

Lincoln County Fairgrounds Project Scope of Work: Highest & Best Use Analysis

1. Determine legal parameters and requirements for potential uses including zoning and rezoning; building and/or remodeling; environmental impacts and regulation; archeological studies; transportation system impacts; and legalities of utilizing public assets for private use. Identify how specific issues would be addressed.
2. Determine what uses are physically possible; identify easements or encroachments; and locate utility infrastructure. Given the property size and shape; geography; utility infrastructure; access; and existing and potential facilities; develop configurations that could serve both new uses and use by the fair.
3. Study market forces affecting uses that are legal and physically possible. Identify the gaps in the commercial real estate market as well as the retail and service products that result in the greatest revenue leakage outside of the local market. Identify income producing uses that are likely to generate a return that is greater than operating expenses. Of the financially feasible uses, rank by level of need and determine if it is financially feasible to make the improvements necessary to serve those uses. In addition to vetting new uses, study the potential for year-round use of *fair-specific* facilities such as arenas and livestock barns.
4. Of the new uses with potential, determine which are maximally productive. Consider beneficial impacts such as business recruitment, job creation, cluster contribution, and reduction of retail and service sector leakage. Determine if the potential uses support or conflict with the City of Davenport's vision for the area.
5. Compare the potential value of the property improved to serve the highest and best use with the market value of the property if it were sold as-is.

The results of an evaluation of the condition of onsite facilities will be provided to the consultant.

LINCOLN COUNTY, WASHINGTON

Highest and Best Use Analysis for County-Owned Property Currently Serving as a Fairgrounds



Submitted to the Lincoln County
Commission

May, 2018

LINCOLN COUNTY, WASHINGTON

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Property Currently Serving as a Fairgrounds

Submitted to the Lincoln County Commission
Davenport, Washington

by

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May, 2018

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Commission by the Washington State Community Economic
Revitalization Board (CERB)



LINCOLN COUNTY FAIRGROUNDS
HIGHEST & BEST USE ANALYSIS

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LINCOLN COUNTY FAIRGROUNDS HIGHEST & BEST USE ANALYSIS

INTRODUCTION AND ORIENTATION

PURPOSE OF THIS REPORT



Lincoln County owns the properties in Davenport, Washington that are used for the annual County Fair. While the County receives revenues from leases, vendor fees, State transfers and other sources during the annual Fair, periodically supplemented by other limited uses during the rest of the year, the County is responsible for the maintenance, repairs and general upkeep of the land and facilities year-round even when they are not producing revenues.

According to the County's application to the Washington Community Economic Revitalization Board (CERB) for this study:

"The annual 3-day Lincoln County Fair does not support the year-round costs associated with the grounds. The property is not being utilized to its full potential and represents an expense that cannot be afforded or ignored. The property is in an area that lacks much needed inventory of industrial and commercial facilities for lease and this project would enable Lincoln County to explore opportunities for generating revenue with the property while addressing this problem."

The application goes on to state that "This analysis would determine: 1) what uses are or could be legally permissible; 2) what uses are physically possible; 3) what uses are financially feasible to perpetuate and/or execute; and 4) what uses are most profitable and/or maximally productive."

The County's request for consulting services for this project also states that "Carrying this financial loss is not a sustainable proposition for the County. The County needs to find additional revenue sources if it is to continue to own and maintain those properties. If those additional revenues cannot be found, the County may have to consider the alternative of selling the properties."

The purpose of this study, then, is to identify the potential highest and best use(s) of the properties that can produce those additional revenues. The first choice is to find uses that are compatible with the continued operation of the annual County Fair and would avoid having to sell the properties. If that compatibility cannot be achieved, then this study identifies which uses are legally, financially and marketably feasible as alternatives to using the property for the County Fair.



Main Street during Fair



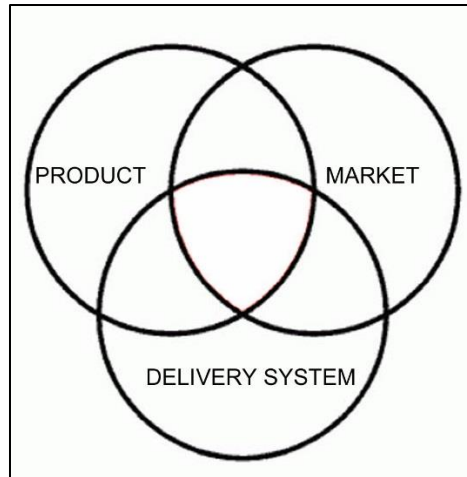
Main Street in Winter

METHODOLOGIES USED IN THIS REPORT

As the objective of this study is to increase net revenues for the County, the methodology used in this report is based on identifying private-sector and/or joint public-private economic uses rather than non-revenue public uses. This raises certain legal issues that are addressed in this report.

Under the preferred scenario, it is assumed that potential uses will be commercial or industrial rather than residential and that revenues will be derived from leases rather than from sales. It is also assumed that the highest and best uses will need to be developed and managed by the County or an entity created specifically for that purpose rather than simply soliciting bids and letting the market determine those uses.

To identify those potential uses, a simple model is used that consists of (1) the product to be offered; (2) the market for that product; and (3) the delivery system to bring the product to the market. All three of these need to come together in order to make the potential uses achievable. In addition, the model has to be financially feasible and there has to be organizational and management capabilities to ensure success.



The Business Research Model

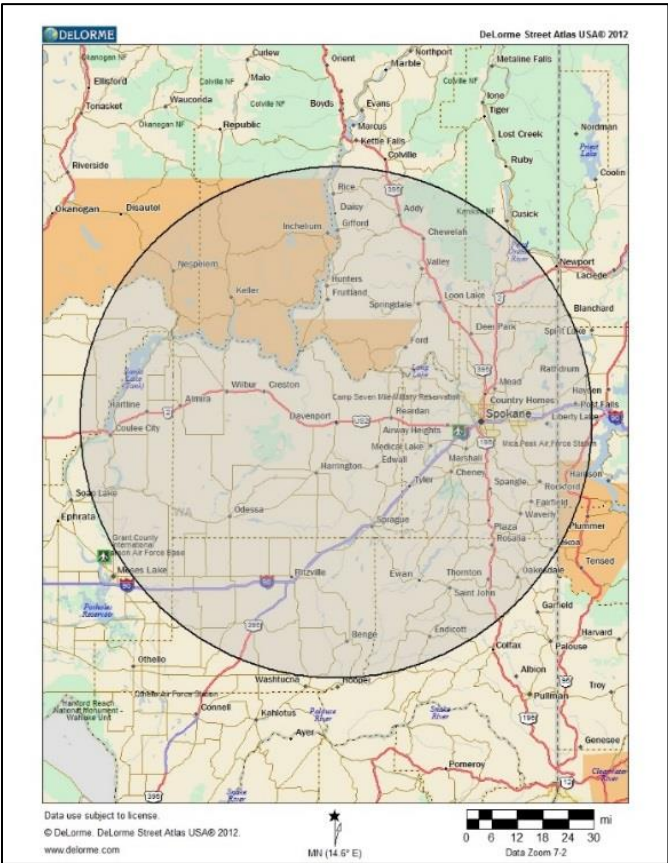
One important consideration not addressed in the application to CERB is the *timing* of development of new uses for the property. As work on the study progressed, it was found that several of the potential new uses of the property are intrinsically associated with economic development opportunities for the Davenport area of Lincoln County. Those kinds of opportunities typically have to be developed over a period of time and cannot be considered as short-term solutions. For that reason, **this study uses a horizon of three-to-five years to implement the recommendations for reuse and/or redevelopment.**

ECONOMIC AREA EXAMINED FOR OPPORTUNITIES

The focus of this study is on identifying economic opportunities that can be recruited to, or developed in, the city of Davenport which is the county seat of Lincoln County, Washington. While Lincoln County provides the primary *resources* for this study, the *market* area evaluated for identifying those opportunities includes all of Spokane County, also known as the Spokane Metropolitan Statistical Area (MSA). The driving distance from the center of Davenport to the center of Spokane is only 35.5 miles via US Hwy 2 and Interstate 90 with an estimated driving time of 46 minutes with normal traffic. Also, Fairchild Air Force Base is the largest employer in Spokane County and is situated in the growing West Plains area between Davenport and the city of Spokane.

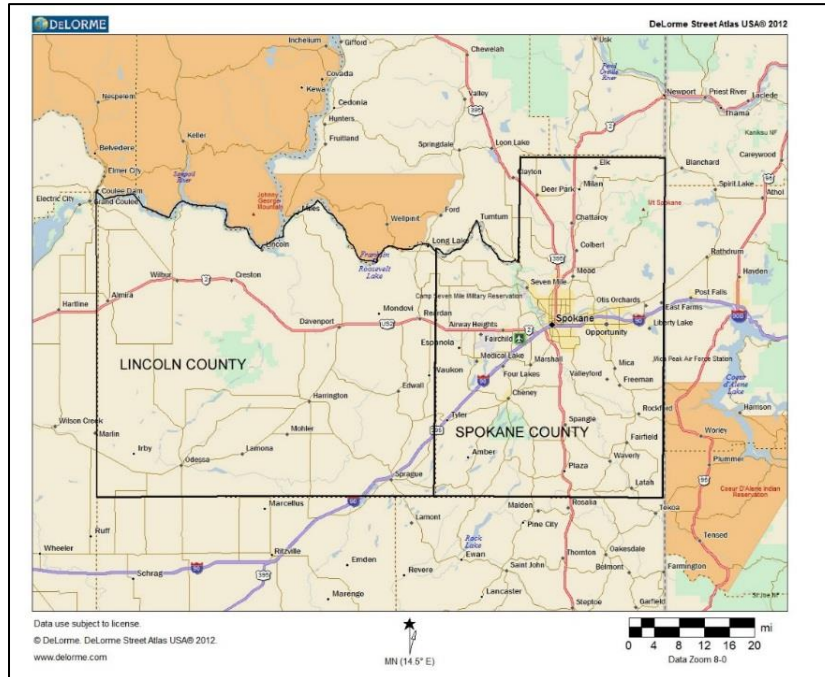
A radius of 60 miles is often used to measure a trade area for local businesses, which translates to a driving time of about one hour. As a labor area resource, the density of that resource shrinks as the distance increases and numerous factors such as types of jobs, wages, skill requirements and driving conditions affect the overall size of the labor force. Map 1 shows the area included in the 60-mile radius centered on Davenport.

Map 1: 60-Mile Radius Centered on Davenport



The major concentration of population within this radius is in Spokane County. The economic and demographic data and trend analyses in this report are provided separately for Lincoln County and Spokane County in order to show where marketing efforts and opportunities might be targeted for the Fairgrounds properties. The two-county area analyzed in this report is shown on Map 2.

Map 2: Lincoln and Spokane Counties



The analysis of Lincoln County provides full demographic and economic information describing the resources and support base for the county where the physical site is located. The analysis of Spokane County primarily examines market sectors for activities that might be located at the Fairgrounds or connected to other businesses located there.

LINCOLN COUNTY FAIRGROUNDS
HIGHEST & BEST USE ANALYSIS

EXECUTIVE SUMMARY

This report provides the results of a study contracted by the Lincoln County Commission on October 10, 2017 with Elesco LLC of Tumwater, Washington. Partially funded by the Washington State Community Economic Revitalization Board (CERB), the stated purpose of the study was to identify the highest and best uses of the fairgrounds property that would increase revenues to the County enough to cover its ownership costs and reverse negative cash flows in the fairgrounds budget. While the annual County Fair is a major event that brings in substantial revenues, the main revenue sources in the off-season are low value, part-time uses such as dry storage of boats and RVs. Although the desire was to develop new uses on the property that would allow the site to continue to be used as the venue for the annual County Fair, the study also looks at the alternative of selling the property for its highest value if sufficient revenue streams cannot be identified.

Elesco LLC is a consulting firm specializing in asset-based economic development. In order to perform the Scope of Work described in the CERB grant, Elesco subcontracted with Maul, Foster & Alongi, Inc., a civil engineering firm based in Vancouver, Washington providing services through its office in Coeur d'Alene, Idaho, to investigate and assess physical site issues such as the locations and capacities of utility infrastructure. MFA assisted Elesco in identifying the physical requirements and costs to expand the existing infrastructure to meet the needs of businesses identified by Elesco as potential users of the site.

Another key requirement of the study was to identify the County's legal options for entering into contracts with private companies locating on the fairgrounds. It was noted that Washington State laws, including its Constitution, are comparatively restrictive in allowing for the use of public credit, properties or other resources for private purposes. The legal analysis was performed by Douglas C. Macbeth, JD, of Bend, Oregon under a subcontract with Elesco.

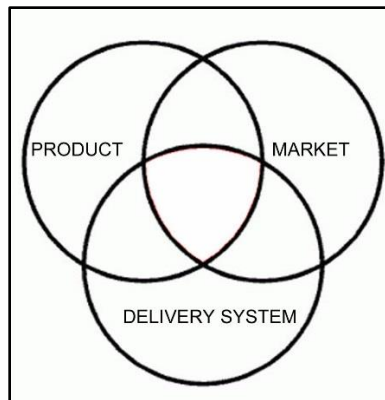
This Executive Summary corresponds to the organization of the larger report. Major findings and conclusions of each section are described, with greater details being left to the sections of the full report.

Introduction and Orientation

In addition to introducing the purpose of the study as described above, the Introduction and Orientation section provides the methodologies used to develop the findings of the report. Since the purpose of any reuse of the property is to bring new revenues into the County, the fairgrounds are treated as a potential revenue-producing asset and the analysis focuses on ways to use that asset to provide net income to the County.

That objective limits potential reuses to private-sector and/or joint public-private economic uses rather than non-revenue public uses. As much as some public uses were preferred by individuals interviewed for this project, if they did not meet the revenue requirements they were not considered as viable and were rejected.

Potential uses were examined according to a three-part model that applies to any private business:



It was assumed that the enterprise would have to provide: (1) a defined **product** or service; (2) there would have to be an accessible **market** available for that product or service; and (3) there would have to be a **delivery system** that would match the product or service to the market.

The major **resources** for the product or service would come mostly from Lincoln County and more specifically from the Davenport area. A 20-mile radius around Davenport was drawn as the primary resource area.

However, the **market** area examined in this report is not limited to Lincoln County but is mostly focused on Spokane County. For that reason, the analysis includes extensive evaluation of market opportunities in that neighboring county and especially in the West Plains area. In order to link into the economy of Spokane County, a horizon of three-to-five years is used to implement the recommendations for reuse and/or redevelopment of the fairgrounds.

Legal Analysis

Before pursuing any investigation of alternative uses of the fairgrounds it was decided to investigate the legal issues regarding private uses of public properties in Washington State in order to determine the constraints and/or prohibitions that would set the parameters for the analysis. It was known that the Washington constitution prohibits the lending of public credit for purposes that benefit private interests. It was also known that the “appearance of fairness” doctrine does not allow public agencies to take actions that favor one private party over another in public transactions. Those appeared to be impediments to the County entering into any agreements with private entities that might want to use the fairgrounds to conduct their businesses.

In the legal investigation, it was found that State statutes provide an important exception for properties used for county fairs. In 36.34.145. Leases of county property to nonprofit organizations for agricultural fairs, it states that “The legislative authority of any county owning property in or outside the limits of any city or town, or anywhere within the county, which is suitable for agricultural fair purposes may by negotiation lease such property for such purposes for a term not to exceed seventy-five years to any nonprofit organization that has demonstrated its qualification to conduct agricultural fairs”. The statute then states that “The lessee may utilize or rent out such property at times other than during the fair season for non-fair purposes in order to obtain income for fair purposes, and during the fair season may sublease portions of the property for purposes and activities associated with such fair (emphasis added)”

The legal report states that this statute appears to provide for many of the County’s objectives for the fairground. In combination with the above cited statute on the management of fairs, it would allow the delegation of the entire management of the Fair and the Fairgrounds to a non-profit entity. The specific provision allowing the property to be rented for non-fair purposes during the off season, without any restrictions on how such leases are negotiated, is a very useful power.

The conclusion of this section is that the County *can* utilize the fairgrounds for private businesses conducting activities that are non-fair related but it has to do so by assigning full management of the fairgrounds to a non-profit agency and having that agency make the leases to the private businesses. It was suggested that the Lincoln County Economic Development Council could be that non-profit agency.

Following that discussion, the legal analysis examined two other ways that the objectives of the County might be met. One was the creation of a Port District through a county-wide vote with the Port District acquiring the property from the County; and the other being the creation of a Public Development Authority (PDA) which would have the powers to develop the properties and make leases for purposes of economic development. The main revenue source for a Port District is a tax base, while for a PDA the main source is from selling bonds.

While no decision could be made on which organizational structure the County might choose to follow, the only restricted option would be if the County wanted to enter into leases directly with private businesses. However, those restrictions would be removed if the County chooses to lease the entire fairgrounds to a non-profit agency, forms a Port District, or creates a Public Development Authority. Knowing those options exist enabled further investigation to move forward.

Fairgrounds Site Analysis

As noted above, this section was developed by the engineering firm Maul, Foster & Alongi, Inc. This was done by visiting the site and conducting a walking inspection, researching County Assessor and Public Works records, meeting with officials of Avista Corporation and other utility providers, and reviewing data from the State's Mapsifter program. A full site layout diagram was obtained along with a complete inventory of all improvements including buildings, appurtenant structures, parking and camping areas, staging areas, and utilities.

A detailed Condition Inspection report on the Lincoln County Fair Grounds, dated September 21, 2017, was provided to MFA by the Lincoln County EDC. That condition inspection was performed by Marvin T. Palanuk, Certified General Appraiser, and previously the building inspector for the City of Electric City, Washington. It gave recent inspection data on all the buildings located on the fairgrounds including their sizes, dimensions, uses, utility service infrastructure and general structure and conditions, along with photographs of the exteriors and interiors. That information was summarized and incorporated into the MFA report.

MFA used a drone to overfly the fairgrounds and provide detailed photographs to map out the existing utility infrastructure and lay out proposed improvements to areas deemed suitable for use as business sites.

In general, it was found that the current utility infrastructure is only adequate to provide service levels required for fairgrounds operations and minimal support such as service outlets to RV parking areas, restrooms, stock areas, wash areas, and other specific uses. Upgrades to three-phase power and extension of water and sewer lines were recommended to those buildings and sites identified for possible business development.

However, there were no constraints identified that would preclude such business development. No significant environmental issues were found that would require mitigation. The only significant concern was that several of the buildings are in poor condition and would require relatively expensive upgrades to meet current codes for the proposed business uses.

Lincoln County Analysis

As noted above, any strategy for reusing fairgrounds assets for business development will require selecting a product or service to produce there. The resources for identifying a suitable product or service will need to come from Lincoln County and specifically from the 20-mile radius area around Davenport that includes most of the available labor force.

One of the first concerns identified in the report is the relatively small population base that has not shown any pattern of growth over the past 17 years. From 2000 to 2017, Lincoln County's population grew from 10,184 residents to 10,579, for growth of only 395 people and an annual average growth rate of 0.22%. Population in the City of Davenport actually declined during that same period, going from 1,734 people to 1,614 for an annual average loss of 0.42%.

Office of Management and Budget (OMB) population forecasts do not show any significant changes in this pattern. From 2010 to 2040 the population of Lincoln County is predicted to grow from 10,616 residents to 10,848, a gain of only 232 people and an annual average growth rate of only 0.07%.

Also of concern was that the age distribution of the population showed sizable losses of the working age groups. Between 2010 and 2016 the age group of 18 – 64 declined by 424 persons. At the same time, the age group of 65 and over *increased* by 389 persons. This is not a good pattern for estimating the future availability of a labor force.

Lincoln County's economic trends show that the economy is dominated by the growing of wheat, with 1.2 million of the county's 1.5 million acres devoted to wheat production. There were 897 farms in Lincoln County in 2012, up from 796 in 2007 although the average size of farms decreased from 1,366 acres to 1,243 acres. The value of all products sold was \$183,244,000 consisting of \$173,610,000 in crop sales and \$9,634,000 in livestock sales. (Note: The next US Census of Agriculture was taken in 2017 but results were not available at the time this report was written)

Labor force and employment data from the Washington State Employment Security Department showed total non-farm employment in Lincoln County in November 2017 was 2,610 workers with 1,290 in private-sector employment and 1,320 in public-sector employment. The data showed only 50 jobs in the manufacturing sector with another 200 jobs in mining, logging and construction.

These low numbers could not be reconciled with other data from EDA and the US Department of Labor so a labor profile of the 20-mile radius around Davenport was run using the US Census Bureau's On-the-Map program comparing employment information by sectors for 2002 and 2015. That produced some very significant differences in identifying the labor resources available at the Lincoln County Fairgrounds.

The On-the-Map program allows a data search for a user-defined geographic area and can be run for both employment by place of work and employment by place of residence. That comparative analysis showed there were 2,469 employed workers in the 20-mile radius around Davenport by place of work in 2015 but there were 3,248 workers by place of residence. That means there were 779 more workers living in the 20-mile circle than actually worked there.

Even more significant was the effect of this comparative approach on the sectors of employment. While ESD data showed only 50 workers in the entire county employed in manufacturing, the US Census data showed 179 workers who lived within the 20-mile circle employed in the manufacturing sector. Similar results were shown for other sectors requiring advanced skills

The obvious conclusion from this analysis was that there are many more workers living within the 20-mile circle who commute to jobs in Spokane County or elsewhere and who have occupational skills that are not counted in the Lincoln County labor force data. Those workers will be a major asset for recruiting and employing skilled workers at the Lincoln County Fairgrounds.

Spokane County Analysis

The analysis of neighboring Spokane County primarily examined market opportunities for businesses recruited or developed at the Lincoln County Fairgrounds. Spokane County has a current population of more than 500,000 people and a private sector with about 12,700 business establishments employing more than 180,000 workers. That economic engine is right next door to the Davenport area so the reports recommends that business development efforts at the fairgrounds should aim at tapping into that market.

Especially significant is the rapid development of the West Plains area, only about 25 miles east of Davenport. The West Plains area is home to Spokane International Airport and Fairchild Air Force Base, the largest employer in Spokane County. A newly-formed West Plains / Spokane Airport Public Development Authority is empowered to develop business sites, negotiate leases, and generally promote the economic development of the entire area of Spokane County west of Interstate 90.

Several organizations are actively promoting business investment, recruitment and expansion in Spokane County but the report focuses primarily on Greater Spokane, Inc. (GSI). This member organization has targeted several sectors of the economy for special attention and is working on helping supply chain businesses locate in the area. A meeting with GSI officials confirmed that they would be willing to work with Lincoln County EDC, or a Port District or PDA, to assist businesses in Lincoln County to find business partners that could be supplied by companies operating at the Lincoln County fairgrounds. They indicated they would welcome companies in Davenport that can supply manufacturers in Spokane County with parts and/or services that are currently being sourced off-shore or in other areas of the country.

Resources for Business Development

The next section of the report summarizes the resources that Lincoln County can provide to attract or develop businesses at the fairgrounds, beginning with the fairgrounds land and existing buildings. It observes that there is currently a relatively scarce inventory of existing industrial buildings available in Spokane County and that some companies might like the buildings at the fairgrounds and their lower rents. The biggest shortage is in warehousing space which is highly suitable to the buildings at the fairgrounds.

Lincoln County's agricultural resources are highlighted again for their potential to generate businesses through backward and forward linkages. Suppliers to the agricultural industry would be natural tenants at the fairgrounds as would be processing companies that can use the grain or other agricultural commodities as raw material.

Tourism and recreation are listed as resources because Davenport is a major gateway from Spokane County to the Lake Roosevelt National Recreation Area. A recent survey showed that visitors to the NRA cited lack of services as an issue which might be resolved by service businesses locating in Davenport.

A possible tourist attraction might be developed on the fairgrounds as Davenport Farm Village, a collection of farming-related shops, restaurants, entertainment venues, and other kinds of businesses. A model is shown called Oak Tree Village in Southern California that is similar to the way Knott's Berry Farm got started – offering farm produce and specialty products and growing into a self-contained entertainment center with an agricultural flavor.

The Davenport Municipal Airport is also cited as a resource. This facility presently serves local and visitor aircraft operations as well as agricultural applicators. It is suggested that the airport could accommodate the growing use of drones for agricultural and utility services and that support facilities could be located on the fairgrounds. It is also recommended that expansion plans for the airport, including lengthening the runway, include a plan for a business and industrial park that could house businesses expanding from their initial operations at the fairgrounds.

Finally, the area's labor force that presently commutes to jobs in Spokane County is cited as a major resource for Lincoln County. It is recommended that an occupational survey be conducted to quantify the types and magnitudes of skilled labor living within a 20-mile radius of Davenport. If that is not practical, it is recommended that some local newspaper ads could be placed indicating that a company is considering locating at Davenport and needs to determine the skills that are available in the area. Many economic development agencies use that technique to show companies that they can recruit skilled workers locally to meet their needs.

Development and Implementation Strategies

This section ties all of the prior information together into recommendations for development at the fairgrounds. After demonstrating that there is not pent-up demand for businesses wanting to move to the Davenport area, it is observed that the alternative will be to initiate economic development strategies to increase local demand for business sites and facilities. The report recommends two ways to do this:

- (1) Developing forward and backward linkages to the primary economic sector in Lincoln County which is Agriculture, primarily wheat production, along with other grains, livestock, and other diverse agricultural commodities;
- (2) Linking into the larger and more diversified market that exists in adjacent Spokane County by participating in the supply chain that supports regional manufacturers.

Agricultural Development Strategy

The first strategy is to use the fairgrounds as an asset to leverage Lincoln County's agricultural production, primarily wheat, to develop new products and new methods of production to add local value. One way for Lincoln County to do this would be to create a partnership with an existing flour mill company such as ADM to construct a small mill to produce flour on-site along with products made from other grains, possibly combined with other local ingredients. There is growing consumer support, known as the "locavore" movement, for buying locally-made products from locally-produced ingredients.

In 2012, the University of Vermont conducted a feasibility study for developing a multi-purpose grain processing facility in that state. The study found that a commercial scale mill in Vermont could break even on an EBITDA cash flow (earnings before interest, depreciation, taxes, and amortization) selling certified organic flour at \$0.50 per pound, if it could achieve a minimum operating capacity of 30% in a purchased land scenario and 40% in a leased land scenario.

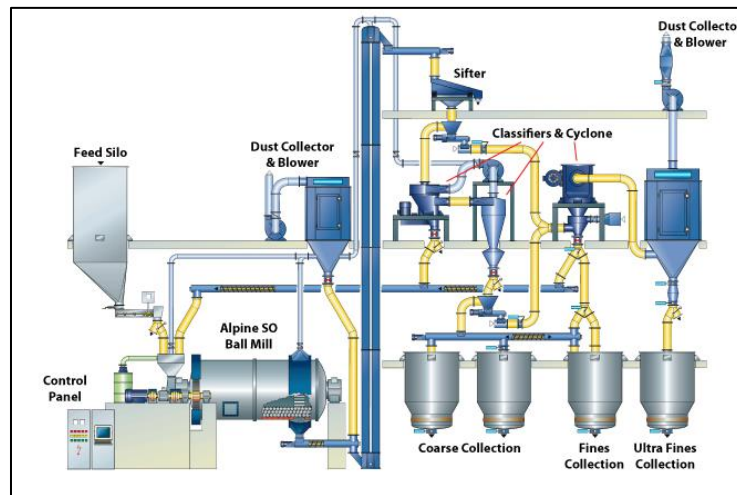
If the Lincoln County Commission were to participate in developing this facility at the fairgrounds, that site would be leased from the County providing revenues from the land lease as well as a possible percentage of the net operating revenues (a performance lease). The economics of that arrangement would depend on the amount of the land lease, the size of the mill with associated volumes of supply and sales, along with supply acquisition and sales prices. A key variable for the land lease revenues would be amortization of infrastructure development costs. Whatever the gross amount of net revenues, this would make a positive contribution to off-setting the costs of maintaining and operating the fairgrounds facilities.

For its location, the University of Vermont model recommended a site of 3 – 4 acres which would allow for future expansion. Initially, however, the study stated that **"a minimum of ½ acre should be sufficient to house the mill itself"**. By reconfiguring some of the facilities at the fairgrounds, it is believed that a suitable site to house a flour mill could be developed. Existing

streets and open spaces could be used to support the mill when they are not required for the annual fair.

Another option to put a flour mill into the Lincoln County Fairgrounds would be to acquire a Unifine mill and operate it similar to one being placed in Ritzville. This could be done at significantly less cost and space requirements than the standard roller mill described in the University of Vermont study.

Instead of grinding the grain (stone mill) or shredding & sifting the grain (roller mill), the Unifine Mill is a type of impact milling system similar to a hammer mill. The system pulverizes the grain on impact - resulting in minimal starch damage and a more optimum and uniform flour particle size compared to flour produced by other systems. The rotor and stator are extremely durable and offer long-term, dependable milling.



Unifine Flour Mill Process Diagram

Other opportunities to utilize the agricultural products grown in Lincoln County and surrounding areas can also be explored but are not examined in this report. Some of these may include hydroponics, aquaponics, greenhouse farms that produce fruits and flowers, and assemblage of home-grown agricultural products to be sold under a common label. A wine and/or craft brewery or distillery tasting room would also draw tourist customers to the fairgrounds and could lead to a production operation there. There should be an opportunity to develop a Davenport or Lincoln County brand that could find markets outside the region and even for export.

Supply Chain Strategy

This strategy will take a great deal of dedicated effort, time, and capital investment to make it happen. However, it has the potential to diversify and strengthen the economy of Lincoln County. It could capture a large portion of the labor force that is currently commuting to Spokane County, which would significantly increase demand for retail products and services in Davenport and also in Reardan and other communities in Lincoln County.

Implementing this strategy will require developing a CNC machine shop and metal fabrication business at the fairgrounds to supply component parts to manufacturing companies located in Spokane County and beyond. This company is called Davenport Precision Machine (DPM) in this report. Again, however, it is recommended that this facility be created in partnership with an existing machining company so that DPM could initially provide overflow support to a company that already has a customer base. The advantage to the partner company would be to increase production without having to invest in on-site expansion. This strategy is summarized as:

Formation of a new business/educational/innovation entity specializing in custom precision fabrication and additive manufacturing to make components of the supply chain for companies in the Spokane area that are engaged in manufacturing and final assembly operations in selected industry clusters.

There is a growing trend among U.S. companies, especially OEM companies (original equipment manufacturers) to bring their supply chains back into the United States from off-shore locations. This is being done to control the logistics of the supply chain, i.e. ensuring that deliveries of components match the timing of their use as well as to control quality and pricing. OEM manufacturers are looking for domestic companies that can meet these requirements as well as match costs to what they would pay to offshore suppliers and to cover transportation and handling costs. Primary emphasis would be on the industrial clusters targeted by GSI for accelerated development in the Spokane area.

In the research on business trends and patterns in Spokane County, it became evident that the next several years will see significant growth of technology-oriented businesses in the West Plains area between Davenport and Spokane. While Fairchild Air Force Base already provides a major source of potential business, the creation of the West Plains/Spokane Airport Area Public Development Authority will add opportunities to expand the number of businesses that could be customers for a machine shop operation in Davenport.

Organizational Structure

The organizational structure of this entity needs to be kept simple but still encompass three components that will work together to acquire funding and cross-utilization of resources:

- An advanced CNC machine shop to produce products for the supply chain
- An educational component that can provide workforce training in support of Washington’s Workforce Training and Education Coordinating Board’s objectives.
- A product development laboratory providing innovation and shared workspace facilities for entrepreneurial development.

The simplest approach will be to create the entity through an existing non-profit agency, such as the Lincoln County Economic Development Council. This will allow work to begin immediately on putting the resources together that are needed for the project. A business plan for the project is provided in the report that includes the key resources required. If a Port District or a PDA is formed to oversee this process, then the details of the structure will depend on which form of governmental agency is created and how long it will take to become operational. If the Lincoln County Commission wants to pursue this strategy, it will need to carefully consider its options and make a decision on what kind of economic development entity it wants to spearhead the effort.

Fairgrounds Location

Fairground location

Several buildings at the fairgrounds could be made suitable for a small manufacturing facility/ machine shop with the addition of the utilities required for its operation. The report recommends using Building #15 located just south of the main hall at the entrance to the



fairgrounds. The main hall has a commercial kitchen that could be used as its own incubator to develop new food products in the value added food processing cluster.

Building #15, known as the “commercial building”, is a Quonset hut that was constructed in 1970 with ±4,800 square feet of interior floor space in dimensions of 40 feet wide by 120 feet long. It has no windows but does have skylights.

Establishing a commercial operation in Bldg. #15 would impose minimum conflicts with other activities at the fairgrounds, would provide easy access for cars and trucks from Hwy 2, and could utilize existing parking for employees and visitors. A building of this size should be sufficient to serve as an incubator for companies entering the supply chain but still is small enough to encourage them to relocate to permanent space at the airport as they expand.

A detailed operational model / business plan is provided in the body of the report.

A third strategy is described in the report to meet a need of the CERB grant for this project. That strategy examines the option to for the County to sell the fairgrounds site which would make it no longer available for the annual County Fair. While this would relieve the County from the negative cash flow burden of owning and maintaining the property, it is considered as a last resort option if none of the other strategies can be implemented.

In its present condition as a fairgrounds, the land and buildings have very low value. Redeveloping the property for any other use would require substantial investment to remove many or all of the structures and reconfigure the entire utility infrastructure. As noted many times in the report, there is not quantifiable demand for this kind of land in Davenport so while a sale, possibly at auction, might be possible there would be limited ways to control how the site is used and it would bring a relatively low financial return to the County.

The best way to implement that option would be to determine a specific use for at least the commercial frontage on Hwy 2 and sell the land to a buyer who would use it for that purpose. The report outlines how several commercial travel centers have been built in Washington and Oregon by American Indian Tribes to diversity their economies from reliance on casinos. Travel centers at Omak and Tokeland, Washington are profiled along with one recently opened in Madras, Oregon by the Confederated Warm Springs Tribes.

This is not a recommended strategy but can be kept as a backup if the fairgrounds site is not used for the other strategies described in the report. There will need to be a legal determination on whether the County Commission could keep all the proceeds from a sale or would have to repay any of those funds back to the State.

Financial Analysis of Recommended Alternatives

The final section of the report provides cost and revenue models to show the potential financial returns to the County from implementation of the recommended strategies. These are detailed models so only the conclusions are presented in this Executive Summary.

Development of a wheat grain flour mill on the site is shown as a modular project with initial operation of a 20-ton flour mill and expansion to 80 tons in 20-ton increments. Without knowing what organizational structure will be used to own and operate the mill, it is assumed that the main source of revenue to the County would be from the land lease. This was cited as being a net revenue of \$30,500 per year.

Revenue from the supply chain business would also come from rental of the building which is estimated at a low of \$34,560 per year with minimal improvements to \$46,080 with upgraded interiors. If both projects were fully implemented, the revenues to the County would fall in the range of **\$65,052** to **\$76,572** annually.

LINCOLN COUNTY FAIRGROUNDS
HIGHEST & BEST USE ANALYSIS

LEGAL ANALYSIS

This legal analysis is presented as the first section of this report because it defines what the Lincoln County Commission is legally allowed to do in using the publicly-owned fairgrounds for the development and operation of private business enterprises, either through leases, partnerships, joint ventures or other organizational structures. Washington laws are comparatively restrictive in allowing for the use of public credit, properties or other resources for private purposes. It was decided to resolve these issues and establish the legal capabilities and/or requirements for the County Commission to utilize the fairgrounds for revenue-producing economic development initiatives in the analyses that follow in subsequent sections. This section of the report was researched and written by Douglas C. Macbeth, JD

The legal parameters and requirements for potential uses of the fairgrounds in Davenport involve analysis of:

- I. Statutory provisions governing County Fairgrounds
- II. Leasing public property for private use in Washington
 - A. Constitution
 - B. Statutes
- III. Possible creation of independent authorities
 - A. Public Development Authority
 - B. Port District
- IV. Analysis

I. Statutory provisions governing County Fairgrounds

Two sections of the Revised Code of Washington (RCW) deal with Agricultural Fairs and fairgrounds. Chapter 76 of Title 15 (Agriculture) declares such fairs to be in the public interest, establishes funding mechanisms to defray fair costs, and provides capital for health and safety improvements at fairgrounds (15.76.165).

Chapter 37 of the County Code (Title 36) also declares county fairs to be in the public interest and authorizes expenditures to support fairs. One section regarding management is particularly pertinent to this analysis:

36.37.040. The board of county commissioners of any county may appropriate and expend each year such sums of money as they deem advisable and necessary for (1) acquisition of necessary grounds for fairs and world fairs, (2) construction, improvement and maintenance of buildings thereon, (3) payment of fair premiums, and (4) the general maintenance of such fair.

The board of county commissioners of any county may also authorize the county auditor to provide a revolving fund to be used by the fair officials for the conduct of the fair. The board of county commissioners may employ persons to assist in the management of fairs or by resolution designate a nonprofit corporation as the exclusive agency to operate and manage such fairs. (Emphasis added)

At present, the Lincoln County Fair is managed by a County Board appointed for that purpose. There is also a 501(c)(3) non-profit active in the County which raises funds for the fair. The Lincoln County Economic Development Council is also a 501(c)(3) non-profit corporation that would be eligible to manage business development on the fairgrounds. This statute gives the Commissioners wide discretion in providing Fair management.

II. Leasing public property for private use in Washington

A. Constitution

The first factor in considering private use of public land is a limitation found in the state's Constitution, Art. VIII sections 5 and 7. Article 7 provides in part "...no County...shall give any money or property, or loan its' money or credit to...any individual, association, company or corporation, except for the necessary support of the poor or infirm..." In determining whether a public expenditure constitutes a prohibited gift, the Washington Supreme Court applies a two factor test. First, if the expenditure carries out a fundamental government purpose, then no prohibited gift is possible. However, if no fundamental purpose is served, the Court must examine whether a "gift" has occurred by looking at the consideration which the government receives in return.

The two cases which outline the factors to be examined are CLEAN v. State, 130 Wn.2d 782, 928 P2d 1054 (1996) and King County v. Taxpayers of King County, 133 Wn.2d 584, 949 P2d 1260 (1997); both of which involve the lease of public property for Safeco Field. Once the legislative body of the government entity concludes that it is receiving an adequate return, the Court will not interfere unless it finds proof of donative intent or grossly inadequate return. Thus to avoid any constitutional issue around lease of the County fairgrounds, all that is required is a fair deal which benefits both parties.

B. Statutes

There are specific statutes governing County property set forth in Chapter 36.34 RCW, with various provisions for leasing property. The standard open lease has a series of requirements set out in 36.34.150 -200, which include publication, various restrictions on lease terms, and award to the highest responsible bidder. A county may avoid the restrictions of Chapter 36.34 by establishing “comprehensive procedures for the management of county property consistent with the public interest” pursuant to RCW 36.34.05.

There are also specific statutes governing leases for airports, forest lands and affordable housing; along with an interesting provision regarding leases for agricultural fairs, which is set forth here:

36.34.145. Leases of county property to nonprofit organizations for agricultural fairs.

The legislative authority of any county owning property in or outside the limits of any city or town, or anywhere within the county, which is suitable for agricultural fair purposes may by negotiation lease such property for such purposes for a term not to exceed seventy-five years to any nonprofit organization that has demonstrated its qualification to conduct agricultural fairs. Such agricultural fair leases shall not be subject to any requirement of periodic rental adjustments, as provided in [RCW 36.34.180](#), but shall provide for such fixed annual rental as shall appear reasonable, considering the benefit to be derived by the county in the promotion of the fair and in the improvement of the property. The lessee may utilize or rent out such property at times other than during the fair season for non-fair purposes in order to obtain income for fair purposes, and during the fair season may sublease portions of the property for purposes and activities associated with such fair (emphasis added). No sublease shall be valid unless the same shall be approved in writing by the county legislative authority: PROVIDED, that failure of such lessee, except by act of God, war or other emergency beyond its control, to conduct an annual agricultural fair or exhibition, shall cause said lease to be subject to cancellation by the county legislative authority. A county legislative authority entering into an agreement with a nonprofit association to lease property for agricultural fair purposes shall, when requested to do so, file a copy of the lease agreement with the department of agriculture or the state fair commission in order to assure compliance with the provisions of [RCW 15.76.165](#).

This statute appears to provide for many of the County’s objectives for the fairground. In combination with the above cited statute on the management of fairs, it would allow the delegation of the entire management of the Fair and the Fairgrounds to a non-profit entity. The specific provision allowing the property to be rented for non-fair purposes during the off season, without any restrictions on how such leases are negotiated, is a very useful power. This statute is subject to two limitations. The first is that the lessee must have “demonstrated its qualification to conduct agricultural fairs”. There are no cases construing this requirement. It is suggested that whatever entity the County would choose should have some members from the Fair Board on it. The other limitation is that income from sub-leases be for “fair purposes”.

It is suggested that drafting the base lease with the non-profit so that any sublease income which exceeds fair expenses be paid over to the County general fund would meet this limitation, since the County is given wide discretion in funding the fair.

III. Possible creation of independent authorities

Washington statutes provide for the creation of independent legal entities to promote development. The two most widely employed are Public Development Authorities (PDAs) and Port Districts (PDs). These entities vary in their degree of independence from the political body creating them, with Port Districts being far more autonomous.

A. Public Development Authorities

PDAs are public corporations created by a city or county to perform a particular public purpose, which is specified in the resolution creating it and in its' charter. While the purposes vary widely, many are created to receive and administer federal or private funds. PDAs are often created for a specific purpose, and can be chartered for limited duration. The statutes governing PDAs (RCW 35.21.730 et seq.) set forth powers and limitations, but generally provide considerable flexibility in the creation of these entities.

PDAs may contract and sue or be sued in their own name; they can also issue tax free bonds (which typically must be guaranteed by the creating municipality to be salable). The creation of public private partnerships is frequent in PDA operations. They do not have taxing authority or the power of eminent domain. PDAs may hold real property, and the county may deed parcels to the PDA without consideration, but such transfers must specify how the property can be used by deed restrictions. The PDA may not sell or encumber any property so acquired without approval of its' creating municipality.

The composition, size and nomination process of the PDA's governing body is not specified by statute, leaving wide discretion in the creating municipality. There is no requirement for election to the governing Board; presumably the initial members would be appointed by the County and subsequent membership governed by the Charter. While the Authority will act as a separate entity, the County must continue to oversee and control the PDA's operations and funds in order to correct any deficiency and assure the Authority's purposes are reasonably accomplished. The County would have wide discretion in specifying the level of control and accountability it exercises over the PDA through provisions in its' charter and in any contracts, leases, etc. which it may execute.

Strictly speaking, the PDA as a separate entity will not create liability for the County by its' activities. Some care must be taken in the establishment and oversight so that separation of the entities is maintained. Apart from a possible bond guarantee mentioned above, there is the provision for correction of any deficiency in funds or operations in RCW 35.21.745. No case has been found addressing this provision.

B. Port Districts

Port Districts are distinguished from PDAs in several respects; they are far more autonomous and independent, have greater powers including eminent domain, and are typically created for indefinite periods to continuously develop parcels within their districts. PDs have a long history in Washington, and their purposes have expanded over time beyond the improvement of ports and airports to the general development of lands for industrial and commercial needs. A basic procedure that many port districts would employ: Acquire and prepare an industrial site, attract a business to occupy it, and use the resulting revenue to develop more sites, creating a cycle of increasing jobs and growth.

The powers of PDs are far more extensive than PDAs, and their form and operations are extensively defined by law. Title 53 of RCW is comprised of statutes related to PDs. These have the power to levy taxes and assessments, and operate much like any other municipality.

The effort to create such a port district is initiated by the filing of a petition with the county auditor calling for the creation of such a port district, describing the boundaries of the proposed port district, designating either three or five commissioner positions, describing commissioner districts if the petitioners propose that the commissioners represent districts, and providing a name for the proposed port district. The petition must be signed by voters residing within the proposed port district equal in number to at least ten percent of such voters who voted at the last county general election. If the Auditor certifies the petition, the County must hold an advertised public hearing to determine if creation of the district is in the public interest. If so, a ballot proposition authorizing creation of the district is then submitted to the voters within the district. This procedure is outlined in RCW 53.04.023 and related sections.

There is a requirement in this section that the District contain at least \$150,000.00 in assessed valuation if it is to be less than the whole county in size. A statutory change will preclude the establishment of a port district comprising less than the whole county in counties without an existing port district after 2020. There are currently six counties in the state without a port district, including Lincoln and Spokane. No port district has been established in the state since 1988.

Additional comments inserted into the Legal Analysis by Elesco LLC: A secondary advantage of forming a Port District in Lincoln County would be the provision that the Port could also create an Industrial Development District within the same boundaries as the Port District *without a vote of the citizens unless challenged*. The IDD would be limited to a tax rate of \$0.45 per \$1,000 of assessed value which would be levied for six years unless renewed. The IDD is normally used for capital improvements that can be amortized by the six-year levy and/or generate sufficient general revenues to fill any gaps in the tax revenues.

IV. Analysis

The four legal frameworks outlined above are: 1. County ownership with delegation of responsibilities (the status quo); 2. Lease of the premises to a non-profit; 3. Creation of a PDA (with or without transfer of title to fairgrounds); and 4. Creation of a PD with transfer of title to that entity. These scenarios create a continuum of decreasing control, economic responsibility and liability for the County. The status quo has not been satisfactory and the expense and political difficulty in creating a Port District render it probably an over-sized tool for the improvement of just one parcel. Should the County intend to continue development beyond the fairground, a Port District becomes a more suitable vehicle. Thus the most likely solution will be in the middle two options, either a lease or creation of a PDA.

With a lease, the County would remain in title, thus ultimately liable for its operation. Improvements to the property would accrue to the County. Presumably the revenues from public/private partnerships or sub-leases would be sufficient to improve the property, maintain the fairground and perhaps generate additional revenues for the County. The identity and composition of the tenant nonprofit would be a matter of negotiation.

Creation of a PDA would present a range of possibilities given the flexibility of the authorizing statutes. A lease to a PDA might look like the lease to a non-profit, except that the County would likely dictate at least the initial Board of the Authority. If the County were to deed the fairground over to the PDA there would be an attendant lessening of liability, although improvements would accrue to the new owner. The County would continue to oversee the operation and finances of the PDA. Whether the capital requirements of the PDA would justify a bond issue would have to be examined; that appears to be the primary finance method but is by no means required.

FAIRGROUND OPTIONS AT A GLANCE

Impacts on Lincoln County Commission

	STATUS QUO	LEASE TO NON-PROFIT	PUBLIC DEVELOPMENT AUTHORITY	PORT DISTRICT
Retain Property and Improvements	Yes	Yes	Option	No
Creates Entity	N/A	N/A	Commissioners	Petition/Referendum
Funding	County	Private	Various/Bond	Bond/Taxes/Assessment
Liability (general)	Yes	Limited	Various	No
Liability (financial)	Yes	No	Possible	No

Other legal issues, such as planning and zoning requirements, required studies and permitting are discussed in the Site Assessment section or other sections of this report.

LINCOLN COUNTY FAIRGROUNDS
HIGHEST & BEST USE ANALYSIS

DEMOGRAPHIC AND ECONOMIC ANALYSIS OF LINCOLN COUNTY

As a comparative measure for the Lincoln County population trends and projections, Tables 1 and 2 below show the same data for the whole State of Washington according to the U.S. Census Bureau and the Washington State Office of Management and Budget (OMB).

Table 1: Washington State Population Trends, 2000 - 2017

Year	April 1, 2000	July 1, 2005	April 1, 2010	April 1, 2017	Total Δ 2000-2017	Annual Avg. Δ 2000-2017
State of Washington	5,894,121	6,298,816	6,724,540	7,310,300	1,416,179	1.27%

Table 2: Washington State Population Projections, 2010 – 2040 (Intermediate Series)

Year	2010	2020	2030	2040	Total Δ 2010-2040	Annual Avg. Δ 2010-2040
State of Washington	6,724,540	7,604,005	8,403,599	9,100,086	2,375,546	1.01%

Note: These Washington State projections were published in November 2016 while the county projections were published in 2012. While not entirely comparable, they still provide a baseline for the projections at the county level. The 2040 statewide population number is the same in both forecast models.

The OMB projections developed in 2016 indicate that the state's growth rate is expected to slow down between 2010 and 2040 compared to what it was during the period 2000 to 2017. In part, that reflects slower growth during the first years of the forecast as the state was still recovering from the recession of 2007-2008. Despite the slowdown, the statewide growth rate is projected to be greater than 1.0% annually over the period from 2010 to 2040.

PART 1 – LINCOLN COUNTY DEMOGRAPHIC TRENDS AND CHARACTERISTICS

A. Population – current and past trends

Table 3: Lincoln County and Davenport Population Trends, 2000 - 2017

Year	April 1, 2000	July 1, 2005	April 1, 2010	July 1, 2017	Total Δ 2000-2017	Annual Avg. Δ 2000-2017
Lincoln County	10,184	10,177	10,570	10,579	3.88%	0.22%
City of Davenport	1,734	1,699	1,735	1,614	-6.92%	-0.42%

Source: U.S. Census counts and estimates for Lincoln County 2000 – 2017. City of Davenport census counts and estimates for 2000 – 2010; unofficial non-government estimate for 2017.

Lincoln County’s population remained almost stationary over the 17-year period from 2000 to 2017, growing by 395 residents. While it increased by 3.8% from 2000 to 2010, the annual growth rate fell back to only 0.09% from 2010 to 2017 and only showed an increase of 3.88% for the entire 17-year period. Its annual average growth rate over the 17 years was 0.22%.

Although the county as a whole comprises the area of measurement for demographic and economic trends, the numbers for the city of Davenport are also shown to indicate trends in the urban area where the fairgrounds are located. They show a pattern of *declining* population from a relatively small base: from 17% of the countywide total in 2000 to 15.3% in 2017.

Significance: This low level of population growth indicates a lack of growth in demand for local goods and services. Other ways of measuring local demand are examined below in this report but it would be reasonable to assume there is not pent-up demand for local goods and services in Lincoln County. The low population growth rate is also an overall indicator of constraints on growth of the labor force.

B. Population projections (Intermediate Series)

The latest available projections of population by counties in Washington came from the 2017 forecast report from the Office of Management and Budget, Projections of the Total Resident Population for Growth Management. These are shown below in Table 4 for Lincoln County for the period 2010 – 2040. Projections are not available for individual cities.

Table 4: Lincoln County Population Projections, 2010 – 2040 (Intermediate Series)

Year	2010	2020	2030	2040	Total Δ 2010-2040	Annual Avg. Δ 2010-2040
Lincoln County	10,616	10,765	10,926	10,848	232	0.07%

Note: The OMB number for the 2010 population is higher than the U.S. Census number. It was an estimate used prior to the release of the official Census data. The difference of 46 people is not expected to alter the general trends shown in the projections.

These projections show a pattern of almost static population in Lincoln County out to the year 2040. In addition to 30-year total growth of only 2.2%, the age composition of the population indicates declining consumer demand and a declining labor force.

C. Age Characteristics of the Population

Table 5 shows the changes in the age composition in Lincoln County between April 2010 and July 2016.

Table 5: Major Age Groups of Lincoln County Population, 2010 and 2016

	4/1/2010	%	7/1/2016	%
Total Population	10,570	100.0	10,350	100.0
< 5 years	550	5.2	507	4.9
6 - 17	1,850	17.5	1,708	16.5
18 - 64	5,972	56.5	5,548	53.6
> 65	2,198	20.8	2,587	25.0

Source: U.S. Census

Table 5 shows that while the total population of Lincoln County declined by 220 persons between 2010 and 2016, the population in the working age group of 18 – 64 declined by an even greater amount of 424 persons. At the same time, the age group of 65 and over increased by 389 persons. That represents a decline in the working age population of 7.1% over the period of six years. However, the remaining population in the working age group is large enough to support sizable economic development initiatives.

D. Income characteristics

Per capita income in Lincoln County over a 12-month period ending in 2016 was \$25,382 compared to \$32,999 for the state of Washington as a whole, according to the U.S. Census Bureau. The median household income in Lincoln County was \$47,626 compared to \$62,848 in the state as a whole. Based on the population numbers, the per capita figure represents total income in Lincoln County of approximately \$262,703,700.

Income figures need to be weighed against cost of living in order to estimate the comparative economic well-being of the population. However, the Census data show that Lincoln County had 12.5% of its population living in poverty in 2016 compared to 11.3% in the state as a whole.

E. Education characteristics

U.S. Census data show that 91.3% of persons age 25 years+ in Lincoln County had an education level of high school graduate or higher during the years 2012 – 2016 compared to 90.6% statewide. That is a favorable indicator for Lincoln County. However, only 22.0% of that same age group had a bachelor's degree or higher during that period compared to 33.6% in the whole state of Washington. A labor skills survey would be valuable for determining what kinds of skill sets are available in the county population to support jobs requiring a bachelor's degree or higher.

PART 2 – LINCOLN COUNTY ECONOMIC TRENDS AND CHARACTERISTICS

The Washington State Employment Security Department published its latest Lincoln County Profile in August 2016. It provides an overview of the major economic sectors that drive the Lincoln County economy. The following information is paraphrased from that Profile.

Overview

Regional context

Lincoln County is a rural county at the northern edge of the Palouse wheat-growing region. The economy is dominated by wheat. Next to Whitman County, Lincoln County grows the most wheat in Washington State. Annual wheat production can be over 25 million bushels. One point two million acres of the county's 1.5 million-acre area is in farmland and one in every three of those acres is planted in wheat. Lincoln county farmers are very efficient and 2016 production was good. However, wheat prices did drop and have farmers worried about the future. With the drop in wheat prices, the regional economy and local retail sales will be impacted. Livestock production is also an important component of Lincoln county agriculture. A new meat packing plant in Odessa has added diversity to agriculture income.

Tourism activities have increased over the last decade as Grand Coulee Dam and Lake Roosevelt have become more developed.

Local economy

Growth in total nonfarm employment has been relatively slow over the last 12 years, but has managed to minimize losses during the last recession. Employment peaked in 2008, but has slightly declined since then.

Outlook

The Lincoln County goods-producing sector remained unchanged in 2016. Increases in agricultural wealth have spurred construction of storage facilities and warehouses.

The service-providing industry has seen decreases. Losses have come from trade and financial employment. Government employment constitutes almost half of all jobs in the county. In the short term ongoing budgetary problems are expected to continue to limit overall expansion of government. Lincoln County retail sales improved in 2015. But, even with the increase in total retail sales, overall sales tend to be lower relative to the per capita state average. This reflects the large number of purchases occurring in neighboring counties as county residents travel to shop.

Slow population growth over the last decade limits overall economic growth. This is especially true in many small communities where support for services and the replacement of existing public infrastructure are hampered by a declining population. Overall, the population for the county tends to grow much slower and is older than is typical for the state and nation.

Profile of Lincoln County Agricultural Economy

The dominance of agriculture in Lincoln County’s economy suggests that it may provide opportunities for new businesses or other revenue-producing activities at the County Fairgrounds. A profile of the agricultural sector is provided below with data taken from the 2012 Census of Agriculture published by the U.S. Department of Agriculture. While the data are now almost six years old, any new data from the 2017 Census of Agriculture will not become available for at least another year.

**U.S. Department of Agriculture
2012 Census of Agriculture
County Profile: Lincoln County, Washington**

Table 6: Overall Comparison, 2007 - 2012

	2012	2007	% change
Number of Farms	897	798	+ 12
Land in Farms	1,114,940 acres	1,090,178 acres	+ 2
Average Size of Farm	1,243 acres	1,366 acres	- 9
Market Value of Products Sold	\$183,244,000	\$126,216,000	+ 45
Crop Sales \$173,610,000 (95 percent)			
Livestock Sales \$9,634,000 (5 percent)			
Average Per Farm	\$204,286	\$158,165	+ 29
Government Payments	\$20,307,000	\$15,371,000	+ 32
Average Per Farm Receiving Payments	\$29,176	\$25,834	+ 13

Table 6 shows there were 897 farms in Lincoln County in 2012, up from 796 in 2007 although the average size of farms decreased from 1,366 acres to 1,243 acres. The value of all products sold was \$183,244,000 consisting of \$173,610,000 in crop sales and \$9,634,000 in livestock sales. Farms by size and relative distribution of land in use are shown in the graphs below.

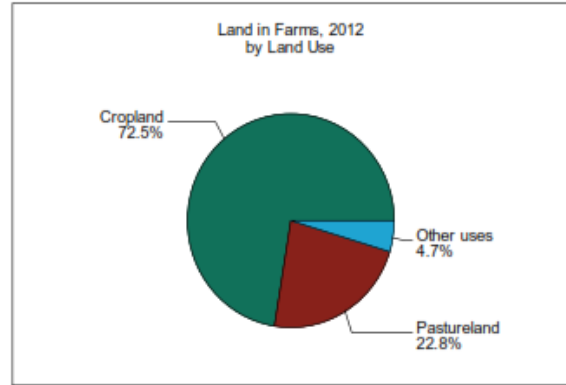
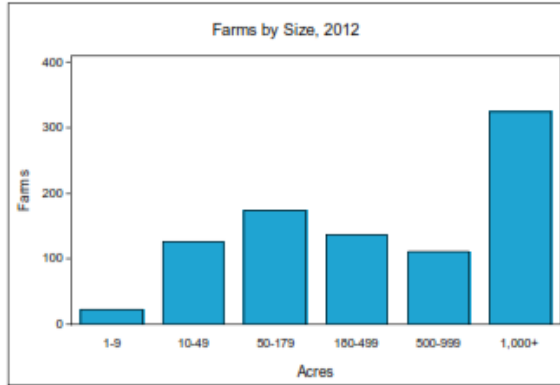


Table 7: Comparative Value of Commodities and Rank, 2012

Ranked Agricultural Items Among the 39 State Counties and 3,079 U.S. Counties, 2012			
Item	Quantity	State Rank	U.S. Rank
MARKET VALUE OF AGRICULTURAL PRODUCTS SOLD (\$1,000)			
Total value of agricultural products sold	183,244	13	620
Value of crops including nursery and greenhouse	173,610	12	300
Value of livestock, poultry, and their products	9,634	25	2,130
VALUE OF SALES BY COMMODITY GROUP (\$1,000)			
Grains, oilseeds, dry beans, and dry peas	159,305	3	239
Vegetables, melons, potatoes, and sweet potatoes	5,123	12	365
Fruits, tree nuts, and berries	118	35	1,335
Nursery, greenhouse, floriculture, and sod	167	34	2,009
Other crops and hay	8,958	9	329
Cattle and calves	8,701	16	1,414
Hogs and pigs	76	18	1,329
Sheep, goats, wool, mohair, and milk	82	26	1,527
Horses, ponies, mules, burros, and donkeys	241	19	1,087
Other animals and other animal products	15	34	2,040
TOP CROP ITEMS (ACRES)			
Wheat for grain, all	326,071	2	12
Winter wheat for grain	226,703	3	11
Spring wheat for grain	99,368	2	43
Barley for grain	32,799	2	22
Forage-land used for all hay and haylage, grass silage, greenchop	23,392	11	825
TOP LIVESTOCK INVENTORY ITEMS (NUMBER)			
Cattle and calves	14,933	20	1,594
Chukars	(D)	1	28
Horses and ponies	1,516	15	710
Pheasants	(D)	5	(D)
Sheep and lambs	1,131	17	793

(D) = Not Disclosed

In terms of value of crops by commodity groups, the next largest commodity group after grains, oilseeds, dry beans and dry peas was the category of other crops and hay, followed by cattle and calves, then by vegetables, melons, potatoes and sweet potatoes. Those three classifications combined equaled only 8.8% of the value of grains and related products.

The agricultural sector provides an important and sustainable base in the economy of Lincoln County. Without diminishing its role, it would still be desirable to diversify the economy to take advantage of new products and technologies as well as changes in consumer preferences and future labor force skills. Diversification could also mitigate the trend toward declining and aging population in the county.

Labor Force and Employment in the Overall Lincoln County Economy

A snapshot of the overall economy can be obtained by looking at the distribution of employment between the various sectors identified by the North American Industrial Classification System (NAICS). However, these need to be examined with caution because different reporting agencies use different methodologies and often produce different results. For example, looking at the broad picture of establishments, the U.S. Census Bureau provides an overview of businesses that employ workers covered by State unemployment insurance. The latest available overview is from the 2015 County Business Patterns and the numbers of establishments by industry sector are shown in Table 8.

Table 8: Private-Sector Business Establishments with Employees in Lincoln County in 2015

NAICS Code	Industry Sector	Number of Employer Establishments	Paid employees for pay period including March 12 (number)	Annual payroll (\$1,000)
00	Total for all sectors	249	1,554	66,861
11	Agriculture, forestry, fishing and hunting	2	a	D
22	Utilities	4	23	2,035
23	Construction	36	158	9,739
31-33	Manufacturing	7	40	1,165
42	Wholesale trade	28	180	9,313
44-45	Retail trade	40	290	8,205
48-49	Transportation and warehousing	2	a	D
51	Information	6	30	596
52	Finance and insurance	20	70	2,686
53	Real estate and rental and leasing	6	13	237
54	Professional, scientific, and technical services	13	105	6,536
55	Management of companies and enterprises	2	a	D
56	Administrative and support and waste management and remediation services	10	37	1,473
61	Educational services	2	a	D
62	Health care and social assistance	16	427	19,610
71	Arts, entertainment, and recreation	9	22	1,536
72	Accommodation and food services	19	65	921
81	Other services (except public administration)	26	58	1,019
99	Industries not classified	1	a	

Source: 2015 County Business Patterns, Lincoln County Washington

While this is interesting information it does not provide a complete picture of the distribution of employers or workers by NAICS sectors. Total employment for all sectors is shown as being 1,554 employees. That is only about one third the total number of workers shown by the Washington Employment Security Department in its annual average labor market statistics.

Table 9: Annual Labor Force & Employment Data, Lincoln County, WA

Employment and Unemployment (Not seasonally adjusted)					
	2017		2016		2015
	December	November	December	November	December
Civilian Labor Force	4,899	4,983	4,755	4,736	4,791
Employment	4,623	4,762	4,453	4,485	4,484
Unemployment	276	221	302	250	307
Unemployment Rate	5.6%	4.4%	6.4%	5.3%	6.4%

Source: Washington ESD, Labor Area Summary

A further breakdown of Lincoln County employment can be found in the statistics provided by the Employment Security Department (ESD) as well as the U.S. Census Bureau's [On-The-Map](#) program. Again, the ESD data do not provide a meaningful breakdown by industry sectors because of the rules that avoid disclosure of data that might identify individual employers. Also, the data are only shown for non-farm employment which leaves out a major source of employment in Lincoln County. A summary list of employment by major sectors is shown in Table 10 below.

Table 10: Average Employment by Sector, Lincoln County, WA, November 2015 – 2017.

Industry Title	2017		2016		2015
	November	October	November	October	November
Total Nonfarm	2,610	2,620	2,510	2,560	2,560
Total Private	1,290	1,320	1,250	1,300	1,220
Goods Producing	250	260	250	270	220
Mining, Logging, Construction	200	210	210	210	180
Manufacturing	50	50	40	60	40
Service Producing	2,360	2,360	2,260	2,290	2,340
Trade, Trans., Utilities	520	530	540	550	520
Information & Financial	130	130	70	80	80
Government	1,320	1,300	1,260	1,260	1,340

Source: Washington Employment Security Department

According to the ESD data, over the two-year period from November 2015 to November 2017 total employment in Lincoln County increased by 50 workers or 1.95%. It is significant that 30 of those additional workers were employed in the goods producing sector. The service producing sector added 20 employees while the government sector declined by 20 employees.

For a longer-range view, the U.S. Census Bureau's On-The-Map program provides more detailed data by NAICS (North American Industrial Classification System) sectors. Table 11 shows comparisons between 2002 and 2015 with respective shares of total employment.

Table 11: Jobs by NAICS Industry Sector, Lincoln County, WA, 2002 and 2015

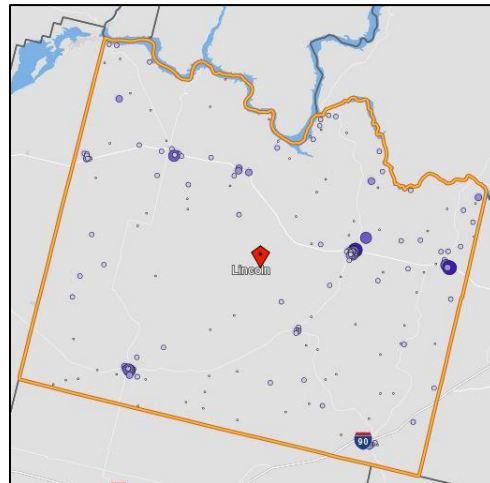
	2002		2015	
	Jobs	Share	Jobs	Share
Total, All Jobs	2,824	100.0%	2,720	100.0%
Ag., Forestry, Fishing, Hunting	198	7.0%	305	11.2%
Mining, Quarry, Oil & Gas	0	0.0%	14	0.5%
Utilities	26	0.9%	21	0.8%
Construction	155	5.5%	247	9.1%
Manufacturing	40	1.4%	36	1.3%
Wholesale Trade	201	7.1%	268	9.9%
Retail Trade	320	11.3%	209	7.7%
Transportation & Warehousing	10	0.4%	11	0.4%
Information	17	0.6%	20	0.7%
Finance & Insurance	111	3.9%	49	1.8%
Real Estate & Rental & Leasing	8	0.3%	10	0.4%
Professional, Scientific, Technical	88	3.1%	83	3.1%
Management (Private)	0	0.0%	0	0.0%
Admin. & Support, Waste Mgt.	49	1.7%	15	0.6%
Educational Services	434	15.4%	568	20.9%
Health Care, Social Assistance	482	17.1%	470	17.3%
Arts, Entertain., Recreation	124	4.4%	38	1.4%
Accommodation & Food Services	163	5.8%	92	3.4%
Other Service (Private)	103	3.6%	30	1.1%
Public Administration	295	10.4%	234	8.6%

Source: U.S. Census Bureau, On-the-Map program

The largest increases from 2002 to 2015 were in the sectors of Mining; Construction; Wholesale Trade; and Educational Services while the largest *decreases* were in the sectors of Retail Trade; Finance & Insurance; Administration & Support Services; Arts, Entertainment & Recreation; Accommodation & Food Services; and Other Services. This pattern fits the observation made in the State's Profile that residents of Lincoln County have increasingly shifted their shopping for goods and services to the larger commercial center of Spokane.

Not all the employment shown in the tables above is located in the area around Davenport and the Fairgrounds. The map below shows the concentrations of employment spread throughout the county around several population centers including Reardan, Harrington, Odessa, Wilbur and other smaller communities.

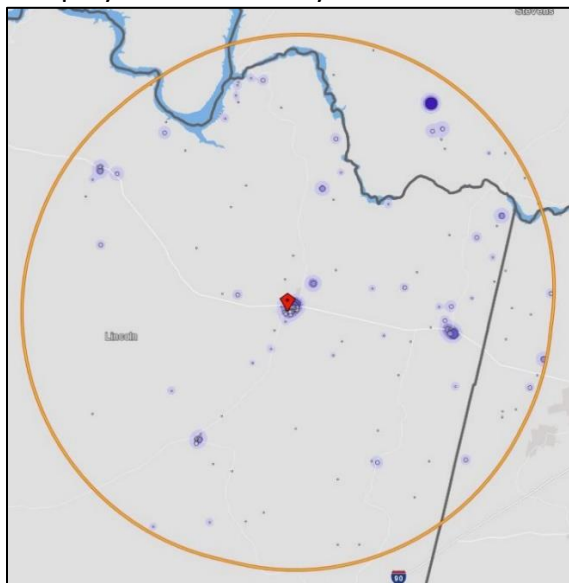
Distribution of Employment in Lincoln County, WA, 2015



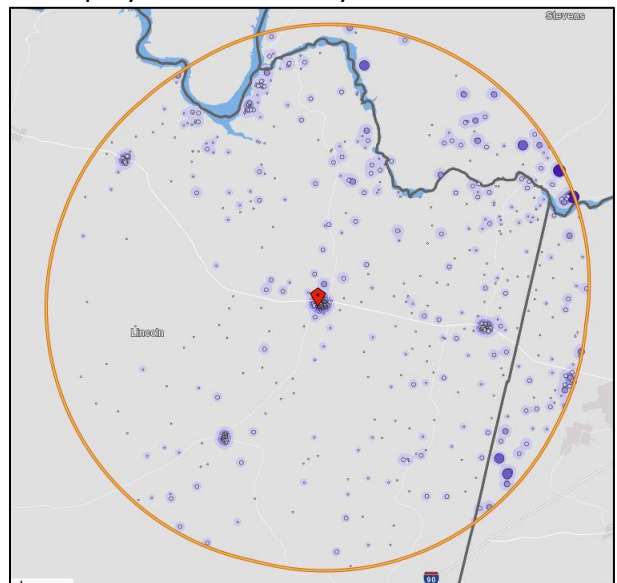
Labor Force and Employment in the Davenport Area Economy

To examine the labor force employment distribution that could provide resources for businesses located at the fairgrounds, a 20-mile radius around the city of Davenport was measured using the 2015 data from the U.S. Census Bureau's On-the-Map program. That program allows examination of labor market characteristics from two sets of data: (1) characteristics of employment according to where workers live; and (2) characteristics of employment according to where workers are employed. Both of these were examined for this report and it was found that there are significant differences in the results.

Employment Pattern by Place of Work



Employment Pattern by Place of Home



The two maps above graphically show the differences. The map on the left shows the relatively smaller number of those who work within the 20-mile radius regardless of where they live. Most of them live within 20 miles of Davenport but there are some who commute into the area from outside the circle. The map on the right shows the larger number of workers who live within the 20-mile radius but may also work outside of the circle. It is assumed that most of those workers commute to Spokane County including Fairchild Air Force Base and the Spokane Airport / West Plains area.

Table 12 shows a comparison of the results of the two methodologies.

Table 12: Employment within 20-Mile Radius of Davenport, 2015

	By Place of Work		By Place of Home	
	Count	Share	Count	Share
Total All Jobs	2,469	100.0%	3,248	100.0%
Ag., Forest, Fishing, Hunt	275	7.1%	211	6.5%
Mine, Quarry, Oil & Gas	0	0.0%	12	0.5%
Utilities	21	0.9%	81	2.5%
Construction	241	9.8%	223	6.9%
Manufacturing	26	1.1%	179	5.5%
Wholesale Trade	183	7.4%	191	5.9%
Retail Trade	138	5.6%	290	8.9%
Transport. & Warehousing	11	0.4%	89	2.7%
Information	42	1.7%	42	1.3%
Finance & Insurance	38	1.5%	80	2.5%
Real Estate; Rental & Lease	38	1.5%	23	0.7%
Professional, Science, Tech.	78	3.2%	113	3.5%
Mgt. of Companies & Enterprise	0	0.0%	21	0.6%
Admin. & Support; Waste Mgt.	16	0.6%	75	2.3%
Educational Services	446	18.1%	400	12.3%
Health Care & Social Assistance	368	14.9%	565	17.4%
Arts, Entertainment, Recreation	9	0.4%	79	2.4%
Accommodation & Food Service	65	2.6%	164	5.0%
Other Service (exc. Public Admin)	17	0.7%	67	2.1%
Public Administration	557	22.6%	340	10.5%

Significance: Just looking at the employment sector characteristics of those who work in the Davenport area might result in a conclusion that there is a shortage of qualified workers in such areas as manufacturing; utilities; transportation and warehousing; professional, scientific and technical occupations; and other skilled sectors. However, these data show that there are many residents of the Davenport area who have these skills but work at jobs outside of Lincoln County. By place of work, their jobs would be counted in Spokane County or other locations. This will be an important factor in determining what businesses can be supported at the fairgrounds in Davenport.

The comparison also shows that there are several categories where the number of workers employed within the 20-mile radius of Davenport exceeds the number of workers living there

who work in those categories. It can be assumed that the gap is filled by workers who commute into that area from outside the 20-mile radius. There is a total of 360 more workers in those categories than live within the measured circle.

While the State's Profile does not paint an optimistic picture for future economic development, there are other resources in Lincoln County that can be leveraged to create jobs and increase flows of capital investment and spending. The subject of this report – the fairgrounds property – is one of them. From a business standpoint, the fairgrounds is an asset that could offer developed and serviced sites and buildings that can support several types of new business development. These are explored later in this report.

Lincoln County can also leverage its agricultural production, primarily wheat, to develop new products and new methods of production to add local value. There are several resources available to support such efforts, especially those of Washington State University. These are also explored in this report.

Tourism also offers opportunities for expanded development, especially as Davenport is a major gateway to the recreational amenities of Lake Roosevelt along with many other recreational venues accessible in the mountains and forests north of Lincoln County. US Hwy 2, which runs alongside the fairgrounds from Puget Sound to the Canadian Rockies, is an important asset.

Davenport also has an excellent general aviation airport across the highway from the fairgrounds. This could be leveraged to attract development of aircraft components as well as the rapidly expanding drone industry.

That part of the labor force that lives in the Davenport area but works in Spokane County is also an important resource. Typically, people who commute 20 miles or more would prefer to have jobs closer to home. Many of those workers could be candidates for starting or working at entrepreneurial or innovative businesses that could be developed at the fairgrounds.

The most significant asset, however, is the very large population and commercial area next door to Lincoln County – the Spokane Metropolitan Area. This is the primary market area available to support new and expanded economic opportunities in Lincoln County. Spokane County is profiled in the next section of this report and is later linked with potential opportunities identified for the fairgrounds in Lincoln County.

These assets are explored in more detail in the section of this report on Resources for Business Development.

LINCOLN COUNTY FAIRGROUNDS
HIGHEST & BEST USE ANALYSIS

ECONOMIC PROFILE OF SPOKANE COUNTY

It was noted in the Introduction to this report that the Spokane Metropolitan Area represents the primary market and linkage opportunities for developing new businesses at the Fairgrounds in Davenport. The last section recognized that Lincoln County residents have shifted much of their consumer spending for goods and services to the Spokane area. The challenge now is to stimulate a reverse trend of developing businesses in Lincoln County that can sell their goods and services to customers in Spokane County.

A brief summary of demographic data is provided here only to indicate the relative size of the Spokane Metropolitan Area in relation to Lincoln County. That is followed by an extensive examination of the economy of Spokane County with descriptions of its industrial clusters and economic drivers that may offer linkage opportunities for businesses in Lincoln County.

PART 1: SPOKANE COUNTY DEMOGRAPHICS

Table 13 shows the population trends for both the State of Washington and Spokane County for the period from April 1, 2000 to July 1, 2017.

Table 13: Washington State and Spokane County Population Trends, 2000 - 2017

Year	April 1, 2000	July 1, 2005	April 1, 2010	July 1, 2017	Total Δ 2000-2017	Annual Avg. Δ 2000-2017
State of Washington	5,894,121	6,298,816	6,724,540	7,310,300	1,416,179	1.27%
Spokane County	418,826	440,145	472,127	506,152	87,326	1.12%

Source: U.S. Census counts and estimates.

Population growth in Spokane County has lagged slightly behind that of the state as a whole but has still exceeded an average of more than 1.1% annually over the past 17 years.

Table 14 shows preliminary population projections for Spokane County from the Washington Office of Financial Management as revised and released on December 4, 2017. As with the Lincoln County forecasts, the forecasts released in 2012 did not adequately account for the slow growth during recovery from the recession of 2007 – 2008. The projected numbers shown in Table 14 were revised to align with recent trends in migration and fertility behavior.

Table 14: Spokane County Population Projections, 2010 – 2040, Intermediate Series

Year	2010	2020	2030	2040	Total Δ 2010-2040	Annual Avg. Δ 2010-2040
Spokane County	471,221	516,807	564,538	598,663	127,442	0.80%

Source: Washington Office of Financial Management, Dec. 4, 2017, Preliminary

As with the whole state of Washington, Spokane County's rate of growth over the period from 2010 to 2040 is predicted to slow from recent rates as the base grows larger, although it will still be significantly greater than the population growth rate for Lincoln County. In 2040, the total population in Spokane County is forecasted to be more than 55 times larger than the population of Lincoln County. This makes a strong case for linking economic development in Lincoln County to that much larger base in Spokane County.

PART 2: SPOKANE COUNTY ECONOMIC TRENDS AND CHARACTERISTICS

As a lead-in to the analysis of the Spokane area economy, an excerpt from the Washington Employment Security Department's [Spokane County Profile](#) is cited here for an overview. This Profile was updated in September, 2016 so it is more current than the Lincoln County Profile cited in the last section.

Local economy

Spokane is the most populous county in Eastern Washington and ranks fourth in the state. The city of Spokane is the second-largest city in Washington State. It serves as the business, transportation, medical, industrial and cultural hub of the region, the inland Northwest.

Of all the forces that shaped the Spokane County economy, none is more powerful than Spokane's historic role as a regional center of services for the surrounding rural populations of Eastern Washington and Northern Idaho. Regional services include government and higher education, medical services, retail trade and finance.

Fairchild Air Force Base is the county's largest employer. In addition, manufacturing has had a solid base due to the nexus of the Bonneville dam power generation, rail systems and the Interstate highway system. Spokane is competitive with other urban centers in attracting national and international investment in the form of tourism and conventions, the military and research. These investments in turn support the creation and expansion of still other complementary businesses, creating a well-rounded and diversified economy.

Outlook

For 2016, a significant increase in jobs was posted in the private sector. Key industries posting increases in the first half of 2016 were transportation/warehousing, advanced manufacturing, healthcare, finance/insurance and agriculture. Not only are jobs being created but an increasing number of replacement workers are needed for workers who are retiring.

Several new developments will continue to create jobs. A new Health Sciences building opened in 2014 with health programs from Washington State University, Eastern

Washington University and Gonzaga. Private firms specializing in research, development and biotechnology have made Spokane their home because of the Health Sciences campus at River Pointe and will play an increasingly important role in the area's economy. Leisure and hospitality gained a boost with construction of a Spokane downtown hotel and conference center. Economic development targets will continue in industries such as advanced manufacturing and materials, energy products and services, information technology and digital services and logistics and distribution businesses.

Additional information is available in the Profile and the following analysis draws from that information as well as expanding upon it.

Business Establishments by NAICS Sectors

Table 15 shows data on numbers of establishments by NAICS sectors from the 2015 County Business Patterns, which were released on April 7, 2017.

Table 15: Private-Sector Business Establishments in Spokane County, 2015

2012 NAICS code	Industry Description	Number of establishments	Paid employees for pay period including March 12 (number)	Annual payroll (\$1,000)
00	Total for all sectors	12,679	181,186	7,877,132
11	Agriculture, forestry, fishing and hunting	24	71	4,089
21	Mining, quarrying, and oil and gas extraction	21	160	10,827
22	Utilities	13	g	D
23	Construction	1,420	10,158	580,782
31-33	Manufacturing	524	14,690	734,841
42	Wholesale trade	703	10,400	576,780
44-45	Retail trade	1,671	26,777	777,950
48-49	Transportation and warehousing	299	4,994	226,244
51	Information	217	3,703	219,318
52	Finance and insurance	869	10,573	691,148
53	Real estate and rental and leasing	627	3,288	129,008
54	Professional, scientific, and technical services	1,307	8,706	581,224
55	Management of companies and enterprises	85	2,947	241,745

2012 NAICS code	Industry Description	Number of establishments	Paid employees for pay period including March 12 (number)	Annual payroll (\$1,000)
56	Administrative and support and waste management and remediation services	686	11,718	338,745
61	Educational services	160	6,830	174,472
62	Health care and social assistance	1,584	35,903	1,841,047
71	Arts, entertainment, and recreation	180	2,773	44,993
72	Accommodation and food services	1,069	18,054	334,057
81	Other services (except public administration)	1,189	7,917	212,233
99	Industries not classified	31	41	n/a

D = Not Disclosed

Similar to Lincoln County, establishments in Spokane County are weighted toward trade and services. However, the substantial number of establishments in all sectors is more significant. For example, the 524 companies engaged in Manufacturing compares to only 7 in this category in Lincoln County. The 36 employees in this category in Lincoln County compares to 14,690 in Spokane County.

TARGETED INDUSTRY CLUSTERS IN SPOKANE COUNTY

In the large, diversified economy of Spokane County there are likely to be many opportunities to find linkages that could be suitable for individual businesses located in Lincoln County. As an economic development strategy, however, it will be more productive to focus on those sectors that are expanding their own output and are likely to need growth in their supply chains as well. There are several public, private and non-profit organizations in Spokane County that are working to recruit new businesses and expand existing ones in the area. Greater Spokane Incorporated (GSI) is one of those and has targeted selected business clusters to facilitate and accelerate their growth. A business cluster is generally defined as a geographic concentration of interdependent competitive firms that do business with each other, including firms that sell inside and outside of the geographic region.

In its 2017 Spokane Regional Comprehensive Economic Development Strategy, GSI has targeted selected industry clusters for focused economic development efforts. Following is a summary of information provided on those targeted clusters.

1. Advanced Manufacturing

Manufacturing has long been an economic driver in Washington State. According to the Washington State Employment Security Department, over 289,000 people are employed in manufacturing, almost 10% of all non-farm employment in the state.

With more than 600 manufacturing businesses employing more than 15,000 workers as of June 2015, Spokane's manufacturing sector includes companies focused on: aerospace products; aluminum casting; computer, communications and electronic equipment; household and institutional furniture; medical equipment and supplies; paper and plastic products; rugged wireless laptops; structural and other metal products.

Manufacturing accounts for 7% of the area's employment base and contributes hundreds of millions of dollars to the regional economy. Companies now use advanced technologies and production systems that rely heavily on computers, requiring a technically-skilled workforce. In return, they offer good pay and benefits, a stimulating work environment and career mobility.

More than 600 firms in this sector should offer supply chain opportunities for small businesses, especially those that can provide products that meet specifications at lower costs with good quality and assured delivery.

2. Aerospace

Spokane-area educational institutions have developed curriculum and programs which support the technologies needed to succeed in a variety of industries. One growing manufacturing sector, the aerospace industry, is represented in Spokane with more than 120 airframe and aviation companies. The aerospace industry offers some of the most technologically-advanced career opportunities available today. These companies employ more than 8,000 workers and generate \$650 million in revenue from their aerospace business activity, making Spokane County the fifth largest airframe employer in the country.

Spokane has many partners committed to growing its aerospace industry and creating additional jobs in the region. Partners include Fairchild Air Force Base, Spokane International Airport, Washington Manufacturing Services, and Washington State University's Applied Sciences Laboratory.

The Aerospace Initiative for Recruitment (AIR Spokane) is a partnership between business, elected officials and community leaders to grow Spokane's aerospace industry through recruitment and expansion. The partners, who include Avista, City of Spokane, Community Colleges of Spokane, Greater Spokane Incorporated, Spokane County, and Spokane International Airport have engaged with a consulting firm on a global and statewide aerospace production analysis and a supply chain analysis for the Spokane Region. Businesses at the Lincoln County Fairgrounds could become part of that supply chain.

INWAC, Inland Northwest Aerospace Consortium, is a regional alliance of advanced manufacturers, service providers, and affiliates that work together to support the growth and success of the Inland Northwest aerospace cluster. Established in 2005, the consortium includes companies from east of the Cascades in Washington State as far east as Bozeman, Montana and from the Canadian border south to Oregon. INWAC's core group is composed of aerospace certified contract manufacturers seeking to promote and expand aerospace opportunities while providing customers a single point of access to a broad spectrum of qualified suppliers.

3. Health Sciences

Health science is the applied science relating to the care of human and animal health. It may also include many sub-disciplines relating to all aspects of the health care industry. There are two approaches to health science: the study and research of the human body and health-related issues in understanding how humans and animals function, and the application of that knowledge to improve health and to prevent and cure diseases.

Bioscience is expanding in the region with projects in both the private and public sectors and more than 500 research studies and clinical trials currently underway. These projects play an increasingly important role in defining the area's economy as they expand from research to production. Healthcare/Health Sciences is the #1 employment industry in Spokane County. Programs on Spokane's Riverpoint Campus are developed in partnership with local universities, hospitals, major clinics and private practitioners to create an Academic Health Science Center for the region. According to the Institute of Medicine, the definition of an Academic Health Science Center is "...a constellation of functions and organizations committed to improving the health of patients and populations through the integration of their roles in research, education and patient care to produce the knowledge and evidence base that becomes the foundation for both treating illness and improving health."

In December 2013, the new Pharmaceutical and Biomedical Sciences Building was dedicated. Two thirds of 17,512 square feet is dedicated to pharmacy teaching and research, the other third to medical education and research. A new teaching clinic opened and continued growth is planned.

A logical place for businesses in Lincoln County to link into this cluster is to capture part of the research and development of biosciences in the animal veterinary field.

4. Clean Technology & Energy Efficiency; Renewable Projects

The greater Spokane region is host to a strong and growing set of companies which develop technologies for smart grids, renewable energy resources and energy efficiency applications. Many of these companies provide products and services which are exported and contribute to local job creation, as well as technologies which will be deployed locally. Regional colleges and universities are playing a significant role in helping companies commercialize new technology.

Spokane, along with the state of Washington, has created a business environment that embraces Clean Technology and Energy Efficient businesses. Recently, Washington State passed two laws to promote renewable energy. The first bill established renewable energy production incentives for both homes and businesses, and the second bill provides tax breaks for renewable energy businesses.

There are over 50 Clean Technology and Energy Efficient companies operating within the immediate area. Spokane is creating an economic environment of highly skilled, highly paid, highly sought-after jobs.

Clean Technology & Energy Efficiency Includes: clean energy and renewable fuels, energy efficiency, environmental protection and remediation, sustainable design, waste management, recycling and recycled products, and water conservation and treatment.

5. Information Technology and Telecommunications

With its strong base of research and academic resources, Spokane is concentrated on becoming a center for information technology and telecommunications. The region is considered “well-connected” due to more than 500 route miles of commercial fiber-optic infrastructure that have been deployed.

Led by companies such as Itron, Inc., the world’s largest electronic meter reading and energy management software company, Purcell Systems, a manufacturer of integrated telecommunication cabinets and Telect, a producer of network infrastructure equipment, the Spokane region has become a recognized networking and telecommunications hub in the Pacific Northwest. The region also boasts a diverse and growing collection of entrepreneurial software and cloud-based firms including Ecova, NextIT, Second Watch, Data.com and Inland Northwest Health Services (INHS), a federally recognized regional health information organization.

Growth in the industry is largely attributed to the ability to attract and retain employees (quality of life) as well as excellent high-speed telecommunications infrastructure. As one of the safest from natural disaster cities in the country, Spokane is positioned as an ideal location for business continuity and disaster recovery facilities. Organizations such as TierPoint and IT Lifeline are providing these services to companies around the region and around the Pacific Northwest.

6. Digital Media

Washington State has one of the largest concentrations of Interactive Digital Media developers in the world. There are over 150 digital media companies, employing over 10,000 around the state, including Microsoft, Getty Images, Nintendo, Index Corporation and Square Enix. While today’s “Digital Media” may be seen as strictly video games and virtual entertainment, the technology is also evolving into advancements in health sciences, education, military training and homeland security which is typically termed “serious gaming.”

As the feature film capital of the Inland Northwest, the Spokane region is anchored by companies like the successful North by Northwest, ILF Media and Corner Booth Productions, in addition to a multitude of other excellent video, broadcasting and audio production companies working on television, film, and corporate and commercial entertainment projects. Many of their portfolios include highly visible regional, national and global organizations and companies. Spokane is also home to gaming pioneers Cyan Worlds. Cyan Worlds created the first CD-ROM entertainment product in history and then dramatically expanded the bounds of gaming with the introduction of Myst, Riven and Uru. Other companies in the digital media segment have expertise in digital graphics, design and engineering.

7. Innovation / Entrepreneurship

The Spokane region is home to an established and growing entrepreneurial ecosystem. Startups such as Etailz, CXOWARE, Paw Print Genetics and many others have found the tools and resources needed for success. Community partners are committed to fostering this environment of entrepreneurship.

Recently, the events and entrepreneur programs of Connect Northwest integrated with Greater Spokane Incorporated. This integration helps to facilitate the connection of startup companies to community resources, helping them start, build and expand their business.

In March 2014, more than 45 entrepreneurs and community stakeholders convened to determine what the current and future needs would be for supporting entrepreneurship as part of the regional economy. A one-day workshop was facilitated by a Seattle-based consultant, leading to many discussions and identifying priority areas of focus to make the Spokane region a great place for entrepreneurship. Five workgroups were formed to focus on the following topics:

1. Regional hub connector, “help” system, and research triangle
2. More open/engaged community
3. Qualified mentors/leaders
4. Regional education
5. Vibrant, thriving activities

In the fall of 2014, the new website www.startupspokane.com launched with entrepreneur resources, a centralized entrepreneur event calendar, and live social media feeds providing real time updates for local entrepreneurs. A network of mentors is being developed to pair entrepreneurs with individuals who can advise and counsel them as they navigate launching their startup.

The local ecosystem is flourishing. A sampling of the resources and activities in the area include: Executive Connect, CFO Connect, Investment Capital Forum, Fellow Co-working,

Startup Spokane Central, Bowl and Pitcher, Spokane Young Professionals, Mentor Mornings, Spokane Create!, McKinstry Innovation Center, and New Venture Lab.

Other areas of focus

GSI's Strategic Plan also lists several other areas of focus although they are not necessarily identified as industrial clusters. These include:

Fairchild Air Force Base

“Fairchild Air Force Base is one of the region’s largest employers. More than 5,500 people work at Fairchild, including 2,900 active military personnel, about 1,000 guard members, and 500 civilians. The base’s total population exceeds 8,600 with approximately 17,000 retirees in the area, representing an annual payroll of \$221 million. This brings Fairchild’s annual economic impact on the community to approximately \$427 million, constituting 13 percent of the local economy. Fairchild also has many of the amenities of a small community, including places to shop, dine, recreate, and attend school.”

The close proximity of Fairchild Air Force base to Davenport makes it as much of an asset to Lincoln County as it is to Spokane County.

Recreation and Tourism

“One of the region’s greatest assets is the quality of the environmental setting and the recreational activities available to residents and tourists. Spokane County features arts, museums, parks, working farms and orchards, wineries and access to historic entertainment facilities in nearby Idaho. “

“In 2015, visitors to Spokane County spent \$947 million, supporting jobs for more than 10,000 residents and generating \$64 million in non-resident tax dollars for the County. The region is recognized as a haven for outdoor recreation. The Spokane Regional Convention and Visitors Bureau created a slogan to identify Spokane: “Near Nature ... Near Perfect.” Fishing, hunting, skiing, golfing, snowmobiling, horseback riding, boating, sailing, swimming, camping, hiking and numerous other outdoor activities are available in the region. Four ski resorts rise within two hours from downtown, with Mt. Spokane just 30 miles northeast of the city. There are 33 18-hole golf courses within 35 miles of Spokane that offer diverse challenges and terrains at very economical rates. A master plan for careful development of recreational amenities in the Spokane River Gorge provides a vision for future projects that will link trails, parks, and access to the river within just minutes of the downtown core.”

Davenport also offers a gateway to diverse recreational and tourist opportunities at Lake Roosevelt and the forests and mountains of northeastern Washington.

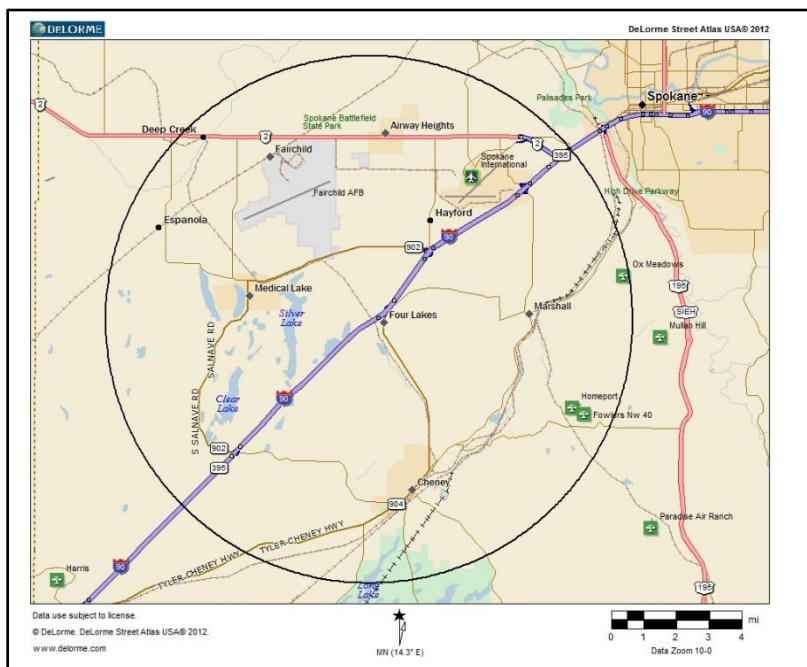
Agriculture

“Agriculture is very important in the Spokane region, providing 4,790 jobs in the nine neighboring counties of Eastern Washington, including Spokane. In Spokane County alone, over 2,500 established farms produce \$117 million in agricultural products for the Spokane region and beyond. Whitman County, just south of Spokane, is the number one wheat-producing county, and number two barley-producing county, in the nation. There is a strong interdependency of agricultural jobs and agricultural-related jobs in nonagricultural sectors which directly affect the spending power in the region. The locally sourced movement is making a significant impact through farmers’ markets, restaurants and Spokane’s twenty two wineries.”

The next section of this report examines how Lincoln County can link into these focus areas to develop new revenue-producing opportunities for the fairgrounds.

PART 3: WEST PLAINS MARKET AREA

While all of Spokane County has been defined as the primary market for businesses in Lincoln County, special attention should be given to the sub-area known as the West Plains which lies between Davenport and the City of Spokane. The central incorporated city in the West Plains is the City of Airway Heights which is 26 miles east of Davenport on US Hwy 2 and nine miles west of downtown Spokane. The West Plains area includes Spokane International Airport and Fairchild Air Force Base. Also included in this circle is the City of Cheney where Eastern Washington University is located. These are major economic engines located relatively close to Davenport.



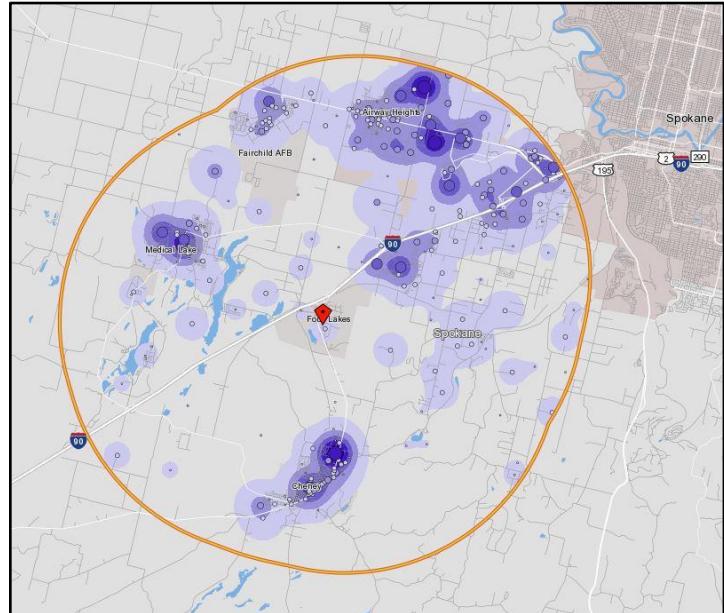
Map 3: Map of West Plains area of Spokane County – 6 mile radius from center.

Economic Profile of the West Plains Area

The West Plains area encompasses several cities and smaller communities, Census Defined Places, and Census Tracts. Because of these mixed data sources, the economic profile of the area is taken from the U.S. Census Bureau’s On-the-Map program which allows

analysis of a user defined area. There are no specific boundaries that define the West Plains but the area selected for this analysis includes most of the economic indicators that are relevant to the Lincoln County Fairgrounds as a potential market. All of the area shown in the circle on the following page is situated in Spokane County

Map 4: The blue areas in the circle show concentrations of employment in the West Plains area. The major concentrations along U.S. Hwy 2 are around the Spokane International Airport, the City of Airway Heights and its surroundings, and Fairchild Air Force Base. There is also a concentration at the City of Medical Lake, another one at the City of Cheney, and one along Interstate 90 at SR902. Additional areas of employment are scattered throughout the circle.



The On-the-Map Work Area Profile Report for those jobs shows a total of 19,238 jobs in 2015, of which 18,294 are listed as primary jobs. That number is almost twice the entire population of Lincoln County in that year, indicating the potential for sizable opportunities if Lincoln County can link into that economic engine. Profiles of those workers by age and earnings are shown in the table below.

Table 16: Jobs by Worker Age and Earnings, 2015

Jobs by Worker Age	Count	Share
Age 29 or younger	3,899	20.3%
Age 30 to 54	10,392	54.0%
Age 55 or older	4,947	25.7%
Jobs by Earnings		
\$1,250 per month or less	3,549	18.4%
\$1,251 to \$3,333 per month	6,912	35.9%
More than \$3,333 per month	8,777	45.6%

Of particular interest to Lincoln County is the profile of Jobs by NAICS Industry Sector. These indicate the extent of job diversity that might be available to workers in businesses at the fairgrounds if linkages can be established with businesses in the West Plains area.

Table 17 shows the breakout of employment by industry sector for all worker in the defined area of the West Plains.

Table 17: Jobs by NAICS Industry Sector - 2015

Industry Sector	Count	Share
Agriculture, Forestry, Fishing and Hunting	59	0.3%
Mining, Quarrying, and Oil & Gas Extraction	2	0.0%
Utilities	24	0.1%
Construction	684	3.6%
Manufacturing	2,384	12.4%
Wholesale Trade	1,075	5.6%
Retail Trade	1,159	6.0%
Transportation and Warehousing	1,921	10.0%
Information	117	0.6%
Finance and Insurance	330	1.7%
Real Estate and Rental and Leasing	243	1.3%
Professional, Scientific, and Technical Services	457	2.4%
Management of Companies and Enterprises	657	3.4%
Admin. & Support; Waste Mgt. and Remediation	390	2.0%
Educational Services	2,911	15.1%
Health Care and Social Assistance	1,844	9.6%
Arts, Entertainment, and Recreation	1,571	8.2%
Accommodation and Food Services	1,551	8.1%
Other Services (excluding Public Administration)	212	1.1%
Public Administration	1,647	8.6%
Total Employment	19,238	100.0%

These numbers show that the West Plains area is a hub of industrial employment in Spokane County. For example, while manufacturing employment in all of Spokane County totaled 8.1% of total employment in 2015, that sector was more than 50% larger employing 12.4% of the total in the West Plains area. Employment in the Trade and Warehousing sector was 10.0% in West Plains while it was only 2.8% of the total in the county as a whole. Linking into these industries in the West Plains could provide significant opportunities for businesses in Lincoln County.

West Plains Public Development Authority

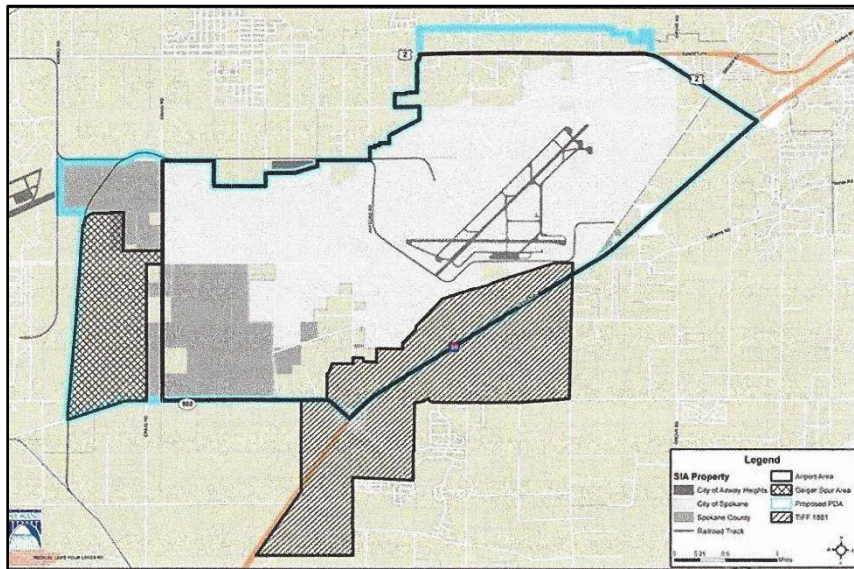
The West Plains area has been attracting significant shares of the economic expansion in Spokane County, especially in larger projects that require substantial land acreage. Recently, new initiatives have been developed to accelerate business growth on the West Plains by siting facilities that are too large for the higher density parts of the Spokane urban area. One of the

most significant is the creation of the West Plains/Spokane Airport Area Public Development Authority in 2017.

On June 13, 2017 the Spokane City Council approved an ordinance creating the PDA. According to its charter:

“The purpose of the Authority is to provide a legal entity organized under RCW 35.21.730-.757 to undertake, assist with and otherwise facilitate the acquisition, construction, development, equipping, leasing, operation and maintenance of public benefit projects (the Projects) within the PDA boundaries as defined in the Interlocal Agreement in order to assist both the City, County and the Spokane International Airport in their ability to improve the economic conditions in and around the City and County of Spokane. To the extent appropriate and consistent with the needs and objectives of the City and County, the Authority will acquire and manage real property, secure financing, undertake the construction and development of and otherwise accomplish all purposes required for development and operation of Projects.”

A full description of the organization, operation and benefits of a Public Development Authority was provided in the earlier section of this report on the legal issues concerning the Lincoln County Commission utilizing the public properties at the fairgrounds for private purposes. A PDA specifically authorizes the creation of public/private partnerships or other structures to allow the use of public properties for private purposes.



Map 5 shows the West Plains/Spokane Airport Area PDA outlined in blue along with the various jurisdictions governing the properties. It reaches all the way from I-90 to the eastern boundary of Fairchild Air Force Base.

According to an article in the Spokane Journal of Business, the PDA may

already be getting its first major business. Dated April 12, 2018, the article carries the headline “Amazon of a Project is in the Works in Spokane area”. Labeled Project Rose, the site is 10010 W. Geiger Blvd., which is located on the north side of Geiger Boulevard, northeast of the Interstate 90-Medical Lake interchange, and just southwest of Spokane International Airport.

Map 6

The company being sited is not disclosed in the article. The project is described as being a massive distribution or fulfillment center that typically employs more than 1,000 workers. The article speculates that the company locating there is Amazon Corporation.



This project will cover about 80 acres of privately-owned land as shown on Map 6. It was not known as this report was being written what services, incentives, or other contributions will be made by the PDA.

However, the article notes that “The Project Rose site falls under the jurisdiction of the recently created West Plains/Airport Area Public Development Authority. The city of Spokane, Spokane County, and Spokane International Airport formed the PDA last July. The PDA’s district includes the airport, which is jointly owned by the city and county, and land surrounding the airport, portions of which are in the City of Spokane and in unincorporated Spokane County. The district is intended to fund and develop infrastructure needed to attract new manufacturing, transportation, and logistics companies and to enable existing businesses to grow.”

In looking at linking businesses in Lincoln County to economic development activities in Spokane County, the new PDA should be a prime source of opportunities.

LINCOLN COUNTY FAIRGROUNDS
HIGHEST & BEST USE ANALYSIS

RESOURCES FOR BUSINESS DEVELOPMENT AT THE LINCOLN COUNTY FAIRGROUNDS

This section reviews the various business resources that are available in the Davenport area of Lincoln County to support strategies for redevelopment/reuse of the fairgrounds properties. It is specifically focused on that objective rather than providing general background material. It addresses the question of “why would companies want to locate at the fairgrounds in Davenport?”

The diagram in the introduction to this report showed there are basically three components to achieving success in any business opportunity:

1. A product or service that can be produced and delivered from the focus area
2. A market for that product or service that can be reached from the focus area
3. A way to deliver the product or service competitively to the market and also meet the financial requirements of the providing entity

The focus area for providing the product for business development has been defined as the economic resources of Lincoln County, the Lincoln County Fairgrounds specifically, plus additional labor resources located within a 20-mile radius of Davenport. This section of the report examines how those resources can be utilized to produce marketable products and services in Davenport. The following section examines how those resources can actually be deployed to market the fairgrounds properties and achieve the Commission’s objectives.

The area defined as the primary *market* for those resources is Spokane County and the businesses located there that could be served by enterprises located in Davenport, with special emphasis on opportunities in the West Plains/Spokane Airport portion of the MSA. That requires a match between the resource capabilities in Davenport and the market demand in Spokane County.

The *delivery system* consists of the strategy for bringing those resource capabilities together with the requirements of the market in ways that make Davenport competitive with other suppliers.

Overview of Resources for Business Development at the Fairgrounds in Davenport and How They can be Utilized

1. Lincoln County Fairgrounds Buildings and Facilities

The buildings and other facilities at the Lincoln County Fairgrounds are real estate assets that could be used to accommodate business enterprises. These may provide a unique advantage to Lincoln County because of the special provisions in Washington State statutes that allow for public/private partnerships on fairgrounds.

At the present time, most of the buildings provide basic enclosed space for storage or low-level business activities without ancillary facilities that would allow businesses with special, or even standard, requirements to locate in them. The site evaluation showed that significant upgrades would be required to the utility infrastructure to meet the needs of heavy equipment operations such as machine shops or a flour mill. Buildings will also need to be insulated for year-round use and new windows and doorways may need to be installed in some buildings. Restrooms will also be needed in buildings used for working operations rather than storage. One building – the 4,200 square foot cattle barn that was built in 1960 – is in very poor structural condition and is expected to be torn down.

It was discovered during the research for this project that the Spokane area is seeing a shortage of basic warehousing space, in part because of demand for large buildings to serve the cannabis industry, which is legal in Washington State but not in all local jurisdictions. That industry needs large amounts of electrical power and water so would require significant infrastructure development to locate at the Fairgrounds even if the County Commissioners want to accommodate it.

The buildings are currently used for dry storage of boats, RVs, and other items during the winter and other off-season months. That brings in some revenue to the County and requires very little management and other expenses. Without some kind of organized purpose for those buildings, and significant improvements, that appears to be their highest and best use when they are not needed for the annual County Fair.

Other uses of the property include RV parking and a few special events primarily during the summer months. It is possible that some of the vacant land could be used to site businesses that are compatible with the Fair operations, especially those in the agricultural sector. The buildings and vacant land could also be used for small-scale startup businesses that can be relocated to larger and better facilities as they grow and need more space.

The strategy section of this report recommends that the County consider using one or more of the buildings as incubators to provide space for startup operations only. Those operations would be shifted to a business park location as the companies grow and need more space.

Some of the vacant land could be used for permanent facilities, such as a small flour mill, as described below.

2. Lincoln County's Agricultural Resources

The agricultural resources of Lincoln County were described in the Lincoln County Profile. Those resources are dominated by the wheat grain sector, most of which is exported from the region. There are two flour mills in Spokane County but none in Lincoln County. Davenport's last flour mill, operated by the Washington State Grange, closed in 1955. Currently there is a farm marketing cooperative called Shepherd's Grain located at Reardan which markets local wheat to area bakeries as well as selling it into the global commodities markets. According to an article in the Seattle Times in 2009, Shepherd's Grain farmers at that time received about

\$2.50 more per bushel than the \$4 to \$6 they were getting from the commodity markets where most of their crop still goes.

Wheat can also be a resource for a craft beer brewery. According to the Brewers Association, a craft brewer has a majority of its total beverage alcohol volume in beers whose flavor derives from traditional or innovative brewing ingredients and their fermentation. Wheat beer is a major category of craft beer. Typically lighter in appearance, wheat beer can be made using either ale or lager yeast and American wheat beer can be brewed with at least 30 percent malted wheat. Traditionally hoppier than its German variety, American wheat beer differs in that it does not offer flavors of banana or clove, which is indicative of the weizen yeast strain. Nevertheless, the American wheat beer is known worldwide as a refreshing summer style.

On a smaller scale, Lincoln County also offers agricultural resources for bakery products, wines, candies, and some specialty products made from fruits, tree nuts and berries. Initially, the commercial kitchen in the Main Hall could be used as an incubator for branded products with a Davenport or Lincoln County label.

3. Tourism and Recreation

Tourism also offers opportunities for expanded development in Lincoln County, especially as Davenport is a major gateway to the recreational amenities of Lake Roosevelt along with many other recreational venues accessible in the mountains and forests north of Lincoln County. US Hwy 2, which runs alongside the fairgrounds from Puget Sound to the Canadian Rockies, is an important asset for tourism as well as commercial traffic.

Map 7



Map 7 shows the portion of the Lake Roosevelt National Recreation Area (NRA) that is accessed from Davenport on State Hwy 25 over a distance of about 25 – 30 miles. Recreational facilities there include campgrounds, boat launch ramps, marinas, boat fueling stations, picnic areas, and boat-in campsites.

Traveling farther west on US Hwy 2 and State Rt. 174, the Grand Coulee Dam is only about 52 miles or one hour's drive from Davenport. There were an estimated 1,781,972 visitors to all areas of the NRA in 2012.

A visitor study was performed over the summer of 2016 by individuals with the Social and Economic Sciences Research Center at Washington State University with the data published by the National Park Service in July 2017. While most of the survey responses were informational and related primarily to NRA management, there was one topic that could affect visitor traffic

in Davenport. That survey question specifically addressed the need for services at the lake that are not currently provided.

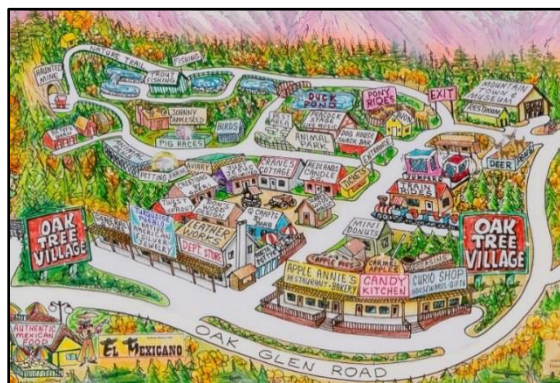
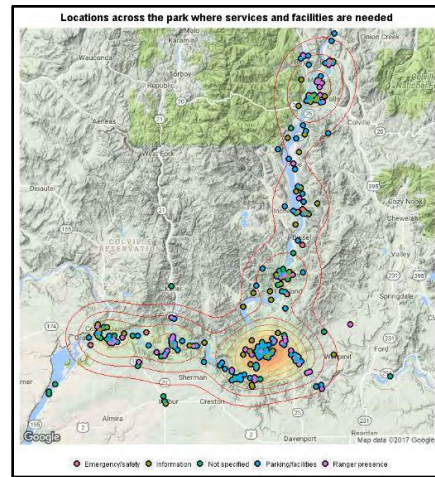
These were shown graphically on a map and the area with the highest concentration of needed services was the first area to be visited by travelers driving north from Davenport. It can be assumed that if those services were provided, there would be even more visitors using the SR 25 route from Davenport to the Lake. This would be a good subject to investigate with the National Park Service.

Other than traffic to the Lake Roosevelt NRA, there is little tourism activity in Davenport except for the annual Fair, the Lincoln County Historical Museum, the Inland NW Railroad Museum, and occasional special events.

However, there are opportunities for Lincoln County to develop and utilize the fairgrounds in ways that could significantly increase tourism in Davenport. One of the concepts explored for this report is to create a **Davenport Farm Village** at the Fairgrounds that would provide a country-style marketplace, events center, and recreation activity center that will attract visitors from Spokane and beyond. The model is similar to the way Knott's Berry Farm was established in Southern California in the 1920s. From selling berries, berry preserves and pies from a roadside stand, Knott's Berry Farm grew into a 160 acre amusement park that still contains a strong element of California's roots in agriculture. The vehicle for first attracting visitors to the facility was the establishment of a restaurant that offered exceptional food in a country atmosphere, similar to Cracker Barrel or many local farmhouse restaurants.

Creating this concept in Davenport would redevelop the fairgrounds into a collection of shops, galleries, specialty food service outlets, restaurants, and recreational amenities with a common theme. Those facilities could be operated year-round while also utilized as part of the Fair venues, adding to their tourism attraction.

Map 8



This picture of Oak Tree Village in Southern California depicts a similar concept. Each building offers its own products, experiences, or services and is separately identifiable from every other building while fitting the overall theme. The redevelopment could start small and grow over time, attracting visitors several times over the year. There could be ongoing events as well as recreational entertainment activities.

4. Davenport Airport (68S)

Davenport has an excellent general aviation airport across the highway from the Fairgrounds. This could be leveraged to attract companies engaged in fabrication of aircraft components, along with providing supplies and services to aircraft as well as the rapidly expanding drone industry. A business park at the airport could provide expansion and relocation facilities for companies outgrowing their fairgrounds location.

GSI and other Spokane-area organizations are currently working to encourage the Boeing Company to locate a major portion of its manufacturing facilities for a new commercial aircraft in the West Plains area with access to the Spokane International Airport. If they are successful, there will be many opportunities for companies to participate in the supply chain by fabricating parts and providing services to the Boeing Company.

The Davenport Airport is located adjacent to US Hwy 2 on the north side and across from the fairgrounds. Situated at an elevation of 2,421 feet, the single paved runway 5/23 is 2,747 feet long by 50 feet wide. A second runway 3/21 is 2,271 feet long by 45 feet wide with a gravel surface and a notation in the AirNav listings as being in fair condition and “very soft in spring”. When the AirNav directory was published there were 12 aircraft based on the field, of which 10 were single-engine airplanes and two were ultralights.

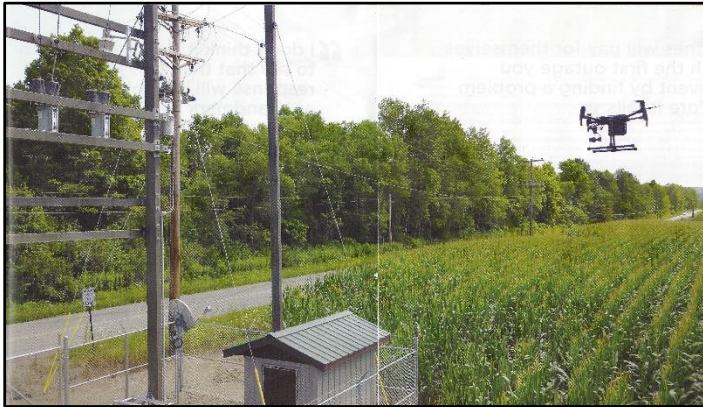


One of the major uses of the airport is for agricultural operations such as crop spraying. The AirNav data show there were 134 average operations per week at the airport, of which 71% were local aircraft and 29% were transient. 100LL fuel is available 24 hours per day for self service and credit cards.

Plans are being developed to increase the length of the main runway and make other improvements to make it capable of handling larger aircraft. There is currently no instrument approach into the airport but it is expected that a GPS approach will be added when the main runway is extended.

As an asset to the fairgrounds, the airport could attract fly-in groups to visit the Fair as well as other activities and attractions such as the Davenport Farm Village. The airport would also be able to support aviation-related businesses that could be located at the fairgrounds. For example, there is considerable momentum in the development and use of commercial drones in a wide variety of business uses and establishing a drone aerial reconnaissance service in Davenport is one of the concepts explored in developing this report. Principal applications would include agricultural inspections, powerline and other utility surveillance, and programming emergency responses to natural disasters.

Aerial Inspection Services



The use of aerial drones to replace helicopters and fixed wing aircraft inspections of agricultural fields, power lines, topographic features affecting development, and a wide range of other activities is rapidly becoming a new standard of operating procedures. It is also a new standard for rapid and targeted response to emergencies and natural disasters.

It was noted in the introduction to this report that a drone was used by the engineering firm MFA to survey the fairgrounds at Davenport and identify utility infrastructure along with other features important for redevelopment and reuse of the land and buildings. The Coeur d'Alene Tribe recently used a drone to overfly the Circling Raven Golf Course to measure topographical features and distances to improve the course layout and plan for its maintenance.

The location of the Davenport Airport is ideal for offering aerial drone services to farmers and other customers in northeastern Washington. It is outside the operational areas of Spokane International Airport and Fairchild Air Force Base yet is close enough to attract skilled technicians and mechanics to adapt the drones for their specific requirements.

Offering an aerial drone service would lead to support businesses such as maintenance and repair and possibly even manufacturing. There is growing demand for replacement and custom parts for vintage aircraft that is being met through 3D additive manufacturing. This concept is explored in more detail in the next section of this report.

5. Commuter Labor Force

The part of the labor force that lives in the Davenport area but works in Spokane County is an important resource for business development. Typically, people who commute 20 miles or more would prefer to have jobs closer to home. Many of those workers could be candidates for starting or working at entrepreneurial or innovative businesses that could be developed at the fairgrounds. They could also work for companies locating facilities at the fairgrounds

There is currently strong interest among U.S.-based businesses for bringing the industrial supply chain back to the United States for logistical controls, cost containment, and quality assurance. The Lincoln County Fairgrounds could become a strategic location for this "on-shoring" trend in northeastern Washington. A strategy for achieving this is described in detail in the next section of this report.

These are only a few of the business concepts that could be supported by the resources available at the fairgrounds. Business plans, financial analyses and other details are not provided in this section in order to focus on the business models that are considered to have the highest potentials for commercial success in Davenport. These are described in the following section of this report.

LINCOLN COUNTY FAIRGROUNDS
HIGHEST & BEST USE ANALYSIS

DEVELOPMENT AND IMPLEMENTATION STRATEGIES

SUMMARY OF OBJECTIVES / REQUIREMENTS

The business development strategies recommended in this report need to achieve the objectives that the Lincoln County Commission set forth in its grant application to the Washington Community Economic Revitalization Board (CERB) and its contract with Elesco LLC to perform this study. Those clearly state that the primary objective of the Commission is to increase its net revenues from the Fairgrounds to cover its ownership costs and reverse the negative cash flows resulting from low value, part-time uses of the facilities such as off-season dry storage. If that objective cannot be achieved, then the alternative may be to sell the property as a development site for uses other than as a fairgrounds.

The analysis of the Lincoln County economy showed that there is not a stream of economic activity that the fairgrounds can simply tap into. There is no pattern of demand for land and buildings in Davenport that would support opportunities for market absorption through land and building leases. Based on the State's GMA population growth forecasts there is not likely to be any significant increase in demand for the foreseeable future. Instead, the approach to enhanced utilization of the fairgrounds property will require a managed *economic development* strategy, i.e. a strategy that requires creating demand in Davenport by enlarging its scope of business and industrial activities. This report focuses on two primary potential opportunities that are considered to be realistic and achievable over the three-to-five year time frame cited earlier:

- (1) Developing forward and backward linkages to the dominant economic sector in Lincoln County which is Agriculture, primarily wheat production, along with other grains, livestock, and other diverse agricultural commodities;
- (2) Linking into the larger and more diversified market that exists in adjacent Spokane County by participating in the supply chain that supports regional manufacturers.

It needs to be considered that the fairgrounds may not be the only, or best, property in Davenport for achieving these objectives. Instead, the fairgrounds might be used as the initial incubator site for stimulating creation of new businesses that can relocate to larger and more suitable sites in Davenport for long-term growth. These would produce the needed revenues indirectly to the County by raising overall levels of economic activity with commensurate increases in employment, taxes, and retail sales.

Using the fairgrounds land and buildings as a "feeder" would require developing a business and industrial park with lots and/or buildings for lease that could accommodate companies growing out of the fairgrounds facilities. The ideal location for such a facility is across Hwy 2 at the Davenport Municipal Airport. There are existing plans to expand the airport and including a

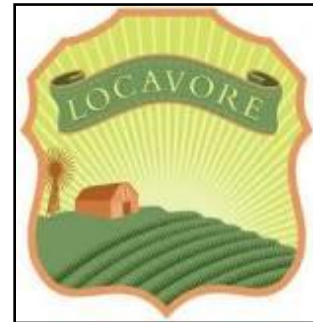
business park should be part of that planning process. It could stand on its own to attract businesses to Davenport, especially in the Aviation and Aerospace sector, in addition to providing expansion opportunities for businesses relocating from the fairgrounds.

Further discussion of the goal of developing a business park at the airport is provided in Strategy 2 of this section.

Strategy #1: Develop Linkages to the Agricultural Base of Lincoln County

The first strategy is to use the fairgrounds as an asset to leverage Lincoln County’s agricultural production, primarily wheat, to develop new products and new methods of production to add local value. There are several resources available to support such efforts including Washington State University, the Washington Department of Agriculture, and the Washington Association of Wheat Growers. An alliance might also be created with Shephard’s Grain to expand opportunities for mutual benefit.

One way for Lincoln County to utilize its fairgrounds for agricultural production would be to create a partnership with an existing flour mill company such as ADM to construct a small mill to produce flour on-site along with products made from other grains, possibly combined with other local ingredients. There is growing consumer support, known as the “locavore” movement, for buying locally-made products from locally-produced ingredients, generally within 100 miles of the growing site. A related trend is known as the farm-to-table movement, (or farm-to-fork and in some cases farm-to-school) which is a social movement that promotes serving local food at restaurants and school cafeterias, preferably through direct acquisition from the producer.



**FAIRHAVEN
ORGANIC
FLOUR MILL**



The flour you buy from Fairhaven Organic Flour Mill - milled on stone and hammer mills - comes from dedicated organic grain growers throughout the Northwest. By milling only organically-grown grains, Fairhaven Mill supports healthy farmlands and a sustainable, ecologically-responsible agriculture.

100% Whole Grain Organic Flour is:

- Milled fresh each week from the highest quality organic grain
- Free of synthetic fertilizers, herbicides, pesticides, or fumigants
- Not genetically engineered
- Certified Organic
- Certified Kosher



One of the benefits of developing this capability at the fairgrounds is that it would be a demonstration project to call attention to the agricultural orientation of Lincoln County and would help promote attendance and participation at the Fair. It might also allow new product developments by local entrepreneurs with common branding to emphasize “made in Davenport” or “product of Lincoln County”.

A website description of a custom organic flour mill in Burlington, Washington is shown above. This type of mill would focus on supplying local consumer markets but could also develop larger regional and national markets through branding, on-line sales, and sales through distributors and retailers such as Whole Foods, now part of Amazon.

In 2012, the University of Vermont conducted a feasibility study for developing a multi-purpose grain processing facility in that state. The study found that a commercial scale mill in Vermont could break even on an EBITDA cash flow (earnings before interest, taxes, depreciation and amortization) selling certified organic flour at \$0.50 per pound if it could achieve a minimum operating capacity of 30% in a purchased land scenario and 40% in a leased land scenario.

If the Lincoln County Commission were to participate in developing this facility at the fairgrounds, that site would be leased from the County providing revenues from the land lease as well as a possible percentage of the net operating revenues (a participation lease). The economics of that arrangement would depend on the amount of the land lease, the size of the mill with associated volumes of supply and sales, along with supply acquisition and sales prices. A key variable for the land lease revenues would be amortization of infrastructure development costs. Whatever the gross amount of net revenues, this would make a positive contribution to off-setting the costs of maintaining and operating the fairgrounds facilities.

The picture below shows the main mechanical equipment required for operating the flour mill that was studied by the University of Vermont.



An example of the 75 ton per day AGREX DB 1000 mill. The following advantages are provided by the manufacturer.

- One milling line, grinding capacity: 25 Tons / 12:0 am.
- Ideal to grind soft and durum wheat, buckwheat, spent, kamut, rye and other cereals.
- Complete milling lines, horizontally developed: cleaning, tempering, resting and grinding units on one flow. They do not need specific buildings for the installation.
- Available in different models and versions to satisfy every client’s needs with maximum flow flexibility, reduce the maintenance and running costs, obtain excellent qualities and outputs.
- Cut down installation time: all our milling lines are assembled and tested in our factory.
- AGS10 mills can be multi-line installed, allowing one to obtain different kinds of flours optimizing the production demands.
- According to AGREX, “the overall investment is not comparable to that of a traditional mill: the economic return is definitely quicker!”

Along with the mill itself, following is a complete list of capital equipment and infrastructure costs for the Vermont model:

CAPITAL COSTS

MILL	\$566,000
MILL TRANSPORTATION	\$15,000
STORAGE TANKS (EXTERNAL)- assume 8 100 ton silos, x 50,000	\$ 400,000
CONVEYORS	\$ 50,000
BUCKET ELEVATOR	\$ 20,000
FORKLIFT	\$ 6,000
WORK BENCH & TOOLS for maintenance	\$ 5,000
CLEANING EQUIPMENT (Shop vac- \$500, etc.)	\$ 5,000
CLEANER	\$ 45,000
DRYER	\$ 100,000
ASPIRATOR/AIRWASH	\$ 45,000
BUILDING/CONSTRUCTION, EXPLOSIVE PROOF	\$ 100,000
PLUMBING	\$ 50,000
ELECTRICAL SWITCH	\$ 13,000
ELECTRICAL WIRING	\$ 65,000
FLOUR BAGGER	\$ 200,000
TOTAL	\$ 1,685,000

On the supply side, it appears that a flour mill at the fairgrounds would be able to acquire the needed inputs from local sources. According to the U.S. Department of Agriculture data cited above, Lincoln County’s wheat crop often exceeds 25 million bushels annually. At 60 pounds per bushel, that represents approximately 750,000 tons of wheat per year. The University of Vermont feasibility study used input consumption figures of 2,455 tons of local grain per year at 40% operating capacity and 6,150 tons at 100% capacity. Those numbers represent 0.33% and 0.82% of the total production of wheat in Lincoln County respectively. There may be issues with existing supply contracts but it is assumed that a sufficient supply could be negotiated.

LAND REQUIREMENTS

For its location, the University of Vermont model recommended a site of 3 – 4 acres which would allow for future expansion. Initially, however, the study stated that **“a minimum of ½ acre should be sufficient to house the mill itself”**. By reconfiguring some of the facilities at the fairgrounds, it is believed that a suitable site to house a flour mill could be developed. Existing streets and open spaces could be used to support the mill when they are not required for the annual fair.

The mill shown above would require a 6,200-square foot space with access to water, three phase power, truck loading/unloading docks, and room for at least three external storage tanks to hold raw grain and by-products.

There is discussion in the model about whether the facility would need to be located on rail. It stated that while this would be desirable, it is not a necessary requirement. If rail is not available, then the product would have to be transported by semi-trailer. The study stated that “transportation expense for the mill to acquire wheat is estimated at \$3/loaded mile assuming a semi-trailer transporting 22 tons an average of 200 miles per load”. However, as noted earlier, about 1.2 million acres are in agricultural production in Lincoln County with the bulk of that used for growing wheat. While most of that wheat goes to export, some of it finds its way to the ADM **flour mills** in Spokane and Cheney. It is expected that a sufficient supply could be diverted to a local flour mill in Davenport and the costs shown above would be reduced accordingly.

There could be significant benefits to Lincoln County from constructing a grain mill and developing a consumer product line from the fairgrounds site. The staffing requirements for the mill include a mixture of skilled (trained) operators along with management, maintenance, and professional personnel. According to the University of Vermont study, “At break-even, the mill is expected to be able to operate with two production staff per shift (four production staff to cover two shifts), one full time plant manager/head miller, one office manager, one part-time agronomist/lab/production/grower liaison, and one sales/marketing associate. As production increases, additional hourly wage production staff can be hired as needed”.

While the Vermont model provides a detailed list of requirements and costs to construct and operate the mill used in the model, the County could also look at smaller mills that would require less land and building space. Options are available that would require only a 1 – 2 acre land site and a smaller building but the economic benefits to the County from a smaller mill would also be smaller.

HOW TO MAKE THIS HAPPEN

The University of Vermont study provides a detailed list of steps that it would take to make this project happen. One of their first recommendations is to partner with an existing company in the business and create a unique brand – a Davenport or Lincoln County brand. “The best likelihood for success will be if the mill can enter into a mutually beneficial relationship with an established brand. In such a relationship, the mill could be independently owned and operated, or operated as a co-owned entity with the partner.

The mill would take responsibility for the risk and resources required to source and produce the product, and sell the product to the partner for resale. The partner brand would take ownership of championing the product in its established sales and marketing channels and would provide supportive technical expertise to the mill on production issues and concerns.”

Their recommendations for next steps are listed below. These would also generally apply to any sized mill the County would locate at the fairgrounds.



1. Approach each of the potential milling business partners to discuss their interest and possible involvement in the project. If there is interest from one or more entities, development of a business plan should ensue.

2. Approach individuals interested in owning/operating the mill. Several existing mill and feed operations have expressed interest in exploring opportunities to expand their businesses and might consider a commercial scale grain mill. Contacting Alex McGregor in Colfax could provide an expanded list of potential investors. The **McGregor Company** serves growers in Washington, Idaho and Oregon with the seed, crop inputs, equipment, research and advice needed to raise healthy, sustainable crops. It would also be worthwhile to contact Congressman Dan Newhouse, former director of the Washington Department of Agriculture, to seek federal support for the project.

3. Develop a business plan

- a. Identify a project lead to work on the development and coordination of the business plan and interested parties.
- b. Prior to investing in a new mill, existing milling companies may be willing to provide toll milling service or buy regional wheat and create a line of locally-grown grain products with their existing milling infrastructure. The transition to a new mill could come after the market is established.

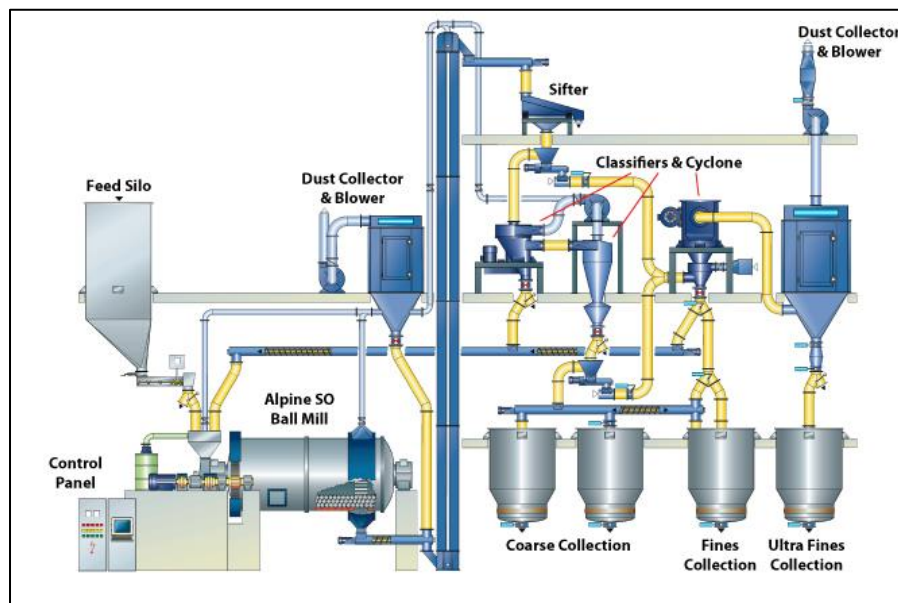
- c. Work closely with partners, producers, state agencies, individuals, and organizations who have expressed an interest in the project to continue to build buy-in and support for the project.
- d. Finalize ownership and business model.
- e. Continue to research product specifications and mill infrastructure to ensure design-and-build infrastructure will meet product needs. For this study the AGREX AGS-1DB-1000 mill which is the mill used by La Meunerie Milanaise for its certified organic, All Purpose White Flour was used as the basis for production and cash flow analysis. However, some commercial bakers might prefer flour produced from the mill equipment used by other bakers.
- f. Finalize site selection and location with a lot size of 2-4 acres allowing for future expansion would be ideal.
- g. Refine cash flow and financial projections.
- h. Develop a target market prospect list with projected sales volumes, seek to secure placement for 2,500 tons of flour (which equals the volume produced at 40% operating capacity and is the default minimum volume required to break even to cover both a leased or purchased scenario).
- i. Explore additional products. Research the potential demand, production needs and feasibility for other grains and products. Let local entrepreneurs know of opportunities to create specialty projects that will be promoted under the common brand.
- j. Budget for a liaison with technical expertise in local wheat production to interface between the growers and the mill to coordinate product flow and provide technical assistance to growers while also providing technical assistance to the mill. This will boost the project's ability to produce more consistent grain but also help the mill adapt to potential variations in incoming product. While the goal is to produce consistent quality grain inputs, the study found that the nature of smaller scale production, and variations in soils and topography will naturally increase the likelihood that there will always be fluctuations in the raw inputs. Therefore to proactively minimize these weaknesses from threatening the business, developing a plan that includes partnering with an experienced miller who can adapt to variations in raw inputs and having a technical liaison who can provide assistance both to the miller and the grower would be ideal.

Liaisons should also be built with Washington State University, Washington Wheat Commission/Grain Producers Association, and the Washington Department of Agriculture.

ALTERNATIVE OF A UNIFINE MILL

Another option to put a flour mill into the Lincoln County Fairgrounds would be to acquire a Unifine mill and operate it similar to the one being placed in Ritzville. This could be done at significantly less cost and space requirements than the standard roller mill described above.

Instead of grinding the grain (stone mill) or shredding & sifting the grain (roller mill), the Unifine Mill is a type of impact milling system similar to a hammer mill. The system pulverizes the grain on impact - resulting in minimal starch damage and a more optimum and uniform flour particle size compared to flour produced by other systems. The rotor and stator are extremely durable and offer long-term, dependable milling.



Unifine Flour Mill Process Diagram

According to an article in Washington State Magazine, “The wheat or other grain is blown into a high-speed flywheel which pulverizes the grain against the rough surface of the container. After one pass, the exploded material blows into a sifting system, producing whole grain flour with a very fine particle size. The result has a higher protein content, more nutrients, and a longer shelf life. Roller mills require added moisture to process wheat which could explain reports of less rancidity for the drier Unifine flour”.

Rather than providing detailed descriptions of this milling equipment and process, it is recommended that the Commissioners review the information at <https://www.azurestandard.com>. Information from customers who use the flour produced by a Unifine flour mill also describe the very wide range of products that can be made, branded, and sold to the market. Also, Washington State University has been involved in researching all aspects of this type of mill since the early 1950s and can provide Lincoln County with specific information related to establishing and operating a Unifine flour mill at Davenport.

Other opportunities to utilize the agricultural products grown in Lincoln County and surrounding areas can also be explored but are not examined in this report. Some of these may include hydroponics, aquaponics, greenhouse farms that produce fruits and flowers, and assemblage of home-grown agricultural products to be sold under a common label. A wine and/or craft brewery or distillery tasting room would also draw tourist customers to the fairgrounds and could lead to a production operation there. There should be an opportunity to develop a Davenport or Lincoln County brand that could find markets outside the region and even for export.

STRATEGY #2: CREATE A “PRODUCT” CAPABILITY TO MARKET AS PART OF THE SUPPLY CHAIN TO SPOKANE AREA MANUFACTURERS

This strategy will take a great deal of dedicated effort, time, and capital investment to make it happen. However, it has the potential to diversify and strengthen the economy of Lincoln County. It could capture a sizable portion of the labor force that is currently commuting to Spokane County, which would significantly increase demand for retail products and services in Davenport and also in Reardan and other communities in Lincoln County.

- What is the product you want to sell?
- What is the market for that product?
- How do you produce and deliver that product to the market?

It all begins with having a product to sell. Several resources have been identified as potential assets for a product that could be made in Davenport including the fairgrounds buildings, a commuter labor force that is already employed in Spokane County, and geographic proximity to businesses located there. Those assets can be combined in many different ways and this report has suggested several potential businesses that could be created from them. After extensive evaluation of all the options, the preferred recommendation is:

Formation of a new business/educational/innovation entity specializing in custom precision fabrication and additive manufacturing to make components of the supply chain for companies in the Spokane area that are engaged in manufacturing and final assembly operations in selected industry clusters.

For general reference, the enterprise is called Davenport Precision Machine (DPM) in this report.

This strategy would be starting from scratch since that kind of business does not exist in Davenport today. Developing the business will mean acquiring the necessary equipment and technically skilled operators to make component parts as inputs to end user companies rather than final products for business or consumer markets. The facility could also operate as a subcontractor to existing fabricators and machine shops in the Spokane area, providing them

with additional operating capacity without having to add to their own equipment and employees.

As noted earlier in this report, there is a growing trend among U.S. companies, especially OEM companies (original equipment manufacturers) to bring their supply chains back into the United States from off-shore locations. This is being done to control the logistics of the supply chain, i.e. ensuring that deliveries of components match the timing of their use as well as to control quality and pricing. OEM manufacturers are looking for domestic companies that can meet these requirements as well as match costs to what they would pay to offshore suppliers and to cover transportation and handling costs.

In evaluating the dynamic business activity in Spokane County, much of the emphasis on business development, both recruitment and expansion, is on industrial clusters. The following description of industrial clusters was written by Kathryn Tacke, regional economist for the Idaho Department of Commerce.

Industrial clusters are groups of industries located in the same area and tied to each other by common products, services, supply chains, and/or workforce needs. The industries in the clusters may have developed to support another industry within the cluster. Firms in the cluster may compete against each other, because they make the same products or services, or they may cooperate as part of a common supply chain. They often have similar workforce needs, and workers who receive training in one firm in the cluster may be able to find work easily in another firm in the same cluster. Clusters generally form based on an area's comparative advantages.

The main clusters targeted by Greater Spokane Incorporated were identified in the profile of Spokane County as (1) Advanced Manufacturing; (2) Aerospace; (3) Health Sciences; (4) Clean Technology, Energy Efficiency, and Renewables; (5) Information Technology and Telecommunications; (6) Digital Media; and (7) Innovation / Entrepreneurship.

The State of Washington has also identified specific industry clusters as targets for business recruiting and development. Their approach is different, however, in that they are targeting types of businesses that they believe represent the emerging clusters that will be dominant in tomorrow's economy. Those consist of:

Cloud Computing Cluster	Nanophotonics Cluster
Advanced Materials Cluster	Global Development Cluster
Environmental Technology Cluster	Advanced Manufacturing Cluster
Freight Mobility Cluster	Value Added Food Processing Cluster
Smart Grid Cluster	Defense Technology Cluster
Health IT Cluster	Biomedical Device Cluster
Electric Vehicle Cluster	Clean Tech Cluster

These clusters were selected based on analysis by Washington's Workforce Training and Education Coordinating Board for the purposes of training the workforce of the future. Some of these are in the same categories as those targeted by Greater Spokane Inc. while others may apply specifically to Lincoln County such as the value added food processing cluster.

Since the Davenport area does not currently have an advanced machining capability or reputation for being a supplier of advanced materials components, it will be necessary to develop that capability quickly and effectively. The strategy recommended in this report is to create an advanced manufacturing "laboratory" containing a fully operational CNC machine shop along with an educational/training component with university support and an innovation center where skilled workers and entrepreneurs can develop their own products and delivery systems. The key to that strategy will be to partner with an existing private company that already has production capabilities and customers for its products.

Rationale for picking the supply chain Strategy

It is not intuitive that the strategy for developing businesses at the Lincoln County fairgrounds should rely on creating a technical capability that does not currently exist. Following is a brief explanation for the rationale of that strategy.

In the research on business trends and patterns in Spokane County, it became evident that the next several years will see significant growth of technology-oriented businesses in the West Plains area between Davenport and Spokane. While Fairchild Air Force Base already provides a major source of potential business, the creation of the West Plains/Spokane Airport Area Public Development Authority will add opportunities to expand the number of businesses that could be targets for a machine shop operation in Davenport. Passed by the Spokane City Council on July 17, 2017 the ordinance creating the PDA states its objective of enhancing economic development in the West Plains/Spokane Airport area which could be a parallel interest of eastern Lincoln County. With growth that has already occurred, plus this new plan for economic stimulus, the market for these kinds of services is moving toward Davenport. The proposed business/training/incubator center at the fairgrounds will provide a link to that market.

Rather than focusing on piecemeal, individual development of unrelated businesses at the fairgrounds, the rationale for this strategy is to begin the process of linking into the larger economy of Spokane County and establishing Davenport and Lincoln County as important contributors to the economic growth and prosperity of the region. This would be a major leap forward by creating a new economic sector in Lincoln County rather than taking incremental steps to expand existing economic sectors.

That will require building relationships with businesses and organizations that will assist Lincoln County to achieve these objectives. For example, Greater Spokane Inc. has been cited as having extensive and well-funded programs, along with personnel, to work toward expanding targeted business sectors in the region. In meetings with GSI executives, it was learned that they are not

limited to working with companies in Spokane County only and would be receptive to assisting companies in Lincoln County that can help them achieve supply chain independence. It is recommended that the Lincoln County EDC participate in business forums and other programs of GSI (and consider becoming a member) in order to build relationships with their staff and other members. This strategy will also require strong organization support in Lincoln County and a commitment over a three-to-five year period to make this process work.

There may also be opportunities to recruit start-up companies from the Seattle Metropolitan Area. High land and building costs, scarcity of affordable housing, and extreme traffic congestion have encouraged smaller companies to seek locations where they can serve customers in the Seattle area while being able to operate more efficiently and less expensively. As they look to the Spokane area, the incubator facility at Davenport will show up on their radar.

Organizational structure

The organizational structure of this entity needs to be kept simple but still encompass three components that will work together to acquire funding and cross-utilization of resources:

- An advanced CNC machine shop to produce products for the supply chain.
- An educational component that can provide workforce training in support of Washington's Workforce Training and Education Coordinating Board's objectives.
- A product development laboratory providing innovation and shared workspace facilities for entrepreneurial development. This should include 3D printing capabilities.

The simplest approach will be to create the entity through an existing non-profit agency, such as the Lincoln County Economic Development Council. This will allow work to begin immediately on putting the resources together that are needed for the project. A business plan for the project is provided below that includes the key resources required. If a Port District or a PDA is formed to oversee this process, then the details of the structure will depend on which form of governmental agency is created and how long it will take to become operational. If the Lincoln County Commission wants to pursue this strategy, it will need to carefully consider its options and make a decision on what kind of economic development entity it wants to spearhead the effort.

Fairground location

Several buildings at the fairgrounds could be made suitable for a small manufacturing facility/ machine shop with the addition of the utilities required for its operation. This report recommends using Building #15 located just south of the main hall at the entrance to the



fairgrounds. The main hall has a commercial kitchen that could be used as its own incubator to develop new food products in the value added food processing cluster.

←Interior of Building #15 – the Commercial Building

Building #15, known as the “commercial building”, is a Quonset hut that was constructed in 1970 with ±4,800 square feet of interior space in

dimensions of 40 feet wide by 120 feet long. It has no windows but does have skylights.

Establishing a commercial operation in Bldg. #15 would impose minimum conflicts with other activities at the fairgrounds, would provide easy access for cars and trucks from Hwy 2, and could utilize existing parking for employees and visitors. A building of this size should be sufficient to serve as an incubator for companies entering the supply chain but still is small enough to encourage them to relocate to permanent space as they expand.

Operating model / Business Plan

Following is an outline of a Business Plan that describes a step-by-step process to either buy an existing machine shop and relocate it to the fairgrounds site or develop a machine shop on-site and steadily expand its capabilities as its business grows. The Plan follows the standard format for SBA business plans but directs its major emphasis to the action steps required to establish the business at the fairgrounds.

PART 1: BUSINESS DESCRIPTION

The enterprise being proposed is an advanced machine shop operating Computer Numerically Controlled (CNC) metalworking machines. It would not initially produce its own products but would instead make component products under contracts with other manufactures. It would be classified under NAICS 332710 – Machine Shop. According to the U.S. Census Bureau, “This U.S. industry comprises establishments known as machine shops primarily engaged in machining metal parts on a job or order basis. Generally, machine shop jobs are low volume using machine tools such as lathes (including computer numerically controlled); automatic screw machines; and machines for boring, grinding, and milling”.



Typical Machine Shop Floor

While the initial focus is on metalwork and machining, future expansion should plan for new technologies such as additive manufacturing or 3D printing capabilities.

Definition of machine shops: NAICS 332710

A machine shop is generally described as a facility that has machine tools for working with metals or other relatively hard materials, such as some polymers. Various kinds of machine shops make and repair all types of metal objects, from machine tools, dies, and molds to mass-produced parts such as screws, pistons, or gears.

Machine shops use a wide variety of metal-working tools, including:

- drills
- lathes
- milling machines
- presses
- cutting and welding equipment
- grinding and polishing machines

Manually-operated equipment is used in metalworking shops that repair and refurbish mechanical equipment, such as agricultural implements, on an individual basis. Products that require high volumes and/or precision machining generally are controlled by computers in a process called Computer Numerical Control (CNC) machining. Tools that can be controlled in this manner include lathes, mills, routers and grinders.

On the surface it may look like a normal PC controls the machines but the computer's unique software and control console are what really sets the system apart for use in CNC machining.

Under CNC Machining, machine tools function through numerical control. A computer program is customized for an object and the machines are programmed with CNC machining language (called G-code) that essentially controls all features like feed rate, coordination, location and speeds. With CNC machining, the computer can control exact positioning and velocity. CNC machining is used in manufacturing both metal and plastic parts.

First a CAD drawing is created (either 2D or 3D), and then a code is created that the CNC machine will understand. The program is loaded and finally an operator runs a test of the program to ensure there are no problems. This trial run is referred to as "cutting air" and it is an important step because any mistake with speed and tool position could result in a scraped part or a damaged machine.

There are many advantages to using CNC Machining. The process is more precise than manual machining and can be repeated in exactly the same manner over and over again. Because of the precision possible with CNC Machining, this process can produce complex shapes that would be almost impossible to achieve with manual machining. CNC Machining is used in the production of many complex three-dimensional shapes. It is because of these qualities that CNC Machining is used in jobs that need a high level of precision or very repetitive tasks.

Skills required to operate CNC machines typically include a background in mathematics, industrial arts and mechanical drafting, as well as computer usage.

There are three ways that Davenport Precision Machine could be started:

(1) The standard way to start this business would be to contract with an experienced individual to manage the process of setting up and equipping the facility to engage in targeted production capabilities. This would allow the minimum of front-end capital investment and limit the operation to known types and quantities of output

(2) The second approach would be to buy an existing machine shop and plan to relocate it to the fairgrounds site. One way to do this would be to acquire majority ownership of a successful operation and keep it at the existing location performing work for its existing clients. This would allow the Lincoln County organization to use the company as a base for training and transitioning managers and employees into the operation prior to relocating it.

For example, an existing CNC machine shop was recently for sale in Boise, Idaho. Its description in the listing was: “Highly profitable CNC Machine shop with new equipment. The company provides high-precision machined parts for a number of different industries including electrical, semi-conductor, microwave, avionics, food processing and production, and medical devices. They offer quick-turn prototype parts and tooling for small to medium volume production runs”.

The asking price was \$1,920,000 with \$1,200,000 of FF&E (furniture, fixtures, and equipment) and \$70,000 of inventory. Seller financing was available. Gross sales were given as \$2,480,000 annually and the EBITDA earnings were \$461,521 (before interest, taxes, depreciation and amortization). The firm had 27 employees and was established in 1993. The firm operated in a facility with office and shop space of about 8,500 square feet although the real estate was not for sale.

The listing said that the seller was willing to provide support and training for three months and to facilitate a smooth transition.

This is only one example of an enterprise that could be acquired to jump start DPM in the business. There may be other machine shops for sale in the local area that could offer similar advantages or could be acquired for their equipment only.

(3) The third approach is the one that is recommended for the Lincoln County Fairgrounds: Form a partnership with an existing company that operates a machine shop specializing in the kinds of markets Lincoln County would most like to serve, i.e. the targeted industrial clusters described above such as the aerospace industry, and offer DPM as an independent branch operation of that company.

According to an industry directory, there are 50 machine shops in the area operating with Spokane addresses.

Machine Shops with Spokane Addresses

AAA Machine Shop 2824 N Nevada Street Spokane WA (509) 483-4000
Acme Machine Works 1220 N Bradley Road Spokane WA (509) 927-9066
Advanced Engines-Westberg 305 South Dishman Road, Spokane, WA 99206 (509) 926-1555
All Western Machine Works, Inc. 3800 N Sullivan Road Bldg. 10 Spokane WA (509) 924-6718
All-Cast Welding & Machine 2505 S Hayden Road Spokane WA (509) 535-9343
Allard Engines 5324 E Desmet Avenue Spokane WA (509) 534-6664
Alta Machine 2923 N University Road Spokane WA (509) 924-2089
Alutek, Inc. 3401 N Tschirley Road Spokane WA (509) 924-2689
Blazer Manufacturing & Powder Coating 3220 N Tschirley Road Spokane WA (509) 922-0149
Bowman Manufacturing 6002 E Alki Avenue Spokane WA (509) 532-0431
Briggs Machine & Fabrication 5308 E Sharp Avenue Spokane WA (509) 535-0125
Carlson Machine Works 3310 E Trent Avenue Spokane WA (509) 535-9925
Crescent Machine Works, Inc. 821 N Monroe Street Spokane WA (509) 328-2820

Dana-Saad Company 3808 N Sullivan Road Bldg. 105 Spokane WA (509) 924-6711
Danielson Tool & Die 9924 E Jackson Avenue Spokane WA (509) 924-5734
Eastern Electric 3712 N Flora Road Spokane WA (509) 922-2112
Ground Down Fabrication 4104 E Joseph Avenue Spokane WA (509) 484-6833
I-90 Express Finishing 7720 E Valleyway Avenue Spokane WA 509 922-2297
Inland Empire Plating 2401 N Eastern Road Spokane WA (509) 535-1704
Inland Machine & Manufacturing 12406 E 1st Avenue Spokane WA (509) 928-5798
Inspection Plus 6205 E Nixon Avenue Spokane WA (509) 534-9290
Intermountain Machine 3800 N Sullivan Road Bldg. 4 Spokane WA (509) 928-1276
Interstate Parts & Equipment 3511 E Trent Avenue Spokane WA (509) 535-0233
Kinetic Balancing & Machine 3117 E Glass Avenue Spokane WA (509) 489-2762
MacKay Manufacturing 10011 E Montgomery Drive Spokane WA (509) 922-7742
Machine Tech USA, Inc. 1112 N Nelson Street Spokane WA (509) 535-1967
Marlowe Machine 2718 N Perry Street Spokane WA (509) 484-5979
Master Machining & Manufacturing 2524 S Hayford Road Spokane WA 509 244-3523
Middco Tool & Equipment, Inc. 2401 N Eastern Road Spokane WA (509) 535-1701
Northwest Wire EDM, Inc. 1620 N Mamer Rd. Bldg C, Suite 300 Spokane WA 99216 (509) 893-0885
Novation, Inc. 2616 N Locust Road Spokane WA (509) 922-1912
Patterson Tool & Die 2921 N University Road Spokane WA (509) 926-0403
Precision Machine & Supply, Inc. 3808 N Sullivan Road # N7 Spokane WA (509) 922-1666
Precision West Machining, Inc. 6523 E Main Avenue Spokane WA (509) 534-0459
Proto Technologies 11808 E Mansfield Avenue Spokane WA (509) 891-4747
Proto Technologies, Inc 11808 E. Mansfield Spokane WA 509 891-4747
Quality Machine, Inc. 3512 E Crown Avenue Spokane WA (509) 487-8294
Romine Manufacturing Company 3353 E Trent Avenue Spokane WA (509) 533-0870
Scharff Manufacturing 1514 E Riverside Avenue Spokane WA (509) 536-4187
Schlosser Manufacturing 6009 N Julia Street Spokane WA (509) 483-1301
Shamrock Machining 5704 E 1st Avenue Spokane WA (509) 534-3031
Specialty Machining & Manufacturing Company 8012 W Geiger Boulevard Spokane WA (509) 747-1481
Spur Industries, Inc. 17404 E Euclid Avenue Spokane WA (509) 924-2800
Tek Manufacturing, Inc. 6315 E Alki Avenue Spokane WA (509) 534-9341
UTEC Metals - East 17305 Euclid Ave. Spokane, Washington 99216-1725 (509) 922-1832
Valley Machine Shop 3522 N Flora Road Spokane WA (509) 928-8464
Vestal Jobber Manufacturing Company 902 N Dyer Road Spokane WA (509) 534-4830
WMS 1717 E Grace Avenue Spokane WA (509) 489-6724
Wagstaff Engineering, Inc. 3910 N Flora Road Spokane WA (509) 922-1404

Competitive Landscape

This is a large number of companies and seems like a lot of competition for DPM but these firms cover a wide spectrum of capabilities and services. Most of them are small and offer specialized services to selected parts of the regional industrial base. Demand depends on national, regional, state and local manufacturing activity. The profitability of individual companies is linked to engineering expertise and operating efficiency. Larger shops have the ability to invest in advanced production machinery. Smaller shops can compete effectively by serving specialized customers, or by providing engineering services. The US industry is highly

fragmented and the 50 largest companies generate only about 10 percent of total industry revenue.

Harrington Machinery Company Inc. at Davenport was not contacted as a potential partner because all of their website information is focused on agricultural implements and products. A more comprehensive model of the kind of partnership recommended in this report is a company located in the Airway Heights area, only about 25 miles east of Davenport: L&M Precision Fabrication, Inc. The information provided below is only intended to describe the capabilities of a partner company and it is not known if a relationship with L&M could be established. It was reported, but not confirmed, that this company has been recently acquired by another firm and may be relocated from Spokane County. As a model, however, it provides the desirable characteristics of a partner company for a machine shop at the fairgrounds in Davenport.

The following information is provided by the company's website:

L&M Precision Fabrication, Inc. is a full service precision sheet metal forming and machining manufacturer supplying metal, plastic and composite parts and assemblies to a wide range of national customers. L&M started in the Spokane area in 1991 and continues to add process capabilities and capacity at our Airway Heights, WA manufacturing facility. L&M's dedicated employees, computer integrated manufacturing (CIM) systems. Modern CNC equipment and ISO 9001:2008/AS 9100 quality management system make us a leading supplier of precision metal, plastic and composite products destined for customers worldwide

L&M Precision Fabrication 13026 W. McFarlane Rd. Bldg. D1-4 Airway Heights, WA 99001	Toll-Free: 877.773.2322 Phone: 509.244.5446 Fax: 509.244.6341 Web Address: www.LMprecfab.com
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L&M serves a broad base of clients and industries including:

Aerospace	Electronic Gaming
Agriculture	Medical
Communications	Military
Electronics	Signal Control
Food	Transportation

Information on the company's website shows that they are looking for qualified workers to join the company. Davenport might be able to offer those workers while also providing a support facility at the fairgrounds to provide the services.

L&M Precision Fabrication employs qualified personnel in the positions listed below.

CNC Turret Punch Press Operators	Powder coat applicators
CNC Brake Press Operators	Machinists
Welder, thin metal	Hardware/Assembly

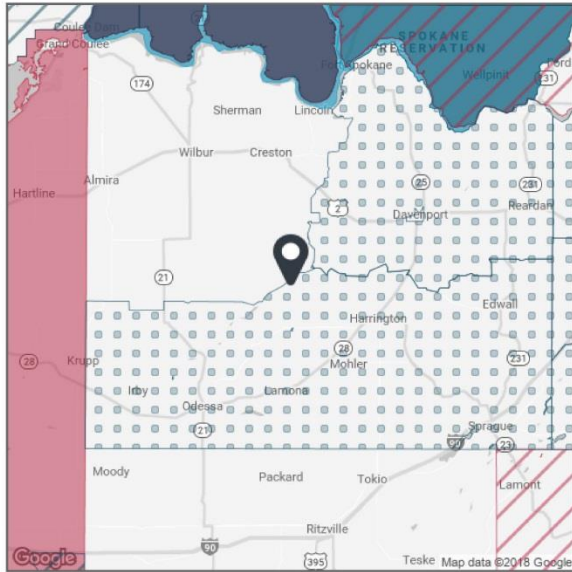
In order to partner with an existing firm, Lincoln County will need to determine what assets it can offer. To confirm that there is an existing, qualified labor force, some economic development agencies have placed ads in local newspapers stating that an unidentified company was looking at locating in the area and needed to verify qualified workers would be available. The ads asked that workers with identified skills who would be interested in working for such a firm submit their qualifications.

An alternative approach would be for Lincoln County to ask the regional economist for the Washington Department of Employment Security to conduct a survey of workers who commute to jobs in Spokane County to determine what skill sets might be available.

Another advantage that Lincoln County could offer is the existence of a HUB zone that qualifies companies for preferences in bidding on government contracts. Lincoln County currently has a HUB zone that runs until December 31, 2021, as shown below.

SBA HUBZone Qualification Report

[View on HUBZone Map](#)



Lincoln County, WA, USA
47.532052°, -118.470119°

Qualified HUBZone
until Dec 31, 2021

Base Closure Census Tract
Expires Dec 31, 2021

Designation Details

Base Closure Census Tract	
Base Name:	Four Lakes Communications Station
Base Type:	Air Force Installation
Base Designation:	2009-12-31
Tract ID:	53043960400
County:	Lincoln County
State:	WA

Benefits for HUBZone-certified companies include:

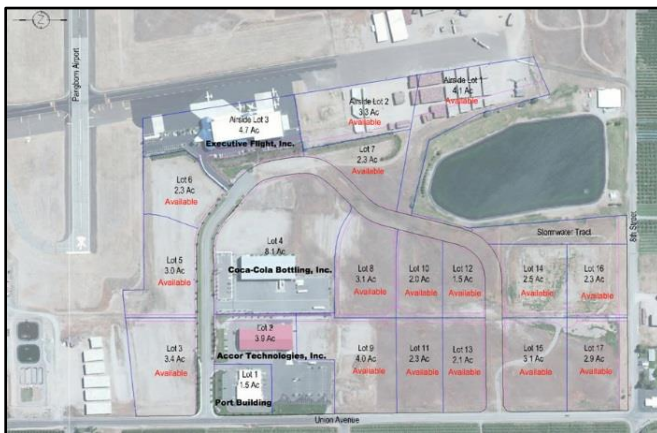
- Competitive and sole source contracting
- 10% price evaluation preference in full and open contract competitions, as well as subcontracting opportunities.

Expansion Capability at the Davenport Airport

Anticipating that the “feeder” facility at the fairgrounds will be successful, it is recommended that Lincoln County plan for the future expansion of the Davenport Municipal Airport to include a business and industrial park.

For planning an industrial park, a typical building size of 10,000 sq. ft. could be used. A general rule of thumb is to place the building on a lot that contains a 4:1 ratio of land-to-building in order to accommodate future expansion capabilities along with on-site parking, landscaping, setbacks, utility corridors, and other site features. For a 10,000 square foot building, a lot size of 40,000 square feet, or approximately one acre, would be required. A five-acre site could accommodate five buildings of 10,000 square feet each in a linear layout without any interior access roads. Lots could be combined for larger users.

Alternative locations can also be found in the City of Davenport’s industrial lands on the south side adjacent to the railroad. It needs to be emphasized, however, that development of a business and industrial park will not occur until after suitable businesses are created at the fairgrounds location and grow to the point where they need their own facilities. That is an evolutionary process that will take place over a period of several years. The up-front requirement is simply to plan for a business park development to be built when the demand justifies it.

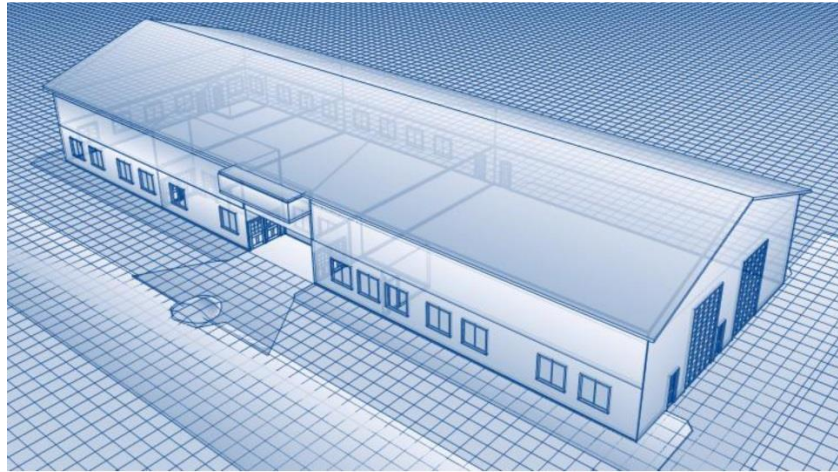


This model has been used successfully in other locations in Washington State. For example, the Port of Douglas County developed a 70-acre business park at Pangborn Memorial Airport in East Wenatchee in 1996 and constructed buildings on leased ground to attract tenants and meet their initial space requirements. They also built a multi-tenant incubator building to house startup companies and small firms with expansion potential. As

those tenants outgrew their leased space, they relocated to individual sites in the business park and built their own custom buildings. Phase II of this development was completed in 2014 and added another 40 acres with 16 fully-serviced sites. (Elesco provided consulting services to the Port of Douglas County for that project as well as for redevelopment in Mansfield where the Port owns and operates the Mansfield Airport.)

It is not known how the Davenport Airport will be configured in the redevelopment and expansion plan but it is assumed that sufficient land will be available for development of a business and industrial park there. It was stated above that five one-acre lots could accommodate five buildings of up to 10,000 square feet each through full buildout. A standard

development plan would be to provide the site plan and infrastructure but only construct the buildings as leases are signed. It is recommended that one of those buildings provide a larger incubator site for future expansion of Davenport Precision Machine. The skeleton drawing below, developed by Elesco LLC, shows a 10,000 square foot facility that could serve as a model for that incubator.



This building is comprised of three major parts: (A) a 6,000 sq. ft. production bay is located at the right end, with two drive-in doors, which includes the main portion of the CNC machining operations; (B) in the center of the building is a 2,500 sq. ft. shop area for production support including storage and inventories; (C) to the left end of the building is a 1,500 sq. ft. area for offices, restrooms, a lunchroom, and other support facilities. The building would have to be located outside of the clear zone of the airport and would have to be fenced off from airport operations to meet FAA requirements. These kinds of issues would be addressed in the master plan for the airport expansion

In addition to the economic development advantages of having this facility leased and operational at the Davenport Airport, it is assumed that this would be a County-owned facility on the airport property and the County would receive rents from its operators.

The supply chain strategy outlined in this report starts with using Building 15 as an incubator to develop a production capability to serve manufacturers in the Spokane area along with providing a larger facility at the airport for longer-range development. Together these can be a catalyst for stronger tie-ins to the Spokane area manufacturing economy with much greater economic benefits for Lincoln County. Under that scenario, the incubator essentially becomes a feeder for the larger industrial park.

The initial operation in Building 15 may meet the County's revenue objectives but will not significantly change or stimulate the economy of Davenport and Lincoln County, or provide

significant revenues for the County. Building a business and industrial park at the airport will be a bigger challenge but in the long run will provide significantly greater benefits by transitioning Davenport from primarily an agricultural community to a participant in the regional industrial economy.

The financial impacts of these two options are explored as a cost/benefit analysis in the next section of this report along with a risk management analysis to help the County Commissioners evaluate their exposure to various kinds of risks associated with the two alternatives.

STRATEGY #3: ALTERNATIVE MODEL FOR SELLING FAIRGROUNDS

The CERB grant to Lincoln County includes a requirement to consider options for selling the fairgrounds properties if a suitable revenue-producing redevelopment cannot be identified. While several redevelopment scenarios have been described above, the option of selling the property is included as the final part of this section.

As noted earlier, the fairgrounds site is comprised of ±11.1 acres of land which partially fronts on US Hwy 2 within the city limits of Davenport. It is zoned for Public Use which is designated for properties owned by public agencies. While the County is allowed to enter into joint public-private partnerships by State statutes through the mechanisms described earlier, outright sale of the property to a private owner will require rezoning to a different applicable zone.

Discussions with land planners covered a wide range of possible alternative uses. In its application to the Washington State CERB, the County stated: "The property is in an area that lacks much needed inventory of industrial and commercial facilities for lease and this project would enable Lincoln County to explore opportunities for generating revenue with the property while addressing this problem." The site's location at the western entrance to Davenport makes a commercial use the most logical option, although only about three-to-four acres with highway frontage and visibility would likely be developed for that purpose. That could accommodate a small multi-tenant shopping center with a major anchor tenant and several smaller retail or service tenants. The remaining land off the highway could then be developed as an extension of the residential area on the south. That area would have to be buffered from the Washington Department of Transportation yard adjacent to the fairgrounds as well as the traffic generated by the commercial uses.

In narrowing the options, there was a focus on development of a travel center that would contain a convenience store and a chain restaurant as well as separate refueling stations for cars and trucks. The major drawback for a travel center is the relatively low traffic volume on Hwy 2 compared to other travel center locations in the region. The new Lowe's Travel Center at Ritzville draws commercial trucks and other vehicles from both I-90 and US Hwy 395 providing a combined volume which is many times greater than the volume on US Hwy 2.

However, there may be a way to increase the operating success of a travel center at Davenport despite the lower volume. That would be to sell the property to either the Colville or Spokane Indian Tribes for development of the facility with special incentives that are available to Tribes in Washington State. This is an expanding business opportunity for Tribes that want to diversify their economies from traditional casino operations. These facilities are often located off reservations on land that is purchased and held in fee status or converted to trust status when appropriate.



The Tribal Trails Travel Center at Omak, Washington was developed by the Confederated Tribes of the Colville Reservation as part of a master plan for redevelopment of a larger site which included a former plywood and veneer plant. Adjacent to US Hwy 97 on the south side of Omak, the travel center is the closest one to the Canadian border and captures traffic flowing in both directions. Elesco LLC provided the feasibility study as part of the master plan.

In Central Oregon, the Confederated Tribes of the Warm Springs Reservation opened their new travel center on March 23, 2018. Located at the north end of Madras on US Hwy 26, the travel plaza is a full service 13,300 square foot building with a convenience store, kitchen and gaming room as well as a truck and fueling station.





Called Plateau Travel Plaza, this facility is located on off-reservation land across the highway from the main concentration of industrial firms in Madras as well as the Madras Airport. It is built on tribally owned land and is served by city utilities including sewers and roads.

Below: Shoalwater Bay Tribe's "Georgetown Station" Travel Plaza.

Georgetown Station opened for business October 29, 2010 following a feasibility study by Elesco LLC. The facility is directly across the highway from the Shoalwater Bay Casino. Prior to building this gas station, the nearest availability of gasoline and diesel fuels was 20 miles away at the city of Raymond. The store employs approximately 10 people. A new hotel was under construction when this picture was taken.



What makes these kinds of facilities attractive for Tribes in Washington State is a law that allows them to not charge the State's fuel tax but instead to levy a comparable surcharge and retain the proceeds for the Tribe. That can generate significant amounts of revenue from high volume locations.

An alternative to designating a specific use for the fairgrounds property would be to put the site up for auction and let the market decide what uses might be feasible.

Any decision to sell or hold the fairgrounds properties will depend on how the County decides to manage the sale. As noted in this report, the County Commission has the option to form a Public Development Authority, which would be able to participate in joint ventures as well as obtaining financing through bond sales. Forming a Port District would also allow for joint venture development with a tax base to assist in financing. Either of those entities would be able to sell the fairgrounds properties under the most favorable conditions.

A straight sale by the County might impose greater risks, especially if the buyer should default. Also, it was not determined whether the County could retain all the proceeds from an outright sale of the property or if any monies would need to be repaid to the State as reimbursement for previous financial support of the Fair.

No value has been estimated to determine potential revenues to the County because of the many variables in how the property might be sold. It is conceivable that the buildings would have to be torn down and the property sold as bare land. Exercising the option to sell the property "as is" will increase the development risks to the buyer as well as lower the selling price and revenues to the County. Only when a specific sales strategy is determined will it be possible to put a value on the fairgrounds and estimate the net proceeds that might be received by the County.

LINCOLN COUNTY FAIRGROUNDS
HIGHEST & BEST USE ANALYSIS

FINANCIAL ANALYSIS OF RECOMMENDED ALTERNATIVES

In order to provide the Lincoln County Commissioners with a reliable financial model of a development strategy, decisions will have to be made on what model the Commission wants to pursue. Several alternatives have been outlined in this report, both on the types of businesses that can operate at the fairgrounds location as well as the types of organizational structures that can be used to facilitate their locations there, e.g. a Port District, a Public Development Authority, or management by a non-profit agency through contract with the County.

In advance of those decisions, the following narrative describes generic financial models for the two main strategies that have been recommended:

- 1) Development of a small-scale wheat flour mill at the fairgrounds;
- 2) Development of an advanced CNC machine shop and fabrication operation to provide supply chain components to local area manufacturers.

Some information is also provided to show potential sources of financing of capital costs as well as operations for both models. These are offered for the purposes of demonstrating financial feasibility only and it is not assumed that funding from these sources will be used. If a Port District is created, most of the funding will come from tax revenues. If a PDA is formed, then most of the revenues will come from bonding.

Strategy #1 Development of a Flour Mill at the Fairgrounds

Much of the analysis in the discussion that follows is taken from a detailed financial model developed by Oklahoma State University as a Flour Milling Feasibility Template. That template, in turn, was developed from the Mill Management Economic Model developed at Kansas State University. That model is interactive, meaning that inputs can be entered to match the scale of the proposed mill size, operational figures, volumes of output, etc., with dependent variables adjusted accordingly. It requires that the input variables be quantified. The model can be accessed at the website: www.agecon.okstate.edu/coops/files/flour_milling_template_4-5-2004.xls

It is strongly recommended that the Lincoln County Commission obtain the services of Washington State University to develop a model specifically tailored to the Davenport location with current capital costs and an operational cost/revenue model based on costs and prices currently existing in Lincoln County before making decisions on whether or not to move forward.

There are many variables that are still not resolved in this report including the size of the mill, markets to be served, types of products to sell into those markets, and especially how the organization structure will be determined and how the ownership and management of the mill will be divided among the participants. The model that follows is simply a placeholder until those decisions can be made; it is intended to provide an outline of how to determine the feasibility of the mill once the actual input numbers are developed.

It is definitely true that there are significant economies of scale that can be achieved from larger flour mills, assuming their output can be sold into the market. The financial risks of oversizing a mill can be as great as those from undersizing the mill.

A. Site Costs and Lease Returns to the County

A specific site is not recommended in this report but it is assumed that a site of two ±2 acres of bare land will be required for the mill operations along with ancillary facilities such as storage silos. That site will be leased from the County for an annual cost per acre on a triple-net basis with the mill paying all maintenance, utilities, taxes, and any other costs directly to the service providers.

Prices of industrial sites in Spokane County, including the West Plains area, are relatively cheap compared to many other locations in the Northwest. A review of industrial-zoned land for sale in the region shows a range of \$20,000 per acre (\$0.46 psf) to about \$206,000 per acre (\$4.75 psf) in heavily developed areas. On the western side of the Cascades, industrial land sells in the range of \$10.00 to \$22.00 per square foot. In general, the lower prices are for large tracts of land without internal development of utility and road infrastructure, which means higher development costs. It is estimated that a fully-serviced and accessible two-acre industrial site in Davenport, with all utilities to the site included in the lease, should be priced at about \$3.50 per square foot. If the mill is developed in modules, then a sliding scale of lease rates might be considered to reduce entry costs and recoup them as the mill becomes increasingly profitable.

A typical lease rate for a commercial or industrial property is 10% of the land value per year. Based on the commercial value of the land, a land value of \$304,920 for two acres will translate into an annual lease payment to the County of **\$30,492 per year**.

The County will be responsible for extending the required utility infrastructure to the site. That cost was estimated by MFA as being \$200,000 to upgrade electric power to three-phase and extend services to Building 15. Assuming the mill site will be in close proximity, an additional 20% or \$40,000 is added to those costs to bring services to the mill.

Site costs:	\$40,000 one time, pre-development, allocated to mill only
Site revenues:	\$30,500 annually (rounded)

B. Capital Costs

Capital costs will be highly variable depending on the size and type of milling machinery that is installed. However, there are mills that can be acquired as relatively small units with additional units added over time as the output requirements are expanded. It is recommended that this kind of system be used at the Lincoln County Fairgrounds rather than investing in a larger mill upfront.

For example, four of the 20-ton per day units shown below would approximately equal the 75 ton per day AGREX unit described earlier but could be developed incrementally to its full capacity. This would allow some of the capital costs to be paid out of current revenues instead of having to raise all of the capital costs before beginning production.



Shown to the left is an advanced **complete wheat / maize milling machine set** for small scale flour mill plants with compact structures. The capacity of this unit is 20 tons per day. The pre-processing section of this small plant includes 1 sifter, 1 scourer, 1 stoner and 1 damper. The milling section includes 5 sets of flour milling machines, 5 sets of reel separators and 1 square screen. Four sets of flour milling machines can run continuously and the capacity of each mill in the small plant can reach 20-22 tons per day.

The 20-ton machine shown is advertised at a price of \$26,500 USD by ABC Machinery Company based in China. Smaller 10 ton units are also available at prices advertised from \$15,000 to \$23,000. It can be expected that there will be additional costs for shipping, insurance, set-up, and other related expenses. Comparable modular mills might be acquired from providers in the United States and Canada.

A breakdown of capital costs for the AGREX 75-ton wheat grain flour mill was provided in the last section of this report. Those costs totaled \$1,685,000 for the required accessory facilities and service expenses. A 6,200-square foot building would be required which would average about \$200 per square foot or \$1,240,000. External storage tanks and conveyors would add another \$180,000. Total capital costs for that system are estimated at:

Mill (4x20-ton units @ \$35,000 delivered and set up):	\$ 140,000
Mill building (with loading docks, etc.)	1,240,000
Accessory units and conveyors	180,000
Mill equipment (per UV study)	<u>1,685,000</u>
Total Costs	\$ 3,245,000

Note that these figures represent an 80-ton per day capacity for four (4) 20-ton milling machines. Initial costs could be reduced by at least \$105,000 through modular installments.

C. Labor and Operating Requirements

Investigation of operating requirements for flour mills revealed a wide variety of personnel and other operating costs depending on equipment and volumes of grain processed. The Kansas State model shows a total of 31 employees required to operate a mill processing 7,000 cwt of grain per day, which is more than four times the 80-tons per day estimated for the mill at the fairgrounds at full buildout.

For comparison, the University of Vermont feasibility study showed only

- One full-time plant manager/head miller
- Four production staff (to cover two shifts)
- One office manager
- One agronomist/lab/production/grower liaison
- One sales/marketing associate

That represents a total of seven employees, with the note that additional production staff would be hired as production increases. These represent only employees paid from the mill revenues and do not include truck drivers, maintenance and repair workers, and equipment installers. If the units are installed as modules over time, the additional labor costs would run about 40% per installation as labor inputs are spread out rather than multiplied.

Based on current estimates of wages and salaries, labor costs will run about \$440,000 annually plus \$154,000 for benefits, for a total of about \$594,000 per year.

Depending on what markets are served, there may also be costs for bagging and shipping and other product handling. Utility costs are also not included in the above analysis.

D. Supply (input) Costs

The greatest variable in the model will be the cost of wheat to feed into the mill. Assuming 20-ton per day units, each unit could consume 20 tons of wheat per day and up to 80 tons per day when all four units are operating.

Wheat prices have been volatile over the past several years, running as high as \$7.08 per bushel on May 31, 2014 to a current price of \$5.10 per bushel on March 31, 2018. Based on a ratio of 36.744 bushels per ton of wheat, 20 tons of input would represent about 735 bushels per day at a current cost of about \$3,748 per day. If all four units were operating, the daily cost for raw material would be about \$14,992 per day.

If the mill were to operate six days per week at 60% of capacity, the daily cost of wheat would be \$2,248 for one unit and \$8,995 for four units. The annual costs would be \$701,376 for one unit and \$2,805,504 for four units.

E. Revenues

The Kansas State University model used an input of 44.4 pounds of flour produced from each bushel of wheat. Using that ratio, a 20-ton per day flour mill operating at 60% capacity would process 24,000 lbs of wheat per day which would equal 441.29 bushels of wheat and produce roughly 19,600 lbs of wheat flour. That is approximately 1,000 lbs of wheat flour per one ton of machine capacity. Four such machines with capacity of 80 tons would produce about 80,000 pounds of flour per day.

The statistical average price of wheat flour in the United States in 2017 was \$0.46 per pound. This was down from \$0.52 in 2013 and \$0.50 in 2016.

At the 2017 average price, the wheat flour would have a market price of just over \$9,000 per day per unit or \$36,000 per day for four units operating at 60% of capacity. The actual amount would increase or decrease according to capacity utilization.

Operating the mill six days per week at 60% of capacity would produce annual revenue of \$1,638,624 for one unit and up to \$6,554,496 for all four units. Those figures are consistent with revenues shown in the various university feasibility studies.

E. Cost / Revenue Comparison

Operating costs were not fully developed, although labor costs were estimated at about \$600,000 per year. If all other operating costs were assumed to total \$200,000 per year, the total would be \$800,000 annually.

Those numbers produce the following cost/revenue comparison, with labor and other operating costs increased by 40% when all four units are operating:

<u>1 Unit</u>		<u>4 Units</u>
Cost of grain	\$ 701,376	\$ 2,805,504
Labor costs	600,000	840,000
Other operating costs	<u>200,000</u>	<u>280,000</u>
Total Operating Costs	\$ 1,501,376	\$ 3,925,504

Based on these estimates the following figures show the net annual operating margins.

	<u>1 Unit</u>	<u>4 Units</u>
Total Operating Revenues	\$1,638,624	\$ 6,554,496
Total Operating Costs	<u>1,501,376</u>	<u>3,925,504</u>
Net Operating Income	\$ 137,248	\$ 2,628,992

As noted earlier, there are definitely economies of scale that can be realized from larger scale production.

The NOI figures represent what is available to amortize capital debt, repay other loans, distribute dividends, build up reserve cash accounts, and pay the County a portion of the proceeds for a participation agreement.

Strategy #2: Develop a Supply Chain Machining & Fabrication Business

The strategy to develop a CNC machine shop and metals fabrication operation in Building 15 is also one that can be started relatively small and expanded as the operation becomes established in its markets and the business grows. It can be started with some basic equipment and grow into full CAD machining, injection molding, 3D printing and other related services.

The strategy recommended in this analysis is to form a partnership with an established machining and fabrication business and set up a satellite facility at the Lincoln County Fairgrounds. That facility will not seek business on its own, initially, but will assist its partner company to obtain orders and perform support operations at lower costs than the partner company can provide. Some of the work may be overflow, providing increased capacity for the partner company.

It is also recommended that the facility at the fairgrounds should include an education and training component, as well as an entrepreneurial component providing shared workspace and mentoring services. Those activities will enable the operation at the fairgrounds to obtain financing from various State and federal agencies and to participate in innovation programs.

At this point it is not known what organizational and managing entity will implement this strategy: a Port District, a Public Development authority, or a non-profit agency under contract with the County. There are substantial variables in the funding capabilities of each organization so until that is decided, the financial model given here is primarily for reference only.

Cash Flow Model for Davenport Precision Machine

The actual cash flow model will depend on how much capital investment the operators put into the venture along with how much expenses and operating revenues will be generated from operations. That will determine the two parts of the cash flow model: Return on investment (ROI) and Net Operating Income (NOI).

Following is a model that can be used as a guide for determining those numbers. It is based on an actual pro forma for a job shop with CNC machine tools but has been modified to represent estimated costs and revenues in the Spokane / West Plains area in 2018. It also removes the tax effects on income, including depreciation. It is not represented that this model will apply directly to the business that will be created in Building 15 at the fairgrounds.

Revenue to the County

Again, without knowing the structure of the operation and how the County might derive revenues from it, the primary revenue cited here is for leasing the operating facility, i.e. Building 15.

Building 15 has a floor space of 4,800 square feet. Industrial space typically rents from about \$0.35 per square foot per month for warehouse and storage space up to about \$2.00 per square foot for manufacturing space that is fully serviced for heavy duty industrial operations, including overhead cranes. It would not be reasonable to expect that Building 15 could command that level of rent. Instead, a rental estimate of \$0.60 per square foot per month on a NNN basis is assumed. For a 4,800 square foot building, that would produce rent of \$2,880 per month or **\$34,560 per year**.

That assumes that only the minimum physical requirements listed in the MFA evaluation, such as restrooms and three-phase power, are installed. To operate year round, the building will also require improved heating and air conditioning systems. With those improvements, the rent could be increased to about \$0.80 per square foot per month which would produce revenue to the County of \$3,840 per month or **\$46,080 per year**. Whether the costs of those improvements would be paid by the County, a Port District or a PDA has yet to be determining.

Combining the lease revenues from both strategies results in a net monthly revenue to the County of **\$65,052** from the minimal cost scenario for Strategy #2 to **\$76,572** from the higher rents derived from the higher improvement costs.

PRO FORMA INCOME STATEMENT
 JOBBING MACHINE SHOP WITH CNC MACHINE TOOLS
 (in dollars)

	1 st Year				2 nd Year	3 rd Year	4 th Year
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter			
Sales	80,000	160,000	240,000	350,,000	1,400,000	1,400,000	1,400,000
Raw Materials	16,000	32,000	48,000	70,000	280,000	280,000	280,000
Direct Labor	76,076	101,430	126,786	152,146	608,560	608,560	608,560
Manufacturing Overhead	<u>35,094</u>	<u>36,507</u>	<u>44,658</u>	<u>46,070</u>	<u>183,696</u>	<u>183,111</u>	<u>182,527</u>
Cost of Goods Sold	<u>76,763</u>	<u>101,732</u>	<u>219,444</u>	<u>268,216</u>	<u>1,072,256</u>	<u>1,071,671</u>	<u>679,877</u>
Gross Profit	-47,170	-9,937	20,556	81,784	327,744	328,329	328,913
Administrative Expenses	18,113	18,113	25,300	25,300	101,200	101,200	101,200
Selling Expenses	11,600	23,200	34,800	46,400	86,000	86,000	86,000
Services	<u>25,000</u>	<u>4,000</u>	4,000	4,000	16,000	16,000	16,000
Total Operating Expenses	<u>54,713</u>	<u>45,313</u>	<u>64,100</u>	<u>75,700</u>	<u>203,200</u>	<u>203,200</u>	<u>203,200</u>
Operating Income	-101,883	-55,250	-43,544	6,084	124,544	124,544	124,544
Interest	0	0	0	0	0	0	0
Net Income	-101,883	-55,250	-43,544	6,084	124,544	124,544	124,544
Cumulative Net Income	-101,883	-157,133	-198,191	-192,107	-67,563	56,981	181,525

The model assumes that the first year is a building period to a level of sales of \$1,400,000 annually where it remains steady. That should be an achievable sales volume considering the CNC machine shops researched for this report that do business in the \$2.5 - \$5 million range.

According to this model, the business will show negative operating income during the first three quarters and will turn a small surplus in the fourth quarter. The numbers are positive in years two through four.

On a cumulative basis, however, the owner would have to carry negative cash flow through the second year, turning positive in the third year and increasing in the fourth year.

Raw materials are priced at 20% of sales volume. Direct labor costs are estimated at 44% of sales. The model that was used as the base for these calculations priced direct labor at only 18% of sales but that seems unreasonably low considering the requirement for skilled machinists and other experienced workers.

Full costs for building and equipping the facility have not been calculated because there are too many variables in how the owner decides to acquire the CNC machines and other equipment. Investigations into the costs of acquiring machinery from an existing machine shop for sale show a range for used equipment from about \$200,000 to \$600,000 for a fully equipped shop. Using the estimated costs for the facility, the total capital costs for this venture could be in the area of about \$1,000,000. If all of that were paid by the owner, then the negative cash flows would be recovered in years three and four. The model shows the annual net income stabilizing in year two at about 12.5% ROI. The cumulative net income in year four would represent a return on investment of about 18%. Adjustments would have to be made for changes in sales volume and costs due to inflation.

The model shows the maximum exposure of negative cash flow to the owner of about \$200,000. It is assumed, however, that grants will be available to cover a major portion of those costs. That will significantly affect the ROI calculations.

The primary requirement will be training workers to become skilled CNC machine operators. The business will have to start off by offering (and delivering) superior quality of products to its partner company and eventually to its own customers.

Following are ten suggested "Tips" from the Thomas Publishing Company for growing the Davenport Precision Machine CNC business.

Thomas Publishing Company 10 Tips for Growing Your CNC Machining Business

Starting a new business can be a challenging endeavor, especially if the entrepreneur is entering a crowded market with large, well-established competitors already in place. Small CNC machine shops face hurdles similar to those of other small businesses, and, like their non-industrial counterparts, have the same potential for securing contracts and growing within the industry despite these obstacles. Here are some tips and suggestions that may help in establishing or expanding your small CNC shop. For even more tips to help grow your business, check link below:



- 1. Develop Partnerships:** For many start-up machine shop owners, the early days can be an uncertain time in which numerous concerns, such as volume expectations, client lists, or even floor plans, have yet to be resolved. In these circumstances, existing friendships and business connections can be valuable assets. Whether having friends steer clients in your direction, enter into partnerships, or simply provide advice on business practices, relying on your current connections can give you a useful leg-up.
- 2. Target Your Segment of the Marketplace:** It is generally a good practice to focus on the specific types of purchasers that will buy your products at the best volume rate. For example, if your shop specializes in producing gear shafts with a diameter under five inches, try to establish relationships with companies that purchase this product at a rate favorable to your production cycle and turnover. Targeting your market niche will help you make the best use of your specialty. A good example of a company who targets a niche market is Fanuc Spares. They focus only on this specific manufacturer and specialize only in replacement parts. This proved to be a very successful model for what may seem like a limited market. Another marketing method is leveraging, emerging technologies such as the internet and social networking can help leverage your shops visibility in both search engines and online helping reach people near and far.
- 3. Don't Rush to Expand:** Purchasing machines that are not yet cost-efficient or enlarging facilities without the staff needed to maintain them can slowdown revenue growth and actually hinder long-term expansion. In many cases, it may be better to concentrate on making steady gains rather than giant leaps forward, as even a small shop with fewer than a dozen machines or employees can still meet or exceed the national productivity average.

4. **Diversify According to Demand:** While it's usually a bad idea to take on a job outside the capabilities of your shop, new projects that seem within reach and will provide a cost-efficient result can be a helpful way to diversify your operations. If, for example, a lathing shop has the training and funds to undertake a profitable milling or plastic fabrication contract, then the resulting diversity can help provide sustainable growth even during periods when one sector of the market is on a downswing.



5. **Remain Open to New Technology:** Even though a new technical innovation can be costly in terms of additional training and initial set-up, recently-developed equipment may have a positive long-term effect by simplifying production methods or providing the means to accomplish tasks that were once considered impractical. New technology can sometimes help a business remain competitive, especially if the innovation gains widespread notice.

6. **React to Your Competition:** Being aware of your main competitors is a valuable practice under most circumstances, particularly in times of economic volatility. For example, market fluctuations can cause a slowdown in commercial manufacturing, while leaving military production relatively unchanged (and vice-versa). In this case, competitors from one side of the spectrum may bring their operating standards to the other, forcing companies to accelerate their production rates or lower prices in order to maintain market share.

7. **Be Flexible in Multi-Stage Processes:** Companies that combine both internal fabrication and machining operations can often save time or money by acquiring equipment that incorporates secondary work into its primary function. For example, using a cutting laser can often reduce the need for post-fabrication finishing, such as smoothing or evening edges.

8. **Integrate Your Operations:** While vertical or horizontal integration is beyond the reach of many small CNC businesses, it may still be helpful to bring as much of the manufacturing process in-house as you can. Streamlining measures, such as organizing a production schedule around a machine shop's in-house capabilities or prioritizing jobs based on your own production center rather than an external supplier's availability, can help smooth workflow and ultimately improve output.

9. **Initiate Scalable Growth:** In many cases, successful business growth is not dependent on the size of the products being manufactured, but on the depth of the fabricating process. It can be beneficial to evaluate the services or products you provide to your customers, and see if you can expand the reach of those services. For example, if you are producing steel tubing for your purchasers, see if you can also provide them with the fasteners used to join these components together. Securing more expansive contracts from within existing relationships can be a secure and scalable method of growth.

10. Step-by-Step Value Addition: CNC machining is essentially a multi-staged process in which there is the potential for value-added work at each stage. Consequently, a shop's potential for expanding its business largely depends on how many of those value-added steps it is able to perform. A small business seeking to expand can evaluate its manufacturing strengths and take advantage of any opportunity to insert itself into a value-added production stage. This approach, coupled with gradual service integration and streamlining, can be a valuable way to expand your small CNC business.

This concludes Elesco's report on the Highest and Best Use Analysis for County-Owned Property Currently Serving as a Fairgrounds in Davenport. The findings and conclusions were negatively influenced by the small economic base in Lincoln County, by the lack of diversification in the local economy, and by the trends and forecasts for very low levels of population growth.

However, the analysis showed that there are opportunities to overcome these handicaps. Developing businesses linked to the county's dominant agricultural sector has the potential to capture market shares that are presently being served outside of Lincoln County. This will increase local employment, bring new income into the county, and provide additional revenues to the fairgrounds.

But perhaps the most important opportunity is to link Lincoln County into the much larger and rapidly growing economy in Spokane County. The geographic pattern of economic growth in Spokane County is moving into the West Plains area and toward Davenport. Developing businesses that can become part of the supply chain for Spokane area manufacturers will provide the diversification of economic activities that Lincoln County presently lacks.

That will not be an easy task and will take three to five years to implement the effort. However, the County Commission has tools available to make it happen, including the possible formation of a port district in Lincoln County or creating a Public Development Authority to finance and manage the transition. In the meantime, the County can use the fairgrounds as an asset for developing and recruiting businesses that will achieve the vision.



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