



Background Information on Master Lease Negotiations

Who is involved and why

Shelter Bay Company (SBC): SBC holds the current Master Lease agreement with the Swinomish Indian Tribal Community (SITC). The agreement allows Shelter Bay (SB) homeowners to sign subleases for leasehold properties within the 420 acres of land known as “Shelter Bay” in single lot increments. There are 870 lots that hold subleases.

Swinomish Indian Tribal Community (SITC): The SITC owns the property.

Bureau of Indian Affairs (BIA): The BIA has management oversight for Tribal land held in Trust.

Tribal Senate: The governing body for the SITC.

Allottees: Within the SITC, the allottees are the landowners.

Board of Directors: The governing body for both SBC and Shelter Bay Community.

Homeowners: Within Shelter Bay, residents who own homes and have subleases that entitle them to lease the land their homes are on.

Lease Negotiation Team (LNT): Designated members from the Tribal Senate, the Board of Directors, and appointed others who meet regularly to discuss a new Master Lease.

Both SBC and the SITC have legal representation.

Background

The current Master Lease between SBC and the SITC was signed in 1969 and is in place until 2044. The current Master Lease calls for a lease adjustment every 10 years, and the next lease adjustment will occur in 2033. Each homeowner who purchases a home on leased land in Shelter Bay signs a sublease when they purchase their home, binding them to the terms of the Master Lease.

Past discussions have included extending the current Master Lease, but this is not an option. Therefore, a new Master Lease needs to be put into place for 2044 and beyond. If/when a new Master Lease is signed, terms regarding assignment of the subleases will need to be determined because the current subleases are tied to the current Master Lease, which goes until 2044. This means that 2 sets of subleases will most likely coexist until 2044.

The terms of the current Master Lease were based on an appraisal for undeveloped (raw) land and the developer bore all the expense and risk for developing the land into what it is today, including the marina and infrastructure (such as the roads).

Two Concurrent Master Leases

Due to the terms of the existing Master Lease, it will be in effect until 2044. The details of managing two (2) Master Leases coinciding for the period of time between the signing of a new Master Lease and the expiration of the existing Master Lease will need to be determined and will be part of what is defined during the negotiation process.

The Road to a new Master Lease

Step 1.

The **LNT** is responsible for negotiating and outlining the terms of a new Master Lease, including (but not limited to):

Lease Term: What is the length of the new Master Lease? When and how will adjustments be made to reflect current economic and real estate conditions?

Appraised Land Value: A new Master Lease will be based on developed land, not undeveloped (raw) land. This discussion includes the appraisal process and credits.

Sustainability: Assurance that the terms are sustainable for the length of the new Master Lease for both parties.

Management of infrastructure and marina: Who will do this? Who owns the process?

Step 2.

The Tribal Senate and the Board of Directors agree in principle to the terms of the proposed New Master Lease.

Step 3.

The BIA agrees in principle to the terms of the proposed new Master Lease.

Step 4.

Attorneys do what they do and make it all legal.

Step 5.

The terms of a new Master Lease are put to community votes. Both the SITC allottees and the Shelter Bay homeowners will vote on whether to approve the terms.

Glossary of Terms

Aggregate Retail Value - Aggregated value of each individual improved lot

Fee Simple - Unencumbered ownership of the ground and improvements

Improved Land Value - Value with all improvements in place except individual homes and private docks

Leasehold – Ownership of the improvements and a “bundle of rights” to the ground for a specific period of time

Net Present Value (NPV) – The current value of a defined income stream. Basically, money today is worth more than money in the future due to opportunity cost and inflation.

Shelter Bay Adjustment Index – Index used for the adjustments to the Master Lease rent using the percentage change in the sum of assessed land value for parcels contained in the Skagit County Assessor's data, including, but not limited to, Skyline, Washington Park, Eagle’s Nest and the Shelter Bay fee simple properties.

Unimproved Value – Value of undeveloped land without infrastructure (e.g., utilities, roads)