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Key buys plant from Port of WW

The move is seen as a way to solidify the manufacturer's presence here.

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By VICKI HILLHOUSE of the Walla Walla Union-Bulletin

WALLA WALLA - Key Technology Inc. will buy its Avery Street manufacturing plant from the Port of Walla Walla in a move officials say secures the growing international company's local presence.

The Port plans to sell the building to Key Technology in a \$6.5 million transaction announced this morning.

The sale price is significantly less than the \$15.6 million the Port has invested in the property since 1989. However, over the nearly two decades Key has occupied the building the company has paid about \$11.2 million in rent, said Port Executive Director Jim Kuntz. That money has been used to pay down debt from the building, he said.

Although Key has historically preferred to be a tenant of the Port rather than a property owner, lease rates have grown over 20 years to the point that buying the building is more cost effective, officials said. The designer and manufacturer of process automation systems pays \$848,000 annually to the Port for the 172,600-square-foot building.

In a prepared statement this morning, Key President and Chief Executive Officer David Camp said the Port and state, which helped finance the building, have been "instrumental" in helping Key build its business.

"However, after leasing the facilities for nearly 20 years, Key Technology Inc. has decided it is more cost effective to own," Camp continued.

Kuntz said the financial incentive for Key to buy the building was by design.

"It has always been the Port commissioners' goal that Key would own that facility at some time," he said. "This is the exact outcome that the Port commissioners had hoped when the building was first constructed in 1989."

At the time they couldn't have imagined how truly important the relationship with Key would become.

Key Technology had 23 full-time Washington employees when the Port set out in 1989 to

build a 150,000-square-foot complex, with the funding help of the Washington State Community Economic Revitalization Board.

Since then Key has grown to Walla Walla's 10th largest employer with 467 workers. The company also has raised its international profile. More than half of its business is now export-driven. In the July/August issue of Fortune Small Business magazine, the company was named one of the 100 fastest growing small businesses in the United States.

In 2005 the Port invested in a more than 25,000-square-foot expansion of the Avery Street facility. Port officials now see Key's purchase of the building as a sign of the company's commitment to the community.

"Key Technology Inc.'s purchase of its corporate headquarters and manufacturing complex will help solidify its presence in the Walla Walla Valley and state of Washington for years to come," said Port Commission President Fred Bennett in a prepared statement.

Kuntz said it may also give Walla Walla a slight advantage as Key looks for a place to build its new global headquarters and pharmaceutical division. The company had planned the more-than-\$9 million facility at the Avery Street Industrial Park. But the project has been sidelined because of archaeological work sparked by the discovery of artifacts. Kuntz said Key continues to evaluate real estate for the project.

Port Commissioner Mike Fredrickson said the Port wants to remain a part of Key's future.

"While this property sale represents an important milestone, the Port remains very interested in working with Key Technology Inc. to expand its operations in Walla Walla when future opportunities present themselves," Fredrickson said, in a prepared statement.

In the meantime, the Port plans to use about two-thirds of the sale proceeds from the manufacturing facility to retire debts. That includes debts related to the Key facility.

Under terms of the original lease Key was granted an option to buy its facility. Kuntz said the sale price was determined based on a previously agreed upon formula that included, among other things, the actual construction costs.

Kuntz said the company has also paid back lease payments that were deferred in 2002. That year Key officials asked the Port for a brief deferment to help bolster the company during a difficult sales period. The Port agreed to defer up to \$370,000 in rent, which Key agreed to pay back through a higher lease payment.

The transaction with Key is similar to one the Port had with Nelson Irrigation, Kuntz said. The Port constructed buildings for the company, which leased the properties from the Port until buying them in 1995.

"I think that's the model that the citizens of Walla Walla would like to see repeated," Kuntz said.

"The Port's goal now is to go out and repeat the model as many times as possible."

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