



**DEPARTMENT OF  
NATURAL RESOURCES**

**OFFICE OF THE  
COMMISSIONER OF PUBLIC LANDS**  
1111 WASHINGTON ST SE  
MS 47001  
OLYMPIA, WA 98504-7001

May 11, 2023

The Honorable Bernard Dean  
Chief Clerk of the House  
338B Legislative Building  
Olympia, WA 98504

The Honorable Sarah Bannister  
Secretary of the Senate  
312 Legislative Building  
Olympia, WA 98504

Dear Chief Clerk Dean and Secretary Bannister:

In 2022, the Washington State Legislature amended [RCW 79.13.060](#) through HB 1430 to provide longer terms for specific types of leases from a maximum of 55 years to 99 years. As part of this extension, the statute requires the Department of Natural Resources (DNR) to report to the Office of Financial Management (OFM) and appropriate committees of the legislature within 30 days of the date of execution of the lease. The report must include a financial analysis that justifies the financial benefit for the added term and schedule for periodic rental adjustment.

DNR's Commercial Real Estate staff received a request from one of our commercial lessees in compliance with RCW 79.13.060 (b) (ii and iii). Below is a short summary justifying the financial benefit for the added terms and schedule for periodic rental adjustments.

Coulee Lodge/Bertsch

The original Ground Lease commenced November 1, 1982 expiring on November 1, 2037 for a total term of 55 years. The current Lessee, who is aging (80+) has elected to sell her recreational business located on the leased parcel. The difficulty in attracting interested purchasers is due to the inability to obtain long-term financing on the remaining term of less than 15 years. Interested purchasers have indicated that to make the property financially viable it needs upgrades and additional amenities. Without being able to obtain the necessary financing for redevelopment, the property will continue to deteriorate lowering the market value of DNR's asset. With the lease extension of 44 years, a new Lessee can obtain financing and invest in and make the necessary capital improvements to the property that will increase the value of DNR's asset and provide economic viability for a new Lessee as well as for the surrounding community.

The lease extension provides for 5-year periodic rental reevaluation and adjustments via either a CPI increase or a fair market value appraisal at DNR's sole discretion. The current base annual lease rate for LC Bertsch is \$12,352.00 or 4.5% of gross sales, whichever is greater. With a lease extension, DNR anticipates development of capital improvements by a new Lessee who would renovate the property and increase the rental stream.

Should you have any questions, please contact me at 360-486-3469 or [Brian.Considine@dnr.wa.gov](mailto:Brian.Considine@dnr.wa.gov).

Sincerely,



Brian Considine  
Legislative Director  
Office of the Commissioner of Public Lands

Enclosed: First Amendment to Ground Lease (DNR Lease #39-C55083)

Cc: House Rural Development, Agriculture, & Natural Resource Committee  
Senate Agriculture, Water, Natural Resources, & Parks Committee  
Jim Cahill, Senior Budget Assistant, Natural Resources, OFM  
Lisa Borkowski, Budget Assistant, Natural Resources, OFM  
Brian Considine, Legislative Director, Office of the Commissioner of Public Lands  
Todd Welker, Deputy Supervisor, State Lands, Dept. of Natural Resources  
Michael Kearney, Division Manager, Product, Sales, and Leasing, Dept. of Natural Resources  
Kari Fagerness, Commercial Real Estate Program, Dept. of Natural Resources



**HILARY S. FRANZ**  
COMMISSIONER OF PUBLIC LANDS

DNR Lease #39-C55083

### FIRST AMENDMENT TO SPECIAL USE LEASE

THIS FIRST AMENDMENT TO SPECIAL USE LEASE is made this <sup>April</sup> 12<sup>th</sup> day of March, 2023 by and between STATE OF WASHINGTON, by its Department of Natural Resources ("State/Lessor"), and LC BERTSCH CORP, a Washington corporation, DBA Coulee Lodge Resort ("Lessee").

WHEREAS, State/Lessor and Henry M. Loomis and Sharon D. Loomis, as Lessee, entered into a Lease dated February 15, 1983, which commenced on November 1, 1982, which Lease was assigned to Keith Granacki and Louise Granacki, by that certain Lease Assignment fully executed on April 6, 1992, then subsequently assigned to LC Bertsch Corp, by that certain Lease Assignment fully executed on March 13, 1998, and then the Lease was replaced by that certain Rural Lease, by and between State/Lessor and LC Bertsch- Corp, as Lessee, dated May 1, 2001, which Rural Lease was subsequently replaced by that certain Special Use Lease by and between State/Lessor and LC Bertsch, as Lessee, which commenced on June 1, 2005 for that certain real property known Coulee Lodge Resort located at the commonly known address of 33017 Park Lake Road NE, Coulee City, WA 99115 (the "Premises"), as more fully described in the Lease and the attached Exhibit A; and

WHEREAS, Lessee desires to extend the Lease term as permitted by and subject to the conditions of RCW 79.13.060, and Lessor is agreeable to these modifications of the Lease, and the parties desire to modify the Lease accordingly;

NOW THEREFORE, in consideration of the covenants and agreements contained herein, the parties hereby mutually agree as follows:

1. Extension Term and Expiration Date: The term of the Lease, as set forth in Section 1.01. of the Special Use Lease shall be amended to extend the term by forty-four

DNR Lease #39-C55083

LC Bertsch Corp DBA Coulee Lodge Resort  
First Amendment to Special Use Lease

(44) years, commencing on November 2, 2037 and expiring on the new Expiration Date of October 31, 2081 (the "Extension Term").

- 2. Minimum Cash Rent: Section 3.01. of the Special Use Lease is hereby amended to add the following language as new subsection 3.01(a): Commencing on November 2, 2037, and at intervals of five (5) years thereafter, a new annual rental will be established as specified in attached Exhibit B, Rental Adjustment, and by reference incorporated herein.

All other terms and conditions of said Special Use Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first written above.

**LESSOR**

STATE OF WASHINGTON BY THE DEPARTMENT OF NATURAL RESOURCES

By: DocuSigned by: Todd Welker 4/12/2023  
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Its: Deputy Supervisor for State Uplands

**LESSEE**

LC BERTSCH CORP, a Washington corporation

By: Connie Bertsch 4/12/2023

Its: CEO LCBertsch Corp

*Acknowledgements follow on next pages.*

STATE ACKNOWLEDGMENT

STATE OF WASHINGTON )
) ss.
COUNTY OF THURSTON )

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

On this 12th day of April, 2023, personally appeared before me Todd welker, to me known to be Deputy supervisor for the State of Washington, that he executed the within and foregoing instrument on behalf of the State of Washington, and acknowledged said instrument to be the free and voluntary act and deed of the State of Washington for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

TAMI K KELLOGG
Notary Public
State of Washington
Commission # 153365
Commission Expires 11/28/2024

DocuSigned by:
Tami Kellogg
Notary Public in and for the State of Washington,
residing at McCleary
My commission expires: 11/28/2024
Tami Kellogg
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

**LESSEE ACKNOWLEDGMENT**

STATE OF washington )  
 ) ss.  
COUNTY OF Thurston )

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

On this 12 day of APRIL, 2023, before me personally appeared CONNIE BERTSCH, to me known to be the CEO of LC BERTSCH CORP, the company that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed the day and year first above written.

**KELLI PINCHAK**  
Notary Public  
State of Washington  
Commission # 22032957  
Commission Expires 10/26/2026

Kelli Pinchak  
Notary Public in and for the State of washington,  
residing at 1111 washington street S.E, Olympia WA  
My commission expires: 10/26/2026  
Kelli Pinchak  
[Type or Print Notary Name]

(Use This Space for Notarial Seal Stamp)

**EXHIBIT "A"**  
**Legal Description – Coulee Lodge Resort**

Lot 2 in Section 16, Township 24 North, Range 27 East, W.M. containing 29.00 acres, more or less, according to the government survey thereof.

Subject to the rights of the holder of Department of Natural Resources Water Rights No. W-0648 filed on August 25, 1975.

Subject to the rights of the holder of Department of Natural Resources Water Rights, No. W-0074 filed on February 26, 1974.

Subject to the rights of the holder of department of Natural Resources Water Rights Nos. W-3585 and W-3586 filed July 23, 1973.

Subject to the easement for right of way for sub-cable heretofore granted under Application No. 35626 for an indefinite term.

Subject to easement for right of way for State Road acquired through the filing of State Road Plat No. 818 for an indefinite term.

Subject to easement for right of way for State Road acquired through the filing of State Road Plat No. 526 for an indefinite term.

EXHIBIT B  
RENTAL ADJUSTMENT

Beginning on November 2, 2037 the fifty-sixth anniversary of the Commencement Date, a new rental rent shall be established utilizing Method B below, and at intervals of five (5) years thereafter, a new annual rental will be established (the "Adjustment Date"). Failure on the part of State to establish a new rental on any anniversary of the Commencement Date of this Lease on which adjustment is to be made shall not preclude State from doing so anytime thereafter, and the new rental shall be due retroactive to the Adjustment Date. The new annual rental shall be established by the State using either one of the following two methods selected by State in State's sole and absolute discretion:

**METHOD A - CPI With No Maximum.**

When the annual rent is to be adjusted based on the CPI, the annual rent shall be the sum computed by increasing the annual rent paid during the prior five (5) year period by the percentage increase in the United States Department of Labor, Bureau of Labor Statistics, "All Items" Consumer Price Index for All Urban Consumers ("CPI"), United States City Average (1982-84=100) using the month of September index from the level of said CPI five years prior to the Adjustment Date to the level of the CPI as of the Adjustment Date, or as a formula:

$$\text{New annual rent} = \text{previous annual rent} \times \frac{(\text{CPI as of Adjustment Date})}{(\text{CPI five years prior to Adjustment Date})}$$

In the event the change in the CPI for such period is a negative value, the annual rent shall in no event be less than the annual rent for the preceding five year period. In the event such price index ceases to be published, the most nearly comparable price index then published by the United States Government shall be substituted in its place. If State and Lessee cannot agree as to a substitute index, then a new index shall be determined through arbitration in accordance with Section 14 above. In the event a computation of an adjustment in the annual rent requires the use of published information which is not available as of the effective date of such rental adjustment, the adjustment shall be determined as soon as practical after the adjustment date, and Lessee shall continue to make periodic rental payments equal to the annual rent previously applicable. Any adjustment in such payments shall be paid by Lessee within thirty (30) days after a determination of the proper adjustment has been made.

**METHOD B - Periodic Reappraisal.**

When the annual rent is to be adjusted based on appraisal, the new annual rental shall be the appraised fair market value of the Property multiplied by the then current 5-Year Treasury Note Rate plus 275 basis points (5-Year Treasury Note Rate + 2.75%), but in any event not to exceed 7%. The term "5-Year Treasury Note Rate" shall mean the interest rate on 5-year promissory notes issued by the United State Treasury, any change in such 5-Year Treasury Note Rate to effect a change in the rate charged hereunder on the date of each such change. If the United States Treasury ceases to issue such 5-year Treasury Notes, then State shall designate another comparable index rate which, in the reasonable opinion of State, represents a comparable financial instrument as the "5-Year Treasury Note Rate" as defined herein.

In no event will the adjusted annual rental be less than the previous annual rental. The fair market value will be determined, exclusive of Lessee's improvements and as though the ownership were in fee simple, by State's appraiser. The fair market value will be established as of the beginning of the rental adjustment period. In the event that agreement cannot be reached between the parties on the fair market value of the Property, such valuation shall be submitted to a panel of three appraisers (qualified as defined in Section 14 above). One



appraiser shall be selected by Lessee and this expense shall be borne by Lessee; one appraiser shall be selected by State and this expense shall be borne by State; these appraisers so selected shall mutually select a third appraiser and such expenses shall be shared equally by Lessee and State. The majority decision of this panel of appraisers shall be binding and conclusive upon State and Lessee. Notwithstanding submission of the evaluation to the appraisers, Lessee shall pay the rental amount as proposed by State on the due dates as required if no decision by the panel of appraisers has been made or if the panel has not yet been formed. If additional payments or refunds are required as a result of this review, such monies shall be due and payable within thirty (30) days after such decision.

On those Adjustment Dates that State notifies Lessee of a rent adjustment based on Method A (CPI index) above, Lessee shall have the right to notify State that Lessee desires that the new Rent be established by appraisal of the Property in accordance with Method B. Lessee must notify State in writing within 5 business days after receipt of State's notification of a rent adjustment. Lessee shall pay the cost of said appraisal and such appraisal shall establish the new annual rent for the next 5-year period. In no event will the adjusted annual rental be less than the previous annual rent.