesses not expected to expand significantly in the coming years.

Additional developments in this region likely to further influence economic development in Jefferson County and Port Townsend is the region's growing recognition as an attractive location for retirement communities, as well as resort facilities. Examples include the city of Sequim, located less than 20 miles from Port Townsend, which has an average population age in excess of 60 (while the county average age is below 30). These developments, along with the possibility of expanded ferry service to Port Townsend from either Seattle or Canadian cities, and the growing recognition of Port Townsend's convenience to the major tourist areas throughout the Olympic Peninsula, will likely lead to continued expansion of recreation and tourist related developments in this area. Overall, social forces impacting trends within Jefferson County and Port Townsend are positive.

Political Factors

One manner in which government forces impact the desirability of an area for both commercial and residential development is through the availability of public and private educational opportunities, which directly impacts the quantity and quality of the available labor pool. Ten primary and secondary schools are located within Jefferson County as of 1990. Vocational/community college facilities are located in both Port Angeles and Port Townsend, with enrollment in these facilities well above 3,000 students.

A final area in which political forces impact development trends is through the efforts of the Economic Development Council of Jefferson County. This is an organization formed in 1983 by involved citizens and local government agencies, designed to "spur local business

Expansion, create new business starts, attract appropriate business locations and create an overall healthy business atmosphere". Among the newer businesses (or expansions) which may be partially attributed to the Economic Development Council are New Day Fisheries, Bluewater Farms, and Thermionics Northwest, which employ approximately 70 individuals in this region. Overall, political factors impacting this region are generally neutral or positive.

Economic Influences

Economically, Jefferson County and Port Townsend continue to be heavily dependent upon the tourism industry, characteristic of this area since the decline of both the

shipping and timber industries. At one time, Jefferson County was considered to be a primary commercial location in Puget Sound, ideal for shipping purposes. The advent of steam sailing altered these original speculations. However, with military establishments and the timber and timber-related industries, there remains the largest private employment industry in the area. Expansion in these businesses is not expected to increase substantially. The tourism industry has therefore become the most rapidly expanding sector of the economy. The specific business sectors expanding the most rapidly includes wholesale/retail trade and personal/business services. The following chart summarizes additional specific demographic and economic data for the region:

Jefferson County Population Data:

Year	1993	1994	1995	1996	1997	1998	Increase
Population	23,500	24,300	25,100	25,800	26,300	26,500	+ 29.86%*

Source: Washington State Office of Financial Management 10/98

*Three of the top five counties in Washington State with the fastest 1990-98 growth rates are those with good opportunities for recreation and retirement living. Jefferson County ranked second with a growth rate of 29.86 percent.

Jefferson County Population Forecast:

Year	1995	2000	2005	2010	2015	Increase
Population	25,100	28,825	33,000	36,747	40,767	+62.4%

Source: Washington State Office of Financial Management/Forecasting 10/98

Conclusion - Regional Data

Physical, social, political and economic forces impacting real estate trends in the Jefferson County and Port Townsend region indicate this area is, and should continue to be, an attractive location for a variety of enterprises in the near future. Trends indicate a region becoming increasingly recognized as a center for recreation and tourism related industries, as well as an area increasingly popular as a retirement community. Tourism and marine-related businesses are expected to expand, with the timber industry remaining a primary employment industry. This region's strategic location between Canada and Puget Sound, along with its convenience to all areas within the Olympic Peninsula, will contribute to this area's growing reputation as an attractive location for both commercial and residential expansion. Overall, this region is felt to have a positive economic outlook.

Port Ludlow Neighborhood Description

General Area Description

The Marina and Inn at Port Ludlow bound the geographic area to the east, the Osprey Ridge Village and North Bay Village to the north, Beaver Valley Road and Creekside Village to the west, and the Port Ludlow Golf Course to the South. This area is generally recognized as the Port Ludlow Master Planned Resort.

The Port Ludlow area is located approximately six miles northwest of the Hood Canal Bridge, and approximately 12 miles southeast of Port Townsend. This Village was originally founded in 1878, and operated as a lumber port through the mid-1950s. In the late 1960s Pope and Talbot started a multi-phase residential development with home sites, marina and other recreational amenities. Most recently this development has seen implementation of high quality single family attached and detached residential units. These properties are designed and marketed toward the retirement and recreational users. This development was spurred on in a large part by the development of the Port Ludlow golf course in 1986. This course is ranked among the top ten golf courses in the state and also has gained national recognition.

Access

Access to the Port Ludlow area is available from two separate transportation arterials. It is accessible from Paradise Bay Road to the southeast, directly off of the Hood Canal Bridge, or from the Beaver Valley Road, exit off of Highway 104 to the southwest. From the east side, Paradise Bay Road entrance is the most direct. It has been indicated from several area real estate professionals and a representative from the Planner's Department that the Beaver Valley Road entrance may, in the future, be converted to the primary access into the Port Ludlow area.

From a larger regional scale, Port Ludlow is approximately a 28-mile drive from either the Seattle or Edmonds ferry terminals. The Seattle ferry is approximately a 35-minute cruise, while the Edmonds-Kingston ferry run is approximately 30 minutes. Additionally, Port Angeles is located approximately 35 miles west of Port Ludlow.

Port Ludlow Population Projections

Year	1996	2016	Increase
Port Ludlow Master Planned Community		1,326	3,950 +198 %

Source: Washington State Office of Financial Management/Forecasting 10/98

Historical Anticipated Development Patterns

As previously mentioned, the Port Ludlow area was originally founded as a logging community. Since this time, it has become a popular place for retirees and recreational users. The quality and style of homes being constructed are of good quality and appeal to those purchasers generally in the higher income brackets. Additionally, the marina and golf course are major draws to this area.

Commercial development within the Port Ludlow area has been limited. The original commercial center was developed in 1986-89. This commercial center includes office, service and retail uses anchored by a gas station and convenience store.

In 1993 Loomis Properties acquired four acres of commercial property in the center of Port Ludlow at the intersection of Oak Bay Road and Paradise Bay Road. Two commercial buildings and five townhouse condominiums have been constructed to date. Real estate offices, a restaurant, dentist, chiropractor, packaging and mailing service, insurance company and a real estate developer occupy the commercial buildings. A third commercial building, housing a full service community bank, is under construction with completion scheduled for early 2000. Loomis Properties expects to build seventeen additional townhouse condominiums that will complete development of this four acre site by 2003. Also, the new Port Ludlow Community Church was completed in 1998.

It is anticipated that future trends will continue to occur along the lines of the most recent historical trends, which includes the development of single family, attached and unattached housing developments and clusters catering to the higher-income bracket retirees and recreational users. It is anticipated that these residential developments will occur and be developed in conformance with the waterfront view areas and the Port Ludlow golf course. Future commercial developments will occur mostly in the form of office and service oriented uses. It is anticipated that the need for a grocery store will arise in the very near future in order to serve this growing upscale residential community.

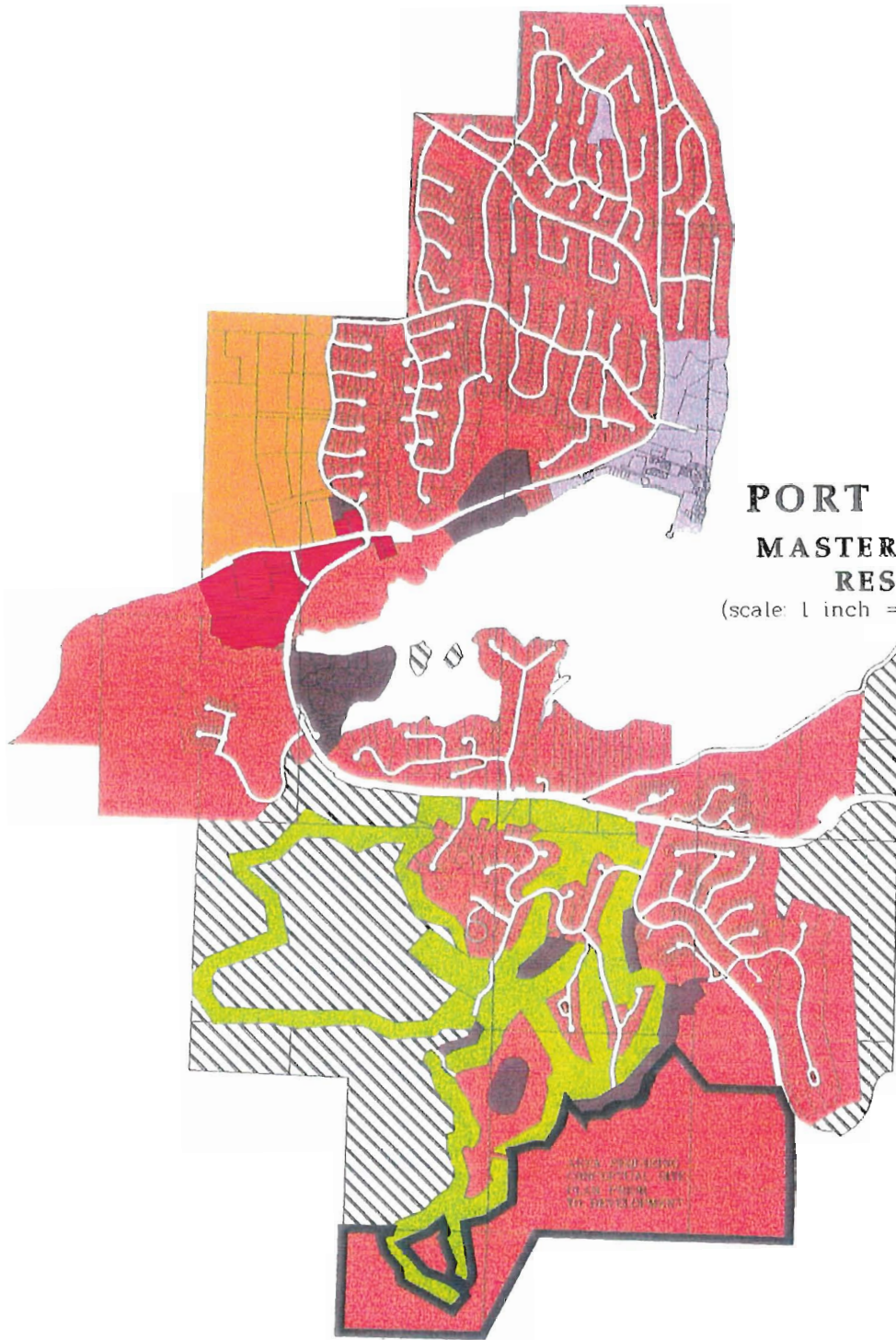
Location / Environment Considerations

As previously mentioned, this area is a popular destination for recreational users. In fact, there are many different recreational activities occurring in this area such as fishing, sailing, golfing, cultural activities, as well as limited arts and music festivals. The resort at Port Ludlow also provides a popular destination for those individuals coming from other areas in the state. Port Ludlow is also within a half-hour drive to the Seattle and Edmonds ferries. Therefore, it is one of the closer recreational areas for Seattle-area. It is felt that the attraction of the Port Ludlow golf course and marina, the recreational activities throughout the area, the scenic beauty of the waterfront and the relative close distance to the major population centers to the east will provide positive influence to this area in terms of future development.

Conclusion

The Port Ludlow area is well located and within a reasonable distance of the major population centers to the east and south. This area includes mostly residential use properties exhibiting high-quality construction. The Port Ludlow golf course, marina and resort act as a tourist draw for out-of-towners and enhance the marketability of the residential properties surrounding the area.

On August 28, 1998, the Washington State Growth Management Act of 1990 has resulted in the adoption of the Jefferson County Comprehensive Plan. This virtually guarantees that Port Ludlow will have a population increase of almost 200%, assuring a complete build-out of Port Ludlow over the next four to six years.



- Single Family - 4 Dwelling Units Per Acre (MPR-SF 4:1)
- Multiple Family - 10 Dwelling Units Per Acre (MPR-MF 10:1)
- Resort Complex/Community Facilities - (MPR-RC/CF 10:1)
- Village Commercial Center (MPR-VC)
- Single Family Tracts - 1 Dwelling Unit Per 2.5 Acres (MPR-SFT 1:2.5)
- Open Space Reserve (MPR-OSR)
- Recreation Area (MPR-RA)
- Area Requiring Conceptual Site Plan Prior To Development

The total number of residential lots allowable within the MPR boundary shall not exceed the 1993 Port Ludlow FEIS total of 2,250 residential dwelling units (LNP 254).

INVENTORY OF COMMERCIALY ZONED PROPERTY WITHIN THE PORT LUDLOW MPR BOUNDARY

	<u>Tax Parcel Number</u>	<u>* Acreage</u>	<u>Land %</u>	<u>Retail Space square footage</u>	<u>Retail %</u>	<u>Year Built</u>
MORORITY	821 171 012	.4400		**4,000		
	821 171 013	<u>.4200</u>		<u>0</u>		
		.8600	1.9%	4,000	10.83%	1989
HELBERT	821 171 003	.8100	1.8%	**2,480	6.71%	1989
LOOMIS	821 171 007	.9426		5,000		1993
	821 171 008	.9206		5,000		1995
	821 171 009	<u>.3729</u>		<u>5,000</u>		1999
		2.2361	5.0%	15,000	40.61%	
POPE	821 171 001	5.9400		***15,460		1989
	821 172 002	5.5300		0		
	821 172 003	<u>29.6100</u>		<u>0</u>		
		41.0800	91.3%	15,460	41.85%	
TOTALS:		44.9861	100%	36,940	100%	

- * Parcel sizes were verified with the Assessor's Office 11/24/99
- ** Square footage obtained from the Helbert appraisal dated 3/7/96
- *** Square footage obtained from the Pope appraisal dated 7/22/93

LP 112699

Section 3.50 — 3.503 of Jefferson County Ordinance No. 08-1004-99

SECTION 3.50 VILLAGE COMMERCIAL CENTER ZONE (MPR-VC)

Section 3.501 Purpose: The MPR-VC zone provides retail and commercial uses and other services to meet the needs of resort visitors and community residents. In addition to retail and commercial uses or services, other uses such as government or community offices and facilities, long-term care facilities, residential uses, and visitor services are permitted within this zone.

Section 3.502 Permitted Uses: The following uses are permitted in the MPR-VC zone:

MPR-VC PERMITTED USES

RETAIL	SERVIVES	OTHER
Bank and Financial Institutions	Travel Consultant	Art Gallery
Variety Stores	Dry Cleaner/Laundry	Theater
Grocery Stores	Barber and Beauty Shops	Post Office
Hardware Stores	General/Business Offices	Recycling Drop-off Facility
Pharmacy and Drug Stores	Professional Offices	Library
Liquor Stores (state)	Real Estate	Museum
Personal Medical Supply Stores	Day Care Center	Community Center
Florist Shops	Clinics (Medical, Dental, Mental Health, Chiropractic)	Police Facility
Specialty Food Stores	Social Services	Fire Station
Sporting Goods and Related Stores	Miscellaneous Health	Park
Book and Stationary Stores	Home Health/Home Care	Indoor Tennis Facility
Jewelry Stores	Vehicle Repair and Gas Station	
Photographic and Electronics Shops	Car Wash	
Computer, Office Equipment and Related Sales	Transportation Service	RESIDENTIAL
Music Stores	Utility Purveyor Offices Multi-family Dwellings	
Farmers Market	Public Agency or Utility Offices	Assisted Living, Congregate Care Facilities
Interior Decorating Shop	Mailing/Packaging Business	Mixed Use: Residential above first floor commercial
Food Service Establishments		Single family, attached or detached dwelling units
Antique Store		

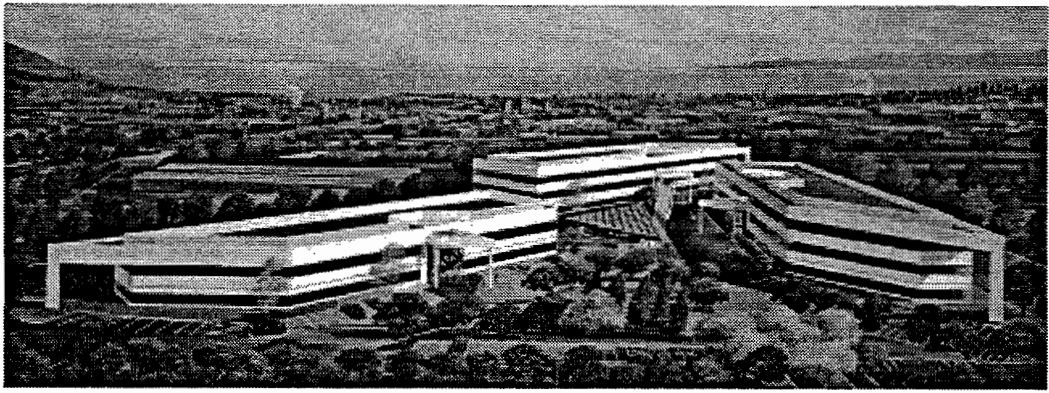
Section 3.503 Conditional Uses: The following uses are permitted conditionally within the MPR-VC zone:

1. Principle use, above ground, and free standing Parking Structure.
2. Conference Center.
3. Helipad for medical emergencies only.
4. Above-ground electrical substations, sewage pump stations and treatment plants, and portable water storage tanks or facilities.
5. Assisted Living, Congregate Care, or Multi-family uses if greater than 35,000 square feet in gross floor area.

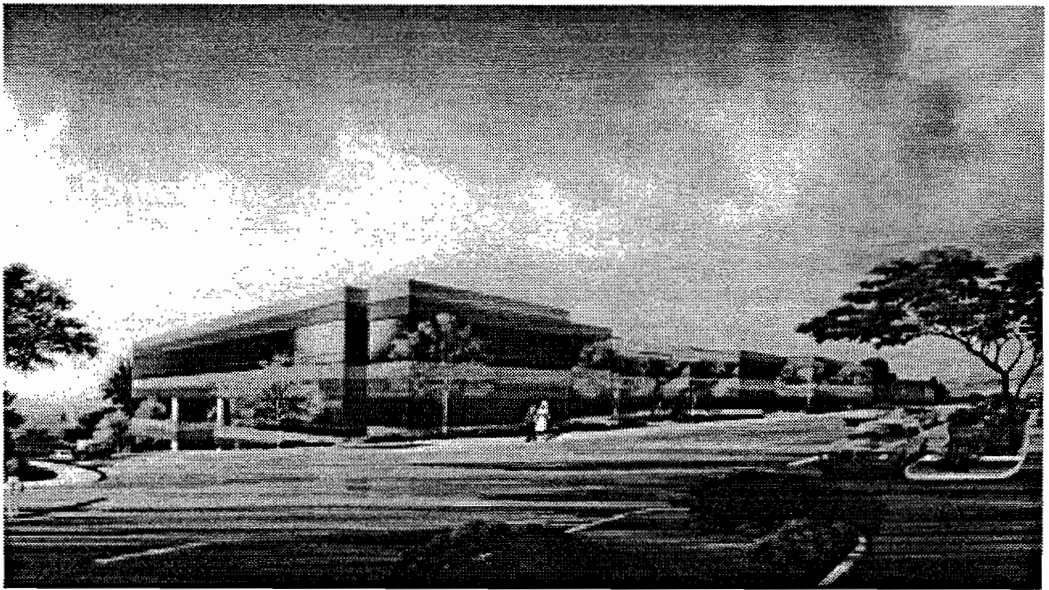
RESUME OF PROJECTS



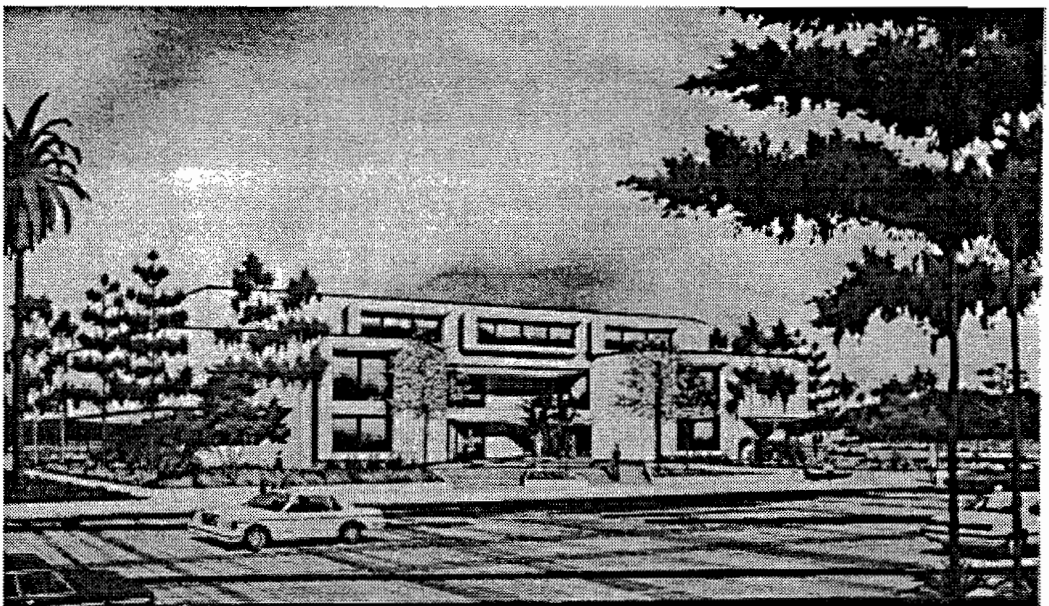
*Award Winning Real Estate Developers
and General Contractors*



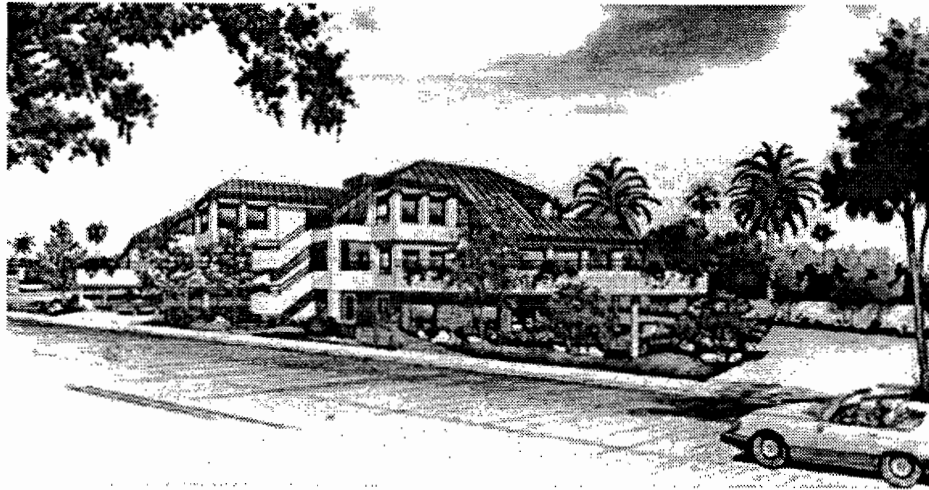
Torrance, California



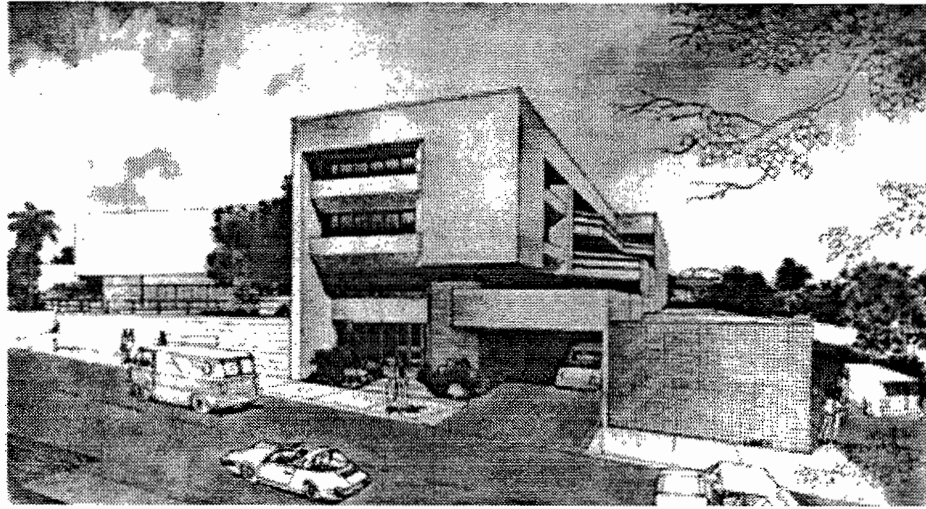
Manhattan Beach, California



Redondo Beach, California



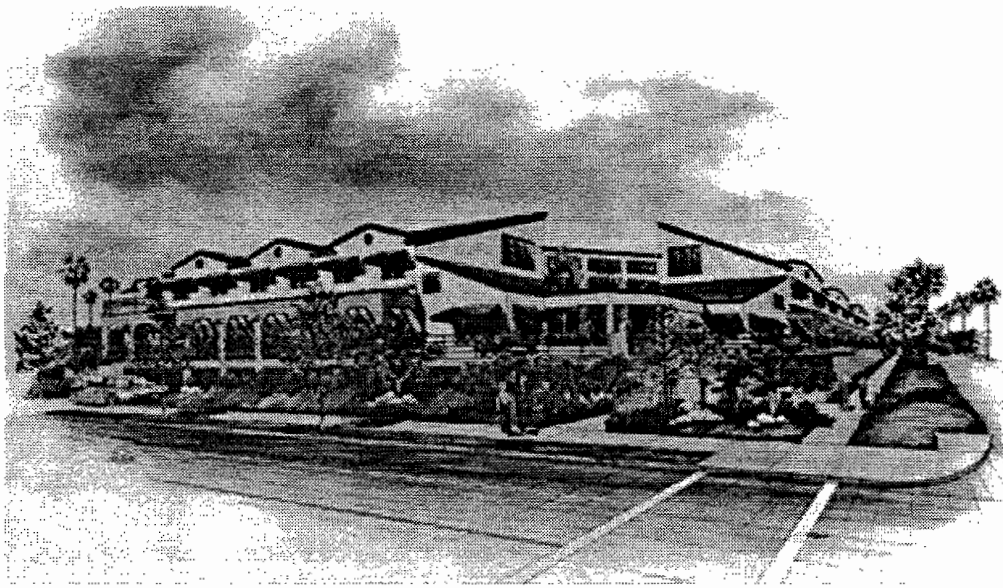
Redondo Beach, California



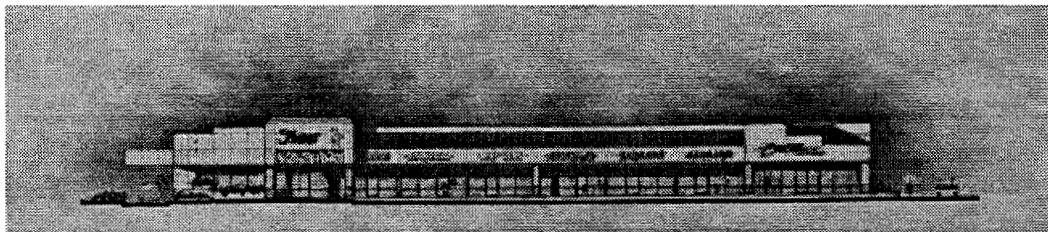
Hermosa Beach, California



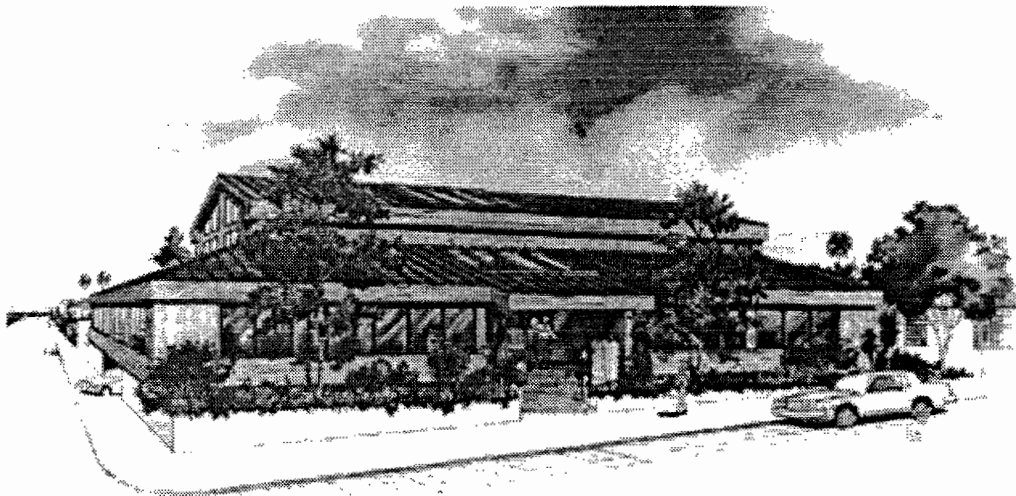
Redlands, California



Redondo Beach, California



Hemet, California



Hermosa Beach, California

RESUME OF PROJECTS

LOOMIS PROPERTIES was the developer for each of these projects with complete responsibility for site acquisition, financing, architecture, construction, leasing, property management and resale brokerage.

21041 - 21061 - 21081 So. Western Avenue, Torrance, California
150,000 square foot commercial office complex
value: \$24,500,000

225 South Sepulveda Boulevard, Manhattan Beach, California
70,000 square foot commercial office building
value: \$15,000,000

24428 South Vermont Avenue, Harbor City, California
39,000 square foot office building
value: \$5,200,000

24328 South Vermont Avenue, Harbor City, California
30,000 square foot office building
value: \$3,800,000

1700 Sepulveda Boulevard, Manhattan Beach, California
198,000 square foot commercial land
value: \$3,600,000

435 North Pacific Coast Highway, Redondo Beach, California
16,000 square foot commercial office building
value: \$2,900,000

22 improved residential lots, Palos Verdes Estates, California
value: \$2,500,000

2306 Pacific Coast Highway, Hermosa Beach, California
11,000 square foot commercial office building
value: \$2,175,000

700 North Pacific Coast Highway, Redondo Beach, California
12,500 square foot commercial office building
value: \$2,050,000

14814 South San Pedro Street, Gardena, California
109,000 square foot industrial park
value: \$1,500,000

LOOMIS PROPERTIES

2205 Pacific Coast Highway, Hermosa Beach, California
7,500 square foot commercial office building
value: \$1,500,000

133 - 137 Osprey Ridge Road, Port Ludlow, Washington
14 townhouse condominiums [phased construction 1997-2001]
value: \$1,475,000

NW corner Los Flores/Hwy. 74, Hemet, California
10,000 square foot automotive center
value: \$1,350,000

301 - 305 West Sixth Street, Corona, California
10,000 square foot strip shopping center
value: \$1,200,000

3201 Pacific Coast Highway, Hermosa Beach, California
7,400 square foot commercial office building
value: \$1,200,000

3221 Palos Verdes Drive North, Palos Verdes Estates, California
3,000 square foot custom home
value: \$ 900,000

9500 Oak Bay Road, Port Ludlow, Washington
5,000 square foot bank building
value: \$785,000

525 - 527 North Juanita, Redondo Beach, California
3 unit luxury condominium
value: \$ 750,000

181 South Bay Lane, Port Ludlow, Washington
3,500 custom waterfront home
value: \$750,000

55 Fairgrounds Road, Silverdale, Washington
6,250 square foot orthodontist building
value: \$750,000

18825 Caldart Ave. N.E., Poulsbo, Washington
6,000 square foot dental building
value: \$750,000

21 houses in southwest Los Angeles
Bought from HUD in bulk sales and rehabilitated
value: \$525,000

LOOMIS PROPERTIES

820 Pacific Coast Highway, Hermosa Beach, California
3,600 square foot commercial office building
value: \$475,000

2605 Rockefeller Lane, Redondo Beach, California
3-unit condominium project
value: \$435,000

9522 Oak Bay Road, Port Ludlow, WA
5000 square foot commercial office building
value: \$425,000

9526 Oak Bay Road, Port Ludlow, WA
5,000 square foot commercial office building
value: \$375,000

615 Guadalupe Avenue, Redondo Beach, California
3-unit condominium project
value: \$375,000

310 Vista del Mar, Torrance, California
3,500 square foot commercial office building
value: \$375,000

3524 Pacific Avenue, Manhattan Beach, California
3,000 square foot custom home
value: \$350,000

425 First Street, Manhattan beach, California
2,250 square foot custom home
value: \$345,000

1549 West 146th Street, Gardena, California
16-unit condominium project
sold as a development package
value: \$310,000

633 29th Street, Manhattan Beach, California
3,000 square foot custom home
value: \$275,000

746 Fourth Street, Hermosa Beach, California
1,600 square foot commercial office building
value: \$250,000

240 Pier Avenue, Hermosa Beach, California
2,500 square foot commercial building
value: \$250,000

LOOMIS PROPERTIES

760 Manhattan Beach Boulevard, Manhattan Beach, California
2-unit condominium project
value: \$180,000

We have completed projects valued over \$79,500,000. A sampling of our award-winning buildings can be seen at www.portludlowconnections.com under: Builders, Commercial Builders & Developers, Real Estate or Rental Properties.

revised 11/99