

Ordinance No. 120411

Council Bill No. 113691

AN ORDINANCE related to the sale of eight City-owned parcels in the South Lake Union area; authorizing the sale of said property in accordance with the terms and conditions of the attached Purchase and Sale Agreement; directing the deposit of sale proceeds; and creating a new subaccount within the Cumulative Reserve Subfund Capital Projects Account; and amending Sections 5.06.030, 5.80.020, and 5.80.030 of the Seattle Municipal Code in connection therewith.

CF No. _____

Date Introduced:	JUN - 4 2001	
Date 1st Referred:	JUN - 4 2001	To: (committee) Finance, Budget & Economic Development Committee
Date Re - Referred:		To: (committee)
Date Re - Referred:		To: (committee)
Date of Final Passage:	6/25/01	Full Council Vote: 8-1 N: Castro
Date Presented to Mayor:	6/26/01	Date Approved: 7-2-01
Date Returned to City Clerk:	7-3-01	Date Published: 7-5-01 T.O. F.T. 7-9-01
Date Vetted by Mayor:		Date Veto Published:
Date Passed Over Veto:		Veto Sustained:

The City of Seattle - Legislative Department
Council Bill/Ordinance sponsored by: _____

Committee Action

DO Pass as amended 4-0 CJD, RM, JT

Amendments to attachment

This file is complete and ready for presentation to Full Council.

Law Department

Law Dept. Review

OMP
Review

City Clerk
Review

*could
update
one
attachment
D. & A.*

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: DRAGO
Councilmember

Committee Action:

DD PAS as amended 4-0 (JD, RM, JN, RC), 2 objections PS, N

Amendments to attachment

This file is complete and ready for presentation to Full Council. Committee: _____
(Initial/date)

Law Department

Law Dept. Review

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Review

City Clerk
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ORDINANCE 120411

AN ORDINANCE related to the sale of eight City-owned parcels in the South Lake Union area; authorizing the sale of said property in accordance with the terms and conditions of the attached Purchase and Sale Agreement; directing the deposit of sale proceeds; and creating a new subaccount within the Cumulative Reserve Subfund Capital Projects Account; and amending Sections 5.06.030, 5.80.020, and 5.80.030 of the Seattle Municipal Code in connection therewith.

WHEREAS, in 1999 the City determined that ten parcels of City-owned real property located in the South Lake Union neighborhood area were not needed by the City and should be disposed of as surplus property; and

WHEREAS, Resolution 30080 established public policy objectives and provided guidance for the disposition of City-owned parcels consistent with the South Lake Union Neighborhood Plan as recognized by the City Council in Resolution 29870; and

WHEREAS, Resolution 30080 requested that the Executive Services Department (now the Fleets and Facilities Department) offer ten surplus parcels for sale through a Request for Qualifications (RFQ) process; and

WHEREAS, the City issued a public RFQ in January 2000 to select the qualified respondent best able to meet the public policy objectives enumerated in Resolution 30080 and, as a result of that process, selected Vulcan Northwest, Inc., in April 2000; and

WHEREAS, City Investors, Inc. (Vulcan Northwest) and the Mayor signed a Purchase and Sale Agreement (PSA) on May 18, 2001 for eight of the ten surplus parcels, and the PSA is subject to Council approval; and

WHEREAS, the PSA's terms and conditions adequately meet the City's needs, address the public objectives identified through Resolution 30080; establish the price of the parcels at the City's appraised value; and provide for other public objectives; and

now WHEREAS, to avoid future misunderstandings, the City would like to apprise City Investors, Inc. that a contract between the City and a private entity, such as this Purchase and Sale Agreement, does not exempt that entity from having to comply with such future City regulations as may be take effect prior to the vesting of any permits; and

WHEREAS, the Public Private Partnership Panel has reviewed the PSA as requested in Resolutions 30080 and 30072, and the City Council has thoroughly considered the Panel's recommendations; Now, Therefore;

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Director of the Fleets and Facilities Department is authorized to sell to City



Investors, Inc. eight parcels of real property located in the area commonly known as the Mercer Corridor at 500 Aurora Avenue North (Parcel 8), 501 Dexter Avenue North (Parcel 9), 525 Dexter Avenue North (Parcel 10), 800 Mercer Street (Parcel 11), 630 Westlake Avenue North and 965 Valley Street (Parcel 14), 625 Boren Avenue North (Parcel 15), 1113 Valley Street and 1104 Mercer Street (Parcel 16), and 1120 Mercer Street (Parcel 17), and legally described as follows:

Parcel 8

PARCEL A:

Lots 8 and 9, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the west 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle;
AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle.

PARCEL B:

Lots 10 and 11, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the West 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle;
AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle for Broad Street.

Parcel 9

Lot 7, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the east 20 feet thereof as condemned in King County Cause Number 193437, for Dexter Avenue, as provided by Ordinance Number 50890 of the City of Seattle.

Parcel 10

Lots 1, 2, 3 and 4, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the east 20 feet of said Lots 2, 3 and 4 condemned in King County Superior Court Cause No. 193437 for Dexter Avenue, as provided by Ordinance Number 50890 of the City of Seattle;
AND ALSO EXCEPT that portion of said Lots 1, 2 and 3, condemned in King County Superior Court Cause No. 486551 as provided by Ordinance No. 84452 of the City of Seattle, lying northerly and northwesterly of the following described line:
Beginning at a point on the westerly margin of Dexter Avenue as widened under Ordinance Number 50890, said point being 84.16 feet southerly (measured along said westerly line) from the north line of said block;
thence along a straight line perpendicular to said westerly margin of Dexter Avenue a distance of 33.50 feet to an angle point;



thence southwesterly along a straight line a distance of 96.44 feet to a point in the west line of Lot 3, said block, said point being 40.53 feet southerly (measured along said west line) from the southeasterly margin of Broad Street, as shown in said plat.

Parcel 11

The west half of Lot 6, and all of Lots 7 and 8, Block 1, Eden Addition to the City of Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 61-A, in King County, Washington;
EXCEPT portions of said Lot 6, acquired for street purposes by the City of Seattle as provided by Ordinance No. 84452 and Ordinance No. 88109;
ALSO that portion of Lots 1 and 2 in said Block 1, described as follows:
Beginning at the southwest corner of said Lot 1;
thence north along the west line of said Lots 1 and 2, a distance of 120 feet to the northeast corner of said Lot 2;
thence east along the north line of said Lot 2, a distance of 33 feet;
thence south parallel with said west line 107.10 feet;
thence southwesterly along a straight line 35.43 feet to a point of beginning;
ALSO that portion of Lots 1, 2 and 8, Block 2 of said Addition and of vacated 8th Avenue North as provided by Ordinance No. 89653 described as follows:
Beginning at the southeast corner of said Lot 1;
thence westerly along the south line of said Lots 1 and 8, a distance of 139.48 feet to the southeasterly line of Broad Street as condemned by the City of Seattle by Ordinance No. 84452;
thence northeasterly along said southeasterly line to the east line of said 8th Avenue North;
thence southerly along said east line 132.87 feet to the production east of the south line of said Lot 1;
thence westerly along said produced line 66 feet to the point of beginning.

Parcel 14

Lots 1, 2 and 3, Block 77, Lake Union Shore Lands;
EXCEPT the following:
Beginning at the northeast corner of Block 77;
thence southerly along the east line of said block, 137.96 feet;
thence north 7°52' west 23.26 feet to a point of curve;
thence in a northwesterly direction along a curve to the left, having a radius of 271.44 feet turning through an angle of 26°16', a distance of 124.44 feet, more or less, to a point on the north line of said Block 77;
thence easterly along said line 48.11 feet, more or less, to the place of beginning;
AND EXCEPT the east 5 feet of the remainder of Lots 2 and 3 as condemned in King County Superior Court Cause Number 162246 and provided by Ordinance Number 43560 for Terry Avenue, in King County, Washington.

Parcel 15

Lots 1 and 2, Block 104, D. T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington;



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TOGETHER WITH that portion of Lots 1 and 2, Block 76, Lake Union Shorelands, lying east of the easterly margin of Terry Avenue North, as established pursuant to City of Seattle Ordinance Number 43560.

Parcel 16

The west 103 feet of Lots 7, 8, 9, 10, 11 and 12, Block 106, David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington.

Parcel 17

Lots 5 and 6, Block 106, David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington; EXCEPT the east 21 feet thereof condemned in King County Superior Court Cause No. 204496 for Fairview Avenue, as provided by Ordinance No. 51975 of the City of Seattle.

for the gross sales price of TWENTY MILLION SEVEN HUNDRED EIGHTY-FIVE THOUSAND EIGHT HUNDRED FORTY-FOUR DOLLARS (\$20,785,844.00), less SIX HUNDRED THOUSAND DOLLARS (\$600,000.00) credit to the purchaser for remediation of hazardous materials and environmental conditions and full indemnification of the City on all parcels except Parcel 14.

Section 2. The transaction authorized in Section 1 above shall be in accordance with the terms and conditions specified in the Purchase and Sale Agreement (PSA) negotiated with City Investors, Inc., a signed copy of which is attached hereto and labeled "Exhibit A".

Section 3. Section 5.80.020 of the Seattle Municipal Code is amended as follows:

SMC 5.80.020 Structure of subfund.

The Cumulative Reserve Subfund shall be comprised of two (2) accounts: the Capital Projects Account, with its several subaccounts, and the Revenue Stabilization Account.

A. The Capital Projects Account shall be comprised of several subaccounts, including but not limited to the Real Estate Excise Tax I Subaccount; the Real Estate Excise Tax II Subaccount; the South Lake Union Property Proceeds Subaccount; and the Unrestricted Subaccount. Expenditures from the Capital Projects Account shall require an ordinance adopted by a majority of the members of the City Council.

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Section 4. Section 5.80.030 of the Seattle Municipal Code is amended as follows:

SMC 5.80.030 Capital Projects Subaccounts.

C. The Unrestricted Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of surplus City property net of sale proceeds deposited into the South Lake Union Property Proceeds Subaccount, transfers of General Fund balances, investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund net of investment earnings attributable to the South Lake Union Property Proceeds Subaccount, and other unrestricted contributions to the Cumulative Reserve Subfund.

D. The South Lake Union Property Proceeds Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of certain surplus City property located adjacent to South Lake Union, investment earnings attributable to the Subaccount, and other revenues identified through ordinance.

Section 5. Subsection B of Section 5.06.030 of the Seattle Municipal Code is amended as follows:

5.06.030 Fund investments-Interfund loans.

B. Apportion earnings and losses to those funds participating in a common investment portfolio. Those funds listed on Exhibit "A" to this ordinance, (Note 1) as that exhibit may be amended from time to time by the Finance Director after consulting with the Chair of the Finance Committee of the City Council, and trust or bond funds shall receive a return in proportion to the amount of money earned by each; and the remainder shall be allocated to the general fund, except that investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund shall be deposited in the Unrestricted Subaccount and South Lake Union Property Proceeds Subaccount within that Capital Projects Account, all as authorized by RCW 35.39.034;

Section 6. The net proceeds from the transaction authorized in Section 1 hereof, anticipated to be TWENTY MILLION ONE HUNDRED EIGHTY-FIVE THOUSAND EIGHT HUNDRED FORTY-FOUR DOLLARS (\$20,185,844), together with all other net proceeds derived from the PSA, shall be deposited upon the closing of the transaction into the Cumulative Reserve Subfund, South Lake Union



1 Property Proceeds Subaccount (0016X) and the Executive shall monitor such net proceeds and any
2 interest accruing to such funds for reporting and budgeting purposes.

3 Section 7. The Executive shall reserve within the Cumulative Reserve Subfund, South Lake
4 Union Property Proceeds Subaccount, from the net property proceeds deposited therein under Section 6
5 of this Ordinance, FIVE MILLION DOLLARS(\$5,000,000) to provide, as required under the terms of
6 the PSA, for the potential City cost of repurchasing Parcel 14 and for costs of litigation (if any) related to
7 Parcel 14, until no longer necessary under the terms of the PSA, and shall clearly display this reserve
8 separately from other Subaccount fund balances within future budget submittals and associated reports.



Section 8. The appropriation of proceeds from the transaction authorized by Section 1 above, including the transaction costs of closing, the creation of the litigation fund relative to Parcel 14 and any other incidental expenses associated with the transaction of the above referenced property, shall be subject to approval by the City Council via separate legislation.

Section 9. Any acts, including the execution of contracts and agreements, made consistent with the authority and prior to the effective date of this ordinance, are hereby ratified and confirmed.

Section 10. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 25th day of June, 2001, and signed by me in open session in authentication of its passage this 25th day of June, 2001.

Margaret Davis
President _____ of the City Council

Approved by me this 2nd day of July, 2001.

Paul S. Sweeney
Mayor

Filed by me this 3 day of July, 2001.

Judith E. Poppo
City Clerk

(Seal)

Exhibit A: Purchase and Sale Agreement

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EXHIBIT A

THE CITY OF SEATTLE/
CITY INVESTORS INC.
(with technical corrections as of June 1, 2001)
PURCHASE AND SALE AGREEMENT
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**PURCHASE AND SALE AGREEMENT
FOR SALE OF REAL PROPERTY
(with technical corrections as of June 1, 2001)**

THIS AGREEMENT ("Agreement") is entered into as of May 18, 2001, between THE CITY OF SEATTLE ("City" or "Seller"), a city of the first class of the State of Washington, and CITY INVESTORS INC., a Washington corporation ("Purchaser"), together referred to as the "Parties."

RECITALS

This Agreement has been entered into with reference to and in reliance on the following facts:

The City owns eight (8) parcels of real property located in the South Lake Union neighborhood in the City of Seattle, Washington which are the subject of this transaction (collectively the "Subject Properties");

Through the South Lake Union neighborhood planning process and in City of Seattle Resolution 30080, a copy of which is attached hereto as Exhibit A, the redevelopment of the Subject Properties has been identified as a necessary catalyst for redevelopment in the Mercer/Valley corridor. The Resolution also listed a number of public objectives for the disposition of these properties;

The City issued a public Request for Qualifications in response to Resolution 30080. As a result of that process, Purchaser was selected by the City as the party most responsive to the request, most qualified to complete the transaction and most likely to accomplish the quality of planning and development in a manner that would achieve the stated public objectives listed in Resolution 30080; and

As a member of the South Lake Union community, Purchaser is committed to fostering creative and lasting solutions to neighborhood needs and challenges, and therefore, in addition to the obligations set forth in this Agreement, the Parties have committed to a goal of working collaboratively with the South Lake Union neighborhood community to develop specific strategies to improve transportation, parking and housing in the South Lake Union neighborhood as a whole.



TERMS

In consideration of the payment and receipt of the Purchase Price, and in reliance on the Parties' mutual promises and undertakings and the mutual benefits to be derived from the promises contained in this Agreement, the Parties hereto agree as follows:

1. **PROPERTY INTEREST TO BE CONVEYED.** Seller owns and shall convey to Purchaser: (i) the Subject Properties legally described on Exhibits B through I attached to this Agreement together with all rights and easements appurtenant thereto (the "Land"); (ii) all buildings and improvements on the Land (the "Improvements"); (iii) all personal property associated with the Land and Improvements (the "Personal Property"); (iv) all leases and other agreements under which tenants occupy any portion of the Land and Improvements (the "Tenant Leases"); and (v) all permits, approvals, studies, surveys, warranties and other documents associated with the Land, Improvements, Personal Property and Tenant Leases ("Permits") (the Land, Improvements, Personal Property, Tenant Leases and Permits are collectively referred to herein as the "Subject Properties"). A map depicting the location of the Subject Properties is attached hereto as Exhibit J. The City is acquiring additional property for right-of-way as part of the Fairview/Valley Corridor Realignment Project which, when completed, may result in surplus land remnants that are contiguous to one or more of the Subject Properties on the block bordered by Valley St. on the north, Mercer St. on the south, Boren Avenue on the west and Fairview Avenue on the east (the "Remnant Properties"). A legal description of the Remnant Properties, if any, will be appended to this Agreement as soon as it is available. The City is requiring that the Remnant Properties, if any, be included in the sale to Purchaser subject to the terms and conditions of this Agreement. In addition, the City is in the process of vacating right-of-way contiguous to the Subject Property legally described in Exhibit E as "Parcel 11". A map depicting the general location of the right of way to be vacated is attached as Exhibit K ("Vacated Land"). Exhibit E shall be revised to include the legal description of the Vacated Land as soon as said legal description is available. It is the intent of the Parties to include the Vacated Land, which shall increase the size of Parcel 11, in the sale by Seller to Purchaser, subject to the terms and conditions of this Agreement.

2. **SALE OF SUBJECT PROPERTIES; REMNANT PROPERTIES; VACATED LAND.** Upon the execution of this Agreement by the duly authorized representatives of Purchaser and Seller, and subject to approval of this Agreement by Ordinance of the Seattle City Council and satisfaction or waiver of the other conditions to Closing set forth herein, Purchaser shall purchase and Seller shall convey to Purchaser by bargain and sale deeds, in the form attached as Exhibit L to this Agreement, the Subject Properties described on Exhibits B through I, subject to the terms and conditions of this Agreement and subject further to such encumbrances and restrictions of record approved by Purchaser pursuant to Section 4 below.

In the event all conditions to Closing on the Remnant Properties and Vacated Land, respectively, have been satisfied as set forth in Section 5 hereof, then Purchaser shall purchase and Seller shall convey to Purchaser by bargain and sale deed, in the form attached as Exhibit L to this Agreement, the Remnant Properties and the Vacated Land, subject to the terms and conditions of the Agreement and subject further to such encumbrances and restrictions of record approved by

Purchaser pursuant to Section 4.4 below. The Parties recognize and agree that closing on either or both of the Remnant Properties and Vacated Land may be extended beyond the Closing date of the Subject Properties for reasons beyond the control of either of the Parties. If the Subject Properties Closing occurs before the conditions to close on either the Vacated Land and/or Remnant Properties have been met, the provisions in this Agreement concerning the Vacated Land and/or the Remnant Properties shall survive the Closing date of the Subject Properties. If the conditions to closing on the Remnant Properties and/or Vacated Land have not been satisfied by the date which is three (3) years after the Closing date on the Subject Properties, then Purchaser's obligation to purchase and Seller's obligation to sell the Remnant Properties and/or Vacated Land shall thereupon terminate and be null and void, unless otherwise agreed to by the Parties.

Purchaser and its agents, employees and consultants shall have access to the Subject Properties at all reasonable times for the purpose of conducting inspections thereof so long as this Agreement remains in force.

3. PURCHASE PRICE.

3.1 Purchase Price for Subject Properties. The total purchase price for the Subject Properties ("Purchase Price") shall be Twenty Million Seven Hundred Eighty-Five Thousand Eight Hundred Forty-Four Dollars (\$20,785,844.00), subject to a credit in the amount of Six Hundred Thousand Dollars (\$600,000.00), to be deducted from the Purchase Price for the costs of cleanup of Hazardous Substances on the Subject Properties and the indemnity given by Purchaser to Seller pursuant to Section 7, below. The Purchase Price shall be payable in cash at Closing as defined in Section 9.2 below.

3.2 Purchase Price for Remnant Properties; Vacated Land. The purchase price for the Remnant Properties shall be an amount equal to the total gross land square footage included in the Remnant Properties, multiplied by One Hundred Fourteen Dollars and Sixty-Seven Cents (\$114.67), minus an amount equal to the total gross land square footage included in the Remnant Properties multiplied by Three Dollars and Eighty-Six Cents (\$3.86) (the "Remnant Properties Purchase Price"). The purchase price for the Vacated Land shall be an amount equal to the total gross land square footage included in the Vacated Land as depicted in Exhibit K, estimated at 23,716 square feet, multiplied by Fifty-Eight Dollars and Sixty-Two Cents (\$58.62), minus an amount equal to the total gross land square footage included in the Vacated Land multiplied by Three Dollars and Eighty-Six Cents (\$3.86) (the "Vacated Land Purchase Price"). The sum of Three Dollars and Eighty-Six Cents (\$3.86) represents the agreed upon sum to offset the costs of cleanup of Hazardous Substances on said properties and the indemnity given by Purchaser pursuant to Section 7 below. The Remnant Properties Purchase Price and the Vacated Land Purchase Price shall be payable in cash at closing, as the same may occur with respect to each property.

3.3 Earnest Money. Within ten (10) business days of execution of this Agreement, the Parties shall open an escrow (the "Escrow") with the Seattle office of Pacific Northwest Title Insurance Company ("Escrow Agreement" and "Title Company") and Purchaser shall immediately deposit the sum of One Million Dollars (\$1,000,000.00) ("Deposit") with the Title



Company as Escrow Agent. The Parties shall instruct the Title Company to place the Deposit in an interest-bearing account with interest to accrue to Purchaser's benefit. If the transaction closes, the Deposit, together with accrued interest, shall be applied to the Purchase Price. If the transaction does not close for any reason other than default ("Default") by Purchaser, then the Deposit and accrued interest shall be returned to Purchaser. In the event this transaction does not close because of Purchaser's Default hereunder, Seller shall receive the Deposit together with accrued interest as damages, in addition to all other remedies provided for in Section 11, below.

4. CONDITION OF TITLE.

4.1 Permitted Exceptions for Subject Properties. Seller's conveyance of title to the Subject Properties shall be subject to all of the following, whether or not referred to in the bargain and sale deeds (collectively, the "Permitted Exceptions"):

(i) The conditions of title set forth on the Pro Forma Title Policies attached as Exhibit M to this Agreement ("Title Reports").

(ii) Zoning laws, restrictions, regulations, resolutions, ordinances, building restrictions and governmental regulations now or hereafter in effect;

(iii) The Tenant Leases, a true and complete schedule of which is attached to this Agreement as Exhibit N; and

(iv) Such other liens and encumbrances as are approved in writing by Purchaser.

4.2 Title Policy for Subject Properties. Evidence of delivery of title to the Subject Properties shall be the issuance by the Title Company of an extended coverage ALTA (Form B-1970) title insurance policy or policies insuring fee simple title to the Subject Properties as vested in Purchaser, or in such other entity or entities as Purchaser may elect to hold title to one or more of the Subject Properties, subject to the Permitted Exceptions (the "Title Policy").

4.3 Intervening Liens. Any liens, encumbrances, easements, restrictions, conditions, covenants, rights, rights-of-ways, and other matters affecting title to the Subject Properties which are created, which may appear of record, or which may be revealed by supplements to the Title Reports after the date of the Title Reports but before the Closing Date (hereinafter "Intervening Liens"), shall also be subject to Purchaser's approval. Purchaser shall have fifteen (15) business days after notice in writing of any Intervening Lien together with a description thereof and a copy of the instrument creating or evidencing the Intervening Lien, to submit written objections thereto, or to accept that matter as a Permitted Encumbrance in the manner set forth above. If any such time periods expire after the Closing Date, the Closing Date shall be extended for a date three (3) days after the expiration of such period. Notwithstanding the foregoing, Seller shall not voluntarily cause, create, or permit the creation of any Intervening Lien, except as may be required by law.

Without incurring any liability on account of its inability to do so, Seller shall use its reasonable best efforts to eliminate as an exception to title to the Subject Properties any matters disclosed by the Title Reports, required by the Title Company to issue the Title Reports, and any Intervening Liens timely objected to in writing by Purchaser. If an Intervening Lien is monetary in nature, and not created or caused by Purchaser, Seller shall cure the Intervening Lien on or before Closing or Purchaser shall be entitled to a reduction in the Purchase Price in the amount of such Intervening Lien.

If, prior to Closing, Purchaser creates or causes the creation of an Intervening Lien, monetary or otherwise, without the agreement of Seller, Purchaser shall have ten (10) days in which to cure the Intervening Lien, or to deposit into escrow funds sufficient to cure the lien which shall be non-refundable to Purchaser. If Purchaser fails to cure such Intervening Lien in ten (10) days or to deposit sufficient funds into Escrow, Purchaser shall be in Default under the terms of this Agreement and Seller may elect to declare a Default and may recover the Deposit and terminate this Agreement as its sole remedy for such Default. In the event that the Seller declares a Default under this provision, the Purchaser shall remain legally liable for any liens created by Purchaser. Seller may waive, in its sole discretion, the Purchaser's obligation to cure an Intervening Lien.

In the case that an Intervening Lien is not monetary in nature, is not created by Purchaser, and Seller refuses to cure such Intervening Lien at or before Closing, Purchaser may elect to not complete the purchase, in which case the Deposit and all interest accrued thereon shall be returned to Purchaser or Purchaser may waive the Intervening Lien and proceed to close.

4.4 Remnant Properties; Vacated Land. As soon as practical following mutual execution of this Agreement, Seller shall deliver to Purchaser a commitment for a standard owner's policy of title insurance for the Remnant Properties and for the Vacated Land (the "Remnant Properties Title Commitment" and the "Vacated Land Title Commitment" respectively) including legible copies of all documents referenced therein. Purchaser shall have fifteen (15) days after receipt of each of the Remnant Properties Title Commitment and the Vacated Land Title Commitment in which to review and make any objections to title in writing to Seller. Seller shall be obligated to remove title exceptions to which Purchaser objects if they consist of a monetary lien or encumbrance of an ascertainable amount. Seller shall have no obligation to cure any of Purchaser's other objections. Seller shall have fifteen (15) days after receipt of Purchaser's objections to cure or commence to cure at or prior to closing on the Remnant Properties and/or Vacated Land, any of Purchaser's objections. If there are remaining objections after expiration of the curative period, Purchaser shall have the right to either terminate this Agreement as to the Remnant Properties and/or Vacated Land only, by written notice thereof to Seller, or waive its objections as to both or either of the Remnant Properties or and Vacated Land and proceed with closing thereon. In addition, title to the Remnant Properties and the Vacated Property, shall be conveyed by Seller to Purchaser subject to the terms and conditions as provided in Sections 4.2, and 4.3 above.



5. CONDITIONS PRECEDENT TO PERFORMANCE.

5.1 Purchaser's Conditions Precedent to Closing on Subject Properties. Purchaser shall be obligated to close on the Subject Properties only upon the occurrence or waiver by the Purchaser of each of the following conditions:

5.1.1 Passage of an ordinance by the City authorizing its execution of this Agreement, and expiration without appeal of all appeal periods applicable thereto and/or a resolution of all appeals affirming the City's action and otherwise with conditions acceptable to Purchaser;

5.1.2 Seller is able to convey title to the Subject Properties to Purchaser as set forth in Section 4, above;

5.1.3 Resolution of all appeals applicable to the adoption of the Land Use and Zoning Code text amendment by the City Council, Ordinance No. 120267, with such resolution resulting in a decision upholding Ordinance No. 120267 as adopted by the City Council in the form attached hereto as Exhibit O and otherwise with conditions acceptable to Purchaser;

5.1.4 The Title Company is committed to issue to Purchaser the Title Policy in an amount equal to the Purchase Price in the form approved by Purchaser as described in Section 4.1, with such endorsements and reinsurance coverage as may be requested by Purchaser;

5.1.5 Seller shall have delivered a certificate at closing confirming that representations and warranties made by Seller in this Agreement are true on and as of the date of Closing;

5.1.6 Purchaser shall have notified Seller in writing within sixty (60) days of mutual execution of this Agreement, that Purchaser is satisfied with the physical condition of the Improvements. If Purchaser is not satisfied with the condition of any Improvement, Seller shall have a right to cure any defect by either repairing the Improvement or delivering the Improvement free of any tenancy;

5.1.7 Seller shall have delivered to Purchaser within forty-five (45) days of mutual execution of this Agreement, an executed estoppel certificate from each of the tenants under the Tenant Leases in the form attached hereto as Exhibit P confirming the terms of the Tenant Leases as described in Exhibit N and the absence of any defaults or claims against Landlord thereunder; and

5.1.8 All obligations of Seller and all other conditions of this Agreement related to Seller have been met, satisfied or waived.

5.2 Purchaser's Conditions Precedent to Closing on Remnant Properties; Vacated Land. Purchaser's obligation to close on the Remnant Properties and the Vacated Land shall be

subject to the prior or simultaneous closing on the Subject Properties, together with the following additional conditions:

5.2.1 With respect to both of the Remnant Properties and the Vacated Land, Purchaser shall have approved the condition of title pursuant to Section 4.4 above;

5.2.2 With respect to both of the Remnant Properties and the Vacated Land, Seller shall have taken any and all necessary legislative or other action for the conveyance of the properties to Purchaser in the condition set forth herein and with conditions or requirements approved by Purchaser, and all applicable appeal periods have expired without appeal and/or all appeals have been resolved affirming such legislative or other action and otherwise with conditions approved by Purchaser;

5.2.3 With respect to both of the Remnant Properties and the Vacated Land, Seller shall have delivered a certificate as of the date of closing thereon confirming the accuracy of the representations and warranties set forth in 8.2.1, 8.2.2, 8.2.3, 8.2.4, 8.2.8, 8.2.9, 8.2.10, 8.2.11 and 8.2.12 all as if the same were made by Seller with respect to the Remnant Properties and the Vacated Land; and

5.2.4 With respect to both of the Remnant Properties and the Vacated Land, Seller shall confirm that there are no tenants or other parties entitled to possession thereof as of the date of closing.

5.3 Conditions Precedent to Performance by Seller. Seller shall be obligated to perform under this Agreement only upon the following conditions:

5.3.1 Passage of an ordinance by the City authorizing execution of this Agreement by the City;

5.3.2 The representations and warranties made by Purchaser in this Agreement are true on and as of the date of Closing with the same effect as though such representations and warranties had been made on and as of the date of Closing; and

5.3.3 All other pre-Closing obligations of Purchaser under this Agreement have been met, satisfied, or waived.

6. CONDITIONS SUBSEQUENT TO PERFORMANCE.

The Parties agree that this Agreement imposes certain post-Closing obligations on Purchaser. The Parties agree that such post-Closing obligations shall survive Closing and shall not be merged in the deed delivered at Closing. Upon Seller's written request, and no more than once per annum, Purchaser shall furnish to Seller's Representative, as defined in Section 17 below, a written report which details the steps taken and progress achieved by Purchaser since the Closing Date, toward accomplishment of the conditions subsequent described in this Section 6. For purposes of calculations of time, all references to "Closing" in this Section 6 shall refer to the Closing of the Subject Properties.



6.1 Purchaser's Housing Commitment.

6.1.1 Affordable Housing. Not later than six (6) years from the Closing Date ("Housing Performance Date"), Purchaser shall construct, materially participate with others in the construction of, or otherwise guarantee the construction of, and have ready for occupancy, a minimum of fifty (50) affordable housing units ("Affordable Housing Units") within the area depicted on Exhibit Q as the "Affordable Housing Area". For the purposes of this Agreement, the term "Affordable Housing" means housing which can be purchased or rented by households with an annual income that is no more than eighty percent (80%) of the Seattle area median income as defined by the City of Seattle Office of Housing. The Affordable Housing Units shall be free of any City subsidy or contribution, unless otherwise mutually agreed to by the City and the Purchaser. The Affordable Housing Units shall consist of a mix of unit sizes, including units suitable for families to the extent consistent with then-current market demands in the Affordable Housing Area. In order for any unit to qualify as an Affordable Housing Unit as that term is used herein, such housing unit must be subject to a restrictive covenant requiring its continuance as Affordable Housing for a minimum of twenty (20) years from the date the first Occupancy certificate is issued for such unit and be subject to the rental/income verification rules and procedures of the City's Office of Housing.

6.1.2 Additional Housing Units. In addition to the obligations set forth in 6.1.1, Purchaser further agrees to work cooperatively with the City and the South Lake Union community toward a development goal of an additional four hundred fifty (450) housing units (not including the Affordable Housing Units) within the area depicted on Exhibit R as the "Housing Area". Notwithstanding anything to the contrary set forth herein, the parties agree and acknowledge that satisfaction of the development goal described herein is subject to numerous forces outside the control of Purchaser and is not an obligation of Purchaser under this Agreement nor is it subject on any basis to any of Seller's remedies for Purchaser's Default under this Agreement.

6.1.3 Time and Type of Development. All of the Affordable Housing Units called for in Section 6.1.1 may be located within a single purpose development or distributed throughout one or more mixed income and/or mixed use developments, subject to the City's Land Use and Zoning Code. To qualify as part of this total, the Affordable Housing Units need not be located on property or in projects controlled by Purchaser, as long as they are located within the Affordable Housing Area. Any Affordable Housing Units developed pursuant to Section 6.1.1 for which a building permit application has been submitted to the City on or after the mutual execution date of this Agreement and which are completed and ready for occupancy within the Affordable Housing Area prior to the Housing Performance Date shall be credited toward the satisfaction of Purchaser's Affordable Housing Units commitment.

6.1.4 Remedies Regarding Affordable Housing. In the event that some or all of the Affordable Housing Units described in Section 6.1.1. are not constructed and ready for occupancy prior to the Housing Performance Date, then Purchaser shall be in Default and the provisions of Section 11.1.3 below shall apply.

6.2 Purchaser's Cultural Use Commitment. Purchaser agrees that it shall develop a minimum of twenty thousand (20,000) square feet of new space for a cultural use or uses within the South Lake Union neighborhood as described on Exhibit S, on or before six (6) years from the Closing Date ("Cultural Commitment Performance Date"). "Cultural Use or Uses" means non-profit use or use(s) by organizations, groups or individuals providing venues and facilities open to admission of the public, which may include the following or similar uses as selected by the Purchaser: libraries, fine and performance arts facilities, arts education, galleries, performing arts theaters and rehearsal spaces, and museums, including museums for the arts and/or sciences, but does not include uses which solely support functions such as storage, administration or management. In the event that Purchaser fails to provide such space for Cultural Uses by the Cultural Commitment Performance Date, Purchaser shall be in Default and the provisions of Section 11.1.3, below, shall apply.

6.3 Purchaser's Parking Commitment.

6.3.1 Non-Peak Parking. Purchaser plans to develop a significant parking facility or facilities ("Project Parking") for the properties that are bounded by Westlake, Fairview, Valley and Mercer (the "Three-Block Area"). Purchaser agrees to operate the Project Parking during non-peak hours so that available parking will be offered to the public at then fair market, short-term (defined for the purpose of this Agreement as 5 hours or fewer) parking rates for comparable off-street parking in the South Lake Union area.

6.3.2 Public Parking. Purchaser shall make available twenty percent (20%) of the Project Parking spaces for short-term public parking available to the public at then fair market, short-term parking rates for comparable off-street parking in the South Lake Union area ("Public Parking"). The Public Parking may be located either in the Three-Block Area and/or on other properties owned by Purchaser or one of its affiliates within 800 feet (or the otherwise then-required maximum distance for land use code covenant parking) of South Lake Union Park. In the event of phased development of the Subject Properties in the Three-Block Area, the twenty percent (20%) Public Parking obligation shall be required when Project Parking exceeds 200 stalls. Upon completion of development of the Three-Block Area, Purchaser shall have provided no fewer than 120 stalls of Public Parking; provided, however, that in the event that Purchaser exercises its option to reconvey Parcel 14 to Seller as described in Section 7 hereof, then the minimum number of Public Parking stalls provided for herein may be reduced by Purchaser to 100.

6.3.3 City's Option for Dedicated Parking. The City shall have the option to require Purchaser to build up to 160 dedicated parking spaces for public uses associated with development on South Lake Union Park on the terms described herein ("Park Parking"), which parking may be located either in the Three-Block Area and/or on other properties owned by Purchaser or one of its affiliates within 800 feet (or the otherwise then-maximum distance for land use code covenant parking) of South Lake Union Park. The City shall have the right to exercise its Park Parking rights upon receipt of a Parking Rights Notice from Purchaser. Purchaser shall deliver the Parking Rights Notice when Purchaser is planning its development for the Three-Block Area, or any portion or phase thereof, but in any event no sooner than twelve (12) months following the Closing hereunder. The Parking Rights Notice shall include a



description of Purchaser's intended development of the Three-Block Area or phase or portion thereof, as the case may be, including a description of the uses contemplated for said development, an estimate of the number of private and public parking stalls to be included in the intended development, and an estimate of the number of stalls that are anticipated to be available for public, short-term parking during evenings and weekends ("Off Peak Reservoir Parking"). The City shall exercise its Park Parking rights by delivering written notice to Purchaser of the amount of Park Parking it will require within ninety (90) days of receipt of the Parking Rights Notice, together with an irrevocable letter of credit or other form of financial guaranty or collateral acceptable to Purchaser and guarantying payment in full to Purchaser in the amount of the Parking Costs (as defined below) for such Park Parking. If the City fails to deliver such written notice and financial guaranty within 90 days of its receipt of the Parking Rights Notice, the City shall have irrevocably waived its rights to Park Parking, in whole if the Parking Rights Notice references the entirety of Purchaser's property within the Three-Block Area or in the same prorata portion as the area described in the Parking Rights Notice bears to the entirety of Purchaser's property within the Three-Block Area, and shall thereupon execute a document in recordable form evidencing such waiver. If, after delivery of its Parking Rights Notice, Purchaser's planned development changes such that Purchaser anticipates there will be a substantial decrease in the number of Off Peak Reservoir Parking spaces, Purchaser shall be obligated to provide the City with a new Parking Rights Notice. For purposes of this Agreement, a substantial decrease in the Off Peak Reservoir Parking spaces shall be a decrease of 30% or more of the Off Peak Reservoir Parking spaces identified in a Parking Rights Notice.

Upon the City's exercise of its Parking Rights, Purchaser shall be obligated to construct, in conjunction with its development of the Subject Properties, the number of Park Parking stalls requested by the City. The City shall be obligated to pay Purchaser for the Park Parking stalls in an amount equal to Fifty-Five Thousand Dollars (\$55,000.00) per stall ("Parking Costs"). The Parking Costs shall be increased by an amount equal to the sum resulting from the percentage of increase between the Revised Consumer Price Index for all Urban Consumers--All Items--Seattle-Tacoma-Bremerton (Reference Base 1982-84 = 100) published by the Bureau of Labor Statistics of the United States Department of Labor ("CPI") for the month immediately preceding the month in which Closing occurs and the CPI for the month immediately preceding the month in which payment for the Parking Costs is due Purchaser, multiplied by such Parking Costs; provided, however that in no event shall the Parking Costs be decreased pursuant to this CPI adjustment. Payment shall be due in cash upon Purchaser's delivery to the City (or City's assignee as provided for below) of the Park Parking (including phased payment if the delivery is in phases).

If the City exercises its Parking Rights, it is anticipated that the Park Parking shall be integrated with the Project Parking and shall operate as a single garage. The parties shall develop an agreement sharing operation and maintenance costs of the Park Parking. Such agreement shall be on then reasonable market rates and terms, with the City receiving revenue from the Park Parking, less costs to operate and maintain the Park Parking.

The City's parking rights under this section 6.3.3 shall be assignable to a public or nonprofit entity that will be a user of the facility on the South Lake Union Park on the same

terms and conditions described herein, contingent upon such assignee's assumption in writing of all of Seller's obligations set forth in this Section 6.3.3.

Notwithstanding anything to the contrary contained in this Section 6.3.3, the Parties agree and acknowledge that: (a) in the event that Purchaser exercises its option to reconvey Parcel 14 to Seller as described in Section 7 hereof, then the City's option for Park Parking shall be reduced to 110 stalls; (b) in the event that the Parking Rights Notice applies to less than the entirety of Purchaser's property within the Three-Block Area, then the City shall be entitled to exercise its rights to Park Parking in the same prorata portion as the area described in the Parking Rights Notice bears to the entirety of Purchaser's property within the Three-Block Area; and (c) in the event that Seller exercises its option to repurchase the Subject Properties within the Three-Block Area pursuant to Section 6.5 hereof, then Purchaser shall have no obligation to provide any of the Public Parking or Park Parking described in Section 6.3 hereof.

6.3.4 Improved Parking and Transportation Solutions. Purchaser and the City shall cooperate and engage in feasibility studies for other parking and transportation improvements and alternatives for the South Lake Union Park, the development on the Subject Properties and the overall neighborhood parking needs. Such studies shall explore improvements to maximize transportation efficiencies and shall include studies of shared parking and covenant parking. The City and Purchaser shall further explore the development of additional public parking within or connected to the Public Parking and/or improvements to vehicular or pedestrian access in connection therewith. City and Purchaser shall work cooperatively to ensure that any such additional public parking within or connected to the Public Parking also works to improve vehicle ingress/egress, internal circulation of the Public Parking and pedestrian circulation.

The Parties agree and acknowledge that in the event that pedestrian linkages or improvements connecting Purchaser's development on the Three-Block Area to property on the north side of Valley Street, if any, are required as permit conditions or requirements for Purchaser's development of the Three-Block Area, this Agreement shall not be construed to obligate Purchaser or the City to pay for the required connections to the extent such connections are required or imposed due substantially to impacts associated with the Public or Park Parking proposed pursuant to Sections 6.3.2 or 6.3.3 of this Agreement.

6.3.5 Interim Parking for the S. Lake Union Park. Until such time as it is developed or needed for development staging, Purchaser shall maintain Parcel 15 as a parking lot operating in a manner similar to its current use.

6.4 Purchaser's Family-Wage Jobs Commitment. Purchaser, including all development entities working in coordination with Purchaser to redevelop the Subject Properties, shall participate in the Office of Port JOBS Apprenticeship Opportunities Project. Purchaser shall undertake an effort with the office of Port JOBS Apprenticeship Opportunities Project and the Seattle/King County Building and Construction Trades Council to assist low-income King County residents in gaining access to building and construction trades apprenticeships created as a result of Purchaser's commercial development activities. Purchaser shall adopt a goal that at least fifteen percent (15%) of the labor hours related to construction on Subject Properties



shall be performed by participants in apprenticeship and training programs, adopt a goal that twenty percent (20%) of the apprentice labor hours be performed by female apprentices and twenty-one percent (21%) of apprentice labor hours be performed by minority apprentices; and, facilitate opportunities, when possible, between the apprenticeship program and tenants or occupants of the Subject Properties for the purpose of developing employment and training opportunities to disadvantaged individuals.

Purchaser has a strong commitment to providing work environments free of any form of harassment or discrimination in recruitment, a proven track record of making business and employment opportunities available to a diverse population, and a commitment to making such business and employment opportunities available to a diverse population in the future.

In addition, Purchaser shall coordinate discussions between the occupants of the Subject Properties and the Seattle Jobs Initiative ("SJI") (a job training program administered by the City's Office of Economic Development) for the purpose of facilitating and assisting the occupants in recruitment, training and retention of qualified workers. Notwithstanding the foregoing, all hiring decisions shall be in the sole discretion of the occupants.

6.5 Purchaser's Commitment to Pursue Development Applications and Development.

On or before expiration of the two-year period following Purchaser's closing on the Subject Properties and on all other parcels within the Three-Block Area, including the Remnant Properties, but in any event not later than six (6) years after the Closing date, Purchaser shall submit to the Department of Design Construction and Land Use one or more master use permit application or applications, whichever shall be required for the development of the Subject Properties within the Three-Block Area, and Purchaser shall thereafter diligently pursue regulatory approvals therefor. The parties recognize that Purchaser may submit one or more master use permit applications, and that such submittals may contemplate a phased development approach of the Three-Block Area in order to accommodate Purchaser's development plans, provided all such applications shall be submitted within 6 years after the Closing date.

Notwithstanding the remedies set forth in Section 11.1.3, Seller, as its sole and exclusive remedy, shall be entitled to repurchase any of the Subject Properties within the Three-Block Area for which Purchaser has failed to submit a master use permit application with DCLU within the required time periods not above. Any such repurchase shall be at the same purchase price paid by Purchaser under this Agreement. Seller's failure to notify Purchaser of its intent to exercise its repurchase right within one hundred eighty (180) days following expiration of the two-year period following Purchaser's acquisition of the Subject Properties and all other parcels within the Three-Block Area, or the six-year period following the Closing Date, whichever is applicable, shall constitute a permanent and final waiver of Seller's repurchase right pursuant to this Section 6.5.

6.6 Certificate of Completion. Seller, upon Purchaser's satisfaction of the conditions subsequent set forth in this Section 6 shall execute and record in the real property records of King County a certificate of completion certifying that Purchaser has satisfied each of the agreements and conditions contained in this Section 6 with respect to the Subject Properties, and otherwise in the form attached hereto as Exhibit T.

7. HAZARDOUS SUBSTANCES AND INDEMNITY.

7.1 Investigation, Price Reduction and Indemnity. Purchaser has, at its own expense, conducted such surveys and investigations of the Subject Properties as it deems warranted, including investigations by itself and others in its employ, to determine the nature and extent of any Hazardous Substances. In doing so, Purchaser has independently verified information supplied by the City regarding historic uses and known conditions. Except as provided in Section 7.2 below, Purchaser is satisfied that it is sufficiently aware of all such conditions on the Subject Properties and accepts the risks associated with their presence, and shall undertake remediation of any Hazardous Substances as required by law in connection with redevelopment of the Subject Properties. Purchaser is aware of its rights to seek contribution from Seller for remediation and cleanup of such Hazardous Substances as a matter of law, and, except as set forth in Section 7.2 hereof, knowingly waives that right as a term of this Agreement and voluntarily relinquishes that right and forever releases the Seller from any such obligation as provided for in this Section 7.1. Therefore, in consideration of a price reduction in the amount of Six Hundred Thousand Dollars (\$600,000.00), and upon Closing, Purchaser shall release the City from any responsibility for cleanup of any Hazardous Substances, as this term is defined in MTCA and CERCLA, and any amendments thereto, on, under or migrating from the Subject Properties, except as provided in Section 7.2 below. Purchaser shall indemnify, release, defend and hold harmless Seller from any and all claims arising out of any Hazardous Substances on, under or migrating from the Subject Properties prior to Closing (except as provided in Section 7.2 below). Purchaser shall further indemnify, defend and hold Seller harmless from any claims arising out of any Hazardous Substances on, under or migrating from the Subject Properties after Closing (except as provided in Section 7.2 below). This indemnity also shall apply to land acquired under Section 3.2, if any, above. This indemnity shall not apply, however, to claims by the City as owner of properties and/or rights-of-way not acquired by Purchaser, except to the extent of any contamination caused by Purchaser.

7.2 Parcel 14. One of the Subject Properties, Parcel 14, as described on Exhibit F, is significantly contaminated with petroleum and other Hazardous Substances which have migrated from the service station property located to the south of Parcel 14, and which were deposited on Parcel 14 by past on-site uses. The contamination migrating from the service station property substantially impairs the value of Parcel 14. Unless the service station property is cleaned up in conjunction with redevelopment of Parcel 14, the cost to clean up Parcel 14 may be prohibitive. Accordingly, Purchaser has agreed to close on its acquisition of Parcel 14 in accordance with the terms of this Agreement, subject to the following.

7.2.1 Purchaser and the City shall jointly file suit against the appropriate defendants, which may include the current owner of the service station property, the current operator of the service station property, and the past owner of the service station property, seeking a declaratory judgment that those parties are responsible for all clean-up costs, and seeking damages for loss of value and other such losses or costs that the Parties may incur. This suit would be filed as soon as reasonably practical after Closing. The City shall cooperate with Purchaser in the preparation of the complaint and in all communications with defendants. The



City and Purchaser shall enter into the Joint Prosecution Agreement of even date herewith to address cost sharing and joint decision-making with respect to such litigation;

7.2.2 At Closing, the amount of \$300,000 shall be held by the City in a dedicated account (the "Litigation Escrow") to cover litigation costs, expenses and Purchaser's attorney fees. Purchaser and the City shall be entitled to draw down on the Litigation Escrow to pay litigation costs and fees as provided by the Joint Prosecution Agreement;

7.2.3 In the event that the litigation referred to above has not been resolved to the satisfaction of Purchaser, Purchaser shall have the absolute right to reconvey (rescinding that portion of the transaction as to Parcel 14) Parcel 14 to the City at the same purchase price for Parcel 14 paid by Purchaser (Purchaser's "Put Right"). Purchaser shall be entitled to exercise its Put Right between the date twelve (12) months after Closing and the date thirty (30) months after Closing; and

7.2.4 Purchaser shall exercise its Put Right by giving written notice to the City. The City shall repay the purchase price and the Purchaser shall reconvey title by Bargain and Sale Deed within 180 days of Purchaser's exercise of its Put Right rescinding the transaction as to Parcel 14. Parcel 14 shall be conveyed "as is," provided that Purchaser shall return Parcel 14 to the City in substantially the same condition in which it is received (it being understood that any damage or destruction to the buildings need not be repaired by Purchaser, as the parties assign no value to the buildings contained on Parcel 14). The City shall pay any transfer tax and any other closing costs.

8. REPRESENTATIONS AND WARRANTIES.

The following representations and warranties shall survive Closing.

8.1 Purchaser's Representations and Warranties. Purchaser represents and warrants as follows:

8.1.1 Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has the power to own its property and assets;

8.1.2 As of Closing, this Agreement shall have been duly authorized, executed and delivered by Purchaser, shall constitute the legal, valid and binding obligation of Purchaser and shall be enforceable against Purchaser in accordance with its terms;

8.1.3 The individual executing this Agreement on behalf of Purchaser is authorized to do so;

8.1.4 The representations and warranties made in this Agreement are true on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date;

8.1.5 Purchaser shall at all times through the development and construction of the Subject Properties within the Three-Block Area act as the developer either on its own or in cooperation with development partners and shall not otherwise transfer or assign its rights or obligations hereunder without prior written approval of Seller, which approval shall not unreasonably be withheld; provided, however, that if Purchaser guarantees performance of any such transferee or assignee hereunder, then Seller may not withhold its approval;

8.1.6 Purchaser has made its own investigation of the conditions of title as well as the physical conditions of the Land, Improvements, Tenant Leases, and the Title Reports and is willing to accept the same on an "as-is, where-is" basis, except for the representations and warranties of Seller as described herein;

8.1.7 The purchase of the Subject Properties shall not conflict with or result in a material breach affecting Purchaser's ability to perform under this Agreement, of any other agreement or instrument to which Purchaser is a party or by which it is or may be bound or constitute a Default under any of the foregoing, or violate any state or federal governmental law, statute, ordinance or regulation in effect on the date of execution of this Agreement; and

8.1.8 Purchaser has and will at all times maintain for the duration of the post-closing obligations set forth in this Agreement assets with a fair market value in excess of all liabilities of at least \$50,000,000, and will warrant that to be true with each annual report to the Seller's Representative.

Purchaser hereby agrees to defend, protect, indemnify and hold Seller harmless from any and all loss, damage, liability or expense, including attorneys' fees and costs, Seller may suffer as a result of any breach of or any inaccuracy of the foregoing representations and warranties. These representations and warranties shall survive Closing.

8.2 Seller's Representations and Warranties. Seller represents and warrants as follows and will deliver to Purchaser at Closing a certificate confirming that the same are true and correct as of the Closing date:

8.2.1 Existence. Seller is a Municipality of the first class of the State of Washington, duly organized under its laws and is duly complied with and is validity existing and in good standing under the laws of the State of Washington;

8.2.2 Binding Obligation. As of Closing, this Agreement shall have been duly authorized, executed and delivered by Seller, shall constitute the legal, valid and binding obligation of Seller and shall be enforceable against Seller in accordance with its terms;

8.2.3 Authority. The individual executing this Agreement on behalf of Seller is authorized to do so;

8.2.4 No Breach. The sale of the Subject Properties shall not conflict with or result in a material breach affecting Seller's ability to perform under this Agreement, of any other agreement or instrument to which Seller is a party or by which it is or may be bound or



constitute a default under any of the foregoing, or violate any state or federal governmental law, statute, ordinance or regulation in effect on the date of execution of this Agreement;

8.2.5 Title. As of the date of Closing, Seller shall have good, marketable, indefeasible title to the Subject Properties (including, without imitation, the Land and Personal Property) free and clear of all liens, claims and encumbrances except for exceptions approved by Purchaser pursuant to Section 4.1 above;

8.2.6 Condition of Subject Properties. Except as disclosed in writing to Purchaser, Seller, to the best of its knowledge, is not aware of any physical, structural, mechanical or other defects or deficiencies in the Improvements on the Subject Properties, which would constitute material violations under the City's land use, building code, life, health or safety regulations or ordinances. The phrase "to the best of its knowledge" shall mean and be understood to mean for the purpose of this Agreement the actual knowledge of City employees Debra Lewis, property manager, and Karen Tsao, strategic planner, City of Seattle Fleets and Facilities Department;

8.2.7 Tenant Leases. Seller has previously provided to Purchaser full, true and complete copies of all Tenant Leases. The Tenant Leases have not been amended, orally or in writing, except as previously disclosed to Purchaser in writing. With respect to the Tenant Leases:

(i) There are no oral or written leases, rental agreements or other occupancy agreements other than the Tenant Leases allowing any person to occupy any portion of the Subject Properties;

(ii) No person other than the tenants named in the Tenant Leases has any right of possession to any portion of the Subject Properties;

(iii) Except as disclosed to Purchaser in writing, no concessions or abatements have been given to any tenant under a Tenant Lease and no tenant is occupying a portion of the Subject Properties free of rent;

(iv) Excluding security deposits and advanced rentals disclosed in writing to Purchaser, no more than one months' rent has been paid in advance by any tenant under a Tenant Lease;

(v) No person has an option or right of first refusal to purchase or lease any interest in the Subject Properties under a Tenant Lease or otherwise;

(vi) Seller is not in default under any Tenant Lease and there have been no acts or omissions by Seller which with the passage of time, the giving of notice or both would constitute a default by Seller under a Tenant Lease. Seller has not received any claim from a tenant under a Tenant Lease that Seller is in default of any of its obligations under a Tenant Lease or that such tenant has a defense to the payment of rent; and

(vii) To the best of Seller's knowledge, no Tenants under a Tenant Lease are in default thereunder.

8.2.8 Use of Subject Properties. To the best of Seller's actual knowledge, without implying an additional duty to investigate, the present use and operation of the Subject Properties are authorized by and in compliance with all laws, rules, regulations, permits, agreements, and licenses with respect thereto. In addition, the present use and operation of the Subject Properties are in compliance with all applicable zoning and land use laws and regulations.

8.2.9 Contracts. Seller shall have taken all necessary action to terminate as of the Closing date any and all contracts or agreements with respect to the Subject Properties which would be binding thereon after Closing if not otherwise terminated, and shall indemnify and defend Purchaser from any costs or expenses related to such contracts;

8.2.10 Litigation. There is no claim, litigation, proceeding or governmental investigation pending, or, so far as known to Seller, threatened against or relating to the Subject Properties, or the transactions contemplated by this Agreement, or any dispute arising out of any contract or commitment entered into regarding the Subject Properties nor is there any basis known to Seller for any such action or claim;

8.2.11 Zoning. There is no existing or pending, and Seller has no knowledge of any contemplated, threatened or anticipated (i) change in the zoning classification of the Subject Properties, (ii) widening, change of grade or limitation on use of streets abiding the Property, except as previously disclosed in writing to Purchaser; and

8.2.12 Assessments. Except as reflected in the Title Reports, there are no pending and Seller has no knowledge of any planned public improvements which will result in the imposition of a tax, assessment or other lien on the Subject Properties.

Seller hereby agrees to defend, protect, indemnify and hold Purchaser harmless from any and all loss, damage, liability or expense, including attorneys' fees and costs, Purchaser may suffer as a result of any breach of or any inaccuracy of the foregoing representations and warranties. These representations and warranties shall survive Closing.

9. ESCROW AND CLOSING.

9.1 Escrow Instructions. The provisions of this Agreement shall constitute the joint instructions of the Parties to the Escrow Agent; provided, however, that the Parties shall execute such additional instructions as requested by the Escrow Agent not inconsistent with the provisions of this Agreement.

9.2 Closing Date. Closing on the Subject Properties shall occur within thirty (30) days after the satisfaction or removal of all conditions precedent to Closing, except with respect to the Remnant Properties and the Vacated Land, each of which shall close thirty (30) days after



satisfaction of all conditions to closing thereon, but in no event later than three (3) years after the Closing Date for the Subject Properties.

9.3 * Purchaser's Closing Obligations & Instrument. At Closing, Purchaser shall deliver to Seller through the Escrow Agent, by certified or cashier's check or wire transfer:

- (i) the balance of the Purchase Price, less the Deposit and all interest earned thereon;
- (ii) a counterpart executed real estate excise tax affidavit; and
- (iii) such other instruments as are reasonably necessary to consummate this purchase and sale transaction.

9.4 Seller's Closing Obligations & Instruments. At Closing, Seller shall deliver to Purchaser through the Escrow Agent originals of:

- (i) fully executed and acknowledged bargain and sale deeds subject only to the exceptions identified in Section 4, above;
- (ii) a bill of sale in form satisfactory to Purchaser conveying title to all Personal Property to Purchaser;
- (iii) an assignment and assumption of leases in form satisfactory to Purchaser transferring the Tenant Leases to Purchaser;
- (iv) All prepaid rents, security and other deposits and fees (whether refundable or non-refundable) under the Tenant Leases;
- (v) An estoppel form executed by each of the tenants under the Tenant Leases;
- (vi) a fully executed Certificate of Non-Foreign Status;
- (vii) a counterpart executed real estate excise tax affidavit; and
- (viii) such other instruments as are reasonably necessary to close under this Agreement.

10. ESCROW AGENT'S OBLIGATIONS.

10.1 In General. The Escrow Agent shall receive, hold and disburse all funds, arrange the execution, delivery and recording of all instruments necessary to this transaction and shall otherwise act in accordance with the mutual written instructions of the parties to this Agreement and in accordance with the laws of the state of Washington.

10.2 The Deposit. The Deposit shall be held by Escrow Agent in a separate interest bearing account, identified to this transaction. The interest accruing thereon between the date of deposit and the date of Closing shall be applied to the Purchaser's obligations at Closing or be paid to Seller in the event of a Default under 11.1.2, below.

10.3 Payment of Purchase Price. Upon recording of all documents necessary to transfer title, Escrow Agent shall pay to Seller the Purchase Price as adjusted and prorated for Seller's portion of costs of this transaction and after deduction of all applicable fees and taxes.

10.4 Prorations and Expenses. Real property taxes, general and special assessments, LIDs, Surface Water Management charges, rents, Conservation Service Charges, and utility charges constituting liens against the Property, all for the year of Closing, shall be prorated as of the date of Closing. Any documentary transfer tax, real estate excise tax, or other similar tax levied in accordance with the requirements of lawful authority shall be paid by Seller. Purchaser shall pay the cost of recording the Bargain and Sale Deed. Seller shall pay the premium for the issuance of the Title Policy if issued as standard coverage and Purchaser shall pay any additional premiums charged by Title Company for extended coverage and/or endorsements if requested by Purchaser. All other recording and Closing costs (including the escrow fee but excluding attorneys' and brokers' fees, costs and expenses associated therewith) shall be shared equally by the Parties. Each party shall pay the attorneys' fees, costs, and expenses incurred by such party with respect to the negotiation of this Agreement and the consummation of the transactions contemplated herein.

10.5 Title Policy. As soon as possible after Closing, the Escrow Agent shall have the Title Company issue to Purchaser the Title Policy in the amount of the Purchase Price and insuring fee simple title to the Subject Properties subject to the exceptions contained in the Title Reports identified in Section 4, above, and as approved or deemed to have been approved by Purchaser pursuant to this Agreement.

11. DEFAULT.

11.1 If either Party to this Agreement shall fail of refuse to perform or satisfy a material obligation under this Agreement, that party shall be in Default and the non-defaulting party may elect from the following remedies.

11.1.1 Seller in Default. In the event that Seller is in Default, Purchaser may elect to seek specific performance of this Agreement or may elect to terminate this Agreement and recover its Deposit plus interest accrued thereon.

11.1.2 Purchaser in Default Prior to Closing. In the event that Purchaser is in Default prior to Closing, Seller may at its sole and exclusive remedy retain the Deposit plus interest accrued thereon (less Escrow Agent's fees and expenses) as liquidated damages. In such event, Seller shall have no further rights and Purchaser shall have no further obligations under this Agreement.



11.1.3 Purchaser in Default After Closing. Except as otherwise set forth in Section 6.5, Seller, as its sole and exclusive remedy, shall have the right to seek specific performance of all obligations of Purchaser set forth in Sections 6, 7 and 8.1.5 which are intended to survive Closing.

12. CONDITION OF PROPERTY.

The Subject Properties shall be delivered by Seller to Purchaser at Closing in the same physical condition as of the date of Seller's execution of this Agreement, excepting ordinary wear and tear.

13. RISK OF LOSS.

Risk of loss or damage to the Subject Properties by fire or other casualty, from the date of this Agreement through the date of Closing shall be on the Seller, and thereafter shall be on the Purchaser.

14. BROKERAGE COMMISSIONS.

If any individual or entity shall assert a claim to a finder's fee or commission as a broker or a finder for the transfer of the Subject Properties, then the party that is alleged to have retained such individual or entity shall defend, indemnify and hold the other party harmless from and against any such claim and all costs, expenses, liabilities and damages incurred in connection with such claim or any action or proceeding brought thereon. This indemnification obligation shall survive the Closing and the termination of this Agreement.

15. ASSIGNMENT; BINDING EFFECT.

15.1 This Agreement shall not be assigned by Purchaser without the prior written consent of Seller, which consent may be withheld in Seller's sole discretion; provided, however, that Seller and Purchaser agree that Purchaser shall have the unrestricted right to have one or more entities controlled by, or under common control with, Purchaser take title to one or more of the Properties at Closing.

15.2 Subject to the foregoing, this Agreement shall be binding upon each Party and its successors and assigns.

16. SELLER'S REPRESENTATIVE.

Upon Closing under this Agreement, Seller shall designate a representative ("Seller's Representative"), initially identified in Section 17, below, to act as a resource for Purchaser during the planning and development of the Subject Properties and to assist Purchaser with communications with the City.

17. NOTICES.

17.1 All notices, requests, demands and other communications under this Agreement shall be in writing and shall either be delivered in person or sent by courier with documented delivery or by registered or certified mail through the U.S. Postal Service with postage prepaid addressed as follows:

PURCHASER (both):

Larry Martin
CITY INVESTORS INC.
505 Union Station
505 Fifth Avenue South
Suite 900
Seattle, WA 98104
(206) 342-2000
Fax: (206) 342-3000

With a Copy to:

Beth A. Clark
FOSTER PEPPER & SHEFELMAN PLLC
1111 Third Avenue, Suite 3400
Seattle, WA 98101-3299
(206) 447-8893
Fax: (206) 447-1916

SELLER (both):

Office of the Mayor
THE CITY OF SEATTLE
12th Floor
600 Second Avenue
Seattle, WA 98104
(206) 684-4000
Fax: (206) 684-5360

and

SELLER'S REPRESENTATIVE:

City of Seattle
Director, Office of Economic Development
600 Fourth Avenue, Room 205
Seattle, WA 98104-1826

or to such other address as shall be furnished in writing with fifteen (15) days prior notice by either party.



17.2 Notices shall be deemed to have been given upon the earlier of actual receipt, as evidenced by the deliverer's affidavit, the recipient's acknowledgment of receipt, or the Federal Express receipt, and in the event of attempted delivery during normal business hours at the proper address by an agent of a party or by Federal Express or the U.S. Postal Service but refused acceptance, shall be deemed to have been given upon attempted delivery, as evidenced by an affidavit of inability to deliver stating the time, date, place and manner in which such delivery was attempted and the manner in which such delivery was refused.

18. GOVERNING LAW JURISDICTION AND VENUE; ATTORNEYS' FEES.

18.1 This Agreement shall be governed by the law of the State of Washington.

18.2 In the event that litigation is commenced by either party, the Parties to this Agreement agree that jurisdiction shall lie solely in the courts of the State of Washington, with venue at Seattle, King County, Washington.

18.3 In any action between the Parties at law or in equity pursuant to this Agreement, the prevailing party shall be entitled to collect its reasonable attorneys' fees from the non-prevailing party. The term "prevailing party" shall mean the party who receives substantially the relief sought.

19. TIME OF THE ESSENCE; CALCULATION OF TIME PERIODS.

19.1 Time is of the essence of this Agreement and of all acts required to be done and performed by either and both of the parties hereto, including but not limited to the proper delivery of all documents, and the tender of all amounts of money, required by the terms hereof to be delivered or paid, respectively. Any extension of time granted for performance of any obligation to this Agreement shall not be considered an extension of time for the performance of any other obligation under this Agreement.

19.2 Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday. The final day of any such period shall be deemed to end at 5:00 p.m., Pacific Time.

20. COUNTERPARTS.

20.1 This Agreement may be executed in counterparts and, if so, only when counterparts are delivered to the Escrow Agent shall it be deemed a binding Agreement.

20.2 It is understood, agreed and acknowledged that if both Purchaser and Seller have not executed a counterpart of this Agreement and deposited signed copies, accompanied by the Deposit with the Escrow Agent as provided for in this Agreement, this Agreement shall be of no force and effect.

21. WAIVER.

Any waiver under this Agreement must be in writing. A waiver of any right or remedy in the event of a Default shall not constitute a waiver of such right or remedy in the event of any subsequent Default.

22. ENTIRE AGREEMENT; MODIFICATIONS; NEGOTIATED UNDERSTANDING.

22.1 This Agreement represents the entire agreement of the Parties with respect to the Subject Properties, the Remnant Properties and the Vacated Property, and any and all agreements, oral or written, entered into prior to the date hereof are revoked and superceded by this Agreement.

22.2 This Agreement may not be changed, modified or rescinded except in writing signed by both parties and any attempt at oral modification of this Agreement shall be of no effect.

22.3 The Parties to this Agreement acknowledge that it is a negotiated agreement, that they have had the opportunity to have this Agreement reviewed by their respective legal counsel, and that the terms and conditions of this Agreement are not to be construed against any party on the basis of such party's draftsmanship thereof.

22.4 The relationship of the Parties hereunder is that of buyer and seller and nothing in this Agreement shall be construed to create a partnership or joint venture between the Parties.

23. FURTHER INSTRUMENTS AND ACTION.

Each party shall promptly, upon the request of the other or Escrow Agent, execute, and as required, have acknowledged and deliver to the other, any and all further instruments and shall take all such further action as may be requested or appropriate to evidence or give effect to the provisions of this Agreement or to satisfy escrow agent's requirements.

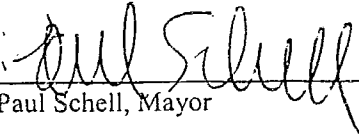
24. SURVIVAL AND NON-MERGER.

The Parties agree that the terms and conditions of this Agreement contained in Sections 6, 7, 8 and 11.1.3 shall survive Closing and are not merged into the deed.



IN WITNESS WHEREOF, Seller and Purchaser have caused this Agreement to be executed by representatives duly authorized as of the day and year first above written, which shall be the date that the last of Seller and Purchaser shall have executed this Agreement.

THE CITY OF SEATTLE
("Seller")

By: 
Paul Schell, Mayor

CITY INVESTORS INC.
("Purchaser")

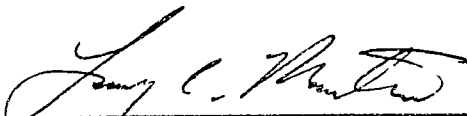
By: 
Larry Martin, as Vice-President of
City Investors Inc.

EXHIBIT T

Form of Certificate of Completion

The CITY OF SEATTLE, a city of the first class of the State of Washington ("City"), hereby certifies that CITY INVESTORS INC., a Washington corporation ("City Investors") has satisfactorily completed the following described condition(s) or obligation(s) of Section 6 of that certain Purchase and Sale Agreement between City and City Investors dated as of May 18, 2001 ("Purchase Agreement"):

This Certificate of Completion is and shall be a conclusive determination that City Investors has completed to the City's satisfaction the above-described condition(s) or obligation(s); provided, however, that the remaining conditions and obligations under Section 6 of the Purchase Agreement not referenced herein as complete shall continue as contractual obligations of City Investors. This Certificate represents and certifies the completion of the City Investor's obligations only as specifically described herein.

With respect only to rights created under the Purchase Agreement, the City acknowledges that it shall not have, or be entitled to exercise, any of the rights or remedies or controls that it may otherwise have been entitled to exercise under the Purchase Agreement with respect to the obligations of City Investors under Section 6 of the Purchase Agreement which have been acknowledged as completed herein.

IN WITNESS WHEREOF, the City has caused this instrument to be executed this ____ day of _____, ____.

THE CITY OF SEATTLE

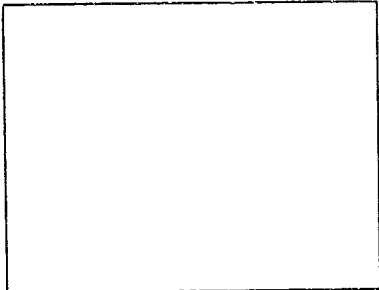
By _____
Its: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the _____ of the _____ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.



Dated: _____



(Use this space for notarial stamp/seal)

Notary Public _____

Print Name _____

My commission expires _____

NOTICE
IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

EXHIBIT A
RESOLUTION 30080

[SEE ATTACHED]

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
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RESOLUTION 30080

A RESOLUTION directing the Director of the Executive Services Department to investigate development opportunities for surplus City-owned properties in the South Lake Union area; and outlining the City objectives in potential disposition of said properties.

WHEREAS, redevelopment of City-owned properties in the South Lake Union area to provide a gateway to Seattle is a high priority of the Mayor and Council; and

WHEREAS, the South Lake Union Neighborhood Plan, adopted by City Council in March 1999, calls for redevelopment of City properties in the Mercer Corridor area; and

WHEREAS, the Mayor had requested all relevant departments to work as a team to coordinate City projects in the South Lake Union area and ascertain the actual need for the City to retain property there; and

WHEREAS, acquisition of the Naval Reserve property for park land by the Department of Parks and Recreation is imminent, and the Department anticipates the completed revision of the South Lake Union Park Master Plan by the end of March 2000; and

WHEREAS, the South Lake Union Neighborhood Plan encourages cultural uses at South Lake Union Park, related to maritime heritage; and

WHEREAS, the South Lake Union Neighborhood Plan proposed a series of transportation improvements intended to improve circulation as opposed to providing a grand transportation fix which would require the retention of the City's properties; and

WHEREAS, the Seattle Transportation Department is in the process of implementing a set of transportation improvements that are consistent with the vision and recommendations of the South Lake Union Neighborhood Plan, and funding transportation projects in the South Lake Union neighborhood is a high priority; and

WHEREAS, the City is planning projects in the area for a combined sewer overflow, streetscaping, and a bicycle trail to be implemented in the next two to three years; and

WHEREAS, real estate market conditions in South Lake Union are now very favorable from the City's financial perspective; and

WHEREAS, City and community representatives selected consultants to review urban design and real estate development alternatives for the properties; and

WHEREAS, real estate analysis has found that the subject properties are suitable, both physically and financially, to a broad range of uses; and



1 WHEREAS, while it is possible to individually redevelop the City-owned parcels at current height limits,
2 and without any land assembly, real estate and urban design analyses show that there are
3 potentially greater opportunities for public open space and other public amenities, public parking
4 accommodation, site circulation, design coherence, and integration with park development across
Valley Street, if the three blocks between Valley and Mercer Streets and Westlake and Fairview
Avenues are developed as an integrated development plan at heights compatible with
surrounding zoning; and

5 WHEREAS, these three blocks act as an important transition zone which connects the neighborhood with
6 South Lake Union Park in terms of pedestrian connections, view corridors, types of uses, and
architecture; and

7 WHEREAS, the consultants' analyses show that the parcels are limited in their usefulness as park
8 property because they are smaller than ballfields, are not contiguous with the new park, are
9 located between two extremely busy arterials, and using them to accommodate park-related
parking would preserve open space within the park itself; Now, therefore,

10 BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR
11 CONCURRING, THAT

12 Section 1. The City Council directs the Director of the Executive Services Department, in
13 conjunction with other relevant departments, to pursue redevelopment of surplus City properties in the
14 South Lake Union area (on the three blocks between Valley and Mercer Streets and Westlake and
15 Fairview Avenues) in ways that support the South Lake Union Neighborhood Plan. These departments
16 shall proceed to investigate the level of market interest in and development opportunities for these
17 properties, and the potential for achieving City objectives over the next few months by issuing a Request
18 for Qualifications (RFQ) for development, selecting appropriate developer(s), and entering into
19 negotiations of disposition and development agreements. The City Council further requests briefings
20 from City Departments at significant points in this process. Investigating development opportunities in
21 this manner implies no commitment on the part of the City to actually dispose of the properties.
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23
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Section 2. The City's intent in the potential property disposition and subsequent redevelopment is to achieve these public objectives:

- a) to address the need for public parking for citizens using South Lake Union Park and the Maritime Heritage Center;
- b) to encourage development of uses that incorporate urban design, architecture, and construction of high quality, and that are compatible with and enhance South Lake Union Park and the neighborhood;
- c) to create an attractive "gateway" area into and out of Seattle along Valley and Mercer Streets, coming on and off of the I-5 ramps;
- d) to promote a safe and active pedestrian environment within the neighborhood, and between South Lake Union Park and the neighborhood;
- e) to enhance visual relationships in the park vicinity, especially in terms of view corridors between park, lake and neighborhood, and the street frontage on the south side of Valley Street as seen from the park;
- f) to encourage the location of cultural uses; the application of a percent for art on both the public and private portions of the South Lake Union property transaction and development.
- g) to increase the amount of public open space over what would likely result from a simple sale of the individual parcels;
- h) to encourage alternative forms of transportation including public transit;



- i) to promote site design and development, vehicular access and egress, and uses that minimize parking and traffic impacts in the area;
- j) to discourage the continuation or creation of surface parking lots;
- k) to optimize overall monetary return and tax revenues to the City while achieving public objectives for redevelopment of the properties;
- l) to promote the creation of family wage jobs;
- m) to encourage, to the extent feasible, affordable housing as part of mixed use development on the City properties in the three block area directly south of Lake Union or as part of any redevelopment or disposition of the six nearby surplus City properties described in Section 5;
- n) to promote the goals and policies of the Comprehensive Plan, including the Economic Development Element and specific industries mentioned; and
- o) to catalyze economic development and revitalization in the area, consistent with the South Lake Union neighborhood plan.

Section 3. The City Council concurs with the findings of the consultants' analyses that a development plan that integrates the City properties on the three blocks between Valley and Mercer Streets and Westlake and Fairview Avenues with private parcels on the same blocks may optimize the achievement of public objectives set forth in Section 2. However, the City Council recognizes that there may be other ways to achieve this end. Therefore, responses to the RFQ that address individual parcels or sets of parcels will be considered, and all development concepts will be evaluated based on the potential for the achievement of the objectives set forth in Section 2.

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.



Section 4. The City Council concurs with the consultants' analyses that there may be potential benefits to allowing some or all of the new uses on the three blocks between Valley and Mercer Streets and Westlake and Fairview Avenues to be compatible with heights in the surrounding upland zones, which could yield improved public open space, and design and parking opportunities. Responses to the RFQ may propose contract rezones or development agreements if they can demonstrate how such a proposal would be essential to achieving the City's public objectives. Nothing in this resolution expresses the views or determination by the City's legislative authority regarding the zoning or rezoning of the subject property or any adjacent property.

Section 5. In addition to the above mentioned three block area, the consultants' analyses also indicated that the incorporation of other nearby surplus City-owned properties as part of a development plan may further the City's objectives associated with the City properties in the three block area. In addition, these parcels could be available for trade with other parcels needed for transportation projects or could be sites to which local business could relocate. Therefore, City departments shall also include in the RFQ six other surplus City properties located in an area between Aurora Avenue North to the west, Westlake Avenue North to the east, Valley Street to the north and Republican to the south. Respondents to the RFQ may incorporate the acquisition and development of some or all of these six other City properties. The six other surplus City properties in the South Lake Union area that are not ultimately included with the disposition and development agreement will be the subject of a later RFQ for their disposition and/or redevelopment.



1 Section 6. The Council finds that in pursuing development and possible disposition of the City
2 properties on the three blocks between Valley and Mercer Streets and Westlake and Fairview Avenues,
3 the City is seeking benefits for the public such as are listed in Section 2 and beyond what would
4 otherwise be provided by a private entity. The Council further finds that both the City and its partner(s)
5 will have a financial interest in the development and possible disposition of the City properties.
6 Therefore the Council has determined that this development and possible property disposition shall be a
7 Targeted Partnership subject to the Public Private Partnership Review Process set forth in Council
8 Resolution 30072 and attachments.

9
10 Prior to the City's selection of a partner or partners with whom to negotiate any development or
11 property disposition agreements, a Public Private Partnership Panel shall have been appointed and a
12 minimum of five members from it shall have been selected to participate in the review of this project.
13 Those members shall have reviewed the Public Private Partnership Protocol and supplemental materials
14 provided by the City and delivered their comments to the Mayor and Council's Finance and Budget
15 Committee. The Panel will work with the City agencies to update the Partnership Protocol as additional
16 information becomes available, examine anticipated City costs and public benefits and comment thereon,
17 and participate in the public engagement process carried out by the City departments and the City
18 Council. As of the date of this Resolution, a panel has not yet been created pursuant to Resolution
19 30072. Therefore, in order to expedite consideration of development and disposition of these City
20 properties, if the Mayor notifies the Council President that the Public Private Partnership Panel will
21 likely not be created by March 15, 2000, a South Lake Union Public Private Partnership Panel will be
22 created for review of this project only. Said South Lake Union Public Private Partnership Panel shall
23 consist of five members who shall satisfy all the qualifications for members of the Public Private
24 Partnership Panel in Resolution 30072 and attachments and who shall serve the same role as the Public
25 Partnership Panel in Resolution 30072 and attachments and who shall serve the same role as the Public
26 Partnership Panel in Resolution 30072 and attachments and who shall serve the same role as the Public
27 Partnership Panel in Resolution 30072 and attachments and who shall serve the same role as the Public
28 Partnership Panel in Resolution 30072 and attachments and who shall serve the same role as the Public



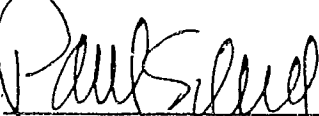
Private Partnership Panel. The Council shall appoint four members of the South Lake Union Public Private Partnership Panel; and those four members shall select a fifth. The Panel will be staffed by the City Budget Office. The South Lake Union Public Private Partnership Panel will cease to exist with the execution of all agreements regarding development and disposal of the City South Lake Union properties.

ADOPTED by the City Council of the City of Seattle this 13th day of December, 1999
and signed by me in open session in authentication of its adoption this 13th day of December, 1999.



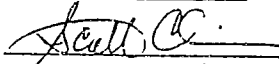
President of the City Council

THE MAYOR CONCURRING:



Paul Schell, Mayor

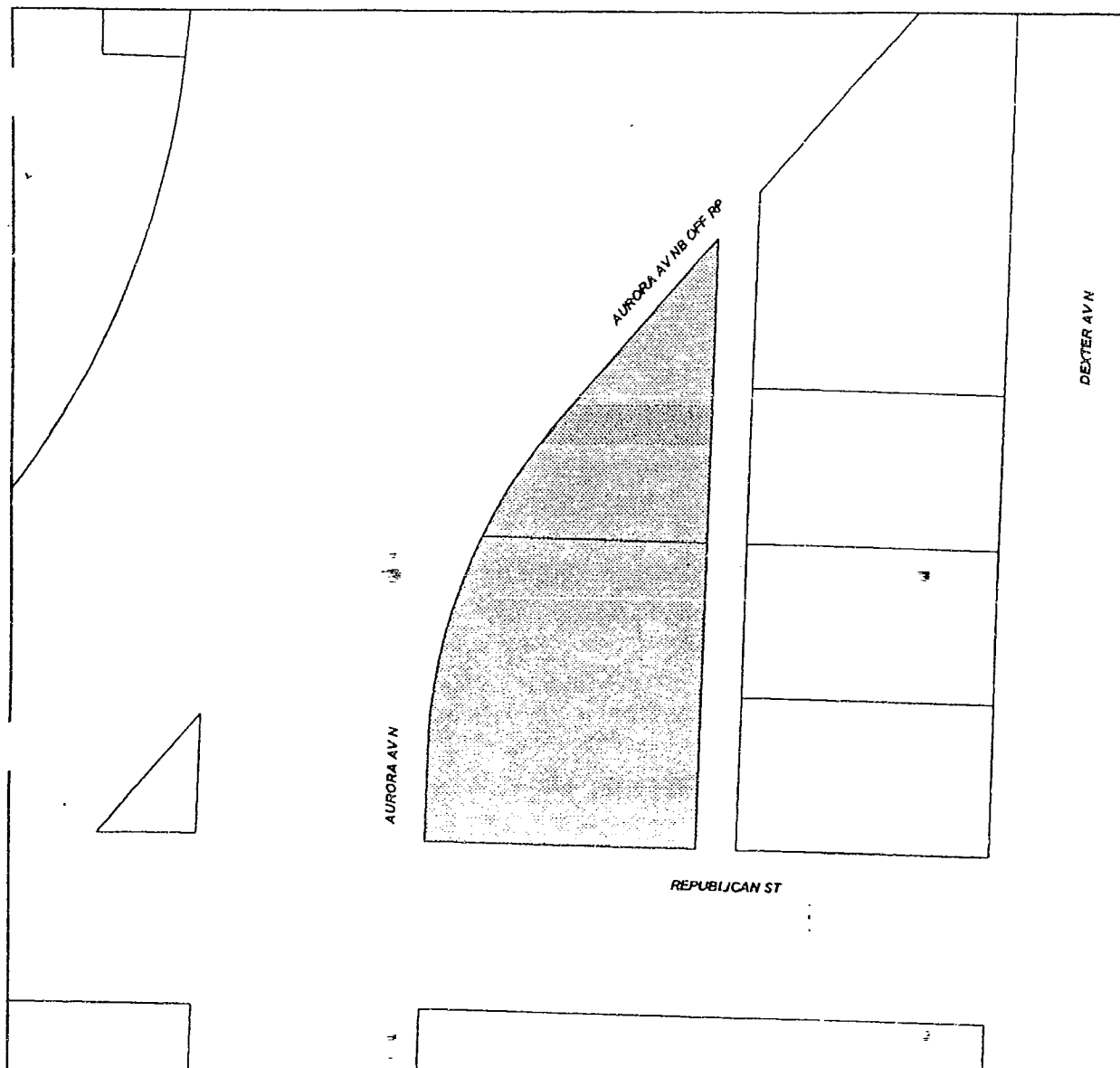
Filed by me this 21st day of December, 1999.



City Clerk, Acting

(Seal)



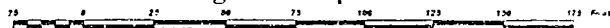


Legend

- Tax Parcels
- Parcel 8



**Exhibit B
Parcel 8 Property Diagram &
Legal Description**



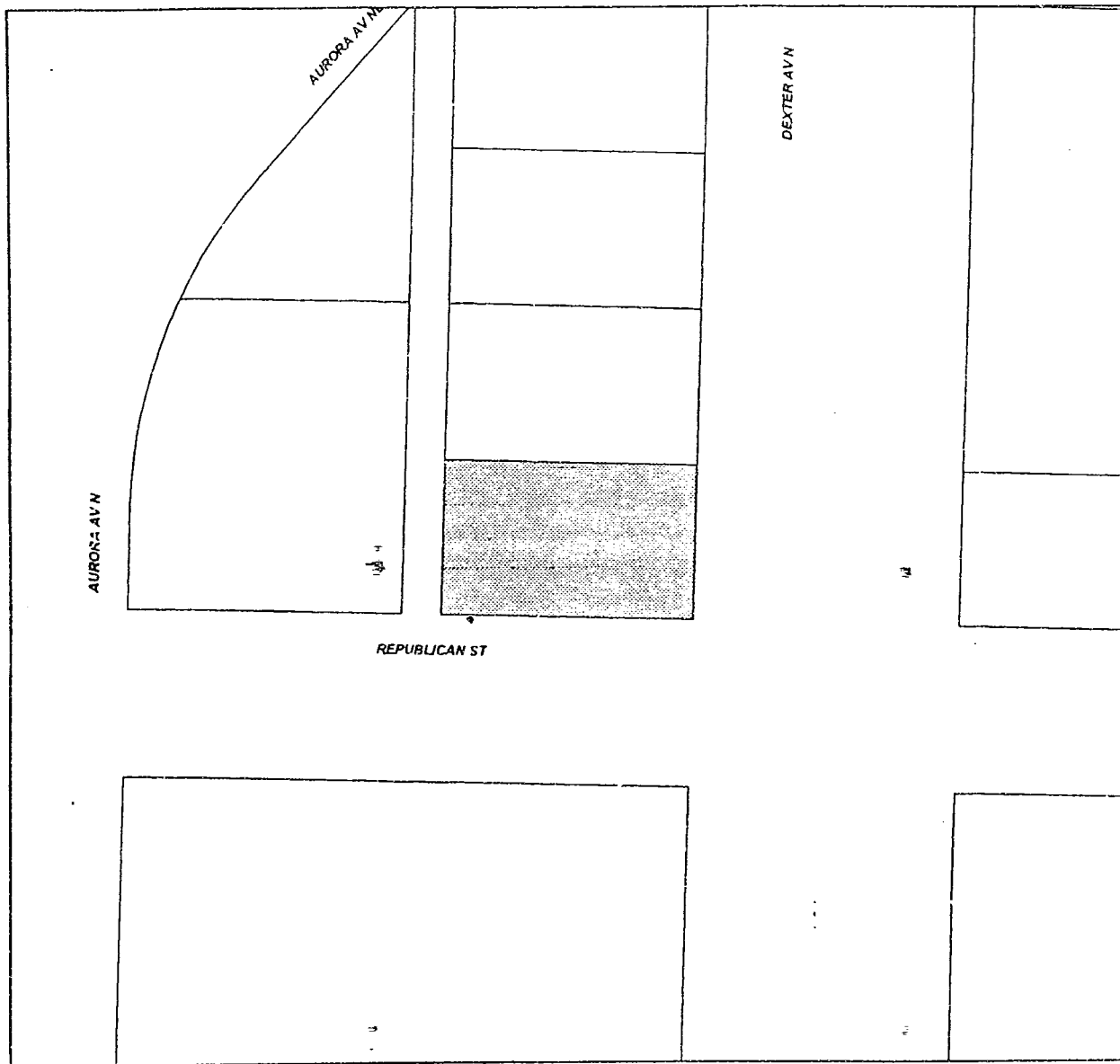
Produced by the City of Seattle,
Real Estate Services
February 5, 2001

IMPORTANT: This is not a Plat of Survey. It is furnished as a convenience to locate the land indicated herein with reference to streets and other land. No liability is assumed by reason of reliance herein.

LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows:
PARCEL A: Lots 8 and 9, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington; EXCEPT the west 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle; AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle.

PARCEL B: Lots 10 and 11, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington; EXCEPT the West 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle; AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle for Broad Street

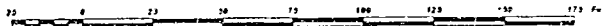


Legend

- Tax Parcels
- Parcel 9



**Exhibit C
Parcel 9 Property Diagram &
Legal Description**



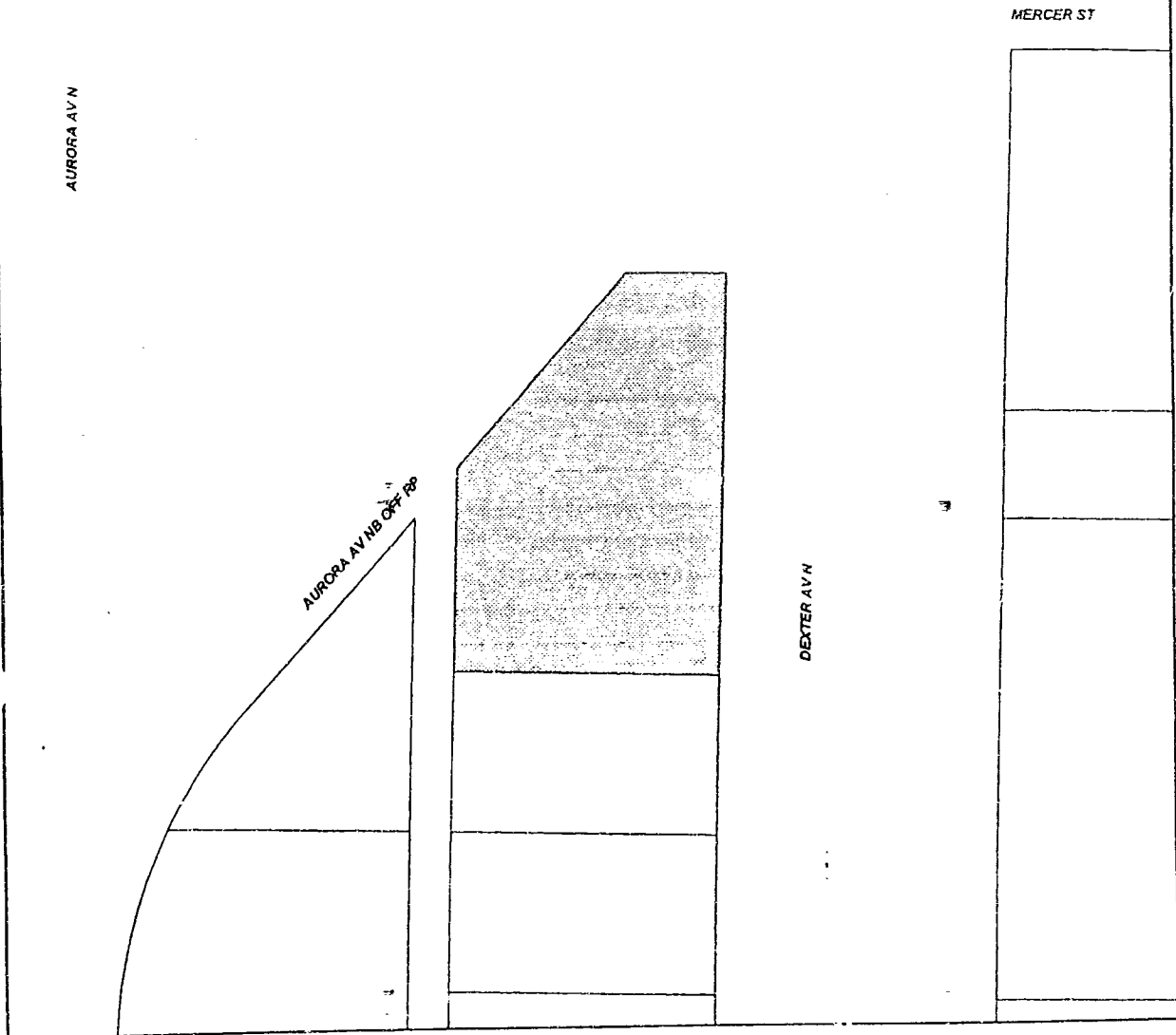
Produced by the City of Seattle,
Real Estate Services
February 5, 2001

IMPORTANT: This is not a Plat of Survey. It is
furnished as a convenience to locate the land
indicated herein with reference to streets and other
land. No liability is assumed by reason of reliance
hereon.

LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows
Lot 7, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115,
in King County, Washington, EXCEPT the east 20 feet thereof as condemned in King County Cause Number 193437,
for Dexter Avenue, as provided by Ordinance Number 50890 of the City of Seattle

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

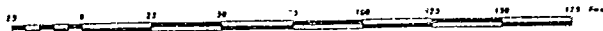


Legend

- Tax Parcels
- Parcel 10



Exhibit D Parcel 10 Property Diagram & Legal Description



Produced by the City of Seattle,
Real Estate Services
February 5, 2003

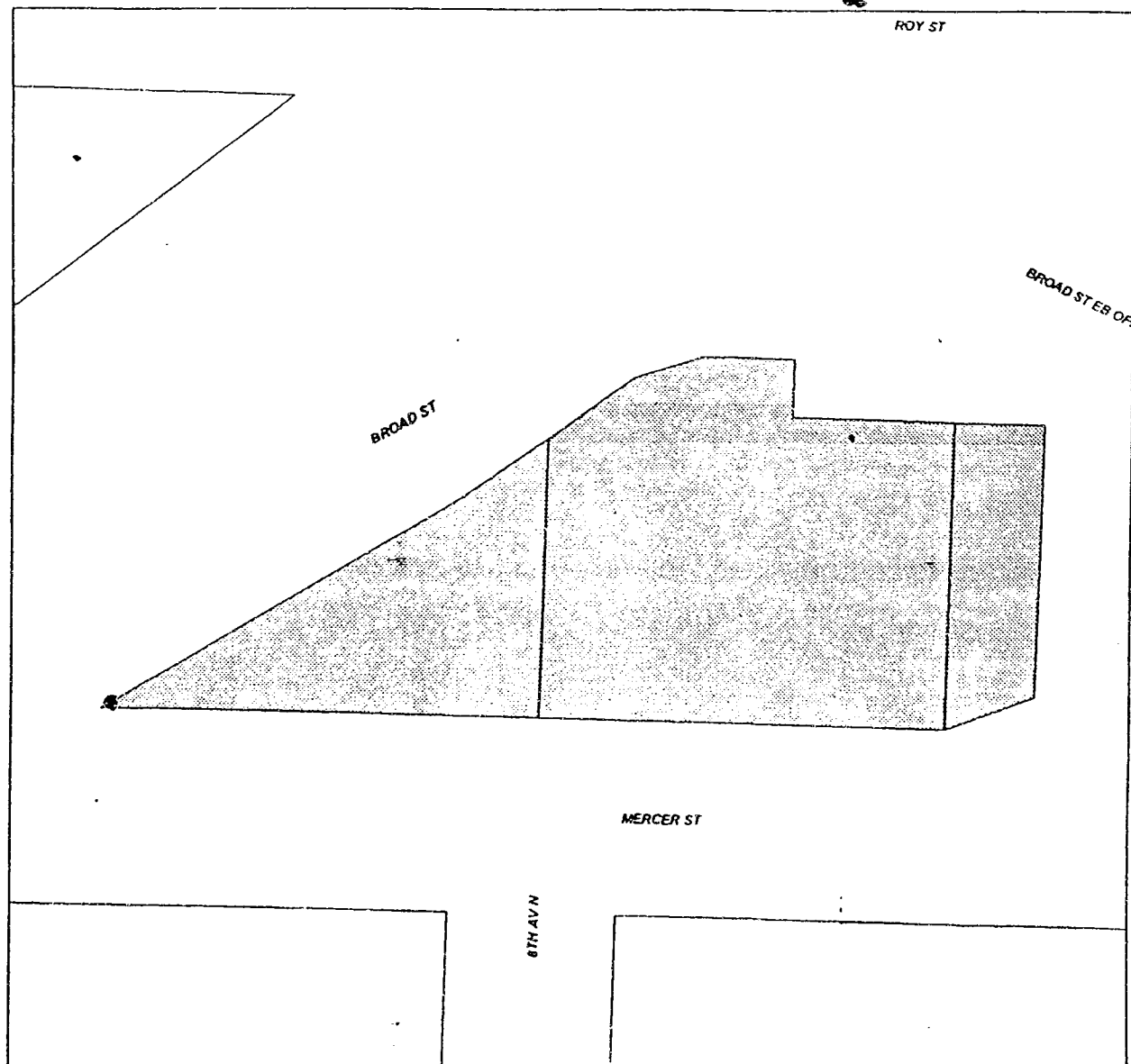
IMPORTANT: This is not a Plat of Survey. It is furnished as a convenience to locate the land indicated herein with reference to streets and other land. No liability is assumed by reason of reliance herein.

LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows: Lots 1, 2, 3 and 4, Block 74, D. T. Deriny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington, EXCEPT the east 20 feet of said Lots 2, 3 and 4 condemned in King County Superior Court Cause No 193437 for Dexter Avenue, as provided by Ordinance Number 50890 of the City of Seattle, AND ALSO EXCEPT that portion of said Lots 1, 2 and 3, condemned in King County Superior Court Cause No 486551 as provided by Ordinance No 84452 of the City of Seattle, lying northerly and northwesterly of the following described line

Beginning at a point on the westerly margin of Dexter Avenue as widened under Ordinance Number 50890, said point being 84.16 feet southerly (measured along said westerly line) from the north line of said block, thence along a straight line perpendicular to said westerly margin of Dexter Avenue a distance of 33.50 feet to an angle point, thence southwesterly along a straight line a distance of 96.44 feet to a point in the west line of Lot 3, said block, said point being 40.53 feet southerly (measured along said west line) from the southeasterly margin of Broad Street, as shown in said plat

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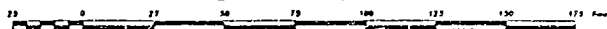


Legend

- Tax Parcels
- Parcel 11



Exhibit E Parcel 11 Property Diagram & Legal Description



Produced by the City of Seattle,
Real Estate Services
February 1, 2001

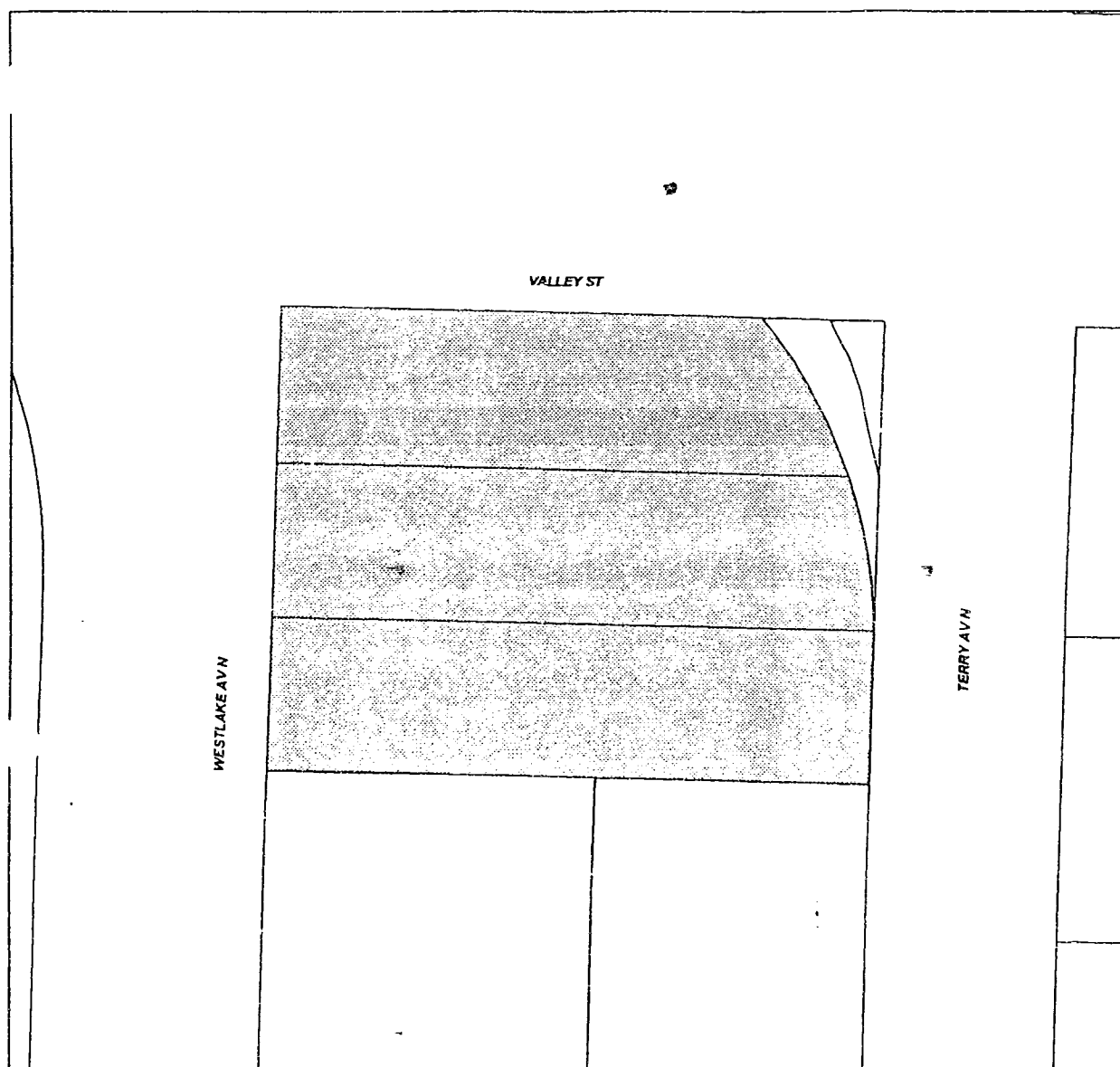
IMPORTANT: This is not a Plat of Survey. It is furnished as a convenience to locate the land indicated herein with reference to streets and other land. No liability is assumed by reason of reliance thereon.

LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows: The west half of Lot 6, and all of Lots 7 and 8, Block 1, Eden Addition to the City of Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 61-A, in King County, Washington, EXCEPT portions of said Lot 6, acquired for street purposes by the City of Seattle as provided by Ordinance No. 84452 and Ordinance No. 88109.

ALSO that portion of Lots 1 and 2 in said Block 1, described as follows: Beginning at the southwest corner of said Lot 1; thence north along the west line of said Lots 1 and 2, a distance of 120 feet to the northeast corner of said Lot 2; thence east along the north line of said Lot 2, a distance of 33 feet; thence south parallel with said west line 107.10 feet; thence southwesterly along a straight line 35.43 feet to a point of beginning.

ALSO that portion of Lots 1, 2 and 8, Block 2 of said Addition and of vacated 8th Avenue North as provided by Ordinance No. 89653 described as follows: Beginning at the southeast corner of said Lot 1; thence westerly along the south line of said Lots 1 and 8, a distance of 139.48 feet to the southeasterly line of Broad Street as condemned by the City of Seattle by Ordinance No. 84452; thence northeasterly along said southeasterly line to the east line of said 8th Avenue North; thence southerly along said east line 132.87 feet to the production east of the south line of said Lot 1; thence westerly along said produced line 66 feet to the point of beginning.

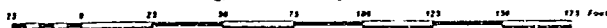


Legend

-  Tax Parcels
-  Parcel 14



Exhibit F Parcel 14 Property Diagram & Legal Description



Produced by the City of Seattle,
Real Estate Services
February 5, 2001

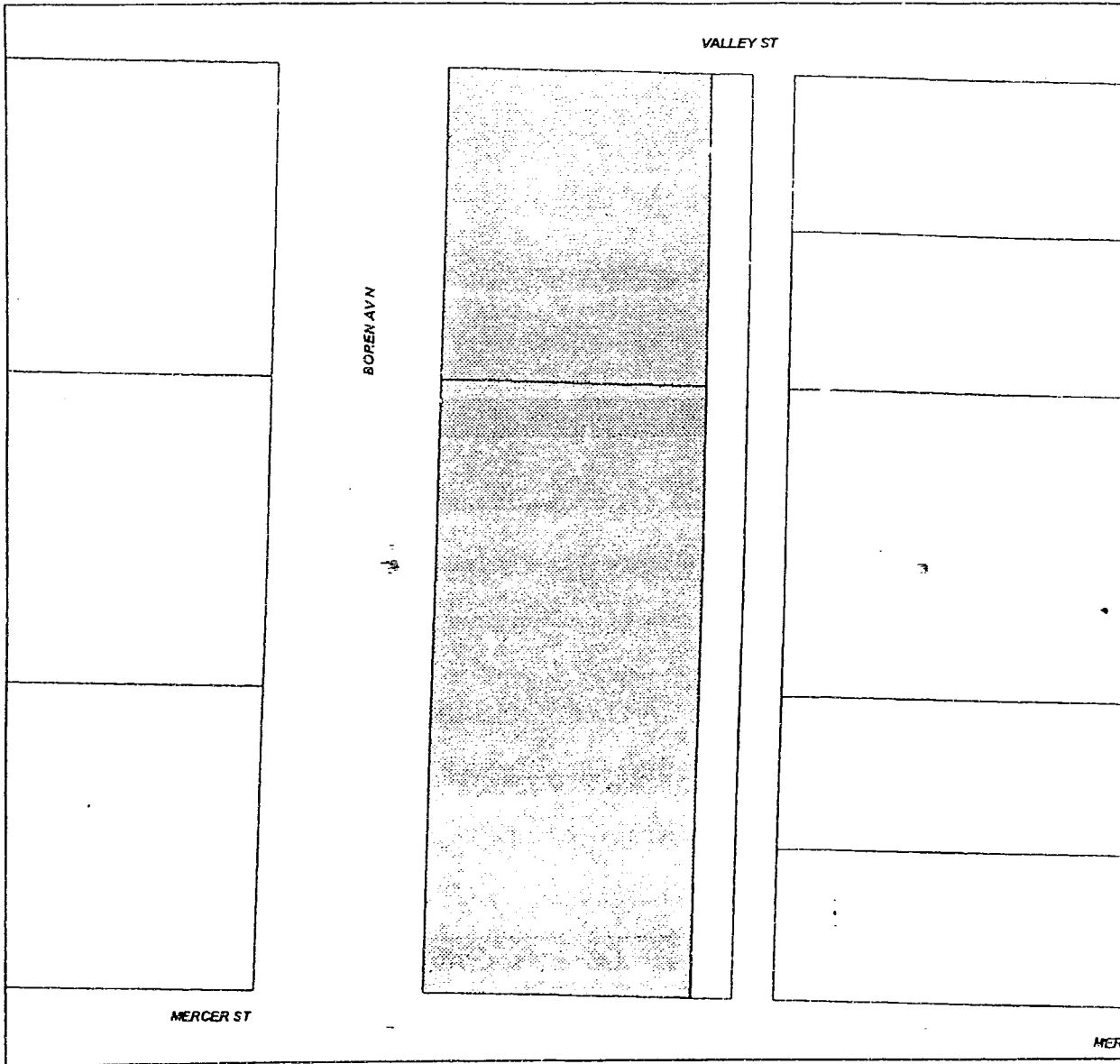
IMPORTANT: This is not a Plot of Survey. It is
furnished as a convenience to locate the land
indicated hereon with reference to streets and other
land. No liability is assumed by reason of reliance
hereon.

LEGAL DESCRIPTION



The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows
Lots 1, 2 and 3, Block 77, Lake Union Shore Lands, EXCEPT the following

Beginning at the northeast corner of Block 77,
thence southerly along the east line of said block, 137.96 feet, thence north 7°52' west 23.26 feet to a point of curve, thence in a
northwesterly direction along a curve to the left, having a radius of 271.44 feet turning through an angle of 26°16', a distance of 124.44 feet,
or less, to a point on the north line of said Block 77, thence easterly along said line 48.11 feet, more or less, to the place of beginning;
EXCEPT the east 5 feet of the remainder of Lots 2 and 3 as condemned in King County Superior Court Cause Number '62246 and
provided by Ordinance Number 43560 for Terry Avenue, in King County, Washington

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.



Legend

-  Tax Parcels
-  Parcel 16



**Exhibit H
Parcel 16 Property Diagram &
Legal Description**



Produced by the City of Seattle,
Real Estate Services
February 5, 2001

IMPORTANT: This is not a Plat of Survey. It is
furnished as a convenience to locate the land
indicated herein with reference to streets and other
land. No liability is assumed by reason of reliance
thereon.

402

LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows:
The west 103 feet of Lots 7, 8, 9, 10, 11 and 12, Block 106, David T. Denny's First Addition to North Seattle, according to the plat thereof
recorded in Volume 1 of Plats, page 79, in King County, Washington

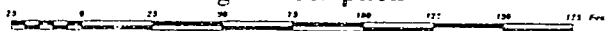


Legend

- ☐ Tax Parcels
- ☒ Parcel 15



**Exhibit G
Parcel 15 Property Diagram &
Legal Description**



Produced by the City of Seattle,
Real Estate Services
February 5, 2001

IMPORTANT: This is not a Plat of Survey. It is furnished as a reference to locate the land indicated herein with reference to streets and other land. No liability is assumed by reason of reliance hereon.

LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows:
Lots 1 and 2, Block 104, D. T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats,
page 79, in King County, Washington; TOGETHER WITH that portion of Lots 1 and 2, Block 76, Lake Union Shorelands, lying east of
the easterly margin of Terry Avenue North, as established pursuant to City of Seattle Ordinance Number 43560.

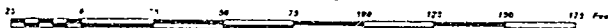


Legend

- Tax Parcels
- Parcel 17



Exhibit I Parcel 17 Property Diagram & Legal Description



Produced by the City of Seattle,
Real Estate Services
February 5, 2001

IMPORTANT: This is not a Plat of Survey. It is
furnished as a convenience to locate the land
indicated herein with reference to streets and other
land. No liability is assumed by reason of reliance
hereon.

LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows

Lots 5 and 6, Block 106, David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington, EXCEPT the east 21 feet thereof condemned in King County Superior Court Cause No. 204496 for Fairview Avenue, as provided by Ordinance No. 51975 of the City of Seattle

EXHIBIT J
SUBJECT PROPERTIES MAP

[SEE ATTACHED]

NOTICE:
IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

EXHIBIT J



The City of Seattle

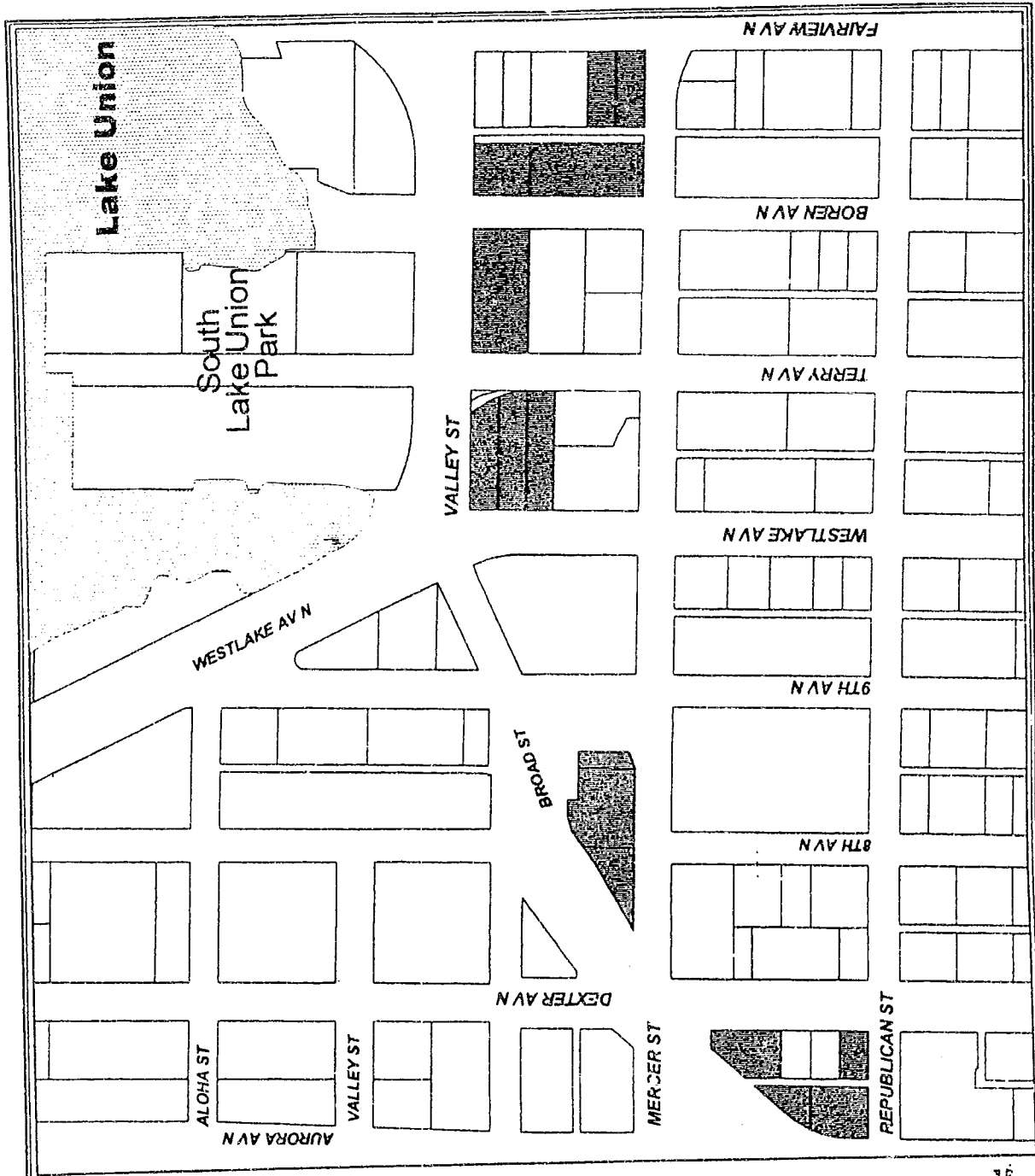
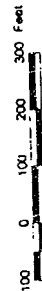


Exhibit J Subject Properties

Produced by the City of Seattle,
Real Estate Services
February 2, 2001

Legend

-  Tax Parcels
-  Subject Properties



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No guarantee of any sort implied, including accuracy,
completeness, or fitness for use.
C:\wp91\slu_pos apr 2001

The City of Seattle

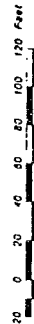


Exhibit K Map of Vacated Land adjacent to 800 Mercer St.

Produced by the City of Seattle,
Real Estate Services
February 28, 2001

Legend

- Vacation area without easements
- Vacation area with utility easements
- Tax Parcels
- Building Outlines
- Pavement Edge



THE CITY OF SEATTLE, 2001. All rights reserved.
For illustrative purposes only.

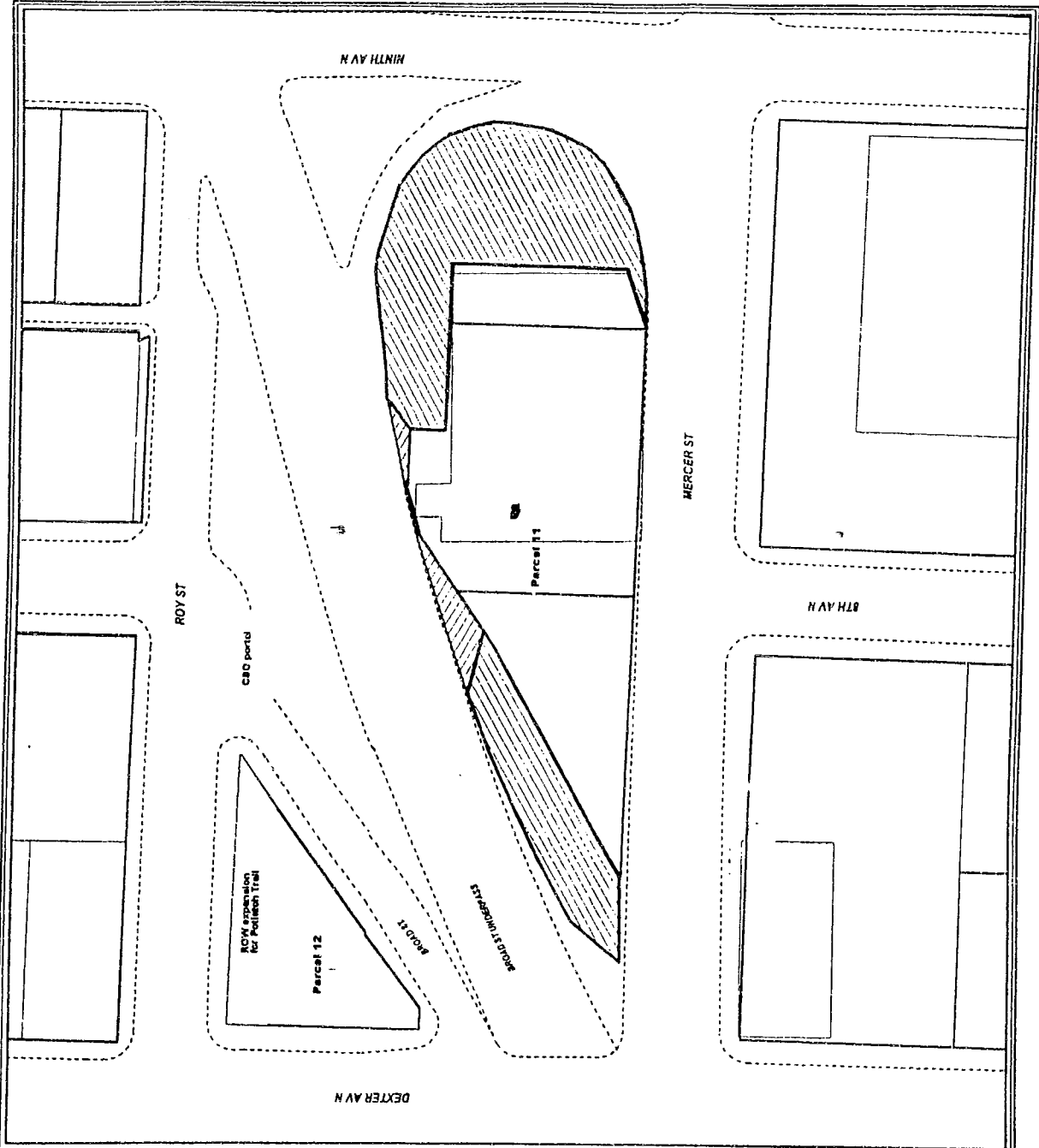


EXHIBIT L
BARGAIN AND SALE DEED

[SEE ATTACHED]

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

EXHIBIT L

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

FOSTER PEPPER & SHEFELMAN PLLC
1111 THIRD AVENUE, SUITE 3400
SEATTLE, WA 98101
Attn: Joseph D. Delaney

BARGAIN AND SALE DEED

GRANTOR:

GRANTEE:

ABBREVIATED LEGAL
DESCRIPTION:

ASSESSORS' TAX PARCEL
ID NO.:

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

BARGAIN AND SALE DEED

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, the Grantor, _____, hereby grants, bargains, sells, conveys and confirms to the Grantee, _____, the real property in the County of King, State of Washington, more particularly described on Exhibit A attached hereto and made a part hereof (the "Property").

The Grantor for itself and for its successors and assigns does by these presents expressly limit the covenants of this deed to those herein expressed, and excludes all covenants arising or to arise by statutory or other implication and does hereby covenant that against all persons whomsoever lawfully claiming or to claim by, through or under said Grantor and not otherwise, it will forever warrant and defend the said described real estate.

This conveyance is made subject to the items listed as attached Exhibit B (the "Permitted Exceptions").

DATED this _____ day of _____, 2001.

GRANTOR: _____

By _____
Name _____
Its _____

STATE OF WASHINGTON

COUNTY OF _____

ss.

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the _____ of _____, a _____, to be the free and voluntary act of such _____ for the uses and purposes mentioned in the instrument.

Dated this _____ day of _____, 2001.

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington,
residing at _____

My appointment expires _____

NOTICE:
IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
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EXHIBIT A
LEGAL DESCRIPTION

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
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EXHIBIT A

50253720 01

EXHIBIT B
PERMITTED EXCEPTIONS

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

EXHIBIT B

EXHIBIT M
PRO FORMA TITLE INSURANCE POLICIES

[SEE ATTACHED]

Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325159

Policy Date: XXXXXXXXXXXX
at XXXXXXXXXXXX

Policy No.: XXXX-XXXXXX

Policy Amount: \$1,574,466.91

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

As on Schedule A, page 2, attached.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

SCHEDULE A
Page 2

The land referred to in this policy is in the County of King, State of Washington, and described as follows:

PARCEL A:

Lots 8 and 9, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the west 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle;
AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle.

PARCEL B:

Lots 10 and 11, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the West 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle;
AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle for Broad Street.

END OF SCHEDULE A

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

NOTICE:
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Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

SPECIAL EXCEPTIONS:

1. INDEMNITY AGREEMENT AND THE TERMS AND CONDITIONS THEREOF:

BY AND BETWEEN: J. T. Hardeman Hat Co. and the City
of Seattle

DATED: December 1, 1920
RECORDED: December 1, 1920
RECORDING NUMBER: 1472454

REGARDING:
Said agreement released City of Seattle from all future claims for
damages resulting from the construction of steps.
AFFECTS: Lot 8

2. INDEMNITY AGREEMENT AND THE TERMS AND CONDITIONS THEREOF:

BY AND BETWEEN: J. T. Hardeman Hat Co., a
corporation and the City of Seattle

DATED: February 26, 1932
RECORDED: April 12, 1932
RECORDING NUMBER: 2717625

REGARDING:
Said agreement released City of Seattle from all future claims for
damages resulting from the construction of steps.
AFFECTS: Lot 8

3. Limited access highway purposes pursuant to Ordinance Number 99377
recorded under Recording Number 7104230427.

4. Right of the City of Seattle, specified in Ordinance Number 84452
of the City of Seattle, as established by Judgment on Verdicts
entered in Superior Court Cause Number 486551.
AFFECTS: Lots 8 and 9

5. Matters disclosed by the ALTA survey from _____, dated
_____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

tas

This is a Pro Forma Policy provided to, or on
behalf of, the proposed insured. It does not pur-
port to show the current condition of the, but
rather reflects the form of the policy the com-
pany would expect to issue when all necessary
actions have been taken and all requirements
have been met to the satisfaction of the
company.

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
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Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325160

Policy No.: XXXX-XXXXXX

Policy Date: XXXXXXXXXX
at XXXXXXXX

Policy Amount: \$516,064.74

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

Lot 7, Block 74, D.T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the east 20 feet thereof as condemned in King County Cause Number 193437, for Dexter Avenue, as provided by Ordinance Number 50890 of the City of Seattle.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

NOTICE:
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Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

SPECIAL EXCEPTIONS:

1. Right granted to the City of Seattle to make and maintain the necessary slopes for cuts and fills, as Cause Number 193437, which was commenced pursuant to the provision of Ordinance Number 50890.
2. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

tas

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325161
Policy Date: XXXXXXXXXX
at XXXXXXXX

Policy No.: XXXX-XXXXXX
Policy Amount: \$1,060,038.84

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

As on Schedule A, page 2, attached.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the actual condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

SCHEDULE A
Page 2

Policy No.: XXXX-XXXXXX

The land referred to in this policy is in the County of King, State of Washington, and described as follows:

Lots 1, 2, 3 and 4, Block 74, D.T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the east 20 feet of said Lots 2, 3 and 4 condemned in King County Superior Court Cause No. 193437 for Dexter Avenue as provided of Ordinance No. 50890 of the City of Seattle;
AND ALSO EXCEPT that portion of said Lots 1, 2 and 3, condemned in King County Superior Court Cause Number 486551 as provided by Ordinance No. 84452 of the City of Seattle, lying northerly and northwesterly of the following described line:

Beginning at a point on the westerly margin of Dexter Avenue as widened under Ordinance Number 50890, said point being 81.16 feet southerly (measured along said westerly line) from the north line of said block;
thence along a straight line perpendicular to said westerly margin of Dexter Avenue a distance of 33.50 feet to an angle point;
thence southwesterly along a straight line a distance of 96.44 feet to a point in the west line of Lot 3, said block, said point being 40.53 feet southerly (measured along said west line) from the southeasterly margin of Broad Street, as shown in said plat.

END OF SCHEDULE A

NOTICE:
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This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflect the form of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

SPECIAL EXCEPTIONS:

1. Right granted to the City of Seattle to make and maintain the necessary slopes for cuts and fills, as Cause Number 193437, which was commenced pursuant to the provision of Ordinance Number 50890.
2. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

tas

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the terms of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325162

Policy Date: XXXXXXXXXX
at XXXXXXXX

Policy No.: XXXX-XXXXXX

Policy Amount: \$2,821,429.56

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

As on Schedule A, page 2, attached.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of policy the company would issue to the insured if all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

SCHEDULE A
Page 2

Policy No.: XXXX-XXXXXX

The land referred to in this policy is in the County of King, State of Washington, and described as follows:

The west half of Lot 6, and all of Lots 7 and 8, Block 1, Eden Addition to the City of Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 61-A, in King County, Washington;
EXCEPT portions of said Lot 6, acquired for street purposes by the City of Seattle as provided by Ordinance No. 84452 and Ordinance No. 88109;

ALSO that portion of Lots 1 and 2 in said Block 1, described as follows:

Beginning at the southwest corner of said Lot 1;
thence north along the west line of said Lots 1 and 2, a distance of 120 feet to the northeast corner of said Lot 2;
thence east along the north line of said Lot 2, a distance of 33 feet;
thence south parallel with said west line 107.10 feet;
thence southwesterly along a straight line 35.43 feet to the point of beginning;

ALSO that portion of Lots 1, 2 and 8, Block 2 of said Addition and of vacated 8th Avenue North as provided by Ordinance No. 89653 described as follows:

Beginning at the southeast corner of said Lot 1;
thence westerly along the south line of said Lots 1 and 8, a distance of 139.48 feet to the southeasterly line of Broad Street as condemned by the City of Seattle by Ordinance No. 84452;
thence northeasterly along said southeasterly line to the east line of said 8th Avenue North;
thence southerly along said east line 132.87 feet to the production east of the south line of said Lot 1;
thence westerly along said produced line 66 feet to the point of beginning.

END OF SCHEDULE A

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

This is a Pro Forma Policy provided to, or on behalf of, the applicant, and does not constitute a commitment by the company to issue a policy, or to provide any other financial product, or to take any other action, in connection with the application. The company will only issue a policy, or provide any other financial product, or take any other action, if the company is satisfied that the applicant has provided all the information required by the company, and that the applicant has agreed to the terms and conditions of the policy, or other financial product, or action. The company reserves the right to refuse to issue a policy, or provide any other financial product, or take any other action, if the company is not satisfied with the information provided by the applicant, or if the applicant does not agree to the terms and conditions of the policy, or other financial product, or action.

Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

NOTICE:
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SCHEDULE B
Page 2

Policy No.: XXXX-XXXXXX

SPECIAL EXCEPTIONS:

1. Reservation contained in City of Seattle Ordinance No. 89653 vacating a portion of 8th Avenue North as follows: Reserving to the City of Seattle the right to reconstruct, maintain and operate any existing overhead or underground utilities in said street until the beneficiaries of the vacation arrange with the owner or owners thereof for their removal.
2. Provisions contained in City of Seattle Ordinance No. 99377 and in instrument recorded April 3, 1971 under King County Recording Number 7104230427 regarding limited access.
3. Right to make necessary slopes for cuts or fills as condemned in King County Superior Court Cause Numbers 193437 and 486551, and as provided in City of Seattle Ordinance Numbers 17628, 50890 and 84452.
4. EASEMENT AND THE TERMS AND CONDITIONS REFERENCED THEREIN, INCLUDING, BUT NOT LIMITED TO, THE FOLLOWING:

GRANTEE:	King County
PURPOSE:	Utility
AREA AFFECTED:	As constructed
RECORDED:	XXXXXXXXXX
RECORDING NUMBER:	XXXXXXXXXX

5. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

tas

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show present condition of title, but rather reflects the terms of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

NOTICE:
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Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325165
Policy Date: XXXXXXXXXXXX
at XXXXXXXXXXXX

Policy No.: XXXX-XXXXXX
Policy Amount: \$4,694,704.47

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

As on Schedule A, page 2, attached.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

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SCHEDULE A
Page 2

The land referred to in this policy is in the County of King, State of Washington, and described as follows:

Lots 1, 2 and 3, Block 77, Lake Union Shore Lands;
EXCEPT the following:

Beginning at the northeast corner of Block 77;
thence southerly along the east line of said block, 137.96 feet;
thence north 7°52' west 23.26 feet to a point of curve;
thence in a northwesterly direction along a curve to the left,
having a radius of 271.44 feet turning through an angle of 26°16', a
distance of 124.44 feet, more or less, to a point on the north line
of said Block 77;
thence easterly along said line 48.11 feet, more or less, to the
place of beginning;
AND EXCEPT the east 5 feet of the remainder of Lots 2 and 3 as
condemned in King County Superior Court Cause Number 162246 and
provided by Ordinance Number 43560 for Terry Avenue, in King County,
Washington.

END OF SCHEDULE A

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the

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Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXY-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

IT IS DUE TO THE QUALITY OF THE DOCUMENT.

SPECIAL EXCEPTIONS:

1. Exceptions and Reservations contained in deed from the state of Washington, whereby the Grantor excepts and reserves all oil, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working the same and providing that such rights shall not be exercised until provision has been made for full payment of all damages sustained by reason of such entry; recorded under Recording Number 1034109.

NOTE: No examination has been made to determine the present record owner of the above minerals, or mineral lands and appurtenant rights thereto, or to determine matters which may affect the lands or rights so reserved.

Right of state of Washington or its successors, subject to payment of compensation therefor, to acquire rights of way for private railroads, skid roads, flumes, canals, water courses or other easements for transporting and moving timber, stone, minerals and other products from this and other property, as reserved in deed referred to above.

2. EASEMENT AND THE TERMS AND CONDITIONS REFERENCED THEREIN, INCLUDING, BUT NOT LIMITED TO, THE FOLLOWING:

GRANTEE:	Pacific Telephone and Telegraph Company, a California corporation
PURPOSE:	One anchor
AREA AFFECTED:	As constructed
RECORDED:	February 11, 1959
RECORDING NUMBER:	4996277

3. Right to make necessary slopes for cuts or fills, as condemned in King County Superior Court Cause Number 162246 and provided by Ordinance Number 43560.
4. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

tas

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the terms of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the

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Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325166
Policy Date: XXXXXXXXXX
at XXXXXXXX

Policy No.: XXXX-XXXXXX
Policy Amount: \$3,333,940.47

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability

4. The land referred to in this Policy is described as follows:

Lots 1 and 2, Block 104, D. T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington;

TOGETHER WITH that portion of Lots 1 and 2, Block 76, Lake Union Shorelands, lying east of the easterly margin of Terry Avenue North, as established pursuant to City of Seattle Ordinance Number 43560.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

A.L.T.A. OWNER'S POLICY

Policy NO.: XXXX-XXXXXX

The above is a copy of the original policy issued on behalf of the

State of California

This policy is not limited to
the State of California, governments or other entities, to tide lands,
including the shores of bays and navigable rivers,
and lands beyond the line of the harbor
of the State of California.

It is hereby declared that there are no exceptions in
the State of California authorizing the issuance thereof; (c) water
rights in the State of California.

There are no special agreements which are not shown as existing liens
by the public records.

4. Any service, installation, connection, maintenance, capacity, or
construction charges for sewer, water, electricity or garbage
removal.

There are no codes or regulations, Indian treaty or aboriginal
rights, easements or equitable
servitudes.

This is a Pro Forma Policy provided to, or on
behalf of the insured. It does not pur-
port to show the current condition of title, but
merely shows the form of the policy the com-
pany is prepared to issue. All necessary
conditions and requirements
have been met to the satisfaction of the
company.

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

SPECIAL EXCEPTIONS:

1. Exceptions and Reservations contained in deed from the state of Washington, whereby the Grantor excepts and reserves all oil, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working the same and providing that such rights shall not be exercised until provision has been made for full payment of all damages sustained by reason of such entry; recorded under Recording Number 519399.

NOTE: No examination has been made to determine the present record owner of the above minerals, or mineral lands and appurtenant rights thereto, or to determine matters which may affect the lands or rights so reserved.

2. Right to make necessary slopes for cuts or fills, including lateral supports as provided in City of Seattle Ordinance Number 43560.

AFFECTS:

That portion abutting Terry Avenue
North

3. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

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tas

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of policy that the company would expect to issue. All necessary actions have been taken and all requirements have been met to the satisfaction of the company.

Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325167
Policy Date: XXXXXXXXXX
at XXXXXXXX

Policy No.: XXXX-XXXXXX
Policy Amount: \$4,109,056.42

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

The west 103 feet of Lots 7, 8, 9, 10, 11 and 12, Block 106, David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of policy the company would expect to issue when all necessary actions have been taken. All requirements have been met to the satisfaction of the company.

IT IS DUE TO THE QUALITY OF THE DOCUMENT.
THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE

Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

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SCHEDULE B

Page 2

SPECIAL EXCEPTIONS:

1. Provisions contained in the City of Seattle Ordinance No. 99377 and in instrument recorded April 23, 1971 under King County Recording Number 7104230427 regarding limited access.
2. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

tas

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current state of title, but rather reflects the form of policy the company would expect to issue. All necessary actions have been taken and all requirements have been met to the satisfaction of the company.

Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325168
Policy Date: XXXXXXXXXX
at XXXXXXX

Policy No.: XXXX-XXXXXX
Policy Amount: \$2,076,911.83

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is hereinafter described:
The land referred to in this Policy is hereinafter described as follows:
Lots 5 and 6, Block 106, D.T. Denny's First Addition to North
Seattle, according to the plat thereof recorded in Volume 1 of
Plats, page 79, in King County, Washington;
EXCEPT the east 21 feet thereof condemned in King County Superior
Court Cause No. 204496 for Fairview Avenue, as provided by Ordinance
No. 51975 of the City of Seattle.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

NOTICE:
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Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

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SCHEDULE B
Page 2

Policy No.: XXXX-XXXXXX

SPECIAL EXCEPTIONS:

1. Provisions contained in City of Seattle Ordinance No. 99377 and instrument recorded April 23, 1971 under King County Recording Number 7104230427 regarding limited access.
2. Right to make necessary slopes for cuts or fills upon property herein described as condemned in King County Superior Court Cause Number 204496 and as provided by Ordinance No. 51975.
3. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

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Exhibit N -- Schedule of Tenancies

Property	Tenant	Term
<i>Parcel 8</i>		
500 Aurora Avenue N	School for Visual Concepts	Month-to-month holdover
	Orville Dawson	Month-to-month holdover
<i>Parcel 9</i>		
501 Dexter Avenue N	Sun West Co.	Month-to-month holdover
<i>Parcel 10</i>		
525 Dexter Avenue N	Glazer's Camera Supply	November 30, 2002
	Copiers NW (parking only)	Month-to-month
<i>Parcel 11</i>		
800 Mercer Street	Artco Sign Company	Month-to-month holdover
	Seattle Gilbert and Sullivan Society	Month-to-month holdover
	Electromatic, Inc.	Month-to-month holdover
	Quicksilver Metalsmithing	Month-to-month holdover
	James Moore	Month-to-month holdover
	Thomas Hugh Strangeland	Month-to-month holdover
	Art Lockwood	Month-to-month holdover
	David M. Fenn	Month-to-month holdover
<i>Parcel 14</i>		
630 Westlake Avenue N	Vacant	
965 Valley Street	PEC, Inc.	Month-to-month
	Jeff Lane	Month-to-month holdover
<i>Parcel 15</i>		
625 Boren Avenue N	Thrifty Park dba U-Park System	July 31, 2001
<i>Parcel 16</i>		
1104 Mercer Street	Shalimar	Month-to-month holdover
1113 Valley Street	The Best Towing dba TBT Towing	Month-to-month
	Steven J. Walker	Month-to-month holdover
<i>Parcel 17</i>		
1120 Mercer Street	Lincoln Enterprises dba Lincoln Towing	Month-to-month holdover

EXHIBIT O
TEXT AMENDMENT

[SEE ATTACHED]

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ORDINANCE 120267

AN ORDINANCE relating to land use and zoning; amending Seattle Municipal Code Section 23.47.012 to allow, as a special exception, specific commercial properties in the South Lake Union Neighborhood to increase their maximum structure height from forty (40) feet to sixty five (65) feet.

WHEREAS, encouraging redevelopment of properties in the Mercer Corridor is a high priority of the Mayor and Council; and

WHEREAS, the South Lake Union Neighborhood Plan, adopted by City Council in March 1999, encourages redevelopment of properties in the Mercer Corridor area. The neighborhood plan recognizes that there is a need to review existing zoning to determine if any aspects of the code that may need refinement to reflect planning goals, such as parking requirements, affordability, setbacks, height limits, and allowing compatible cultural uses in the area; and

WHEREAS, the three blocks between Valley and Mercer Streets and Westlake and Fairview Avenues act as an important transition zone that connects the neighborhood with South Lake Union Park in terms of pedestrian connections, view corridors, types of uses, and architecture; and

WHEREAS, in the spring of 1999, the City and the South Lake Union Planning Committee hired consultants to evaluate development opportunities on the three blocks between Valley and Mercer Streets and Westlake and Fairview Avenues. The analyses show that there are potential benefits to allowing some or all new uses to be compatible with heights in the surrounding zones, which could yield improved public open space, and design and parking opportunities; and

WHEREAS, while it is possible to individually redevelop these properties at current height limits, and without any land assembly, real estate and urban design analyses show that there are potentially greater opportunities for public open space and other public amenities, public parking accommodation with accessible weekend and evening public parking, site circulation, design coherence, and integration with park development across Valley Street, if the three blocks between Valley and Mercer Streets and Westlake and Fairview Avenues are developed as an integrated development plan at heights compatible with surrounding zoning; and

WHEREAS, in December of 1999, the City Council adopted Resolution 20080, which concurs with the consultants' analysis and lays out public objectives for redevelopment of the Mercer Corridor;

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1
2 NOW THEREFORE,

3
4 BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:
5

6 Section 1. Section 23.47.012 of the Seattle Municipal Code, which Section was
7 last amended by Ordinance 119370, is amended as follows:
8

9 23.47.012 Structure height and floor area ratio.
10

11 C. Additional Height Permitted. Within the area bounded by Valley and Mercer
12 Streets and Westlake and Fairview Avenues North, maximum structure height may be
13 increased from forty (40) feet to sixty-five (65) feet as a special exception pursuant to
14 Chapter 23.76, Procedures for Master Use Permits and Council Land Use Decisions. In
15 order to grant the special exception, the Director must find that all of the following criteria
16 are met:

17 1. The lot is not located within the shoreline district. However, if a lot is
18 located partially within the shoreline district, those portions of that lot which are not in the
19 shoreline district may be eligible for the special exception.

20 2. In order to reduce potential height, bulk and scale and view impacts,
21 enhance pedestrian connections across Valley and Mercer Streets, and provide greater
22 opportunities for public open space, the following development standards must apply:

23 a. A minimum of twenty (20) percent of the total development area
24 must be provided as usable open space, including, but not limited to, public gardens,

12

1 directly accessible to the public during the hours of operation of South Lake Union Park,
2 and no occupied portion of the structure may extend into the required useable open space.

3 b. If the Director determines that greater public benefit will result, a
4 portion of the required useable open space may be located above street level, provided the
5 following criteria are met:

6 (1) A minimum of twenty five (25) percent of the total
7 development area is provided as useable open space.

8 (2) The useable open space is directly accessible to the
9 public during the hours of operation of South Lake Union Park, and no occupied portion of
10 the structure may extend into the required useable open space.

11 (3) The useable open space enhances visual and physical
12 pedestrian connection(s) between South Lake Union Park and the development area.

13 (4) The required useable open space is provided at heights
14 less than forty (40) feet, measured from existing or finished grade, whichever is lower.

15 c. If the Director determines that greater public benefit will result, a
16 portion of the required useable open space may be located below street level, provided the
17 criteria listed in this subsection are met. When useable open space is provided below street
18 level, the height of facades that abut the useable open space shall be measured from
19 existing grade.

20 (1) A minimum of twenty five (25) percent of the total
development area is provided as useable open space.

1 (2) The useable open space is directly accessible to the
2 public during the hours of operation of South Lake Union Park, and no occupied portion of
3 the structure may extend into the required useable open space.

4 (3) The useable open space enhances the pedestrian
5 connection(s) between South Lake Union Park and the development area.

6 (4) The useable open space provides visual and physical
7 connections from street level to the useable open space. Required useable open space
8 allows for ease of access to pedestrians from street level and may include streetscape
9 elements such as semi-transparent fencing and low-level vegetation.

10 (5) The design and siting of the required useable open space
11 provides adequate light and air exposure and encourages lively pedestrian activity.

12 d. All portions of a structure that exceed forty (40) feet in height are
13 limited to a maximum lot coverage of sixty-four (64) percent. In addition, portions of a
14 structure above forty (40) feet in height must be located at least fifteen (15) feet from the
15 street property line along Valley Street and Westlake, Terry, Boren, and Fairview Avenues
16 North.

17 e. Departures from development standards may be granted pursuant
18 to Chapter 23.41, Design Review, except for open space quantity or upper level lot
19 coverage requirements in this Section.

20 3. In buildings constructed under permits applied for after the effective date
21 of this ordinance, all uses at street level, except for parking, must have a minimum floor to
22 floor height of thirteen (13) feet. Along Terry Avenue North, between 5th and Mercer



1 Streets and along Valley Street between Westlake and Boren Avenues North, the following
2 standards apply:

3 a. A minimum of eighty (80) percent of a structure's street front
4 façade at street level must be occupied by uses other than parking. For purposes of
5 calculating the eighty (80) percent, twenty-two (22) feet for the width of a driveway to
6 access parking may be subtracted from the length of the street front façade if the Director
7 determines that access to parking from Valley Street or Terry Avenue North is the best
8 opportunity to avoid traffic problems or pedestrian conflicts.

9 b. A minimum depth of thirty (30) feet from the street front façade
10 of the structure must be occupied by uses other than parking. The minimum required
11 depth may be averaged, with no depth less than fifteen (15) feet.

12 c. If the street front façade and depth requirements result in a space
13 greater than fifty (50) percent of the structure's footprint, the Director may modify the
14 street front façade and depth requirements to reduce the space to fifty (50) percent of the
15 structure's footprint.

16 ((C-)) D. Exemptions From FAR Calculations. The following areas shall be
17 exempted from FAR calculations:

- 18 1. All gross floor area below grade;
19 2. All gross floor area used for accessory parking

20 ((D-)) E. Split Zoned Lots. When a lot is subject to more than one (1) height and
21 FAR limit, the height and FAR limits for each zone shall apply to the portion of the lot
22 located in that zone.

1 ((E-)) F. Sloped Lots. On sloped lots, additional height shall be permitted along the
2 lower elevation of the structure footprint, at the rate of one (1) foot for each six (6) percent
3 of slope, to a maximum additional height of five (5) feet (Exhibit 23.47.012 A).

4 ((F-)) G. Pitched Roofs. The ridge of pitched roofs may extend up to five (5) feet
5 above the maximum height limit in zones with height limits of thirty (30) or forty (40) feet.
6 All parts of the roof above the height limit shall be pitched at a rate of not less than three to
7 twelve (3:12)(Exhibit 23.47.012 B). No portion of a shed roof shall be permitted to extend
8 beyond the height limit under this provision.

9 ((G-)) H. Rooftop Features.

0 1. Radio and television receiving antennas excluding dish antennas; ham
1 radio towers; smokestacks; chimneys; flagpoles; and religious symbols for religious
2 institutions are exempt from height controls, except as regulated in Chapter 23.64, Airport
3 Height Overlay District, provided they are a minimum of ten (10) feet from any side or rear
4 lot line.

5 2. Open railings, planters, skylights, clerestories, greenhouses, parapets and
6 firewalls may extend up to four (4) feet above the maximum height limit with unlimited
7 rooftop coverage.

8 3. Solar Collectors.

9 a. In zones with height limits of (30) thirty or forty (40) feet, solar
0 collectors may extend up to four (4) feet above the maximum height limit, with unlimited
1 rooftop coverage.

1 b. In zones with height limits of sixty-five (65) feet or more, solar
2 collectors may extend up to seven (7) feet above the maximum height limit, with unlimited
3 rooftop coverage.

4 4. The following rooftop features may extend up to fifteen (15) feet above
5 the maximum height limit, so long as the combined total coverage of all features listed in
6 this subsection does not exceed twenty (20) percent of the roof area or twenty-five (25)
7 percent of the roof area if the total includes stair or elevator penthouses or screened
8 mechanical equipment:

- 9 a. Solar collectors;
10 b. Stair and elevator penthouses;
11 c. Mechanical equipment;
12 d. Play equipment and open-mesh fencing which encloses it, so long
13 as the fencing is at least fifteen (15) feet from the roof edge; and
14 e. Dish antennas, according to the provisions of Chapter 23.57.

15 5. In order to protect solar access for property to the north, the applicant
16 shall either locate the rooftop features listed in this subsection at least ten (10) feet from the
17 north edge of the roof, or provide shadow diagrams to demonstrate that the proposed
18 location of such rooftop features would shade property to the north on January 21st at noon
19 no more than would a structure built to maximum permitted bulk:

- 20 a. Solar collectors;
21 b. Planters;
22 c. Other structures.

- d. Greenhouses;
- e. Dish antennas, according to the provisions of Chapter 23.57;
- f. Non-firewall parapets;
- g. Play equipment.

6. Structures existing prior to May 10, 1986 may add new or replace existing mechanical equipment up to fifteen (15) feet above the roof elevation of the structure and shall comply with the noise standards of Section 23.47.018.

((H.)) I. Solar Retrofits. The Director may permit the retrofitting of solar collectors on conforming or nonconforming structures existing on June 9, 1986 as a special exception pursuant to Chapter 23.76, Procedures for Master Use Permits and Council Land Use Decisions. Such a retrofit may be permitted even if it exceeds established height limits, if the following conditions are met:

1. There is no feasible alternative solution to placing the collector(s) on the roof;
2. The positioning of such collector(s) minimizes view blockage and shading of property to the north, while still providing adequate solar access for the collectors; and
3. Such collector(s) meet minimum energy standards administered by the Director.

((H.)) II. Television Receiving Antennas. The maximum height of television receiving antennas, except for dish antennas, shall be no more than fifty (50) feet in zones where the maximum height limit does not exceed fifty (50) feet. In zones with a maximum

1 height limit which exceeds fifty (50) feet the maximum height of the antenna shall not
2 exceed the maximum height allowed for all structures.

3 ((J-)) K. Height Exceptions for Public Schools.

4 1. For new public school construction on new public school sites, the
5 maximum permitted height shall be the maximum height permitted in the zone.

6 2. For new public school construction on existing public school sites, the
7 maximum permitted height shall be the maximum height permitted in the zone or thirty-
8 five (35) feet plus fifteen (15) feet for a pitched roof, whichever is greater.

9 3. For additions to existing public schools on existing public school sites,
10 the maximum height permitted shall be the maximum height permitted in the zone, the
11 height of the existing school, or thirty-five (35) feet plus fifteen (15) feet for a pitched roof,
12 whichever is greater.

13 4. Development standard departure for structure height may be granted or
14 required pursuant to the procedures and criteria set forth in Chapter 23.79. For construction
15 of new structures on new and existing public school sites to the extent not otherwise
16 permitted outright, maximum height which may be granted as a development standard
17 departure in zones with height limits of thirty (30) or forty (40) feet shall be thirty-five (35)
18 feet plus fifteen (15) feet for a pitched roof for elementary schools and sixty (60) feet plus
19 fifteen (15) feet for a pitched roof for secondary schools. All height maximums may be
20 waived by the Director when waiver would contribute to reduced demolition of residential
21 structures

5. To qualify for the pitched roof exception, all parts of the roof above the height limit must be pitched at a rate of not less than three to twelve (3:12). No portion of a shed roof shall extend above the height limit under this provision.

Section 2. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 20th day of February, 2001, and signed by me in open session in authentication of its passage this 20th day of February, 2001.

Margaret C. Pogue
President of the City Council

Approved by me this 21st day of FEBRUARY, 2001.

Paul Schell
Paul Schell, Mayor

Filed by me this 22nd day of February, 2001.

Justin E. Hoppin
City Clerk

STATE OF WASHINGTON
COUNTY OF KING
CITY OF SEATTLE (SEAL) } ss

JUSTIN E. HOPPIN, CITY CLERK OF THE CITY OF SEATTLE, DO HEREBY
CERTIFY THAT THE WITHIN AND FOREGOING IS A TRUE AND CORRECT

ORDINANCE 121247

AND APPEARS ON FILE AND OF RECORD IN THIS DEPARTMENT.

IN WITNESS WHEREOF, I HAVE HEREUNTO SET MY HAND AND AFFIXED
MY SEAL TO THE CITY OF SEATTLE, THIS 3 April, 2001

JUSTIN E. HOPPIN
CITY CLERK

BY Justin E. Hoppin

JUSTIN E. HOPPIN



EXHIBIT P

TENANT ESTOPPEL CERTIFICATE

_____, 2001

To: The City of Seattle and its Assigns ("Buyer")

Re: Lease Dated: _____, 19_____
Landlord: _____ ("Landlord")
Tenant: _____ ("Tenant")
Premises: _____ ("Premises")

The undersigned hereby certifies to The City of Seattle and its assigns ("Buyer") as of the date hereof as follows:

1. The undersigned is the "Tenant" under the above-referenced lease ("Lease") covering the above referenced Premises. A true, correct and complete copy of the Lease (including all addenda, riders, amendments, modifications and supplements thereto) is attached hereto as Exhibit A.

2. The Lease constitutes the entire agreement between Landlord and Tenant with respect to the Premises and the Lease has not been modified, changed, altered or amended in any respect.

3. The term of the Lease commenced on _____, 19____, and, including any presently exercised option or renewal term, expired[s] on _____, [and [by the terms of that Lease or by holdover], Tenant now occupies the premises on a month-to-month basis.] Tenant has accepted full and complete possession of the Premises and is the actual occupant in possession and has not sublet, assigned or hypothecated or otherwise transferred all or any portion of Tenant's leasehold interest. All improvements to be constructed on the Premises by Landlord have been completed to the satisfaction of Tenant and accepted by Tenant and any tenant construction allowances have been fulfilled. All of the Landlord's obligations, which have accrued prior to the date hereof, have been performed.

4. There exists no breach or default, nor state of facts nor conditions presently or which, with notice, the passage of time, or both, would result in a breach or default on the part of either Tenant or Landlord. To the best of Tenant's knowledge, no claim, controversy, dispute, quarrel or disagreement exists between Tenant and Landlord, with respect to the Lease or the Premises, including but not limited to, the physical condition of the Premises.

5. Tenant is currently obligated to pay base annual rental in monthly installments of

\$ _____ per month and monthly installments of annual rental have been paid through May 31, 2001. No other rent has been paid in advance and Tenant has no claim or defense against Landlord under the Lease and is asserting no offsets or credits against either the rent or Landlord. Tenant has no claim against Landlord for any security, rental, cleaning or other deposits [, except for a security deposit in the amount of \$ _____ which was paid pursuant to the Lease].

6. The Lease is in full force and effect in accordance with its terms and is a binding obligation of the undersigned and tenant has not violated any provision of this lease including but not limited to unauthorized modifications of the property.

7. The undersigned has received no notice of prior sale, transfer, assignment, hypothecation or pledge of the Lease or of the rents secured therein, except to Buyer.

8. Tenant has no option or preferential right to purchase all or any part of the Premises (or the real property of which the Premises are a part) nor any right or interest with respect to the Premises or the real property of which the Premises are a part other than as Tenant under the Lease. Tenant has no right to renew or extend the terms of the Lease or expand the Premises.

9. Tenant has made no agreement with Landlord or any agent, representative or employee of Landlord concerning free rent, partial rent, rebate of rental payments or any other type of rental or other economic inducement or concession except as expressly set forth in the Lease.

10. All insurance required of Tenant by the Lease has been provided by Tenant and all premiums paid.

11. Tenant has not advised the Landlord that it intends to terminate the Lease or vacate the Premises prior to the end of the term of the Lease nor does it intend to do so.

12. The undersigned acknowledges that:

a. Buyer or Buyer's assignee is purchasing Landlord's interest in the property which includes the Premises and, in connection with that purchase, will be receiving an assignment of Landlord's interest under the Lease;

b. Buyer will be relying upon each of the statements contained herein in connection with Buyer's purchase of the property of which the Premises is a part and but for the assurances and agreements contained herein Buyer would not purchase the property of which the Premises is a part; and

c. The undersigned will attorn to and recognize Buyer as the Landlord under the Lease and will pay all rents and other amounts due thereunder to Buyer upon notice to the undersigned that Buyer has become the owner of Landlord's interest in the Premises under the Lease.

d. Tenant has not received notice of any violation of any federal, state or local law, regulation, rule, ordinance, order or other governmental requirement which relates to the use or condition of the Premises, and no hazardous wastes or toxic substances, as such terms are defined by all applicable environmental protection laws, have been disposed of, stored or used by Tenant in the Premises in violation of any such laws.

e. Tenant is not the subject of any bankruptcy, insolvency, reorganization or similar proceeding.

f. All notices to Tenant should be sent to the following address: _____

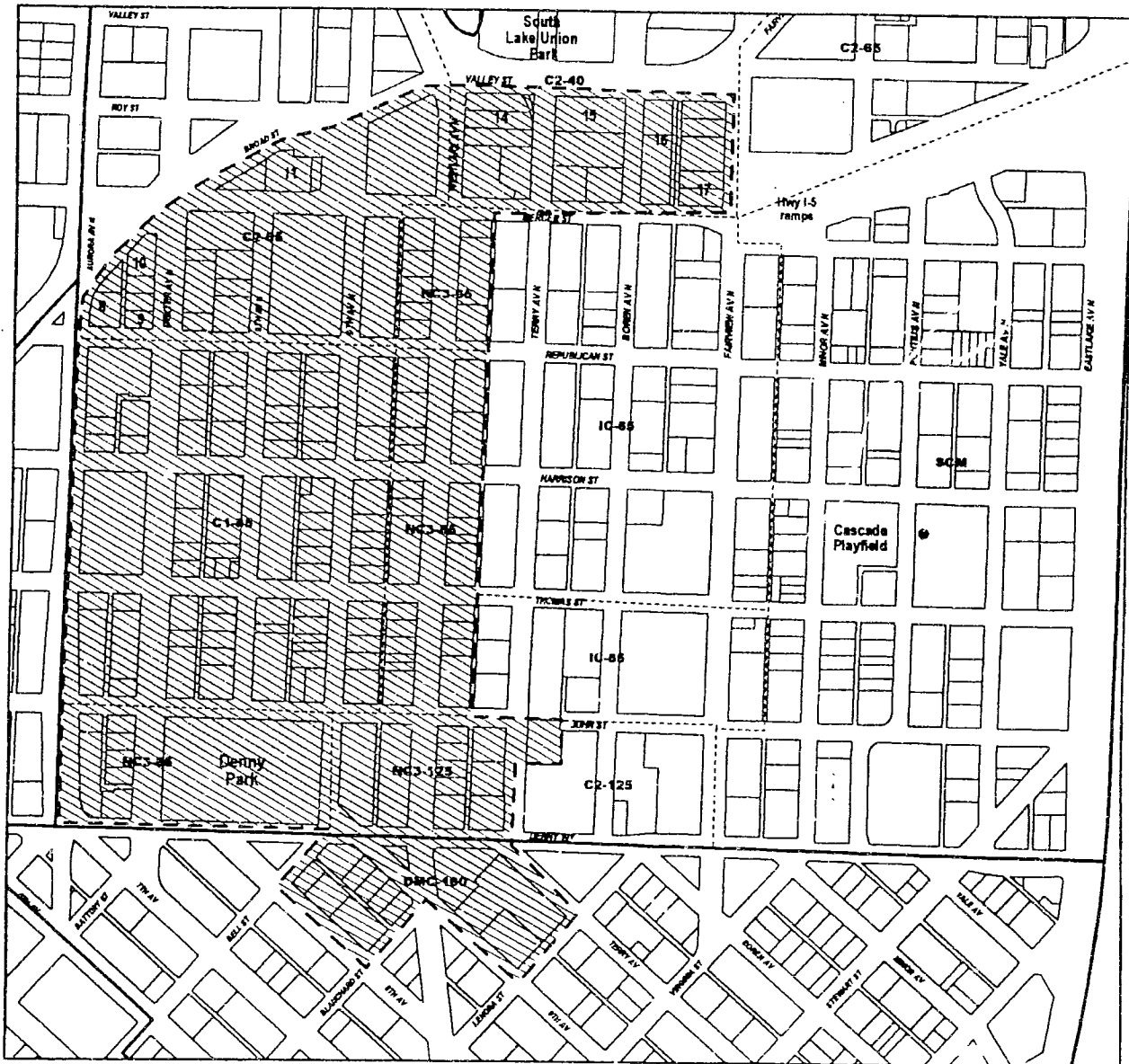
g. Tenant is not aware of any defects in the physical condition of the Premises except as follows: _____

TENANT: _____

By: _____
Name: _____
Title: _____



The City of Seattle



Legend

- Affordable Housing Area
- Zoning Boundary
- Urban Village Boundary
- Tax Parcels

Exhibit Q Affordable Housing Area

200 0 200 400 600 800 1000 Feet

Produced by the City of Seattle,
Real Estate Services
January 19, 2001

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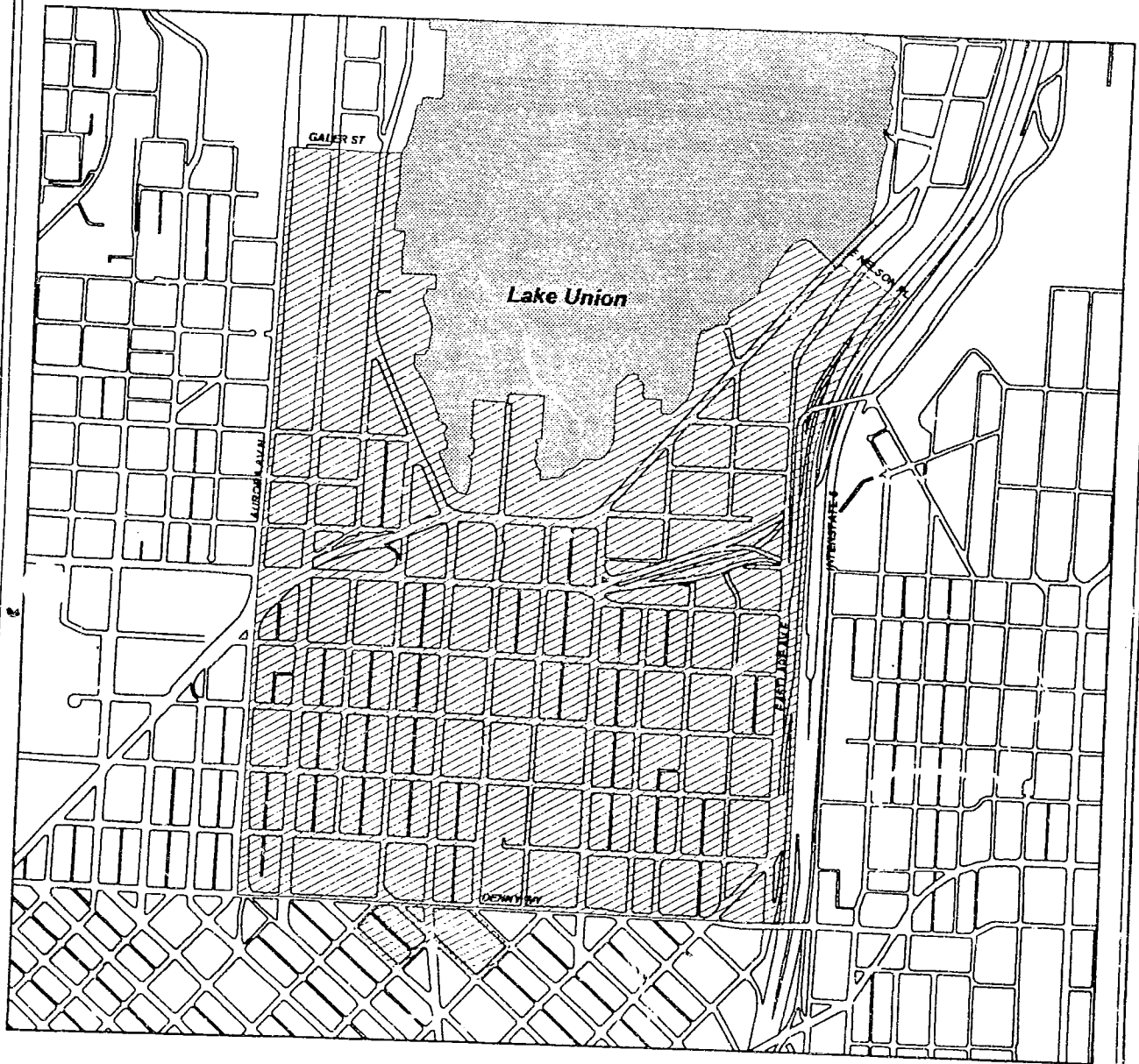


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The City of Seattle



Legend

- Housing Area
- Pavement Edge

Exhibit R Housing Area

Produced by the City of Seattle,
Real Estate Services
February 6, 2001

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300 0 300 600 900 1200 1500 1800 Feet



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The City of Seattle



Legend

- Urban Village
- Pavement Edge

Exhibit S South Lake Union Urban Village

300 0 300 600 900 1200 1500 1800 Feet

Produced by the City of Seattle,
Real Estate Services
February 6, 2001

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EXHIBIT T
CERTIFICATE OF COMPLETION

[TO BE DEVELOPED]

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D

Public-Private Partnership Protocol

This protocol document has been amended to clarify issues and questions raised by the City Council's South Lake Union real estate consultant.

June 19, 2001

Project Name: South Lake Union City Property Conditioned Sale

Project Status: The purchase and sale agreement is ready for review by the Public-Private Partnership Panel (P4)

A.1. OVERVIEW OF PROJECT

Background Information

In March 1999 the Seattle City Council approved the South Lake Union Neighborhood Plan. The Neighborhood Plan represents a remarkable effort by local businesses, property owners and residents who focused on three key elements: open space, neighborhood character and transportation. At that time Mayor Paul Schell directed City department directors to make implementation of the South Lake Union Neighborhood Plan a key priority and he announced that a team of City staff would collaborate with the neighborhood on implementation of the Plan. This City team has continued to meet with the community since approval of the Plan and has focused on South Lake Union Park, transportation improvements and redevelopment of City owned property.

The top priority in the Neighborhood Plan is development of South Lake Union Park. To that end, in July 2000, the City purchased the U.S. Naval Reserve property, completing assemblage of over 12 acres for South Lake Union Park. Also in July 2000 the City Council adopted Resolution 30206, which is an update to the South Lake Union Park Master Plan. In addition, the City is partnering with the Maritime Heritage Foundation to create a Maritime Heritage Center that will provide a wide array of historical, cultural, educational, and recreational maritime activities, and a wharf for long-term moorage of large historic vessels. The Kreielsheimer Foundation has provided a \$1 million challenge grant for the development of the wharf project. Seattle voters provided an additional \$5 million for the Park in November 2000 as part of the Pro Parks Levy.

Transportation is the second key area in the Neighborhood Plan. After over 50 studies in the past 30 years, the Neighborhood Plan represents the first time the neighborhood has come to a general consensus on transportation improvements for the neighborhood. The Plan recommends a series of localized approaches to improve traffic and pedestrian circulation and safety. The Plan calls for a realignment of the Fairview/Valley Corridor, a Roy Street crossing at Aurora, and streetscaping improvements on Mercer, Valley, and Westlake and 9th Avenue. The City received a \$1.5 million grant from the Puget Sound Regional Council to study the design and estimate the



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costs of these projects. Parsons Brinckerhoff is currently in the final stages of this preliminary engineering work.

The Plan also recommended that the City encourage redevelopment of its holdings in the neighborhood. The City had acquired its South Lake Union properties years ago for the never-constructed Bay Freeway project. The neighborhood in its plan urged the City to encourage redevelopment of the properties now so that development could occur in a way which would enhance the overall neighborhood and which would complement Park development. Citizens and business owners have expressed numerous visions for redevelopment of the City properties. In 1999, prior to commencing with a sales process, the City hired Heartland, a real estate consulting firm, and MAKERS, an architectural and urban design firm, to study the area. The consultants evaluated general concepts of site layout, capacity, and the related financial values for different development scenarios of the City properties. The resulting analyses provided decision-makers a framework to weigh the trade-offs between financial and other public benefits of property development.

In December 1999, the City Council adopted Resolution 30080 which directed the City to issue an RFQ for redevelopment of ten properties, and laid out the City's public objectives for redevelopment of the properties. Four of the properties are located directly south of Lake Union, and are zoned Commercial 2 with a height limit of 40 feet. The six other properties are located further to the west and are zoned Commercial 2 with a height limit of 65 feet. Information from the Heartland and MAKERS reports were used to develop Resolution 30080, as was input from the South Lake Union Neighborhood Planning Committee. The Planning Committee is comprised of the citizen leaders from the neighborhood planning effort. The City concluded that seeking developers through a RFQ would best promote the City objectives while making use of the knowledge and creativity of experienced developers. The City issued the RFQ in January 2000. The City selected Vulcan Northwest (City Investors) to enter into negotiations in April 2000. Negotiations commenced in June 2000.

A South Lake Union Negotiation Oversight Committee, comprised of two City Councilmembers, two Department Directors and a Council Central Staffperson have met three times a month throughout the process to receive input and updates from the City's negotiation team, which includes the City's real estate advisory consultant (Heartland). The Committee has received technical resource input from numerous City departments, including the Office of Housing, the Strategic Planning Office, the Department of Parks and Recreation, Fleets and Facilities Department (F&FD), the Department of Design, Construction and Land Use (DCLU), the Department of Neighborhoods (DON), SeaTran, Law, City Budget Office and the City Council's real estate consultant for this transaction (David Haworth).

Land Use Code Text Amendment

The City Council adopted an amendment to the Land Use Code on February 20, 2001, to create a special exception that will allow additional structure height on three blocks located south of Lake

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Union. These three blocks include 4 out of the 10 parcels that were part of the RFQ. The current zoning on the three blocks is Commercial 2 with a height limit of 40 feet. The special exception allows the heights of buildings to increase from 40 feet to 65 feet subject to certain conditions. The zoning of blocks located immediately to the east, west and south of the three blocks allows development at 65 feet or higher. The purpose of creating this special exception is to encourage development on these blocks consistent with the goals of the South Lake Union Neighborhood Plan, and to achieve public objectives for redevelopment outlined by City Council Resolution 30080. The Neighborhood Planning Committee was involved in the development of the specific criteria that are contained in the special exception. Granting of the special exception is a Type II administrative decision which is subject to appeal. The special exception applies to all properties within the three block area, regardless of ownership, and would be reviewed by DCLU at the time a proponent came forward to DCLU with a specific development proposal. In order for DCLU to grant the special exception, projects must provide 20 to 25 percent of the lot area in publicly accessible open space, must meet streetfront use requirements, and must meet upper level lot coverage and upper level setbacks requirements which enhance views to South Lake Union Park and Lake Union and to the downtown skyline along Westlake, Valley, Boren and Fairview Avenues.

Both the urban design and real estate reports completed by Heartland and MAKERS offered conclusions that supported an increase in height on the three blocks. The consultant reports stated that "allowing building heights consistent with those allowed on adjacent sites improves opportunities for creating a desirable development atmosphere on the project sites." The studies discussed how the additional development capacity resulting from a height increase may improve the feasibility of underground or structured parking facilities within any development as the costs of those structures can be spread over more buildable square footage. The studies also discussed that increasing the allowable building height creates the potential for additional public spaces or other public amenities that would not necessarily be possible to achieve while maintaining a financially feasible project at a 40-foot height limit. Additional public space could serve the goals of the City by increasing the pedestrian friendliness of the area.

Before the City Council adopted the Land Use Code special exception, the City's Department of Design, Construction and Land Use (DCLU) conducted an environmental (SEPA) review of the proposed land use code change and issued a Declaration of Non-Significance (DNS). A citizen's group appealed this decision to the City's Hearing Examiner, and in January 2001 the Hearing Examiner upheld DCLU's decision. The City Council's approval of the Land Use Code special exception was recently appealed to the Central Puget Sound Growth Management Hearings Board (CPSGMHB). The CPSGMHB has set a tentative hearing date of August 16, 2001. Before closing on the purchase and sale agreement, all applicable appeal periods must have expired and/or all appeals resolved.



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Purchase and Sale Agreement

Following are highlights of the purchase and sale agreement, which is subject to review by the P4 Panel and the City Council.

The parties to the purchase and sale agreement are City Investors, Inc. and the City of Seattle. City Investors Inc. is the company who will own the sale property in South Lake Union. It owns real estate assets in other Seattle neighborhoods and outside the area. Vulcan Northwest is the affiliated strategic investment and management company which responded to the City's RFQ. Both are wholly owned by Paul G. Allen.

Overview Highlights

The City will sell 8 parcels to City Investors for \$20.8 million, and City Investors will assume responsibility for clean up of any hazardous substances on seven of the parcels at a value deduct of \$600,000. The City will receive a full indemnification from future environmental risk on seven parcels. One parcel (14) will have separate conditions concerning environmental issues.

In addition to providing full market value for the properties, City Investors will provide a 20,000 square foot cultural facility and 50 new affordable housing units in the South Lake Union neighborhood, and will provide parking available to the public using South Lake Union Park. City Investors has also committed to an overall goal of providing an additional 450 market rate housing units in the South Lake Union area.

After the purchase and sale agreement closes, City Investors will be obligated to apply for development permits within two years after gaining control of adjacent private parcels, with a maximum time limit of six years if assemblage is not successful. The purchase and sale agreement does not specify the types of uses that shall be constructed on the City properties. All uses and development will be subject to the City's Land Use Code.

The Mayor will propose to Council that the proceeds of the sale of the properties be directed toward transportation improvements in South Lake Union. The Mayor will also propose an investment of proceeds for additional affordable housing developments in the area.

THE DETAILS

Optimize Monetary Return

Price

- Selling 8 parcels for \$20,785,844
- The remaining two parcels in the RFQ (Parcels 12 and 13) will be reexamined before any steps are taken toward their disposition.

- Table A summarizes the Parcel-by-Parcel appraisal information, survey detail and per square foot price calculations.
- City will receive additional money (approximately \$1.3 million) for right-of-way not in transportation use surrounding Parcel 11 that the City is proposing to vacate (subject to Council approval) at \$58.62 per square foot.
- City is requiring City Investors to purchase remnants, if any, from Fairview-Valley realignment project at \$114.67 per square foot
- Closing to occur following resolution of all appeals and expiration without appeal of all appeal periods

Table A

	Land Area Per City Appraisal	Land Area Per Survey	Appraisal \$ per SF	\$ per SF in PSA	Price
Parcel 14	41,389	40,941	\$114.67	\$114.67	\$4,694,705
Parcel 15	30,120	30,087	\$114.67	\$114.67	\$3,450,076
Parcel 16	37,080	37,082	\$114.67	\$114.67	\$4,252,193
Parcel 17	18,733	18,743	\$114.67	\$114.67	\$2,149,260
Parcel 8	19,300	18,278	\$90.16	\$90.00	\$1,645,020
Parcel 9	6,000	5,991	\$123.33*	\$90.00**	\$539,190
Parcel 10	12,300	12,306	\$90.24	\$90.00	\$1,107,540
Parcel 11***	33,800	32,754	\$88.94	\$90.00	\$2,947,860
TOTAL	198,722****	196,182			\$20,785,844

- * Reflects \$90/ft. land value and \$33.33/ft. building value.
 ** Reflects land value only since negotiation assumed eventual redevelopment on all sites.
 *** Not including right-of-way, to be vacated.
 **** Based on Assessor's data; not derived from actual survey.

Indemnity/Remediation Cost at Closing

- On all parcels except 14: City Investors will assume responsibility for clean up of any hazardous substances. Value deduct of \$600,000. In addition, value deduct of total gross square footage of remnants, if any, associated with Fairview-Valley Corridor Project, and vacated ROW land adjacent to Parcel 11 times \$3.86. City will receive a full indemnification.



Parcel 14

- Substantial environmental clean-up is necessary. A major gasoline leak of approximately 60,000 gallons on adjacent Tosco property in 1980s; high water table, topography slopes toward Parcel 14 and lake. Without control of Tosco site, development and clean up of 14 is extremely expensive. After closing, City Investors, with City's cooperation, may pursue a Model Toxics Control Act claim against Unocal/Tosco (adjacent landowner) for cleanup.
- City Investors will pay full price for Parcel 14.
- \$300,000 of the purchase price will be in a litigation reserve. City Investors will have the option to require the City to repurchase the property at the same price starting 12 months after closing and running 30 months after closing.
- If successfully resolved, full indemnification will apply.

Cultural Uses

- City Investors will provide within 6 years of closing 20,000 square-feet of new space for a cultural use in neighborhood.
- Cultural use defined as a non-profit facility: museum, performing arts facility, institute for the arts, etc.
- Cultural use must be an active use – available to the public – not storage.
- For comparison, footprint of Asian Art Museum is approximately 20,000 square feet.

Housing

- City Investors will guarantee development within 6 years of 50 new units of housing affordable at 80% of median income for minimum of 20 years. Units will be within certain geography (does not include Cascade) and will not use City subsidy.
- Will include a mix of size of units as market demand warrants.
- Agreement also includes a development goal of 450 market rate units in overall South Lake Union area.
- In 1994, there were 461 housing units in the South Lake Union neighborhood (which includes Cascade)
- City of Seattle Comprehensive Plan Goal: 1700 new housing units between 1994 and 2014.
- Neighborhood Plan Goal: 5% of units in new development affordable at 80% of median income or below (5% of 1700 Comp Plan goal is 85 units)
- Over 500 housing units have been constructed or rehabbed in South Lake Union since 1994, 350 of them affordable at 60% of median income or below.

Parking

- Overall strategy: City should not prematurely or unnecessarily purchase parking that will not be needed. Buying dedicated spaces is extremely expensive. Instead—preserve options for the City or assignee.
- Agreement to collaborate on parking and access solutions.

- City Investors intends to develop a major new reservoir of parking associated with development of Parcels 14-17 and possibly adjacent private parcels. 800-1,000 stalls are possible in the 3 blocks assuming full block assemblage. It is assumed that parking will be available in a one- to two-story subterranean garage. The purchase and sale agreement obligates City Investors to make a majority of parking available for general public use at market rates during off-peak hours of development.
- City Investors will devote 20% of the number of parking spaces in 3-block development for short-term public use at market rates (no fewer than 120 spaces) on the 3 blocks or other property close to Park.
- City has the right to purchase up to 160 spaces for exclusive South Lake Union Park/Armory building use for \$55,000 per stall. Will need to exercise option before City Investors applies for permits; no sooner than 1 year after closing. Option could be assigned to an entity that is a user of the Armory building in the Park.
- City Investors will keep 111 existing surface spaces on Parcel 15 at market rates as interim parking before development.

Family-wage Jobs

- Construction. City Investors will participate in Apprenticeship Opportunities Project to assist low-income area residents to gain access to building and construction trades apprenticeships. Goals will be established for number of labor hours performed by participants in apprenticeship and training programs and for female and minority apprenticeship hours.
- Permanent Jobs. City Investors will facilitate work force development agreements between building tenants and either the Seattle Jobs Initiative or another workforce development program.

Schedule for Development/Right of Recision

- City Investors will need to apply for permits on Parcels 14-17 within 2 years after closing on adjacent private parcels and remnants, if any; in any event must apply for permits within 6 years after closing on City properties.
- City has right to buy back property at sale price if application deadlines are not met

Remedies for Failure to Perform

- The City's enforcement remedy for affordable housing, parking, provision of a cultural use, indemnity for environmental conditions and other specified non-assignable duties of purchaser is specific performance. This allows the City to require, through a court of law, that purchaser perform these post-closing obligations.

Monitoring /On-going Due Diligence

- Annual Report, including progress on achieving purchase and sale agreement conditions and status on assets of purchaser



Use of Proceeds Framework

The Mayor and Council will work together on a resolution that will outline the investment priorities for the South Lake Union proceeds. The resolution will be considered concurrent with the Council's review of the Purchase and Sale Agreement.

The Mayor's proceeds proposal, after significant input from the Council, will include the following major elements:

- A primary focus on South Lake Union transportation improvements. The Mayor's proposal will recommend funding for the Fairview/Valley Corridor Realignment Project which will improve traffic circulation and safety. Other projects such as a Roy Street crossing at Aurora are currently being studied to determine their costs and benefits for vehicular, pedestrian and bicycle mobility. Specific project recommendations will be made to City Council once the appropriate information is available. It is the Mayor's goal that these dollars can result in significant leveraging of State, federal and private monies – all directed to improve traffic flow in the Mercer-Valley corridor and the broader South Lake Union area.
- The Mayor will also propose investing at least \$2,250,000 of the sale proceeds into affordable housing in the South Lake Union area. These funds will leverage other public funds and will generate at least 50 new units of housing affordable to individuals and/or families making 60% or less of the Seattle-area median income. The units would be covenanted to stay affordable for at least 40 years. The units would be built in the general South Lake Union area but not in Cascade – which already has a high proportion of the overall area's subsidized housing units.
- The Mayor will also propose establishing a reserve for the funds related to Parcel 14. If the clean-up issues on the adjoining site are resolved, the money could be made available for public parking and/or traffic circulation improvements in the Mercer-Valley corridor. Specific project details would need to be approved by the Mayor and City Council at that time.

A.2. NEED FOR PROJECT

The South Lake Union Neighborhood Plan recommended that the City encourage redevelopment of its holdings in the neighborhood now so that development could occur in a way which would enhance the overall neighborhood and which would complement development of South Lake Union Park. The South Lake Union Park Master Plan has just been updated. Furthermore, redevelopment of these properties will encourage redevelopment on other properties in the neighborhood, which has been dampened by the indecision concerning the City properties.

B. PROFILE OF PARTNERS

City Investors Inc., as a company for property assemblage, ownership and management, will be the entity to own the property in South Lake Union. It owns outright real estate assets of over \$250 million, including holdings in other Seattle neighborhoods and outside the area. Vulcan Northwest is the affiliated strategic investment and management company which responded to the City's RFQ. Both are wholly owned by Paul G. Allen.

City Investors and Vulcan Northwest's activities include real estate development, operation and management of major public facilities and private development projects in the Pacific Northwest. They develop real estate directly and through affiliate companies and strategic partnerships. Other real estate-related affiliates include: First and Goal Inc (Stadium and Exhibition Center, Seattle); Experience Music Project, a Washington non-profit corporation (EMP, Seattle Center); and Oregon Arena Corporation (Rose Quarter Complex, Portland). Other Vulcan Northwest experience includes the Rosen Building Biotechnology redevelopment for the University of Washington School of Medicine (Seattle), 505 Union Station Office Building (Seattle), Sammamish Park Place (technology office complex in Issaquah), Cinerama Theater Renovation (Seattle) and the Port Quendall Project (Renton).

Vulcan Northwest's project team includes the Justen Company LLC (development management and real estate analysis), Sasaki & Associates (urban design/open space), Collins Woerman Architecture (architectural planning), Hart Crowser (environmental/soils), Entranco/Transportation Engineering Northwest (traffic and traffic management plans), VP Services (parking) and Foster Pepper & Shefelman PLLC (legal).

Vulcan Northwest has a policy of zero discrimination in recruitment, employment, transfer, promotion, compensation, training, termination, company-provided benefits or any other term or condition of employment in any of their affiliated companies. In addition Vulcan Northwest's commercial projects have provided apprenticeship opportunities.

Vulcan Northwest employs an environmentally aware policy in regard to all aspects of its operations, and is a member of the United States Green Building Council. Contractors recycle construction debris, use recycled products and specify high-efficiency energy systems. Past

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projects (Rose Quarter, Portland and Washington State Exhibition Center) have exceeded 90 percent construction debris recycling goals.

C. ESTIMATED TIMETABLE FOR PROJECT

Transaction Closing	2 nd Quarter, 2001 after all applicable appeal periods have expired and/or all appeals resolved.
Permit application	within 24 months of assemblage of adjacent private parcels; no later than 6 years after closing

D. FINANCIAL TRANSACTION SUMMARY

The amount of funds the City will receive is found in the Overview Section, Price.

Proposed uses of funds are found in the Overview Section, Use of Proceeds Framework.

In 1998, the City adopted a set of procedures to be followed when property is considered for disposition. The department that has jurisdiction of the property must first declare the property excess to its needs, then all other potential City uses must be considered before the property is deemed surplus. In the case of these properties, the City's transportation department, SEATRAN, declared its parcels excess to its needs, and then Executive Services Department (ESD) so declared the one held by the General Fund. The City's ESD (now Fleets and Facilities or F&FD), which acts as the City's property agent, circulated the list of these properties to other City departments. No department identified a City need for these properties.

Note: Seven of the eight properties included in the purchase and sale agreement were purchased in the late 1960s and early 1970s using transportation funds from two sources, Urban Arterial Trust Account and Arterial City Street Fund. The UATA and ACSF contribution to acquisition of these seven properties in the RFQ was \$1,794,500, split equally. The UATA funding requires that its share of the original purchase price without any appreciation be repaid to the State if the property is not used for transportation purposes. In 1974, the City appropriated funds to repay the portion of property proceeds due to the UATA. The portion of the proceeds due to the ACSF may be used for transportation improvements within the City, without actually transferring into the ACSF. Under City policy and in accordance with SMC 5.80.030, net proceeds from the sale of surplus property will be deposited into the Cumulative Reserve Subfund, and are subject to subsequent appropriation.

The remaining parcel was purchased with General Fund dollars. Under City policy and in accordance with SMC 5.80.030, these proceeds will be deposited into the Cumulative Reserve Subfund, and are subject to subsequent appropriation.

E. ANALYSIS OF PUBLIC BENEFITS

1. Project's Relationship to City Priorities

How does the proposal advance a City priority?

The City Council, through Resolution 30080, adopted public objectives for the redevelopment of the City properties. The sale of the properties will accomplish some of these public objectives through its contractual provisions. The other public objectives will be achieved by the investment of proceeds of the sale, by neighborhood initiated projects, by other City projects/investments in the neighborhood, and when the purchaser pursues regulatory approvals and ultimately redevelops the properties.

The purchase and sale agreement addresses the public objectives which are outside the scope of regulatory processes for development: optimizing financial return, affordable housing, cultural uses, public parking and family wage jobs.

The chart below summarizes the public objectives and how they will be achieved:

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How Are Public Objectives Achieved?

Council Resolution	Purchase and Sale Agreement	Regulatory Process	Potential Proceeds Investment	Other (e.g., neighborhood action, City projects)
1. Parking for SLU Park	X	X	X	X
2. High Quality Development		X		X
3. Gateway		X		X
4. Safe and Active Pedestrian Environment		X		X
5. Visual Relationships in Park Vicinity		X		
6. Cultural Uses and Public Art	X			X
7. Public Open Space		X		X
8. Alternative forms of Transportation			X	X
9. Promote site design, access and uses that minimize traffic and parking impacts	X	X		X
10. Discourage creation of surface parking lots	X	X		X
11. Optimize monetary return	X			
12. Family wage jobs	X			
13. Affordable housing	X		X	
14. Promote Comp Plan goals	X	X	X	X
15. Catalyze economic development	X		X	X

Other South Lake Union Public Objectives				
Transportation Improvements		X	X	X

The public objectives in the Resolution list are consistent with both the South Lake Union Neighborhood Plan and the City's Comprehensive Plan. The purchase and sale agreement provides for fulfillment of those objectives either in itself or through regulation of development.

The purchase and sale agreement is also consistent with SeaTran, Parks, F&FD, and DON plans with relation to surplus property disposition and Neighborhood Plan implementation, and with the City's Consolidated Plan in relation to affordable housing. In addition, the purchase and sale agreement calls for coordination between City Investors and the City, on housing, transportation and parking issues.

How did the project come to the City's attention?

The purchase and sale agreement is part of the City response to the South Lake Union Neighborhood Plan. Redevelopment is timely now with completion of the Neighborhood Plan and development of South Lake Union Park. The City issued a Request for Qualifications to find a developer with the capacity to develop a high quality development and to accomplish other public objectives.

What are the reasons for engaging in a partnership?

Private redevelopment enabled by the purchase and sale agreement is consistent with Neighborhood Plan and City goals, and optimizes achievement of public benefits and financial return. This is not a joint venture or a traditional public-private partnership but rather a conditioned sale transaction between the City and a private party. There has been, however, and will continue to be, significant public investment in the immediate area through park, transportation and other infrastructure improvements.

- What are the City's reasons for pursuing this project as a partnership rather than alone?

There is no overriding public use and necessity of the City acting as a developer to offset benefits gained from private development. The environmental clean up of the parcels is most effectively accomplished in conjunction with development.

- What are the private party's stated reasons for pursuing the project as a partnership with the City?

City Investors has ownership or control of several properties within the three blocks directly south of Lake Union containing the City properties. City Investors believes that through consolidation of the City properties with adjacent private properties they can create development that will achieve greater public benefits than single-purpose developments on individual sites. City Investors also benefits by a development fronting on South Lake Union Park which will contribute to creation of a functionally integrated neighborhood and the successful development



of its other properties nearby. This is consistent with the analysis done for the City in the MAKERS and Heartland reports.

- How much will the project cost if a partnership is pursued?

Costs to the City include: 1) the City's participation in litigation to recover the cost of Parcel 14 remediation which could be \$300,000 of the sale proceeds plus City attorneys' time, 2) minimal staff cost to monitor adherence to the contract, and 3) costs associated with the closing of the purchase and sale agreement. The Mayor will propose the repayment of funds temporarily borrowed from City reserves to pay for the cost of transaction-related consultants, appraisals, and other transaction expenses, consistent with City Policy and specific legislative direction out of the sale proceeds. These expenses are anticipated to total approximately \$750,000.

- How much would the project cost if undertaken using only public money?

The City alone cannot pursue the development outcomes that are likely to be the most desirable.

2. Anticipated Public Benefit

What are the anticipated public benefits of the project?

Direct financial benefits – see Overview Section, Price

Indirect financial benefits – see Overview Section: Parking, Housing, Cultural Use, Family-wage Jobs

Please quantify the following:

Economic return

- What is the anticipated return in tax revenue over the life of the project?

Because the land sale does not specify uses, there is not sufficient information to estimate B&O tax or retail sales tax. A hypothetical example of B&O taxes is found on page 16. Values for B&O construction tax, property tax, construction sales tax, and utility tax based on maximum development capacity of the land are presented below. All dollars are in today's value with no inflation added for future periods.

In addition to anticipated return in tax revenue from the sale and future development of the City properties (as reported below), there will be most likely additional tax revenues generated from redevelopment on private parcels adjacent to the City parcels.

For all tax revenue projections, it is difficult to determine whether or not the revenues generated are net new to the City. In other words, is the development consistent with overall growth in the City (could it have occurred elsewhere) or is it new and unanticipated.

Property tax -

The City currently collects the State-mandated leasehold excise tax (LET) from its private tenants. The rate is set in RCW Chapter 82.29A at 12.84% of taxable rent. The City receives a 4% share of the LET. The remaining 8.84% goes to the State. The annual taxable rent collected from 19 of the 20 tenants on the eight properties is \$198,636.84. The City share of the LET is \$7,945.47. One tenant is a non-profit organization and is therefore tax exempt.

The current assessed value of the eight parcels is \$12,255,100. The City share of the ad valorem tax is \$46,853 per year. If the assessed value were set equal to the purchase price of \$20,785,844, the City share would be \$75,453. Absent a new assessment, using current assessed value is a more conservative approach. Subtracting current LET revenues to the City from the property tax generation assuming current assessed value is \$38,908 per year. Assuming an updated assessment equal to purchase price, the property tax generation (minus LET revenues) would be \$67,508.

The difference between the LET and the ad valorem tax is due to a number of factors. The structures contribute a total of only \$5,000 to assessed value for six of the parcels and \$988,400 for the remaining two. Rent is charged by the building square foot, and much of the assessed value is in the land. The level of rent paid by the tenants reflects the buildings' condition and the short term nature of the leases. Prior to the current month-to-month holdover status, lease terms were 3 years, including all renewal periods. Shorter tenancies are generally worth less to a tenant.

Using current assessed values. Based on current assessed values, a base tax revenue of \$46,853 per year with conservative discount rates of 5 to 7 percent will yield a net present value over 20 years of this revenue stream of \$495,000 to \$585,000.

With development occurring within 5 to 9 years, the annual revenue stream would be in the range of \$615,000 to \$650,000 per year. The range was calculated based on the three development scenarios at 65 feet considered in the Heartland report (November 1999) for the blocks containing Parcels 14-17: an office emphasis, a mixed use emphasis, a biotechnology/lab emphasis. The numbers were recalculated in May 2001 to reflect the criteria under the Land Use Code text amendment and to include Parcels 8-11 assuming office use. For this calculation, parcels 8-11 are assumed to not be developed until nine years out. (The Heartland report did not include information on Parcels 8-11). Over 20 years at the same range of discount rate, the net present value of this stream would be \$2.8 million to \$4.6 million.

Using assessed value based on sale price. Based on an assessed value equal to purchase price, a base tax revenue of \$75,453 per year with conservative discount rates of 5 to 7 percent will yield a net present value over 20 years of this revenue stream of \$800,000 to \$940,000.

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With development occurring within 5 to 9 years, the annual revenue stream would be in the range of \$615,000 to \$650,000 per year. Again, the range was calculated based on the three development scenarios at 65 feet considered in the Heartland report (November 1999) for the blocks containing Parcels 14-17: an office emphasis, a mixed use emphasis, a biotechnology/lab emphasis. The numbers were recalculated in May 2001 to reflect the criteria under the Land Use Code text amendment and to include Parcels 8-11 assuming office use. For this calculation, parcels 8-11 are assumed to not be developed until nine years out. (The Heartland report did not include information on Parcels 8-11). Over 20 years at the same range of discount rate, the net present value of this stream would be \$3.6 million to \$4.8 million.

Construction sales tax

The City's share of the construction sales tax would be in the range of \$535,000 to \$845,000 for full development of all eight parcels. As a general rule, approximately 90 percent of construction costs are considered taxable. The City of Seattle receives .85 percent of the taxable sales that occur in the City. The range was calculated based on the three development scenarios at 65 feet considered in the Heartland report (November 1999) and adjusting for the Land Use Code text amendment and development on Parcels 8-11. This estimate does not consider the possibility that some or all of the construction might qualify for the high tech sales and use tax deferral (exemption) under RCW Ch. 82.63.

Utility taxes –

The City of Seattle will receive revenues from a tax on utility use on the parcels. The utility tax ranges from 6 percent to 10 percent and applies to water, sanitary sewer, electricity, telephone, natural gas, and cable television. Much like B&O and sales tax, accurately estimating the volume of future utility use is difficult. Using a standard rule of thumb of \$7 per square foot for office building operating expenses would result in approximately \$1.25 to \$1.50 for utility costs. Applying the utility tax rate and the total square feet of office in the development alternatives (including office development on Parcels 8, 9, 10 and 11) indicates that the City of Seattle would receive from \$66,000 to \$83,000 per year in utility tax revenue.

Business and Occupancy Tax

The business and occupancy (B&O) tax is a City of Seattle tax on the gross receipts generated by a business. Gross receipts for the sale of goods are assessed at a rate of 0.215 percent and gross receipts from the sale of services are assessed at a rate of 0.415 percent. While it is almost impossible to accurately estimate the gross receipts of the business that may occupy buildings built on the City parcels, the significance of this revenue source can be demonstrated. For example, if a professional services firm located in an office building is developed on one of the City parcels and generated \$50 million in sales, they would pay the City of Seattle \$107,500 in B&O tax¹.

¹ Calculation: \$50,000,000 x .00215 = \$107,500.

Seattle B&O tax on construction can be estimated. Assuming the City's share of the construction sales tax would be in the range of \$535,000 to \$845,000 for full development of all eight parcels, Seattle's B&O on the same construction would be approximately \$135,324 to \$213,735 (.215% of the same tax base).

- Is there any other anticipated revenue to the City from the project?

Not other than previously mentioned.

- Was there an independent appraisal of the property? If not, why?

Yes. The price in the purchase and sale agreement is based on the City's appraisal.

Economic vitality

- How many jobs (construction and other) will be created overall?

Types and size of uses are unknown; therefore the number of construction and projected jobs is not estimated.

- How many jobs will be created for target populations?

For construction jobs, the sale agreement commits the Purchaser and its affiliated development entities to participate in the Office of Port JOBS Apprenticeship Opportunities Project by adopting a goal of 15% of the labor hours being performed by apprentices and a goal of 20% of the apprenticeship labor hours going to women and 21% to minorities.

- What is the breakdown of wages and employee benefits of the jobs that will be generated?

Uses have not yet been specified, therefore types of jobs and related information is not estimated.

- What is the potential for the project to be a catalyst for additional development?

Initiating redevelopment will catalyze other developments by reducing the risk of undertaking them. This area is a prime location for Seattle's growing biotechnology industry. As the Park is developed and as the Mercer Valley corridor is improved the area will be increasingly desirable for companies seeking an in-City location.

- How will this development address or mitigate localized or citywide adverse economic conditions?

The eventual development will eliminate the underdevelopment of the City properties on which buildings are in only fair condition. Resolution 30080 and the RFQ call for promoting industries

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targeted in the Economic Development element of the Comprehensive Plan (such as technology oriented businesses). The eventual redevelopment of the properties will also remediate the presence of hazardous substances.

Public amenities

- What other public benefits will be gained from this project?

The purchase and sale agreement contains provisions to provide family wage jobs, parking for park users, cultural uses, and affordable housing within the neighborhood.

- In what way has design quality been addressed?

RFQ selection criteria included consideration of the quality of developers' past projects. The purchase and sale agreement requires that the developer submit a Master Use Permit (MUP) application for a project on Parcels 14-17 within 2 years of assemblage or at most 6 years after closing, regardless of assemblage. Future development on the properties will go through the City's Design Review process. Finally, if the purchaser chooses to apply for the special exception for height, the criteria for review and approval include design provisions.

Viable alternatives

- In what ways is a public-private partnership necessary to attaining the public benefit in this case?

This is a conditioned sale transaction between the City and a private party. The City has structured the transaction so that after closing, the City will act in its municipal capacities as regulator and provider of municipal services.

The post-closing performances required of purchaser will be subject to specific enforcement. This allows the City to require, through a court of law, that purchaser perform these post-closing obligations. If timely application for development permits is not made, the City has the right to buy back the properties at sale price.

The City has agreed to jointly bring a lawsuit to obtain environmental clean-up of a polluted parcel (Parcel 14). This provides the public benefit of deriving full price for the parcel, without deduction for environmental conditions, while sharing the cost of establishing the legal liability of responsible parties for the pollution present on the parcel. Under the terms of the purchase agreement, the City will set aside \$300,000 of sale proceeds to fund this litigation.

- Are there ways to achieve similar benefit with less public funds or no public investment?

The transaction includes a set-aside of \$300,000 of sale proceeds to fund the environmental litigation and participate in the litigation through the City Attorney's office. The sharing of litigation expense for remediation of Parcel 14 saves public funds that would be expended if the City were to pursue that litigation independently and avoids delay in closing the sale of that parcel.

Alternatives to proposed approach, with reasons for not pursuing them

No Action – continued existing building conditions, some buildings no longer occupied, inconsistent with the Neighborhood Plan, continued underdevelopment of neighborhood, and lost economic development opportunity.

Open Space – parcels are of inadequate size for ballfields, awkward site between two major arterials, incompatible adjacent uses, no available funds for development, inconsistent with the Neighborhood Plan, and loss of proceeds to implement other City priorities.

Groundlease – no City/public purpose need for the property, property remains tax exempt (although the City would continue to collect leasehold excise tax), financing for development with a groundlease is more expensive and difficult, ongoing City liability for environmental conditions and administrative costs, property is not contiguous with another City facility

Measures of performance

- Through what means will the City seek to assure that the anticipated benefits will materialize?

Remedies in the purchase and sale agreement (see below), the annual report, and through regulatory approval process for any proposed development.

- What are the safeguards in the agreement?

Maximizing sale price, requiring specific performance in the purchase and sale agreement for post-closing obligations, rescission of sale if development does not occur, and regulatory approval process.

- What is the mechanism(s) through which the City and its partner will prevent/respond to cost overruns?

This is a conditioned sale and the City is under no obligation in the agreement to fund any project. The City's financial obligation under the purchase and sale agreement (funding environmental litigation) is specific and limited to \$300,000.

3. Assessment of Related Impacts

What is the risk to the City in undertaking the project?



- What is the nature of the risk (financial or other) throughout the life of the project?

There is a risk that environmental contamination on Parcel 14 will not be resolved, and the City would repurchase the parcel and continue to have environmental liability. There is a risk that the City would repurchase all the properties at the sales price if the Purchaser does not meet the development application requirements.

- How will assets and liabilities be distributed if and when the project ends?

This is not a project, but a sale with post-closing conditions. The purchase and sale agreement provides that if purchaser has not filed a MUP application within 72 months of closing, the City has the right to rescind the sale.

- How are the risks shared between the private entity and the City?

The City has all property-related risk prior to closing. City Investors has all risk after closing, except for resolution of cost recovery for Parcel 14 remediation, as that is defined in the agreement. There is a risk that the City would repurchase the properties at the sales price if the Purchaser does not meet the development application requirements.

- What is the risk of *not* taking on the project?

The City loses an opportunity to obtain the present benefit of full-market price for surplus land. The City continues to hold low-performing real estate assets which have increasing O&M costs and which dampen redevelopment in the area. The undeveloped condition of the properties contributes to underdevelopment in the vicinity. Finally, failure to act now could inhibit area transportation and South Lake Union Park investments.

4. Applicable State and Local Laws

- Identify applicable state and local laws and method of compliance.

Article IV, §14, of the Seattle City Charter, requires City Council concurrence in the sale of real estate. This transaction is subject to that concurrence and will be presented to the Council with an ordinance approving its terms. The post closing performances will be subject to the defined regulatory processes in the course of development

5. Citizen Engagement

How has the City obtained meaningful citizen input on this project?

- What is the nature and content of citizen input to date?

The purchase and sale agreement builds on the three-year neighborhood planning effort. Other community input since completion of the Neighborhood Plan includes standing meetings with the South Lake Union Planning Committee since adoption of the Neighborhood Plan (March 1999), a community meeting on the MAKERS and Heartland reports on Sept. 30, 1999; a Council public hearing on resolution 30080 on Nov. 22, 1999, and two public meetings with the P4 Panel (March and September 2000).

- What further public engagement is anticipated?

The Purchase and Sale Agreement is now available for public review. Details of the document were confidential during the negotiation process. The City Council will hold a public hearing on the purchase and sale agreement. The purchase and sale agreement cites the importance of ongoing communication with the South Lake Union community. When City Investors initiates any action subject to regulatory process, such as a MUP application, there will be opportunity for the public formally to comment on the specific project submittal.



This is ^{the} amendment to attachments From Bill A.

NOTES ON SLU LEGISLATION IN FBED 6 19/01

1. Agenda item #3 ~~CB 113691 approving deal~~

- Amend to substitute Purchase and Sale Agreement "with technical corrections as of June 1, 2001" for existing as Exhibit A to the CB (Copy in Committee notebooks)
- Amend to substitute RS Protocol dated June 19, 2001 for existing May 18 version as Attachment D to the CB (Copy in Committee notebooks)

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2. Agenda item #4 Res 30334 regarding use of ~~resources~~

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City of Seattle

Paul Schell, Mayor

Department of Finance

Dwight D. Dively, Director

MEMORANDUM

Date: May 30, 2001

To: Honorable Margaret Pageler, President
Seattle City Council

From: Dwight Dively, Acting Director
Fleets and Facilities Department

Subject: AN ORDINANCE related to the sale of eight City-owned parcels in the South Lake Union area; authorizing the sale of said property in accordance with the terms and conditions of the attached Purchase and Sale Agreement; directing the deposit of sale proceeds; and creating a new subaccount within the Cumulative Reserve Subfund Capital Projects Account; and amending Sections 5.06.030, 5.80.020, and 5.80.030 of the Seattle Municipal Code in connection therewith.

I am pleased to present the attached ordinance, authorizing the sale of eight parcels of property that are located in the Mercer Valley Corridor area of South Lake Union. The Purchase and Sale Agreement (PSA), which has been executed by Mayor Schell and the purchaser, City Investors Inc., is subject to Council approval through adoption of this ordinance.

Background

In April 1998, the Mayor asked the Office of Economic Development to lead a South Lake Union Interdepartmental Team (SLU IDT) to pursue redevelopment of surplus City properties in the Mercer Corridor, and to coordinate planning efforts by SEATRAN and the Parks Department in the surrounding area. In March 1999, the City Council approved the South Lake Union Neighborhood Plan. During the summer of 1999, the SLU IDT hired an urban design consultant, MAKERS, and a real estate consultant, Heartland, to analyze the development potential of the subject properties, along with possible approaches to development. In December 1999, the City Council passed Resolution 30080 which listed public objectives, and directed the Executive to issue a Request for Qualifications (RFQ), for redevelopment of the property.

Circulation and Review of Excess Property

In August and September of 1999, City departments and public agencies were notified about the potential availability of the following ten parcels: 500 Aurora Avenue North (Parcel 8), 501 Dexter Avenue North (Parcel 9), 525 Dexter Avenue North (Parcel 10), 800 Mercer Street (Parcel 11), 630 Westlake Avenue North and 965 Valley Street (Parcel

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14), 625 Boren Avenue North (Parcel 15), 1113 Valley Street and 1104 Mercer Street (Parcel 16), and 1120 Mercer Street (Parcel 17). The Department of Parks and Recreation expressed an interest in Parcels 14, 15, and/or 16 to meet potential parking needs at South Lake Union Park. This interest has been addressed in the Purchase and Sale Agreement. Metro was the only other agency to express an interest in the subject properties, specifically with regard to using Parcel 9 as a substitute transit power substation for the one it currently leases from City Light. Metro did not pursue this further after making their original inquiry.

The Real Estate Oversight Committee (REOC) did not raise any concerns after they were briefed about the proposed sale in October and November 1999, and February 2000.

Marketing Process

In January 2000, the City issued an RFQ for the redevelopment of the ten parcels. The RFQ was advertised in the Seattle Times, the Post-Intelligencer, the Daily Journal of Commerce and the Puget Sound Business Journal. Additionally, the RFQ was sent to 150 interested parties. Vulcan Northwest (City Investors, Inc.) and the Nordic Heritage Museum were the only parties to complete RFQ submittals. In April 2000, the City's South Lake Union Oversight Committee determined that it would enter into negotiations with Vulcan Northwest. Negotiations commenced in June 2000, and a PSA was executed on May 18, 2001 (subject to Council approval) for eight of the ten parcels. The City will re-examine future disposition of the remaining two parcels.

Terms of the Sale

The sale price for the eight parcels is \$20,785,844, less a credit to the purchaser of \$600,000 to cover the cost of environmental remediation. Two additional areas may also be sold. The first area is street right-of-way adjacent to Parcel 11, which the City proposes to vacate as it is not in street use. The price for this area will be \$58.62 per square foot less a \$3.86 per square foot credit for environmental remediation. A vacation ordinance will be brought to Council later this year. The second area includes possible remnants from acquisitions related to the Fairview-Valley corridor realignment. If there are any remnants once the geometric alignment is determined, the price will be \$114.67 per square foot less a \$3.86 per square foot credit for environmental remediation.

In February 2001 the City Council adopted a Land Use Code text amendment which creates a special exception to increase building height from 40 feet to 65 feet on three blocks in South Lake Union where four of the eight City parcels (Parcel 14-17) are located. This decision has been appealed to the Central Puget Sound Growth Management Hearings Board, with a hearing date set for August 16, 2001. The sale of the eight subject parcels will close pending resolution of all appeals, and upon the expiration of all appeal periods.

The purchaser is required to apply for permits on Parcels 14-17 within two years of assembling adjacent private parcels and any remnants, and no later than 6 years after

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South Lake Union Sale Ordinance
May 30, 2001
Page 3

closing on the City properties. Additional Purchase and Sale Agreement conditions require the purchaser to provide 50 units of affordable housing, 20,000 SF of cultural facility, public parking for park users, and family wage jobs.

Additional details concerning the legislative history and the terms of the sale is provided in the attached protocol for the Public Private Partnership Panel. For more information, please contact Karen Tsao in FFD Real Estate Services at 233-5101.

Attachment A - *Preliminary Report (Reuse and Disposal Analysis)*

Attachment B - *Property Review Process Determination Form*

Attachment C - *Map*

Attachment D - *Public-Private Partnership Protocol*

cc: Karen Tsao, FFD
MaryJean Ryan, OED
Nathan Torgelson, OED
Lee Belland, CBO

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PRELIMINARY REPORT
EVALUATION OF REUSE AND DISPOSAL OPTIONS FOR

Resolution 29799 directs the Executive to make its recommendations on the reuse or disposal of excess property on a case by case basis, using the *Procedures for Evaluation of the Reuse and Disposal of the City's Real Property* adopted by that Resolution. Additionally, the Resolution identifies guidelines which are to be considered in making a recommendation. This report addresses each of the guidelines outlined in Resolution 29799 in support of the recommendation.

Property Management Area: PMA's 153, 4188, 4189, 4190, 4191, 4194, 4195 & 4196, 4197.

BACKGROUND INFORMATION

Legal Description: See proposed Ordinance authorizing Purchase and Sale Agreement.

Physical Description and Related Factors: The eight parcels are nearly flat and have commercial or light industrial uses on them. The buildings are in only fair condition. The high water table on Parcel 14-16 limits the ability to develop more than one level below grade.

PMA/Address	Land area*	Building area	Year Blt.	Structure	Zoning
4188 500 Aurora Avenue North (Parcel 8)	18,278 SF	17,820 SF	1920	masonry	C2-65
4189 501 Dexter Avenue North (Parcel 9)	5,991 SF	5,640 SF	1952	masonry	C2-65
4190 525 Dexter Avenue North (Parcel 10)	12,306 SF	5,228 SF	1948	masonry	C2-65
4191 800 Mercer Street (Parcel 11)	32,754 SF	27,083 SF	1924	masonry & wood frame	C2-65
4194 630 Westlake Avenue North and 965 Valley Street (Parcel 14)	40,941 SF	12,200 SF 2,798 SF 269 SF	1920 1930 1948	wood frame masonry wood frame	C2-40
153 625 Boren Avenue North (Parcel 15)	30,087 SF	none	n/a	none	C2-40
4195 & 4196 1113 Valley Street and 1104 Mercer Street (Parcel 16)	37,082 SF	25,472 SF 3,200 SF	1946 1951	masonry steel	C2-40
4197 1120 Mercer Street (Parcel 17)	18,743 SF	none	n/a	none	C2-40

* Per survey from City Investors.

GUIDELINE A: CONSISTENCY

The analysis should consider the purpose for which the property was originally acquired, funding sources used to acquire the property, terms and conditions of original acquisition, the title or deed conveying the property, or any other contract or instrument by which the City is bound or to which the property is subject, and City, state or federal ordinances, statues and regulations.

Seven of the eight parcels were acquired in 1971 for the now-defunct Bay Freeway project pursuant to Ordinance 99545 using funds from the Arterial City Street Fund and the Urban Arterial Trust Account. Parcel 15 was acquired in two parts, one in 1893 from Jacob Furth for \$1.00 and the other in 1907 from the State of Washington for \$923.



Parcel	8	9	10	11	14	16	17
Seller	Cherry Valley Investments Inc.	Ancient Order of United Workmen	American Lutheran Church	Nifty Costume Company	J.S. Brace Company	Grange Cooperative Wholesale	Gulf Oil Corp.
1971 Price	\$220,000	\$155,000	\$165,000	\$407,000	\$350,000	\$319,500	\$178,000

In November 1999, the City Council passed Resolution 30080 listing 15 public objectives for the redevelopment of the property and directing the Executive to issue a Request for Qualifications to find a developer appropriate to addressing the public objectives.

GUIDELINE B: COMPATIBILITY AND SUITABILITY

The recommendation should reflect an assessment of the potential for use of the property; in support of adopted Neighborhood Plans, as or in support of low-income housing, in support of economic development, in support of affordable housing, for park or open space; in support of Sound Transit Link Light Rail station area development; or in support of child care facilities, and in support of other priorities reflected in adopted City policies.

Resolution 30080, the RFQ and the resultant Purchase and Sale Agreement support the South Lake Union Neighborhood Plan and, in fact, implement its recommendation that the City encourage redevelopment of the property. The property redevelopment will be a catalyst for economic development in the area. The Purchase and Sale Agreement has a condition subsequent for the provision of 50 units of affordable housing. Development under the Land Use Code text amendment would provide additional public open space. The property is not in a current or proposed transit station area.

Context: See the Public-Private Partnership Protocol.

Range of Options: See the Public-Private Partnership Protocol.

GUIDELINE C: OTHER FACTORS

The recommendation should consider the highest and best use of the property, compatibility of the proposed use with the physical characteristics of the property and with surrounding uses, timing and term of the proposed use, appropriateness of the consideration to be received, unique attributes that make the property hard to replace, potential for consolidation with adjacent public property to accomplish future goals and objectives, conditions in the real estate market, and known environmental factors that may affect the value of the property.

Highest and best use:

An appraisal was conducted for the property in April 2000 which was updated in August 2000. The appraiser concluded that the highest and best use of the property, as improved, would be development of commercial space, especially office. The Fleets and Facilities staff appraisers find that the market has not increased since the appraisal update.

Compatibility with the physical characteristics: The property's physical characteristics would support redevelopment with below grade parking. Depth of development on Parcels 14-17 may be limited to one-story below grade due to a high water table. Fill above the old lake bottom also would increase construction cost on these parcels.

Compatibility with surrounding uses: The immediate neighborhood is similar commercial/light industrial use, mostly below zoned development capacity, and is now undergoing redevelopment. Redevelopment would be compatible with this trend.

Potential for consolidation with adjacent public property: The width and traffic volume on Valley Street make assemblage with the park infeasible.



Timing and term of proposed use: The closing of the sale is subject to resolution of all appeals and expiration without appeal of all appeal periods. Uses are not specified in the Purchase and Sale Agreement.

Appropriateness of the consideration: The negotiated purchase price is at the Fair Market Value established by the City's appraisal. The Purchase and Sale Agreement includes additional conditions subsequent which address public objectives of Resolution 30080.

Unique attributes: Parcels 14-17 are across Valley Street from South Lake Union Park, which is now under development. The parcels are also located at the end of the I-5 Mercer off ramps and as such are a point of arrival in Seattle for visitors. Mercer and Valley Streets with their high traffic volumes isolate the three blocks containing these parcels from the surrounding areas.

Conditions in the real estate market: See the Public Private Partnership Panel protocol for description of area. Fleets and Facilities Department staff appraisers find that the market has not gone up since the appraisals were updated in August 2000.

Known environmental factors: Hazardous material assessments were conducted on all the buildings, Environmental Site Assessments (ESA) Phase I level were conducted on all the parcels and ESA Phase II level on Parcels 14-17. Usual amounts of hazardous materials were found in the building for their age, use and condition. Usual minor amounts of environmental contamination were found on all the parcels except Parcel 14. Parcel 14 still has free product from the Unocal leak of 1980.

GUIDELINE D: SALE

The recommendation should evaluate the potential for selling the property to non-City public entities and to members of the general public.

No public agencies which were contacted submitted a request for the property. The City Council, through Resolution 30080, sought to achieve a number of public objectives in selling the properties and directed Real Estate Services to offer the parcels through a Request for Qualifications for redevelopment. This sale is the outcome of that process.

RECOMMENDATION

The Real Estate Oversight Committee recommends that the Council approve the sale of these parcels to City Investors under the Purchase and Sale Agreement.



ATTACHMENT B

PROPERTY REVIEW PROCESS DETERMINATION FORM

Property Name: Mercer Corridor Parcels 8, 9, 10, 11, 14, 15, 16, & 17

Address: 500 Aurora Avenue North (Parcel 8), 501 Dexter Avenue North (Parcel 9), 525 Dexter Avenue North (Parcel 10), 800 Mercer Street (Parcel 11), 630 Westlake Avenue North and 965 Valley Street (Parcel 14), 625 Boren Avenue North (Parcel 15), 1113 Valley Street and 1104 Mercer Street (Parcel 16), and 1120 Mercer Street (Parcel 17)

PMA ID: 153, 4188, 4189, 4190, 4191, Subject
4194, 4195 & 4196, 4197 Parcel #:

Dept./Dept ID: FFD No Dept ID Current Use: leased to private parties for rent to cover maintenance

Area (Sq. Ft.): 197,000 SF Zoning: C2-40 & C2-65

Est. Value: \$20 million Assessed Value:

PROPOSED USES AND RECOMMENDED USE*Department/Governmental Agencies:**Proposed Use:*

none

none

*Other Parties wishing to acquire:**Proposed Use:*

City Investors Inc.

redevelopment

RES'S RECOMMENDED USE: As parcels were offered for redevelopment through a Request for Qualifications, they should be sold to City Investors Inc. pursuant to the negotiated Purchase & Sale Agreement.

PROPERTY REVIEW PROCESS DETERMINATION (circle appropriate response)

- | | | |
|---|---|----|
| 1.) Is more than one City dept/Public Agency wishing to acquire? | <input checked="" type="radio"/> No / Yes | 15 |
| 2.) Are there any pending community proposals for Reuse/ Disposal? | <input checked="" type="radio"/> No / Yes | 10 |
| 3.) Have citizens, community groups and/or other interested parties contacted the City regarding any of the proposed options? | No / <input checked="" type="radio"/> Yes | 10 |
| 4.) Will consideration be other than cash? | <input checked="" type="radio"/> No / Yes | 10 |
| 5.) Is Sale or Trade to a private party being recommended? | No / <input checked="" type="radio"/> Yes | 25 |
| 6.) Will the proposed use require changes in zoning/other reg's? | <input checked="" type="radio"/> No / Yes | 20 |
| 7.) Is the estimated Fair Market Value between \$250,000-\$1,000,000? | <input checked="" type="radio"/> No / Yes | 10 |
| 8.) Is the estimated Fair Market Value over \$1,000,000? | No / <input checked="" type="radio"/> Yes | 45 |

Total Number of Points Awarded for "Yes" Responses:

80

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Property Classification for purposes of Disposal review: Simple / Complex (circle one)
(a score of 45+ points results in "Complex" classification)

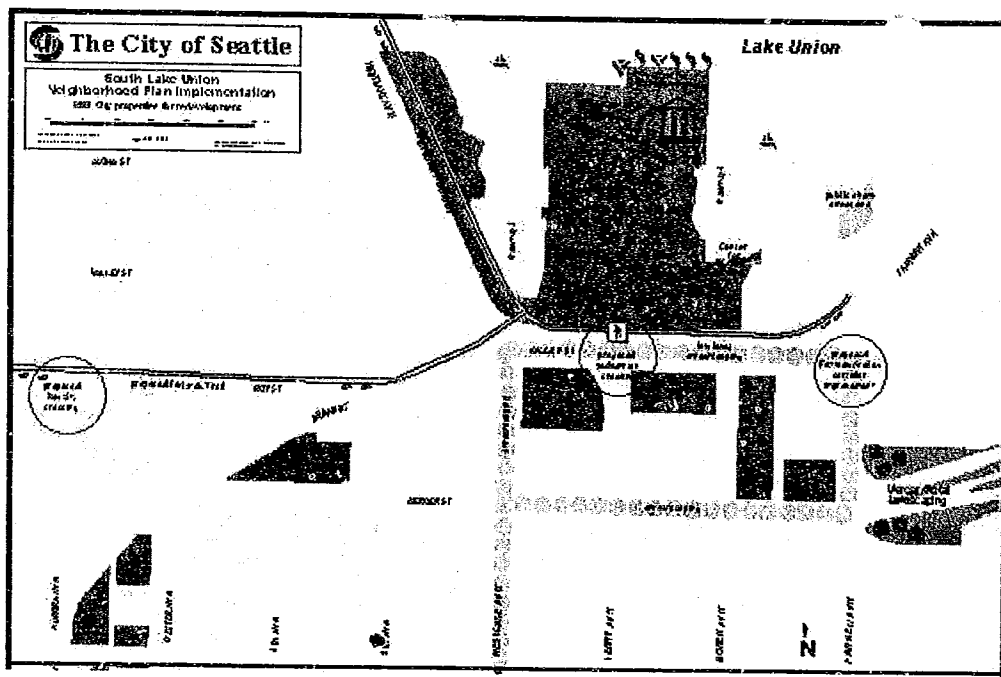
Signature: Karen Tsao

Department: FFD

Date: May 21, 2001

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ATTACHMENT C



ATTACHMENT D

Public-Private Partnership Protocol

May 18, 2001

Project Name: South Lake Union City Property Conditioned Sale

Project Status: The purchase and sale agreement is ready for review by the Public-Private Partnership Panel (P4)

A.1. OVERVIEW OF PROJECT

Background Information

In March 1999 the Seattle City Council approved the South Lake Union Neighborhood Plan. The Neighborhood Plan represents a remarkable effort by local businesses, property owners and residents who focused on three key elements: open space, neighborhood character and transportation. At that time Mayor Paul Schell directed City department directors to make implementation of the South Lake Union Neighborhood Plan a key priority and he announced that a team of City staff would collaborate with the neighborhood on implementation of the Plan. This City team has continued to meet with the community since approval of the Plan and has focused on South Lake Union Park, transportation improvements and redevelopment of City owned property.

The top priority in the Neighborhood Plan is development of South Lake Union Park. To that end, in July 2000, the City purchased the U.S. Naval Reserve property, completing assemblage of over 12 acres for South Lake Union Park. Also in July 2000 the City Council adopted Resolution 30206, which is an update to the South Lake Union Park Master Plan. In addition, the City is partnering with the Maritime Heritage Foundation to create a Maritime Heritage Center that will provide a wide array of historical, cultural, educational, and recreational maritime activities, and a wharf for long-term moorage of large historic vessels. The Kreielsheimer Foundation has provided a \$1 million challenge grant for the development of the wharf project. Seattle voters provided an additional \$5 million for the Park in November 2000 as part of the Pro Parks Levy.

Transportation is the second key area in the Neighborhood Plan. After over 50 studies in the past 30 years, the Neighborhood Plan represents the first time the neighborhood has come to a general consensus on transportation improvements for the neighborhood. The Plan recommends a series of localized approaches to improve traffic and pedestrian circulation and safety. The Plan calls for a realignment of the Fairview/Valley Corridor, a Roy Street crossing at Aurora, and streetscaping improvements on Mercer, Valley, and Westlake and 9th Avenue. The City received a \$1.5 million grant from the Puget Sound Regional Council to study the design and estimate the

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costs of these projects. Parsons Brinckerhoff is currently in the final stages of this preliminary engineering work.

The Plan also recommended that the City encourage redevelopment of its holdings in the neighborhood. The City had acquired its South Lake Union properties years ago for the never-constructed Bay Freeway project. The neighborhood in its plan urged the City to encourage redevelopment of the properties now so that development could occur in a way which would enhance the overall neighborhood and which would complement Park development. Citizens and business owners have expressed numerous visions for redevelopment of the City properties. In 1999, prior to commencing with a sales process, the City hired Heartland, a real estate consulting firm, and MAKERS, an architectural and urban design firm, to study the area. The consultants evaluated general concepts of site layout, capacity, and the related financial values for different development scenarios of the City properties. The resulting analyses provided decision-makers a framework to weigh the trade-offs between financial and other public benefits of property development.

In December 1999, the City Council adopted Resolution 30080 which directed the City to issue an RFQ for redevelopment of ten properties, and laid out the City's public objectives for redevelopment of the properties. Four of the properties are located directly south of Lake Union, and are zoned Commercial 2 with a height limit of 40 feet. The six other properties are located further to the west and are zoned Commercial 2 with a height limit of 65 feet. Information from the Heartland and MAKERS reports were used to develop Resolution 30080, as was input from the South Lake Union Neighborhood Planning Committee. The Planning Committee is comprised of the citizen leaders from the neighborhood planning effort. The City concluded that seeking developers through a RFQ would best promote the City objectives while making use of the knowledge and creativity of experienced developers. The City issued the RFQ in January 2000. The City selected Vulcan Northwest (City Investors) to enter into negotiations in April 2000. Negotiations commenced in June 2000.

A South Lake Union Negotiation Oversight Committee, comprised of two City Councilmembers, two Department Directors and a Council Central Staffperson have met three times a month throughout the process to receive input and updates from the City's negotiation team, which includes the City's real estate advisory consultant (Heartland). The Committee has received technical resource input from numerous City departments, including the Office of Housing, the Strategic Planning Office, the Department of Parks and Recreation, Fleets and Facilities Department (F&FD), the Department of Design, Construction and Land Use (DCLU), the Department of Neighborhoods (DON), SeaTran, Law, City Budget Office and the City Council's real estate consultant for this transaction (David Haworth).

Land Use Code Text Amendment

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The City Council adopted an amendment to the Land Use Code on February 20, 2001, to create a special exception that will allow additional structure height on three blocks located south of Lake Union. These three blocks include 4 out of the 10 parcels that were part of the RFQ. The current zoning on the three blocks is Commercial 2 with a height limit of 40 feet. The special exception allows the heights of buildings to increase from 40 feet to 65 feet subject to certain conditions. The zoning of blocks located immediately to the east, west and south of the three blocks allows development at 65 feet or higher. The purpose of creating this special exception is to encourage development on these blocks consistent with the goals of the South Lake Union Neighborhood Plan, and to achieve public objectives for redevelopment outlined by City Council Resolution 30080. The Neighborhood Planning Committee was involved in the development of the specific criteria that are contained in the special exception. Granting of the special exception is a Type II administrative decision which is subject to appeal. The special exception applies to all properties within the three block area, regardless of ownership, and would be reviewed by DCLU at the time a proponent came forward to DCLU with a specific development proposal. In order for DCLU to grant the special exception, projects must provide 20 to 25 percent of the lot area in publicly accessible open space, must meet streetfront use requirements, and must meet upper level lot coverage and upper level setbacks requirements which enhance views to South Lake Union Park and Lake Union and to the downtown skyline along Westlake, Valley, Boren and Fairview Avenues.

Both the urban design and real estate reports completed by Heartland and MAKERS offered conclusions that supported an increase in height on the three blocks. The consultant reports stated that "allowing building heights consistent with those allowed on adjacent sites improves opportunities for creating a desirable development atmosphere on the project sites." The studies discussed how the additional development capacity resulting from a height increase may improve the feasibility of underground or structured parking facilities within any development as the costs of those structures can be spread over more buildable square footage. The studies also discussed that increasing the allowable building height creates the potential for additional public spaces or other public amenities that would not necessarily be possible to achieve while maintaining a financially feasible project at a 40-foot height limit. Additional public space could serve the goals of the City by increasing the pedestrian friendliness of the area.

Before the City Council adopted the Land Use Code special exception, the City's Department of Design, Construction and Land Use (DCLU) conducted an environmental (SEPA) review of the proposed land use code change and issued a Declaration of Non-Significance (DNS). A citizen's group appealed this decision to the City's Hearing Examiner, and in January 2001 the Hearing Examiner upheld DCLU's decision. The City Council's approval of the Land Use Code special exception was recently appealed to the Central Puget Sound Growth Management Hearings Board (CPSGMHB). The CPSGMHB has set a tentative hearing date of August 16, 2001. Before closing on the purchase and sale agreement, all applicable appeal periods must have expired and/or all appeals resolved.

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Purchase and Sale Agreement

Following are highlights of the purchase and sale agreement, which is subject to review by the P4 Panel and the City Council.

The parties to the purchase and sale agreement are City Investors, Inc. and the City of Seattle. City Investors Inc. is the company who will own the sale property in South Lake Union. It owns real estate assets in other Seattle neighborhoods and outside the area. Vulcan Northwest is the affiliated strategic investment and management company which responded to the City's RFQ. Both are wholly owned by Paul G. Allen.

Overview Highlights

The City will sell 8 parcels to City Investors for \$20.8 million, and City Investors will assume responsibility for clean up of any hazardous substances on seven of the parcels at a value deduct of \$600,000. The City will receive a full indemnification from future environmental risk on seven parcels. One parcel (14) will have separate conditions concerning environmental issues.

In addition to providing full market value for the properties, City Investors will provide a 20,000 square foot cultural facility and 50 new affordable housing units in the South Lake Union neighborhood, and will provide parking available to the public using South Lake Union Park. City Investors has also committed to an overall goal of providing an additional 450 market rate housing units in the South Lake Union area.

After the purchase and sale agreement closes, City Investors will be obligated to apply for development permits within two years after gaining control of adjacent private parcels, with a maximum time limit of six years if assemblage is not successful. The purchase and sale agreement does not specify the types of uses that shall be constructed on the City properties. All uses and development will be subject to the City's Land Use Code.

The Mayor will propose to Council that the proceeds of the sale of the properties be directed toward transportation improvements in South Lake Union. The Mayor will also propose an investment of proceeds for additional affordable housing developments in the area.

THE DETAILS

Optimize Monetary Return

Price

- Selling 8 parcels for \$20,785,844
- The remaining two parcels in the RFQ (Parcels 12 and 13) will be reexamined before any steps are taken toward their disposition.

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- Selling price matches City appraisal: Mercer-Valley properties (Parcels 14-17) at \$114.67 per square foot and Parcels 8-11 at approximately \$90 per square foot.
- City will receive additional money (approximately \$1.3 million) for right-of-way not in transportation use surrounding Parcel 11 that the City is proposing to vacate (subject to Council approval) at \$58.62 per square foot.
- City is requiring City Investors to purchase remnants, if any, from Fairview-Valley realignment project at \$114.67 per square foot.
- Closing to occur following resolution of all appeals and expiration without appeal of all appeal periods

Indemnity/Remediation Cost at Closing

- On all parcels except 14: City Investors will assume responsibility for clean up of any hazardous substances. Value deduct of \$600,000. City will receive a full indemnification.

Parcel 14

- Substantial environmental clean-up is necessary. A major gasoline leak of approximately 60,000 gallons on adjacent Tosco property in 1980s; high water table, topography slopes toward Parcel 14 and lake. Without control of Tosco site, development and clean up of 14 is extremely expensive. After closing, City Investors, with City's cooperation, may pursue a Model Toxics Control Act claim against Unocal/Tosco (adjacent landowner) for cleanup.
- City Investors will pay full price for Parcel 14.
- \$300,000 of the purchase price will be in a litigation reserve. City Investors will have the option to require the City to repurchase the property at the same price starting 12 months after closing and running 30 months after closing.
- If successfully resolved, full indemnification will apply.

Cultural Uses

- City Investors will provide within 6 years of closing 20,000 square-feet of new space for a cultural use in neighborhood.
- Cultural use defined as a non-profit facility: museum, performing arts facility, institute for the arts, etc.
- Cultural use must be an active use – available to the public – not storage.
- For comparison, footprint of Asian Art Museum is approximately 20,000 square feet.

Housing

- In 1994, there were 461 housing units in the South Lake Union neighborhood (which includes Cascade)
- City of Seattle Comprehensive Plan Goal: 1700 new housing units between 1994 and 2014.
- Neighborhood Plan Goal: 5% of units in new development affordable at 80% of median income or below (5% of 1700 Comp Plan goal is 85 units)

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- Over 500 housing units have been constructed or rehabed in South Lake Union since 1994, 350 of them affordable at 60% of median income or below
- City Investors will guarantee development within 6 years of 50 new units of housing affordable at 87% of median income for minimum of 20 years. Units will be within certain geography (does not include Cascade) and will not use City subsidy.
- Will include a mix of size of units as market demand warrants.
- Agreement also includes a development goal of 450 market rate units in overall South Lake Union area.

Parking

- Overall strategy: City should not prematurely or unnecessarily purchase parking that will not be needed. Buying dedicated spaces is extremely expensive. Instead—preserve options for the City or assignee.
- Agreement to collaborate on parking and access solutions.
- City Investors will develop a major new reservoir of parking associated with development of Parcels 14-17 and possibly adjacent private parcels. 800–1,000 stalls are possible in the 3 blocks assuming full block assemblage. It is assumed that parking will be available in a one-to two-story subterranean garage. The purchase and sale agreement obligates City Investors to make a majority of parking available for general public use at market rates during off-peak hours of development.
- City Investors will devote 20% of the number of parking spaces in 3-block development for short-term public use at market rates (no fewer than 120 spaces) on the 3 blocks or other property close to Park.
- City has the right to purchase up to 160 spaces for exclusive South Lake Union Park/Armory building use for \$55,000 per stall. Will need to exercise option before City Investors applies for permits; no sooner than 1 year after closing. Option could be assigned to an entity that is a user of the Armory building in the Park.
- City Investors will keep 111 existing surface spaces on Parcel 15 at market rates as interim parking before development.

Family Wage Jobs

- Construction. City Investors will participate in Apprenticeship Opportunities Project to assist low-income area residents to gain access to building and construction trades apprenticeships. Goals will be established for number of labor hours performed by participants in apprenticeship and training programs and for female and minority apprenticeship hours.
- Permanent Jobs. City Investors will facilitate work force development agreements between building tenants and either the Seattle Jobs Initiative or another workforce development program.

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Schedule for Development/Right of Recision

- City Investors will need to apply for permits on Parcels 14-17 within 2 years after closing on adjacent private parcels and remnants, if any; in any event must apply for permits within 6 years after closing on City properties.
- City has right to buy back property at sale price if application deadlines are not met

Remedies for Failure to Perform

- The City's enforcement remedy for affordable housing, parking, provision of a cultural use, indemnity for environmental conditions and other specified non-assignable duties of purchaser is specific performance. This allows the City to require, through a court of law, that purchaser perform these post-closing obligations.

Monitoring /On-going Due Diligence

- Annual Report, including progress on achieving purchase and sale agreement conditions and status on assets of purchaser

Use of Proceeds Framework

The Mayor and Council will work together on a resolution that will outline the investment priorities for the South Lake Union proceeds. The resolution will be considered concurrent with the Council's review of the Purchase and Sale Agreement.

The Mayor's proceeds proposal, after significant input from the Council, will include the following major elements:

- A primary focus on South Lake Union transportation improvements. The Mayor's proposal will recommend funding for the Fairview/Valley Corridor Realignment Project which will improve traffic circulation and safety. Other projects such as a Roy Street crossing at Aurora are currently being studied to determine their costs and benefits for vehicular, pedestrian and bicycle mobility. Specific project recommendations will be made to City Council once the appropriate information is available. It is the Mayor's goal that these dollars can result in significant leveraging of State, federal and private monies – all directed to improve traffic flow in the Mercer-Valley corridor and the broader South Lake Union area.
- The Mayor will also propose investing at least \$2 million of the sale proceeds into affordable housing in the South Lake Union area. These funds will leverage other public funds and will generate at least 50 new units of housing affordable to individuals and/or families making 60% or less of the Seattle-area median income. The units would be covenanted to stay affordable for at least 40 years. The units would be built in the general South Lake Union area but not in Cascade – which already has a high proportion of the overall area's subsidized housing units.

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- The Mayor will also propose establishing a reserve for the funds related to Parcel 14. If the clean-up issues on the adjoining site are resolved, the money could be made available for public parking and/or traffic circulation improvements in the Mercer-Valley corridor. Specific project details would need to be approved by the Mayor and City Council at that time.

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A.2. NEED FOR PROJECT

The South Lake Union Neighborhood Plan recommended that the City encourage redevelopment of its holdings in the neighborhood now so that development could occur in a way which would enhance the overall neighborhood and which would complement development of South Lake Union Park. The South Lake Union Park Master Plan has just been updated. Furthermore, redevelopment of these properties will encourage redevelopment on other properties in the neighborhood, which has been dampened by the indecision concerning the City properties.

B. PROFILE OF PARTNERS

City Investors Inc., as a company for property assemblage, ownership and management, will be the entity to own the property in South Lake Union. It owns outright real estate assets of over \$250 million, including holdings in other Seattle neighborhoods and outside the area. Vulcan Northwest is the affiliated strategic investment and management company which responded to the City's RFQ. Both are wholly owned by Paul G. Allen.

City Investors and Vulcan Northwest's activities include real estate development, operation and management of major public facilities and private development projects in the Pacific Northwest. They develop real estate directly and through affiliate companies and strategic partnerships. Other real estate-related affiliates include: First and Goal Inc (Stadium and Exhibition Center, Seattle); Experience Music Project, a Washington non-profit corporation (EMP, Seattle Center); and Oregon Arena Corporation (Rose Quarter Complex, Portland). Other Vulcan Northwest experience includes the Rosen Building Biotechnology redevelopment for the University of Washington School of Medicine (Seattle), 505 Union Station Office Building (Seattle), Sammamish Park Place (technology office complex in Issaquah), Cinerama Theater Renovation (Seattle) and the Port Quendall Project (Renton).

Vulcan Northwest's project team includes the Justen Company LLC (development management and real estate analysis), Sasaki & Associates (urban design/open space), Collins Woerman Architecture (architectural planning), Hart Crowser (environmental/soils), Entranco/Transportation Engineering Northwest (traffic and traffic management plans), VP Services (parking) and Foster Pepper & Shefelman PLLC (legal).

Vulcan Northwest has a policy of zero discrimination in recruitment, employment, transfer, promotion, compensation, training, termination, company-provided benefits or any other term or condition of employment in any of their affiliated companies. In addition Vulcan Northwest's commercial projects have provided apprenticeship opportunities.

Vulcan Northwest employs an environmentally aware policy in regard to all aspects of its operations, and is a member of the United States Green Building Council. Contractors recycle



construction debris, use recycled products and specify high-efficiency energy systems. Past projects (Rose Quarter, Portland and Washington State Exhibition Center) have exceeded 90 percent construction debris recycling goals.

C. ESTIMATED TIMETABLE FOR PROJECT

Transaction	2 nd Quarter, 2001
Closing	after all applicable appeal periods have expired and/or all appeals resolved.
Permit application	within 24 months of assemblage of adjacent private parcels; no later than 6 years after closing

D. FINANCIAL TRANSACTION SUMMARY

The amount of funds the City will receive is found in the Overview Section, Price.

Proposed uses of funds are found in the Overview Section, Use of Proceeds Framework.

In 1998, the City adopted a set of procedures to be followed when property is considered for disposition. The department that has jurisdiction of the property must first declare the property excess to its needs, then all other potential City uses must be considered before the property is deemed surplus. In the case of these properties, the City's transportation department, SeaTran, declared its parcels excess to its needs, and then Executive Services Department (ESD) so declared the one held by the General Fund. The City's ESD (now Fleets and Facilities or F&FD), which acts as the City's property agent, circulated the list of these properties to other City departments. No department identified a City need for these properties.

Note: Seven of the eight properties included in the purchase and sale agreement were purchased in the late 1960s and early 1970s using transportation funds from two sources, Urban Arterial Trust Account and Arterial City Street Fund. The UATA and ACSF contribution to acquisition of these seven properties in the RFQ was \$1,794,500, split equally. The UATA funding requires that its share of the original purchase price without any appreciation be repaid to the State if the property is not used for transportation purposes. In 1974, the City appropriated funds to repay the portion of property proceeds due to the UATA. The portion of the proceeds due to the ACSF may be used for transportation improvements within the City, without actually transferring into the ACSF. Under City policy and in accordance with SMC 5.80.030, net proceeds from the sale of surplus property will be deposited into the Cumulative Reserve Subfund, and are subject to subsequent appropriation.



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The remaining parcel was purchased with General Fund dollars. Under City policy and in accordance with SMC 5.80.030, these proceeds will be deposited into the Cumulative Reserve Subfund, and are subject to subsequent appropriation.

E. ANALYSIS OF PUBLIC BENEFITS

1. Project's Relationship to City Priorities

How does the proposal advance a City priority?

The City Council, through Resolution 30080, adopted public objectives for the redevelopment of the City properties. The sale of the properties will accomplish some of these public objectives through its contractual provisions. The other public objectives will be achieved by the investment of proceeds of the sale, by neighborhood initiated projects, by other City projects/investments in the neighborhood, and when the purchaser pursues regulatory approvals and ultimately redevelops the properties.

The purchase and sale agreement addresses the public objectives which are outside the scope of regulatory processes for development: optimizing financial return, affordable housing, cultural uses, public parking and family wage jobs.

The chart below summarizes the public objectives and how they will be achieved:



How Are Public Objectives Achieved?

Council Resolution	Purchase and Sale Agreement	Regulatory Process	Potential Proceeds Investment	Other (e.g., neighborhood action, City projects)
1. Parking for SLU Park	X	X	X	X
2. High Quality Development		X		X
3. Gateway		X		X
4. Safe and Active Pedestrian Environment		X		X
5. Visual Relationships in Park Vicinity		X		
6. Cultural Uses and Public Art	X			X
7. Public Open Space		X		X
8. Alternative forms of Transportation			X	X
9. Promote site design, access and uses that minimize traffic and parking impacts	X	X		X
10. Discourage creation of surface parking lots	X	X		X
11. Optimize monetary return	X			
12. Family wage jobs	X			
13. Affordable housing	X		X	
14. Promote Comp Plan goals	X	X	X	X
15. Catalyze economic development	X		X	X

Other South Lake Union Public Objectives				
Transportation Improvements		X	X	X

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The public objectives in the Resolution list are consistent with both the South Lake Union Neighborhood Plan and the City's Comprehensive Plan. The purchase and sale agreement provides for fulfillment of those objectives either in itself or through regulation of development.

The purchase and sale agreement is also consistent with SeaTran, Parks, F&FD, and DON plans with relation to surplus property disposition and Neighborhood Plan implementation, and with the City's Consolidated Plan in relation to affordable housing. In addition, the purchase and sale agreement calls for coordination between City Investors and the City on housing, transportation and parking issues.

How did the project come to the City's attention?

The purchase and sale agreement is part of the City response to the South Lake Union Neighborhood Plan. Redevelopment is timely now with completion of the Neighborhood Plan and development of South Lake Union Park. The City issued a Request for Qualifications to find a developer with the capacity to develop a high quality development and to accomplish other public objectives.

What are the reasons for engaging in a partnership?

Private redevelopment enabled by the purchase and sale agreement is consistent with Neighborhood Plan and City goals, and optimizes achievement of public benefits and financial return. This is not a joint venture or a traditional public-private partnership but rather a conditioned sale transaction between the City and a private party. There has been, however, and will continue to be, significant public investment in the immediate area through park, transportation and other infrastructure improvements.

- What are the City's reasons for pursuing this project as a partnership rather than alone?

The City does not wish to act as a developer, and City Investors has contracted to deliver greater public amenities at a lower cost than the City could alone, in addition to a market-value price. There is no overriding public use and necessity of the City acting as a developer to offset benefits gained from private development. The environmental clean up of the parcels is most effectively accomplished in conjunction with development.

- What are the private party's stated reasons for pursuing the project as a partnership with the City?

City Investors has ownership or control of several properties within the three blocks directly south of Lake Union containing the City properties. City Investors believes that through consolidation of the City properties with adjacent private properties they can create development that will achieve greater public benefits than single-purpose developments on individual sites.



City Investors also benefits by a development fronting on South Lake Union Park which will contribute to creation of a functionally integrated neighborhood and the successful development of its other properties nearby. This is consistent with the analysis done for the City in the MAKERS and Heartland reports.

- How much will the project cost if a partnership is pursued?

Costs to the City include: 1) the City's participation in litigation to recover the cost of Parcel 14 remediation which could be \$300,000 of the sale proceeds plus City attorneys' time, 2) minimal staff cost to monitor adherence to the contract, and 3) costs associated with the closing of the purchase and sale agreement. The Mayor will propose the repayment of funds temporarily borrowed from City reserves to pay for the cost of transaction-related consultants, appraisals, and other transaction expenses, consistent with City Policy and specific legislative direction out of the sale proceeds. These expenses are anticipated to total approximately \$660,000.

- How much would the project cost if undertaken using only public money?

The City alone cannot pursue the development outcomes that are likely to be the most desirable.

2. Anticipated Public Benefit

What are the anticipated public benefits of the project?

Direct financial benefits – see Overview Section, Price

Indirect financial benefits – see Overview Section: Parking, Housing, Cultural Use, Family Wage Jobs

Please quantify the following:

Economic return

- What is the anticipated return in tax revenue over the life of the project?

It is possible to estimate values for property tax, construction sales tax, and utility taxes based on maximum development capacity of the land. Because the land sale does not specify uses, there is not sufficient information to estimate B&O tax or retail sales tax. All dollars are in today's value with no inflation added for future periods.

Property tax - Simply by changing the ownership of the property from public to private, there will be tax revenue generated for the City. Based on current assessed values, this base tax revenue will be approximately \$46,800 per year. With conservative discount rates of 5 to 7 percent, the net present value over 20 years of this revenue stream would be \$495,000 to \$585,000. With development occurring within 5 to 9 years, the annual revenue stream would be



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in the range of \$615,000 to \$650,000 per year. Over 20 years at the same range of discount rate, the net present value of this stream would be \$2.8 million to \$4.6 million.

Construction sales tax – The City's share of the construction sales tax would be in the range of \$535,000 to \$845,000 for full development of all eight parcels.

Utility taxes – Based on current usage rates for typical commercial uses, activity in future developments on all the parcels could generate roughly \$66,000 to \$83,000 per year for the City.

- Is there any other anticipated revenue to the City from the project?

Not other than previously mentioned.

- Was there an independent appraisal of the property? If not, why?

Yes. The price in the purchase and sale agreement is based on the City's appraisal.

Economic vitality

- How many jobs (construction and other) will be created overall?

Types and size of uses are unknown; therefore the number of construction and projected jobs is not estimated.

- How many jobs will be created for target populations?

For construction jobs, the sale agreement commits the Purchaser and its affiliated development entities to participate in the Office of Port JOBS Apprenticeship Opportunities Project by adopting a goal of 15% of the labor hours being performed by apprentices and a goal of 20% of the apprenticeship labor hours going to women and 21% to minorities.

- What is the breakdown of wages and employee benefits of the jobs that will be generated?

Uses have not yet been specified, therefore types of jobs and related information is not estimated.

- What is the potential for the project to be a catalyst for additional development?

Initiating redevelopment will catalyze other developments by reducing the risk of undertaking them. This area is a prime location for Seattle's growing biotechnology industry. As the Park is developed and as the Mercer Valley corridor is improved the area will be increasingly desirable for companies seeking an in-City location.

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- How will this development address or mitigate localized or citywide adverse economic conditions?

The eventual development will eliminate the underdevelopment of the City properties on which buildings are in only fair condition. Resolution 30080 and the RFQ call for promoting industries targeted in the Economic Development element of the Comprehensive Plan (such as technology oriented businesses). The eventual redevelopment of the properties will also remediate the presence of hazardous substances.

Public amenities

- What other public benefits will be gained from this project?

The purchase and sale agreement contains provisions to provide family wage jobs, parking for park users, cultural uses, and affordable housing within the neighborhood.

- In what way has design quality been addressed?

RFQ selection criteria included consideration of the quality of developers' past projects. The purchase and sale agreement requires that the developer submit a Master Use Permit (MUP) application for a project on Parcels 14-17 within 2 years of assemblage or at most 6 years after closing, regardless of assemblage. Future development on the properties will go through the City's Design Review process. Finally, if the purchaser chooses to apply for the special exception for height, the criteria for review and approval include design provisions.

Viable alternatives

- In what ways is a public-private partnership necessary to attaining the public benefit in this case?

This is a conditioned sale transaction between the City and a private party. The City has structured the transaction so that after closing, the City will act in its municipal capacities as regulator and provider of municipal services.

The post-closing performances required of purchaser will be subject to specific enforcement. This allows the City to require, through a court of law, that purchaser perform these post-closing obligations. If timely application for development permits is not made, the City has the right to buy back the properties at sale price.

The City has agreed to jointly bring a lawsuit to obtain environmental clean-up of a polluted parcel (Parcel 14). This provides the public benefit of deriving full price for the parcel, without deduction for environmental conditions, while sharing the cost of establishing the legal liability of responsible parties for the pollution present on the parcel. Under the terms of the purchase agreement, the City will set aside \$300,000 of sale proceeds to fund this litigation.



- Are there ways to achieve similar benefit with less public funds or no public investment?

The transaction includes a set-aside of \$300,000 of sale proceeds to fund the environmental litigation and participate in the litigation through the City Attorney's office. The sharing of litigation expense for remediation of Parcel 14 saves public funds that would be expended if the City were to pursue that litigation independently and avoids delay in closing the sale of that parcel.

Alternatives to proposed approach, with reasons for not pursuing them

No Action – continued existing building conditions, some buildings no longer occupied, inconsistent with the Neighborhood Plan, continued underdevelopment of neighborhood, and lost economic development opportunity.

Open Space – parcels are of inadequate size for ballfields, awkward site between two major arterials, incompatible adjacent uses, no available funds for development, inconsistent with the Neighborhood Plan, and loss of proceeds to implement other City priorities.

Groundlease – no City need for the property, property remains tax exempt, ongoing City liability for environmental conditions and administrative costs, the property is not contiguous with another City facility.

Measures of performance

- Through what means will the City seek to assure that the anticipated benefits will materialize?

Remedies in the purchase and sale agreement (see below), the annual report, and through regulatory approval process for any proposed development.

- What are the safeguards in the agreement?

Maximizing sale price, requiring specific performance in the purchase and sale agreement for post-closing obligations, rescission of sale if development does not occur, and regulatory approval process.

- What is the mechanism(s) through which the City and its partner will prevent/respond to cost overruns?

This is a conditioned sale and the City is under no obligation in the agreement to fund any project. The City's financial obligation under the purchase and sale agreement (funding environmental litigation) is specific and limited to \$300,000.

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3. Assessment of Related Impacts

What is the risk to the City in undertaking the project?

- What is the nature of the risk (financial or other) throughout the life of the project?

There is a risk that environmental contamination on Parcel 14 will not be resolved, and the City would repurchase the parcel and continue to have environmental liability. There is a risk that the City would repurchase all the properties at the sales price if the Purchaser does not meet the development application requirements.

- How will assets and liabilities be distributed if and when the project ends?

This is not a project, but a sale with post-closing conditions. The purchase and sale agreement provides that if purchaser has not filed a MUP application within 72 months of closing, the City has the right to rescind the sale.

- How are the risks shared between the private entity and the City?

The City has all property-related risk prior to closing. City Investors has all risk after closing, except for resolution of cost recovery for Parcel 14 remediation, as that is defined in the agreement. There is a risk that the City would repurchase the properties at the sales price if the Purchaser does not meet the development application requirements.

- What is the risk of *not* taking on the project?

The City loses an opportunity to obtain full-market price for surplus land. The City continues to hold low-performing real estate assets which have increasing O&M costs and which dampen redevelopment in the area. The City receives no property tax on exempt parcels. The undeveloped condition of the properties contributes to underdevelopment in the vicinity.

4. Applicable State and Local Laws

- Identify applicable state and local laws and method of compliance.

Article IV, §14, of the Seattle City Charter, requires City Council concurrence in the sale of real estate. This transaction is subject to that concurrence and will be presented to the Council with an ordinance approving its terms. The post closing performances will be subject to the defined regulatory processes in the course of development

5. Citizen Engagement

How has the City obtained meaningful citizen input on this project?



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- What is the nature and content of citizen input to date?

The purchase and sale agreement builds on the three-year neighborhood planning effort. Other community input since completion of the Neighborhood Plan includes standing meetings with the South Lake Union Planning Committee since adoption of the Neighborhood Plan (March 1999), a community meeting on the MAKERS and Heartland reports on Sept. 30, 1999; a Council public hearing on resolution 30080 on Nov. 22, 1999, and two public meetings with the P4 Panel (March and September 2000).

- What further public engagement is anticipated?

The Purchase and Sale Agreement is now available for public review. Details of the document were confidential during the negotiation process. The City Council will hold a public hearing on the purchase and sale agreement. The purchase and sale agreement cites the importance of ongoing communication with the South Lake Union community. When City Investors initiates any action subject to regulatory process, such as a MUP application, there will be opportunity for the public formally to comment on the submittal.

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Fiscal Note

Each piece of legislation that is financial in nature requires a fiscal note. The fiscal note should be drafted by department staff and should identify operating, capital, revenue, and FTE impacts of the legislation. After preparation by departmental staff, the City Budget Office will review and make necessary revisions before transmittal to Council.

Department: Fleets & Facilities Dept.	Contact Person/Phone: Karen Tsao/3-5101	CBO Analyst/Phone: Lee Belland/3-3778
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Legislation Title:

AN ORDINANCE related to the disposition of eight City-owned parcels in the South Lake Union area; authorizing the sale of property in the area commonly known as the Mercer Corridor in accordance with the terms and conditions of the attached Purchase and Sale Agreement; creating a new subaccount within the Cumulative Reserve Subfund Capital Projects Account; and amending Sections 5.06.030, 5.80.020, and 5.80.030 of the Seattle Municipal Code in connection therewith.

Summary of the Legislation:

The ordinance authorizes the sale of eight parcels in the Mercer Corridor in the South Lake Union area to City Investors, Inc. for the gross sales price of TWENTY MILLION SEVEN HUNDRED EIGHTY-FIVE THOUSAND EIGHT HUNDRED FORTY-FOUR DOLLARS (\$20,785,844), less a SIX HUNDRED THOUSAND DOLLAR (\$600,000) credit to the purchaser for remediation of hazardous materials and environmental conditions and full indemnification of the City on all parcels except Parcel 14. The sale will be in accordance with the terms and conditions specified in the Purchase and Sale Agreement negotiated with City Investors, Inc, approved by the Law Department, signed by the Mayor and subject to approval by the City Council. The Ordinance creates a new subaccount within the Cumulative Reserve Subfund - the South Lake Union Property Proceeds Subaccount and directs that the proceeds be deposited into the Subaccount. In addition, the Ordinance directs the Executive to reserve \$4,700,000 from the net proceeds to cover the potential cost of repurchasing Parcel 14 by the City for 30 months after closing and requires that this reserve be displayed separately within the Budget document.

Background (Include justification for the legislation and funding history, if applicable):

See attached Protocol for the Public Private Partnership Panel review, which also outlines the Purchase and Sale Agreement.

Public Private Partnership Review Status:

Is the project referenced in the legislation subject to P4 review? If yes, identify P4 review to date. Yes, the P4 Panel met for this project on March 31 and September 6, 2000, and May 18 and May 24, 2001, and will submit its comments to Council prior to the June 19 public hearing.

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Is the legislation subject to public hearing requirements? If yes, what public hearings have been held to date? Although there is no hearing requirement, FBED Committee held a hearing on November 22, 1999 for Resolution 30080 at the outset of the disposition process and will hold another on June 19, 2001 regarding the PSA and a framework for the use of the property sale proceeds.

Fiscal Sustainability Issues (related to grant awards): Not applicable.

Estimated Expenditure Impacts: In a separate appropriation ordinance.

FUND (List # and/or Account)	2001	2002	2003
TOTAL			

One-time \$ _____

On-going \$ _____

Estimated Revenue Impacts:

FUND (List # and/or Account)	2001	2002	2003
PSA (Cumulative Reserve Subfund, South Lake Union Property Proceeds Subaccount (0016X))	\$20,185,844		
Interest Earnings (Cumulative Reserve Subfund, South Lake Union Property Proceeds Subaccount (0016X))	\$200,000	\$750,000	\$550,000
TOTAL	\$20,385,844	\$750,000	\$550,000

One-time \$20,185,844

On-going Varying Interest earnings

Estimated FTE Impacts: none

FUND	2000	2001	2002
TOTAL			

Full Time _____ # Part Time _____ # TES _____

Do positions sunset in the future? If yes, identify sunset date?

Other Issues (including long-term implications of the legislation):

Closing of the sale is contingent on the resolution of all appeals and expiration, without appeal, of all appeal periods. In February 2001 the City Council adopted a Land Use Code text amendment which creates a special exception to increase building height from



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40 feet to 65 feet on three blocks in South Lake Union on which are located four of the eight City parcels (Parcel 14-17). This decision has been appealed to the Central Puget Sound Growth Management Hearings Board, and a hearing date has been set for August 16, 2001.

The PSA requires City Investors, Inc. to purchase property in two additional areas: unused right-of-way around Parcel 11 which the City intends to vacate and remnants, if any, resulting from the Fairview-Valley Corridor Realignment Project. These transactions will close within 30 days of all contingencies being satisfied. Per square-foot prices reflect the pricing on the other eight parcels.

The PSA requires the City to pursue, with City Investors, joint litigation to recover the cost of environmental remediation on Parcel 14. The City is obligated to fund a litigation reserve of \$300,000, which would be recovered if litigation is successful. Also, City Investors has a right to put Parcel 14 back to the City by rescission of its sale in the period between 12 and 30 months of closing, in which case the City must pay City Investors the purchase price of \$4.7 million.

The PSA commits the City to study transportation and parking in the South Lake Union area in conjunction with City Investors' studies. If the City determines that there is a need to have dedicated parking for uses in South Lake Union Park, the cost of such parking will be \$55,000 per space plus inflation if located in the project developed by City Investors. This cost can be assigned by the City.

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**THE CITY OF SEATTLE/
CITY INVESTORS INC.**

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- EXHIBIT S - South Lake Union Urban Village**
- EXHIBIT T - Certificate of Completion**

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**PURCHASE AND SALE AGREEMENT
FOR SALE OF REAL PROPERTY**

THIS AGREEMENT ("Agreement") is entered into as of _____, 2001, between THE CITY OF SEATTLE ("City" or "Seller"), a city of the first class of the State of Washington, and CITY INVESTORS INC., a Washington corporation ("Purchaser"), together referred to as the "Parties."

RECITALS

This Agreement has been entered into with reference to and in reliance on the following facts:

The City owns eight (8) parcels of real property located in the South Lake Union neighborhood in the City of Seattle, Washington which are the subject of this transaction (collectively the "Subject Properties");

Through the South Lake Union neighborhood planning process and in City of Seattle Resolution 30080, a copy of which is attached hereto as Exhibit A, the redevelopment of the Subject Properties has been identified as a necessary catalyst for redevelopment in the Mercer/Valley corridor. The Resolution also listed a number of public objectives for the disposition of these properties;

The City issued a public Request for Qualifications in response to Resolution 30080. As a result of that process, Purchaser was selected by the City as the party most responsive to the request, most qualified to complete the transaction and most likely to accomplish the quality of planning and development in a manner that would achieve the stated public objectives listed in Resolution 30080;

As a member of the South Lake Union community, Purchaser is committed to fostering creative and lasting solutions to neighborhood needs and challenges, and therefore, in addition to the obligations set forth in this Agreement, the Parties have committed to a goal of working collaboratively with the South Lake Union neighborhood community to develop specific strategies to improve transportation, parking and housing in the South Lake Union neighborhood as a whole.



TERMS

In consideration of the payment and receipt of the Purchase Price, and in reliance on the Parties' mutual promises and undertakings and the mutual benefits to be derived from the promises contained in this Agreement, the Parties hereto agree as follows:

1. PROPERTY INTEREST TO BE CONVEYED. Seller owns and shall convey to Purchaser: (i) the Subject Properties legally described on Exhibits B through I attached to this Agreement together with all rights and easements appurtenant thereto (the "Land"); (ii) all buildings and improvements on the Land (the "Improvements"); (iii) all personal property associated with the Land and Improvements (the "Personal Property"); (iv) all leases and other agreements under which tenants occupy any portion of the Land and Improvements (the "Tenant Leases"); and (v) all permits, approvals, studies, surveys, warranties and other documents associated with the Land, Improvements, Personal Property and Tenant Leases ("Permits") (the Land, Improvements, Personal Property, Tenant Leases and Permits are collectively referred to herein as the "Subject Properties"). A map depicting the location of the Subject Properties is attached hereto as Exhibit J. The City is acquiring additional property for right-of-way as part of the Fairview/Valley Corridor Realignment Project which, when completed, may result in surplus land remnants that are contiguous to one or more of the Subject Properties on the block bordered by Valley St. on the north, Mercer St. on the south, Boren Avenue on the west and Fairview Avenue on the east (the "Remnant Properties"). A legal description of the Remnant Properties, if any, will be appended to this Agreement as soon as it is available. The City is requiring that the Remnant Properties, if any, be included in the sale to Purchaser subject to the terms and conditions of this Agreement. In addition, the City is in the process of vacating right-of-way contiguous to the Subject Property legally described in Exhibit E as "Parcel 11". A map depicting the general location of the right of way to be vacated is attached as Exhibit K ("Vacated Land"). Exhibit E shall be revised to include the legal description of the Vacated Land as soon as said legal description is available. It is the intent of the Parties to include the Vacated Land, which shall increase the size of Parcel 11, in the sale by Seller to Purchaser, subject to the terms and conditions of this Agreement.

2. SALE OF SUBJECT PROPERTIES; REMNANT PROPERTIES; VACATED LAND. Upon the execution of this Agreement by the duly authorized representatives of Purchaser and Seller, and subject to approval of this Agreement by Ordinance of the Seattle City Council and satisfaction or waiver of the other conditions to Closing set forth herein, Purchaser shall purchase and Seller shall convey to Purchaser by bargain and sale deed, in the form attached as Exhibit L to this Agreement, the Subject Properties described on Exhibits B through I, subject to the terms and conditions of this Agreement and subject further to such encumbrances and restrictions of record approved by Purchaser pursuant to Section 4.1 below.

In the event all conditions to Closing on the Remnant Properties and Vacated Land, respectively, have been satisfied as set forth in Section 5 hereof, then Purchaser shall purchase and Seller shall convey to Purchaser by bargain and sale deed, in the form attached as Exhibit L to this Agreement, the Remnant Properties and the Vacated Land, subject to the terms and conditions of the Agreement and subject further to such encumbrances and restrictions of record approved by



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Purchaser pursuant to Section 4.4 below. The Parties recognize and agree that closing on either or both of the Remnant Properties and Vacated Land may be extended beyond the Closing date of the Subject Properties for reasons beyond the control of either of the Parties. If the Subject Properties Closing occurs before the conditions to close on either the Vacated Land and/or Remnant Properties have been met, the provisions in this Agreement concerning the Vacated Land and/or the Remnant Properties shall survive the Closing date of the Subject Properties. If the conditions to closing on the Remnant Properties and/or Vacated Land have not been satisfied by the date which is three (3) years after the Closing date on the Subject Properties, then Purchaser's obligation to purchase and Seller's obligation to sell the Remnant Properties and/or Vacated Land shall thereupon terminate and be null and void, unless otherwise agreed to by the Parties.

Purchaser and its agents, employees and consultants shall have access to the Subject Properties at all reasonable times for the purpose of conducting inspections thereof so long as this Agreement remains in force.

3. PURCHASE PRICE.

3.1 Purchase Price for Subject Properties. The total purchase price for the Subject Properties ("Purchase Price") shall be Twenty Million Seven Hundred Eighty-Five Thousand Eight Hundred Forty-Four Dollars (\$20,785,844.00), subject to a credit in the amount of Six Hundred Thousand Dollars (\$600,000.00), to be deducted from the Purchase Price for the costs of cleanup of Hazardous Substances on the Subject Properties and the indemnity given by Purchaser to Seller pursuant to Section 7, below. The Purchase Price shall be payable in cash at Closing as defined in Section 9.2 below.

3.2 Purchase Price for Remnant Properties; Vacated Land. The purchase price for the Remnant Properties shall be an amount equal to the total gross land square footage included in the Remnant Properties, multiplied by One Hundred Fourteen Dollars and Sixty-Seven Cents (\$114.67), minus an amount equal to the total gross land square footage included in the Remnant Properties multiplied by Three Dollars and Eighty-Six Cents (\$3.86) (the "Remnant Properties Purchase Price"). The purchase price for the Vacated Land shall be an amount equal to the total gross land square footage included in the Vacated Land as depicted in Exhibit K, estimated at 23,716 square feet, multiplied by Fifty-Eight Dollars and Sixty-Two Cents (\$58.62), minus an amount equal to the total gross land square footage included in the Vacated Land multiplied by Three Dollars and Eighty-Six Cents (\$3.86) (the "Vacated Land Purchase Price"). The sum of Three Dollars and Eighty-Six Cents (\$3.86) represents the agreed upon sum to offset the costs of cleanup of Hazardous Substances on said properties and the indemnity given by Purchaser pursuant to Section 7 below. The Remnant Properties Purchase Price and the Vacated Land Purchase Price shall be payable in cash at closing, as the same may occur with respect to each property.

3.3 Earnest Money. Within ten (10) business days of execution of this Agreement, the Parties shall open an escrow (the "Escrow") with the Seattle office of Pacific Northwest Title Insurance Company ("Escrow Agreement" and "Title Company") and Purchaser shall immediately deposit the sum of One Million Dollars (\$1,000,000.00) ("Deposit") with the Title



Company as Escrow Agent. The Parties shall instruct the Title Company to place the Deposit in an interest-bearing account with interest to accrue to Purchaser's benefit. If the transaction closes, the Deposit, together with accrued interest, shall be applied to the Purchase Price. If the transaction does not close for any reason other than default ("Default") by Purchaser, then the Deposit and accrued interest shall be returned to Purchaser. In the event this transaction does not close because of Purchaser's Default hereunder, Seller shall receive the Deposit together with accrued interest as damages, in addition to all other remedies provided for in Section 11, below.

4. CONDITION OF TITLE.

4.1 Permitted Exceptions for Subject Properties. Seller's conveyance of title to the Subject Properties shall be subject to all of the following, whether or not referred to in the Bargain and Sale Deed (collectively, the "Permitted Exceptions"):

(i) The conditions of title set forth on the Pro Forma Title Policies attached as Exhibit M to this Agreement ("Title Reports").

(ii) Zoning laws, restrictions, regulations, resolutions, ordinances, building restrictions, environmental regulations now or hereafter in effect;

(iii) The Tenant Leases, a true and complete schedule of which is attached to this Agreement as Exhibit N; and

(iv) Such other liens and encumbrances as are approved in writing by Purchaser.

4.2 Title Policy for Subject Properties. Evidence of delivery of title to the Subject Properties shall be the issuance by the Title Company of an extended coverage ALTA (Form B-1970) title insurance policy or policies insuring fee simple title to the Subject Properties as vested in Purchaser, or in such other entity or entities as Purchaser may elect to hold title to one or more of the Subject Properties, subject to the Permitted Exceptions (the "Title Policy").

4.3 Intervening Liens. Any liens, encumbrances, easements, restrictions, conditions, covenants, rights, rights-of-ways, and other matters affecting title to the Subject Properties which are created, which may appear of record, or which may be revealed by supplements to the Title Reports after the date of the Title Reports but before the Closing Date (hereinafter "Intervening Liens"), shall also be subject to Purchaser's approval. Purchaser shall have fifteen (15) business days after notice in writing of any Intervening Lien together with a description thereof and a copy of the instrument creating or evidencing the Intervening Lien, to submit written objections thereto, or to accept that matter as a Permitted Encumbrance in the manner set forth above. If any such time periods expire after the Closing Date, the Closing Date shall be extended for a date three (3) days after the expiration of such period. Notwithstanding the foregoing, Seller shall not voluntarily cause, create, or permit the creation of any Intervening Lien, except as may be required by law.



Without incurring any liability on account of its inability to do so, Seller shall use its reasonable best efforts to eliminate as an exception to title to the Subject Properties any matters disclosed by the Title Reports, required by the Title Company to issue the Title Reports, and any Intervening Liens timely objected to in writing by Purchaser. If an Intervening Lien is monetary in nature, and not created or caused by Purchaser, Seller shall cure the Intervening Lien on or before Closing or Purchaser shall be entitled to a reduction in the Purchase Price in the amount of such Intervening Lien.

If, prior to Closing, Purchaser creates or causes the creation of an Intervening Lien, monetary or otherwise, without the agreement of Seller, Purchaser shall have ten (10) days in which to cure the Intervening Lien, or to deposit into escrow funds sufficient to cure the lien which shall be non-refundable to Purchaser. If Purchaser fails to cure such Intervening Lien in ten (10) days or to deposit sufficient funds into Escrow, Purchaser shall be in Default under the terms of this Agreement and Seller may elect to declare a Default and may recover the Deposit and terminate this Agreement as its sole remedy for such Default. In the event that the Seller declares a Default under this provision, the Purchaser shall remain legally liable for any liens created by Purchaser. Seller may waive, in its sole discretion, the Purchaser's obligation to cure an Intervening Lien.

In the case that an Intervening Lien is not monetary in nature, is not created by Purchaser, and Seller refuses to cure such Intervening Lien at or before Closing, Purchaser may elect to not complete the purchase, in which case the Deposit and all interest accrued thereon shall be returned to Purchaser or Purchaser may waive the Intervening Lien and proceed to close.

4.4 Remnant Properties; Vacated Land. As soon as practical following mutual execution of this Agreement, Seller shall deliver to Purchaser a commitment for a standard owner's policy of title insurance for the Remnant Properties and for the Vacated Land (the "Remnant Properties Title Commitment" and the "Vacated Land Title Commitment" respectively) including legible copies of all documents referenced therein. Purchaser shall have fifteen (15) days after receipt of each of the Remnant Properties Title Commitment and the Vacated Land Title Commitment in which to review and make any objections to title in writing to Seller. Seller shall be obligated to remove title exceptions to which Purchaser objects if they consist of a monetary lien or encumbrance of an ascertainable amount. Seller shall have no obligation to cure any of Purchaser's other objections. Seller shall have fifteen (15) days after receipt of Purchaser's objections to cure or commence to cure at or prior to closing on the Remnant Properties and/or Vacated Land, any of Purchaser's objections. If there are remaining objections after expiration of the curative period, Purchaser shall have the right to either terminate this Agreement as to the Remnant Properties and/or Vacated Land only, by written notice thereof to Seller, or waive its objections as to both or either of the Remnant Properties or and Vacated Land and proceed with closing thereon. In addition, title to the Remnant Properties and the Vacated property, shall be conveyed by Seller to Purchaser subject to the terms and conditions as provided in Sections 4.2, and 4.3 above.

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.



5. CONDITIONS PRECEDENT TO PERFORMANCE.

5.1 Purchaser's Conditions Precedent to Closing on Subject Properties. Purchaser shall be obligated to close on the Subject Properties only upon the occurrence or waiver by the Purchaser of each of the following conditions:

5.1.1 Passage of an ordinance by the City authorizing its execution of this Agreement, and expiration without appeal of all appeal periods applicable thereto and/or a resolution of all appeals affirming the City's action and otherwise with conditions acceptable to Purchaser;

5.1.2 Seller is able to convey title to the Subject Properties to Purchaser as set forth in Section 4, above;

5.1.3 Resolution of all appeals applicable to the adoption of the Land Use and Zoning Code text amendment by the City Council, Ordinance No. 120267, with such resolution resulting in a decision upholding Ordinance No. 120267 as adopted by the City Council in the form attached hereto as Exhibit O and otherwise with conditions acceptable to Purchaser;

5.1.4 The Title Company is committed to issue to Purchaser the Title Policy in an amount equal to the Purchase Price in the form approved by Purchaser as described in Section 4.1, with such endorsements and reinsurance coverage as may be requested by Purchaser;

5.1.5 Seller shall have delivered a certificate at closing confirming that representations and warranties made by Seller in this Agreement are true on and as of the date of Closing;

5.1.6 Purchaser shall have notified Seller in writing within sixty (60) days of mutual execution of this Agreement, that Purchaser is satisfied with the physical condition of the Improvements.

5.1.7 Seller shall have delivered to Purchaser within forty-five (45) days of mutual execution of this Agreement, an executed estoppel certificate from each of the tenants under the Tenant Leases in the form attached hereto as Exhibit P confirming the terms of the Tenant Leases as described in Exhibit N and the absence of any defaults or claims against Landlord thereunder;

5.1.8 All obligations of Seller and all other conditions of this Agreement related to Seller have been met, satisfied or waived.

5.2 Purchaser's Conditions Precedent to Closing on Remnant Properties; Vacated Land. Purchaser's obligation to close on the Remnant Properties and the Vacated Land shall be subject to the prior or simultaneous closing on the Subject Properties, together with the following additional conditions:



5.2.1 With respect to both of the Remnant Properties and the Vacated Land, Purchaser shall have approved the condition of title pursuant to Section 4.4 above;

5.2.2 With respect to both of the Remnant Properties and the Vacated Land, Seller shall have taken any and all necessary legislative or other action for the conveyance of the properties to Purchaser in the condition set forth herein and with conditions or requirements approved by Purchaser, and all applicable appeal periods have expired without appeal and/or all appeals have been resolved affirming such legislative or other action and otherwise with conditions approved by Purchaser;

5.2.3 With respect to both of the Remnant Properties and the Vacated Land, Seller shall have delivered a certificate as of the date of closing thereon confirming the accuracy of the representations and warranties set forth in 8.2.1, 8.2.2, 8.2.3, 8.2.4, 8.2.8, 8.2.9, 8.2.10, 8.2.11 and 8.2.12 all as if the same were made by Seller with respect to the Remnant Properties and the Vacated Land.

5.2.4 With respect to both of the Remnant Properties and the Vacated Land, Seller shall confirm that there are no tenants or other parties entitled to possession thereof as of the date of closing.

5.3 Conditions Precedent to Performance by Seller. Seller shall be obligated to perform under this Agreement only upon the following conditions:

5.3.1 Passage of an ordinance by the City authorizing execution of this Agreement by the City;

5.3.2 The representations and warranties made by Purchaser in this Agreement are true on and as of the date of Closing with the same effect as though such representations and warranties had been made on and as of the date of Closing; and

5.3.3 All other pre-Closing obligations of Purchaser under this Agreement have been met, satisfied, or waived.

6. CONDITIONS SUBSEQUENT TO PERFORMANCE.

The Parties agree that this Agreement imposes certain post-Closing obligations on Purchaser. The Parties agree that such post-Closing obligations shall survive Closing and shall not be merged in the deed delivered at Closing. Upon Seller's written request, and no more than once per annum, Purchaser shall furnish to Seller's Representative, as defined in Section 17 below, a written report which details the steps taken and progress achieved by Purchaser since the Closing Date, toward accomplishment of the conditions subsequent described in this Section 6. For purposes of calculations of time, all references to "Closing" in this Section 6 shall refer to the Closing of the Subject Properties.

6.1 Purchaser's Housing Commitment.



6.1.1 Affordable Housing. Not later than six (6) years from the Closing Date ("Housing Performance Date"), Purchaser shall construct, participate with others in the construction of, or otherwise guarantee the construction of, and have ready for occupancy, a minimum of fifty (50) affordable housing units ("Affordable Housing Units") within the area depicted on Exhibit Q as the "Affordable Housing Area". For the purposes of this Agreement, the term "Affordable Housing" means housing which can be purchased or rented by households with an annual income that is no more than eighty percent (80%) of the Seattle area median income as defined by the City of Seattle Office of Housing. The Affordable Housing Units shall be free of any City subsidy or contribution, unless otherwise mutually agreed to by the City and the Purchaser. The Affordable Housing Units shall consist of a mix of unit sizes, including units suitable for families to the extent consistent with then-current market demands in the Affordable Housing Area. In order for any unit to qualify as an Affordable Housing Unit as that term is used herein, such housing unit must be subject to a restrictive covenant requiring its continuance as Affordable Housing for a minimum of twenty (20) years from the date the first Occupancy certificate is issued for such unit and be subject to the rental/income verification rules and procedures of the City's Office of Housing.

6.1.2 Additional Housing Units. In addition to the obligations set forth in 6.1.1, Purchaser further agrees to work cooperatively with the City and the South Lake Union community toward a development goal of an additional four hundred fifty (450) housing units (not including the Affordable Housing Units) within the area depicted on Exhibit R as the "Housing Area". Notwithstanding anything to the contrary set forth herein, the parties agree and acknowledge that satisfaction of the development goal described herein is subject to numerous forces outside the control of Purchaser and is not an obligation of Purchaser under this Agreement nor is it subject on any basis to any of Seller's remedies for Purchaser's Default under this Agreement.

6.1.3 Time and Type of Development. All of the Affordable Housing Units called for in Section 6.1.1 may be located within a single purpose development or distributed throughout one or more mixed income and/or mixed use developments, subject to the City's Land Use and Zoning Code. To qualify as part of this total, the Affordable Housing Units need not be located on property or in projects controlled by Purchaser, as long as they are located within the Affordable Housing Area. Any Affordable Housing Units developed pursuant to Section 6.1.1 for which a building permit application has been submitted to the City on or after the mutual execution date of this Agreement and which are completed and ready for occupancy within the Affordable Housing Area prior to the Housing Performance Date shall be credited toward the satisfaction of Purchaser's Affordable Housing Units commitment.

6.1.4 Remedies Regarding Affordable Housing. In the event that some or all of the Affordable Housing Units described in Section 6.1.1, are not constructed and ready for occupancy prior to the Housing Performance Date, then Purchaser shall be in Default and the provisions of Section 11.1.3 below shall apply.

6.2 Purchaser's Cultural Use Commitment. Purchaser agrees that it shall develop a minimum of twenty thousand (20,000) square feet of new space for a cultural use or uses within the South Lake Union neighborhood as described on Exhibit S, on or before six (6) years from

the Closing Date ("Cultural Commitment Performance Date"). "Cultural Use or Uses" means non-profit use or use(s) by organizations, groups or individuals providing venues and facilities open to admission of the public, which may include the following or similar uses as selected by the Purchaser: libraries, fine and performance arts facilities, arts education, galleries, performing arts theaters and rehearsal spaces, and museums, including museums for the arts and/or sciences, but does not include uses which solely support functions such as storage, administration or management. In the event that Purchaser fails to provide such space for Cultural Uses by the Cultural Commitment Performance Date, Purchaser shall be in Default and the provisions of Section 11.1.3, below, shall apply.

6.3 Purchaser's Parking Commitment.

6.3.1 Non-Peak Parking. Purchaser plans to develop a significant parking facility or facilities ("Project Parking") for the properties that are bounded by Westlake, Fairview, Valley and Mercer (the "Three-Block Area"). Purchaser agrees to operate the Project Parking during non-peak hours so that available parking will be offered to the public at then fair market, short-term (defined for the purpose of this Agreement as 5 hours or fewer) parking rates for comparable off-street parking in the South Lake Union area.

6.3.2 Public Parking. Purchaser shall make available twenty percent (20%) of the Project Parking spaces for short-term public parking available to the public at then fair market, short-term parking rates for comparable off-street parking in the South Lake Union area ("Public Parking"). The Public Parking may be located either in the Three-Block Area and/or on other properties owned by Purchaser or one of its affiliates within 800 feet (or the otherwise then-required maximum distance for land use code covenant parking) of South Lake Union Park. In the event of phased development of the Subject Properties in the Three-Block Area, the twenty percent (20%) Public Parking obligation shall be required when Project Parking exceeds 200 stalls. Upon completion of development of the Three-Block Area, Purchaser shall have provided no fewer than 120 stalls of Public Parking; provided, however, that in the event that Purchaser exercises its option to reconvey Parcel 14 to Seller as described in Section 7 hereof, then the minimum number of Public Parking stalls provided for herein may be reduced by Purchaser to 100.

6.3.3 City's Option for Dedicated Parking. The City shall have the option to require Purchaser to build up to 160 dedicated parking spaces for public uses associated with development on South Lake Union Park on the terms described herein ("Park Parking"), which parking may be located either in the Three-Block Area and/or on other properties owned by Purchaser or one of its affiliates within 800 feet (or the otherwise then-maximum distance for land use code covenant parking) of South Lake Union Park. The City shall have the right to exercise its Park Parking rights upon receipt of a Parking Rights Notice from Purchaser. Purchaser shall deliver the Parking Rights Notice when Purchaser is planning its development for the Three-Block Area, or any portion or phase thereof, but in any event no sooner than twelve (12) months following the Closing hereunder. The Parking Rights Notice shall include a description of Purchaser's intended development of the Three-Block Area or phase or portion thereof, as the case may be, including a description of the uses contemplated for said development, an estimate of the number of private and public parking stalls to be included in the



intended development, and an estimate of the number of stalls that are anticipated to be available for public, short-term parking during evenings and weekends ("Off Peak Reservoir Parking"). The City shall exercise its Park Parking rights by delivering written notice to Purchaser of the amount of Park Parking it will require within ninety (90) days of receipt of the Parking Rights Notice, together with an irrevocable letter of credit or other form of financial guaranty or collateral acceptable to Purchaser and guarantying payment in full to Purchaser in the amount of the Parking Costs (as defined below) for such Park Parking. If the City fails to deliver such written notice and financial guaranty within 90 days of its receipt of the Parking Rights Notice, the City shall have irrevocably waived its rights to Park Parking, in whole if the Parking Rights Notice references the entirety of Purchaser's property within the Three-Block Area or in the same prorata portion as the area described in the Parking Rights Notice bears to the entirety of Purchaser's property within the Three-Block Area, and shall thereupon execute a document in recordable form evidencing such waiver. If, after delivery of its Parking Rights Notice, Purchaser's planned development changes such that Purchaser anticipates there will be a substantial decrease in the number of Off Peak Reservoir Parking spaces, Purchaser shall be obligated to provide the City with a new Parking Rights Notice. For purposes of this Agreement, a substantial decrease in the Off Peak Reservoir Parking spaces shall be a decrease of 30% or more of the Off Peak Reservoir Parking spaces identified in a Parking Rights Notice.

Upon the City's exercise of its Parking Rights, Purchaser shall be obligated to construct, in conjunction with its development of the Subject Properties, the number of Park Parking stalls requested by the City. The City shall be obligated to pay Purchaser for the Park Parking stalls in an amount equal to Fifty-Five Thousand Dollars (\$55,000.00) per stall ("Parking Costs"). The Parking Costs shall be increased by an amount equal to the sum resulting from the percentage of increase between the Revised Consumer Price Index for all Urban Consumers--All Items--Seattle-Tacoma-Bremerton (Reference Base 1982-84 = 100) published by the Bureau of Labor Statistics of the United States Department of Labor ("CPI") for the month immediately preceding the month in which Closing occurs and the CPI for the month immediately preceding the month in which payment for the Parking Costs is due Purchaser, multiplied by such Parking Costs; provided, however that in no event shall the Parking Costs be decreased pursuant to this CPI adjustment. Payment shall be due in cash upon Purchaser's delivery to the City (or City's assignee as provided for below) of the Park Parking (including phased payment if the delivery is in phases).

If the City exercises its Parking Rights, it is anticipated that the Park Parking shall be integrated with the Project Parking and shall operate as a single garage. The parties shall develop an agreement sharing operation and maintenance costs of the Park Parking. Such agreement shall be on then reasonable market rates and terms, with the City receiving revenue from the Park Parking, less costs to operate and maintain the Park Parking.

The City's parking rights under this section 6.3.3 shall be assignable to a public or nonprofit entity that will be a user of the facility on the South Lake Union Park on the same terms and conditions described herein, contingent upon such assignee's assumption in writing of all of Seller's obligations set forth in this Section 6.3.3.



Notwithstanding anything to the contrary contained in this Section 6.3.3, the Parties agree and acknowledge that: (a) in the event that Purchaser exercises its option to reconvey Parcel 14 to Seller as described in Section 7 hereof, then the City's option for Park Parking shall be reduced to 110 stalls; (b) in the event that the Parking Rights Notice applies to less than the entirety of Purchaser's property within the Three-Block Area, then the City shall be entitled to exercise its rights to Park Parking in the same prorata portion as the area described in the Parking Rights Notice bears to the entirety of Purchaser's property within the Three-Block Area; and (c) in the event that Seller exercises its option to repurchase the Subject Properties within the Three-Block Area pursuant to Section 6.5 hereof, then Purchaser shall have no obligation to provide any of the Public Parking or Park Parking described in Section 6.3 hereof.

6.3.4 Improved Parking and Transportation Solutions. Purchaser and the City shall cooperate and engage in feasibility studies for other parking and transportation improvements and alternatives for the South Lake Union Park, the development on the Subject Properties and the overall neighborhood parking needs. Such studies shall explore improvements to maximize transportation efficiencies and shall include studies of shared parking and covenant parking. The City and Purchaser shall further explore the development of additional public parking within or connected to the Public Parking and/or improvements to vehicular or pedestrian access in connection therewith. City and Purchaser shall work cooperatively to ensure that any such additional public parking within or connected to the Public Parking also works to improve vehicle ingress/egress, internal circulation of the Public Parking and pedestrian circulation.

The Parties agree and acknowledge that in the event that pedestrian linkages or improvements connecting Purchaser's development on the Three-Block Area to property on the north side of Valley Street, if any, are required as permit conditions or requirements for Purchaser's development of the Three-Block Area, this Agreement shall not be construed to obligate Purchaser or the City to pay for the required connections to the extent such connections are required or imposed due substantially to impacts associated with the Public or Park Parking proposed pursuant to Sections 6.3.2 or 6.3.3 of this Agreement.

6.3.5 Interim Parking for the S. Lake Union Park. Until such time as it is developed or needed for development staging, Purchaser shall maintain Parcel 15 as a parking lot operating in a manner similar to its current use.

6.4 Purchaser's Family-Wage Jobs Commitment. Purchaser, including all development entities working in coordination with Purchaser to redevelop the Subject Properties, shall participate in the Office of Port JOBS Apprenticeship Opportunities Project. Purchaser shall undertake an effort with the office of Port JOBS Apprenticeship Opportunities Project and the Seattle/King County Building and Construction Trades Council to assist low-income King County residents in gaining access to building and construction trades apprenticeships created as a result of Purchaser's commercial development activities. Purchaser shall: adopt a goal that at least fifteen percent (15%) of the labor hours related to construction on the Subject Properties shall be performed by participants in apprenticeship and training programs, adopt a goal that twenty percent (20%) of the apprentice labor hours be performed by female apprentices and twenty-one percent (21%) of apprentice labor hours be performed by minority apprentices; and,



facilitate opportunities, when possible, between the apprenticeship program and tenants or occupants of the Subject Properties for the purpose of developing employment and training opportunities to disadvantaged individuals.

Purchaser has a strong commitment to providing work environments free of any form of harassment or discrimination in recruitment, a proven track record of making business and employment opportunities available to a diverse population, and a commitment to making such business and employment opportunities available to a diverse population in the future.

In addition, Purchaser shall coordinate discussions between the occupants of the Subject Properties and the Seattle Jobs Initiative ("SJI") (a job training program administered by the City's Office of Economic Development) for the purpose of facilitating and assisting the occupants in recruitment, training and retention of qualified workers. Notwithstanding the foregoing, all hiring decisions shall be in the sole discretion of the occupants.

6.5 Purchaser's Commitment to Pursue Development Applications and Development. On or before expiration of the two-year period following Purchaser's closing on the Subject Properties and on all other parcels within the Three-Block Area, including the Remnant Properties, but in any event not later than six (6) years after the Closing date, Purchaser shall submit to the Department of Design Construction and Land Use one or more master use permit application or applications, whichever shall be required for the development of the Subject Properties within the Three-Block Area, and Purchaser shall thereafter diligently pursue regulatory approvals therefor. The parties recognize that Purchaser may submit one or more master use permit applications, and that such submittals may contemplate a phased development approach of the Three-Block Area in order to accommodate Purchaser's development plans, provided all such applications shall be submitted within 6 years after the Closing date.

Notwithstanding the remedies set forth in Section 11.1.3, Seller, as its sole and exclusive remedy, shall be entitled to repurchase any of the Subject Properties within the Three-Block Area for which Purchaser has failed to submit a master use permit application with DCLU within the required time periods noted above. Any such repurchase shall be at the same purchase price paid by Purchaser under this Agreement. Seller's failure to notify Purchaser of its intent to exercise its repurchase right within one hundred eighty (180) days following expiration of the two-year period following Purchaser's acquisition of the Subject Properties and all other parcels within the Three-Block Area, or the six-year period following the Closing Date, whichever is applicable, shall constitute a permanent and final waiver of Seller's repurchase right pursuant to this Section 6.5.

6.6 Certificate of Completion. Seller, upon Purchaser's satisfaction of the conditions subsequent set forth in this Section 6 shall execute and record in the real property records of King County a certificate of completion certifying that Purchaser has satisfied each of the agreements and conditions contained in this Section 6 with respect to the Subject Properties, and otherwise in the form attached hereto as Exhibit T.

7. HAZARDOUS SUBSTANCES AND INDEMNITY.



7.1 Investigation, Price Reduction and Indemnity. Purchaser has, at its own expense, conducted such surveys and investigations of the Subject Properties as it deems warranted, including investigations by itself and others in its employ, to determine the nature and extent of any Hazardous Substances. In doing so, Purchaser has independently verified information supplied by the City regarding historic uses and known conditions. Except as provided in Section 7.2 below, Purchaser is satisfied that it is sufficiently aware of all such conditions on the Subject Properties and accepts the risks associated with their presence, and shall undertake remediation of any Hazardous Substances as required by law in connection with redevelopment of the Subject Properties. Purchaser is aware of its rights to seek contribution from Seller for remediation and cleanup of such Hazardous Substances as a matter of law, and, except as set forth in Section 7.2 hereof, knowingly waives that right as a term of this Agreement and voluntarily relinquishes that right and forever releases the Seller from any such obligation as provided for in this Section 7.1. Therefore, in consideration of a price reduction in the amount of Six Hundred Thousand Dollars (\$600,000.00), and upon Closing, Purchaser shall release the City from any responsibility for cleanup of any Hazardous Substances, as this term is defined in MTCA and CERCLA, and any amendments thereto, on, under or migrating from the Subject Properties, except as provided in Section 7.2 below. Purchaser shall indemnify, release, defend and hold harmless Seller from any and all claims arising out of any Hazardous Substances on, under or migrating from the Subject Properties prior to Closing (except as provided in Section 7.2 below). Purchaser shall further indemnify, defend and hold Seller harmless from any claims arising out of any Hazardous Substances on, under or migrating from the Subject Properties after Closing (except as provided in Section 7.2 below). This indemnity also shall apply to land acquired under Sections 3.1.1 and 3.1.2, if any, above. This indemnity shall not apply, however, to claims by the City as owner of properties and/or rights-of-way not acquired by Purchaser, except to the extent of any contamination caused by Purchaser.

7.2 Parcel 14. One of the Subject Properties, Parcel 14, as described on Exhibit F, is significantly contaminated with petroleum and other Hazardous Substances which have migrated from the service station property located to the south of Parcel 14, and which were deposited on Parcel 14 by past on-site uses. The contamination migrating from the service station property substantially impairs the value of Parcel 14. Unless the service station property is cleaned up in conjunction with redevelopment of Parcel 14, the cost to clean up Parcel 14 may be prohibitive. Accordingly, Purchaser has agreed to close on its acquisition of Parcel 14 in accordance with the terms of this Agreement, subject to the following:

7.2.1 Purchaser and the City shall jointly file suit against the appropriate defendants, which may include the current owner of the service station property, the current operator of the service station property, and the past owner of the service station property, seeking a declaratory judgment that those parties are responsible for all clean-up costs, and seeking damages for loss of value and other such losses or costs that the Parties may incur. This suit would be filed as soon as reasonably practical after Closing. The City shall cooperate with Purchaser in the preparation of the complaint and in all communications with defendants. The City and Purchaser shall enter into the Joint Prosecution Agreement of even date herewith to address cost sharing and joint decision-making with respect to such litigation.



7.2.2 At Closing, the amount of \$300,000 shall be held by the City in a dedicated account (the "Litigation Escrow") to cover litigation costs, expenses and Purchaser's attorney fees. Purchaser and the City shall be entitled to draw down on the Litigation Escrow to pay litigation costs and fees as provided by the Joint Prosecution Agreement.

7.2.3 In the event that the litigation referred to above has not been resolved to the satisfaction of the City and Purchaser, Purchaser shall have the absolute right to reconvey (rescinding that portion of the transaction as to Parcel 14) Parcel 14 to the City at the same purchase price for Parcel 14 paid by Purchaser (Purchaser's "Put Right"). Purchaser shall be entitled to exercise its Put Right between the date twelve (12) months after Closing and the date thirty (30) months after Closing.

7.2.4 Purchaser shall exercise its Put Right by giving written notice to the City. The City shall repay the purchase price and the Purchaser shall reconvey title by Bargain and Sale Deed within 180 days of Purchaser's exercise of its Put Right rescinding the transaction as to Parcel 14. Parcel 14 shall be conveyed "as is," provided that Purchaser shall return Parcel 14 to the City in substantially the same condition in which it is received (it being understood that any damage or destruction to the buildings need not be repaired by Purchaser, as the parties assign no value to the buildings contained on Parcel 14). The City shall pay any transfer tax and any other closing costs.

8. REPRESENTATIONS AND WARRANTIES.

The following representations and warranties shall survive Closing.

8.1 Purchaser's Representations and Warranties. Purchaser represents and warrants as follows:

8.1.1 Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has the power to own its property and assets;

8.1.2 As of Closing, this Agreement shall have been duly authorized, executed and delivered by Purchaser, shall constitute the legal, valid and binding obligation of Purchaser and shall be enforceable against Purchaser in accordance with its terms;

8.1.3 The individual executing this Agreement on behalf of Purchaser is authorized to do so;

8.1.4 The representations and warranties made in this Agreement are true on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date;

8.1.5 Purchaser shall at all times through the development and construction of the Subject Properties within the Three-Block Area act as the developer either on its own or in cooperation with development partners and shall not otherwise transfer or assign its rights or

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obligations hereunder without prior written approval of Seller, which approval shall not unreasonably be withheld; provided, however, that if Purchaser guarantees performance of any such transferee or assignee hereunder, then Seller may not withhold its approval;

8.1.6 Purchaser has made its own investigation of the conditions of title as well as the physical conditions of the Land, Improvements, Tenant Leases, and the Title Reports and is willing to accept the same on an "as-is, where-is" basis, except for the representations and warranties of Seller as described herein; and

8.1.7 The purchase of the Subject Properties shall not conflict with or result in a material breach affecting Purchaser's ability to perform under this Agreement, of any other agreement or instrument to which Purchaser is a party or by which it is or may be bound or constitute a Default under any of the foregoing, or violate any state or federal governmental law, statute, ordinance or regulation in effect on the date of execution of this Agreement;

8.1.8 Purchaser has and will at all times maintain for the duration of the post-closing obligations set forth in this Agreement assets with a fair market value in excess of all liabilities of at least \$50,000,000, and will warrant that to be true with each annual report to the Seller's Representative.

Purchaser hereby agrees to defend, protect, indemnify and hold Seller harmless from any and all loss, damage, liability or expense, including attorneys' fees and costs, Seller may suffer as a result of any breach of or any inaccuracy of the foregoing representations and warranties. These representations and warranties shall survive Closing.

8.2 Seller's Representations and Warranties. Seller represents and warrants as follows and will deliver to Purchaser at Closing a certificate confirming that the same are true and correct as of the Closing date:

8.2.1 Seller is a Municipality of the first class of the State of Washington, duly organized under its laws and has complied with and is validity existing and in good standing under the laws of the State of Washington;

8.2.2 As of Closing, this Agreement shall have been duly authorized, executed and delivered by Seller, shall constitute the legal, valid and binding obligation of Seller and shall be enforceable against Seller in accordance with its terms;

8.2.3 The individual executing this Agreement on behalf of Seller is authorized to do so;

8.2.4 The sale of the Subject Properties shall not conflict with or result in a material breach affecting Seller's ability to perform under this Agreement, of any other agreement or instrument to which Seller is a party or by which it is or may be bound or constitute a default under any of the foregoing, or violate any state or federal governmental law, statute, ordinance or regulation in effect on the date of execution of this Agreement.



8.2.5 Title. As of the date of Closing, Seller shall have good, marketable, indefeasible title to the Subject Properties (including, without imitation, the Land and Personal Property) free and clear of all liens, claims and encumbrances except for exceptions approved by Purchaser pursuant to Section 4.1 above.

8.2.6 Condition of Subject Properties. Except as disclosed in writing to Purchaser, Seller, to the best of its knowledge, is not aware of any physical, structural, mechanical or other defects or deficiencies in the Improvements on the Subject Properties, which would constitute material violations under the City's land use, building code, life, health or safety regulations or ordinances. The phrase "to the best of its knowledge" shall mean and be understood to mean for the purpose of this Agreement the actual knowledge of City employees Debra Lewis, property manager, and Karen Tsao, strategic planner, City of Seattle Fleets and Facilities Department.

8.2.7 Tenant Leases. Seller has previously provided to Purchaser full, true and complete copies of all Tenant Leases. The Tenant Leases have not been amended, orally or in writing, except as previously disclosed to Purchaser in writing. With respect to the Tenant Leases:

(i) There are no oral or written leases, rental agreements or other occupancy agreements other than the Tenant Leases allowing any person to occupy any portion of the Subject Properties.

(ii) No person other than the tenants named in the Tenant Leases has any right of possession to any portion of the Subject Properties.

(iii) Except as disclosed to Purchaser in writing, no concessions or abatements have been given to any tenant under a Tenant Lease and no tenant is occupying a portion of the Subject Properties free of rent.

(iv) Excluding security deposits and advanced rentals disclosed in writing to Purchaser, no more than one month's rent has been paid in advance by any tenant under a Tenant Lease.

(v) No person has an option or right of first refusal to purchase or lease any interest in the Subject Properties under a Tenant Lease or otherwise.

(vi) Seller is not in default under any Tenant Lease and there have been no acts or omissions by Seller which with the passage of time, the giving of notice or both would constitute a default by Seller under a Tenant Lease. Seller has not received any claim from a tenant under a Tenant Lease that Seller is in default of any of its obligations under a Tenant Lease or that such tenant has a defense to the payment of rent.

(vii) To the best of Seller's knowledge, no Tenants under a Tenant Lease are in default thereunder.

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8.2.8 Use of Subject Properties. The present use and operation of the Subject Properties are authorized by and in compliance with all laws, rules, regulations, permits, agreements, and licenses with respect thereto. In addition, the present use and operation of the Subject Properties are in compliance with all applicable zoning and land use laws and regulations.

8.2.9 Contracts. Seller shall have taken all necessary action to terminate as of the Closing date any and all contracts or agreements with respect to the Subject Properties which would be binding thereon after Closing if not otherwise terminated, and shall indemnify and defend Purchaser from any costs or expenses related to such contracts.

8.2.10 Litigation. There is no claim, litigation, proceeding or governmental investigation pending, or, so far as known to Seller, threatened against or relating to the Subject Properties, or the transactions contemplated by this Agreement, or any dispute arising out of any contract or commitment entered into regarding the Subject Properties nor is there any basis known to Seller for any such action or claim.

8.2.11 Zoning. There is no existing or pending, and Seller has no knowledge of any contemplated, threatened or anticipated (i) change in the zoning classification of the Subject Properties, (ii) widening, change of grade or limitation on use of streets abiding the Property, except as previously disclosed in writing to Purchaser.

8.2.12 Assessments. Except as reflected in the Title Reports, there are no pending and Seller has no knowledge of any planned public improvements which will result in the imposition of a tax, assessment or other lien on the Subject Properties.

Seller hereby agrees to defend, protect, indemnify and hold Purchaser harmless from any and all loss, damage, liability or expense, including attorneys' fees and costs, Purchaser may suffer as a result of any breach of or any inaccuracy of the foregoing representations and warranties. These representations and warranties shall survive Closing.

9. ESCROW AND CLOSING.

9.1 Escrow Instructions. The provisions of this Agreement shall constitute the joint instructions of the Parties to the Escrow Agent; provided, however, that the Parties shall execute such additional instructions as requested by the Escrow Agent not inconsistent with the provisions of this Agreement.

9.2 Closing Date. Closing on the Subject Properties shall occur within thirty (30) days after the satisfaction or removal of all conditions precedent to Closing, except with respect to the Remnant Properties and the Vacated Land, each of which shall close thirty (30) days after satisfaction of all conditions to closing thereon, but in no event later than three (3) years after the Closing Date for the Subject Properties.

9.3 Purchaser's Closing Obligations & Instrument. At Closing, Purchaser shall deliver to Seller through the Escrow Agent, by certified or cashier's check or wire transfer.



- thereon;
- (i) the balance of the Purchase Price, less the Deposit and all interest earned
 - (ii) a counterpart executed real estate excise tax affidavit; and
 - (iii) such other instruments as are reasonably necessary to consummate this purchase and sale transaction.

9.4 Seller's Closing Obligations & Instruments. At Closing, Seller shall deliver to Purchaser through the Escrow Agent originals of:

- (i) a fully executed and acknowledged bargain and sale deed subject only to the exceptions identified in Section 4, above;
- (ii) a bill of sale in form satisfactory to Purchaser conveying title to all Personal Property to Purchaser;
- (iii) an assignment and assumption of leases in form satisfactory to Purchaser transferring the Tenant Leases to Purchaser;
- (iv) All prepaid rents, security and other deposits and fees (whether refundable or non-refundable) under the Tenant Leases;
- (v) An estoppel form executed by each of the tenants under the Tenant Leases;
- (vi) a fully executed Certificate of Non-Foreign Status;
- (vii) a counterpart executed real estate excise tax affidavit; and
- (viii) such other instruments as are reasonably necessary to close under this Agreement.

10. ESCROW AGENT'S OBLIGATIONS.

10.1 In General. The Escrow Agent shall receive, hold and disburse all funds, arrange the execution, delivery and recording of all instruments necessary to this transaction and shall otherwise act in accordance with the mutual written instructions of the parties to this Agreement and in accordance with the laws of the state of Washington.

10.2 The Deposit. The Deposit shall be held by Escrow Agent in a separate interest bearing account, identified to this transaction. The interest accruing thereon between the date of deposit and the date of Closing shall be applied to the Purchaser's obligations at Closing or be paid to Seller in the event of a Default under 11.1.2, below.



10.3 Payment of Purchase Price. Upon recording of all documents necessary to transfer title, Escrow Agent shall pay to Seller the Purchase Price as adjusted and prorated for Seller's portion of costs of this transaction and after deduction of all applicable fees and taxes.

10.4 Prorations and Expenses. Real property taxes, general and special assessments, LIDs, Surface Water Management charges, rents, Conservation Service Charges, and utility charges constituting liens against the Property, all for the year of Closing, shall be prorated as of the date of Closing. Any documentary transfer tax, real estate excise tax, or other similar tax levied in accordance with the requirements of lawful authority shall be paid by Seller. Purchaser shall pay the cost of recording the Bargain and Sale Deed. Seller shall pay the premium for the issuance of the Title Policy if issued as standard coverage and Purchaser shall pay any additional premiums charged by Title Company for extended coverage and/or endorsements if requested by Purchaser. All other recording and Closing costs (including the escrow fee but excluding attorneys' and brokers' fees, costs and expenses associated therewith) shall be shared equally by the Parties. Each party shall pay the attorneys' fees, costs, and expenses incurred by such party with respect to the negotiation of this Agreement and the consummation of the transactions contemplated herein.

10.5 Title Policy. As soon as possible after Closing, the Escrow Agent shall have the Title Company issue to Purchaser the Title Policy in the amount of the Purchase Price and insuring fee simple title to the Subject Properties subject to the exceptions contained in the Title Reports identified in Section 4, above, and as approved or deemed to have been approved by Purchaser pursuant to this Agreement.

11. DEFAULT.

11.1 If either Party to this Agreement shall fail or refuse to perform or satisfy a material obligation under this Agreement, that party shall be in Default and the non-defaulting party may elect from the following remedies.

11.1.1 Seller in Default. In the event that Seller is in Default, Purchaser may elect to seek specific performance of this Agreement or may elect to terminate this Agreement and recover its Deposit plus interest accrued thereon.

11.1.2 Purchaser in Default Prior to Closing. In the event that Purchaser is in Default prior to Closing, Seller may at its sole and exclusive remedy retain the Deposit plus interest accrued thereon (less Escrow Agent's fees and expenses) as liquidated damages. In such event, Seller shall have no further rights and Purchaser shall have no further obligations under this Agreement.

11.1.3 Purchaser in Default After Closing. Except as otherwise set forth in Section 6.5, Seller, as its sole and exclusive remedy, shall have the right to seek specific performance of all obligations of Purchaser set forth in Sections 6, 7 and 8.1.5 which are intended to survive Closing.

12. CONDITION OF PROPERTY.



The Subject Properties shall be delivered by Seller to Purchaser at Closing in the same physical condition as of the date of Seller's execution of this Agreement, excepting ordinary wear and tear.

13. RISK OF LOSS.

Risk of loss or damage to the Subject Properties by fire or other casualty, from the date of this Agreement through the date of Closing shall be on the Seller, and thereafter shall be on the Purchaser.

14. BROKERAGE COMMISSIONS.

If any individual or entity shall assert a claim to a finder's fee or commission as a broker or a finder for the transfer of the Subject Properties, then the party that is alleged to have retained such individual or entity shall defend, indemnify and hold the other party harmless from and against any such claim and all costs, expenses, liabilities and damages incurred in connection with such claim or any action or proceeding brought thereon. This indemnification obligation shall survive the Closing and the termination of this Agreement.

15. ASSIGNMENT; BINDING EFFECT.

15.1 This Agreement shall not be assigned by Purchaser without the prior written consent of Seller, which consent shall not unreasonably be withheld; provided, however, that Seller and Purchaser agree that Purchaser shall have the unrestricted right to have one or more entities controlled by, or under common control with, Purchaser take title to one or more of the Subject Properties at Closing.

15.2 Subject to the foregoing, this Agreement shall be binding upon each Party and its successors and assigns.

16. SELLER'S REPRESENTATIVE.

Upon Closing under this Agreement, Seller shall designate a representative ("Seller's Representative"), initially identified in Section 17, below, to act as a resource for Purchaser during the planning and development of the Subject Properties and to assist Purchaser with communications with the City.

17. NOTICES.

17.1 All notices, requests, demands and other communications under this Agreement shall be in writing and shall either be delivered in person or sent by courier with documented delivery or by registered or certified mail through the U.S. Postal Service with postage prepaid addressed as follows:



PURCHASER (both):
Larry Martin
CITY INVESTORS INC.
505 Union Station
505 Fifth Avenue South
Suite 900
Seattle, WA 98104
(206) 342-2000
Fax: (206) 342-3000

With a Copy to:
Beth A. Clark
FOSTER PEPPER & SHEFELMAN PLLC
1111 Third Avenue, Suite 3400
Seattle, WA 98101-3299
(206) 447-8893
Fax: (206) 447-1916

SELLER (both):
Office of the Mayor
THE CITY OF SEATTLE
12th Floor
600 Second Avenue
Seattle, WA 98104
(205) 684-4000
Fax: (206) 684-5360

and

SELLER'S REPRESENTATIVE:
City of Seattle
Director, Office of Economic Development
600 Fourth Avenue, Room 205
Seattle, WA 98104-1826

or to such other address as shall be furnished in writing with fifteen (15) days prior notice by either party.

17.2 Notices shall be deemed to have been given upon the earlier of actual receipt, as evidenced by the deliverer's affidavit, the recipient's acknowledgment of receipt, or the Federal Express receipt, and in the event of attempted delivery during normal business hours at the proper address by an agent of a party or by Federal Express or the U.S. Postal Service but refused acceptance, shall be deemed to have been given upon attempted delivery, as evidenced by an affidavit of inability to deliver stating the time, date, place and manner in which such delivery was attempted and the manner in which such delivery was refused.



18. GOVERNING LAW JURISDICTION AND VENUE; ATTORNEYS' FEES.

18.1 This Agreement shall be governed by the law of the State of Washington.

18.2 In the event that litigation is commenced by either party, the Parties to this Agreement agree that jurisdiction shall lie solely in the courts of the State of Washington, with venue at Seattle, King County, Washington.

18.3 In any action between the Parties at law or in equity pursuant to this Agreement, the prevailing party shall be entitled to collect its reasonable attorneys' fees from the non-prevailing party. The term "prevailing party" shall mean the party who receives substantially the relief sought.

19. TIME OF THE ESSENCE; CALCULATION OF TIME PERIODS.

19.1 Time is of the essence of this Agreement and of all acts required to be done and performed by either and both of the parties hereto, including but not limited to the proper delivery of all documents, and the tender of all amounts of money, required by the terms hereof to be delivered or paid, respectively. Any extension of time granted for performance of any obligation to this Agreement shall not be considered an extension of time for the performance of any other obligation under this Agreement.

19.2 Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday. The final day of any such period shall be deemed to end at 5:00 p.m., Pacific Time.

20. COUNTERPARTS.

20.1 This Agreement may be executed in counterparts and, if so, only when counterparts are delivered to the Escrow Agent shall it be deemed a binding Agreement.

20.2 It is understood, agreed and acknowledged that if both Purchaser and Seller have not executed a counterpart of this Agreement and deposited signed copies, accompanied by the Deposit with the Escrow Agent as provided for in this Agreement, this Agreement shall be of no force and effect.

21. WAIVER.

Any waiver under this Agreement must be in writing. A waiver of any right or remedy in the event of a Default shall not constitute a waiver of such right or remedy in the event of any subsequent Default.



22. ENTIRE AGREEMENT; MODIFICATIONS; NEGOTIATED UNDERSTANDING.

22.1 This Agreement represents the entire agreement of the Parties with respect to the Subject Properties, the Remnant Properties and the Vacated Property, and any and all agreements, oral or written, entered into prior to the date hereof are revoked and superceded by this Agreement.

22.2 This Agreement may not be changed, modified or rescinded except in writing signed by both parties and any attempt at oral modification of this Agreement shall be of no effect.

22.3 The Parties to this Agreement acknowledge that it is a negotiated agreement, that they have had the opportunity to have this Agreement reviewed by their respective legal counsel, and that the terms and conditions of this Agreement are not to be construed against any party on the basis of such party's draftsmanship thereof.

22.4 The relationship of the Parties hereunder is that of buyer and seller and nothing in this Agreement shall be construed to create a partnership or joint venture between the Parties.

23. FURTHER INSTRUMENTS AND ACTION.

Each party shall promptly, upon the request of the other or Escrow Agent, execute, and as required, have acknowledged and deliver to the other, any and all further instruments and shall take all such further action as may be requested or appropriate to evidence or give effect to the provisions of this Agreement or to satisfy escrow agent's requirements.

24. SURVIVAL AND NON-MERGER.

The Parties agree that the terms and conditions of this Agreement contained in Sections 6, 7, 8 and 11.1.3 shall survive Closing and are not merged into the deed.



IN WITNESS WHEREOF, Seller and Purchaser have caused this Agreement to be executed by representatives duly authorized as of the day and year first above written, which shall be the date that the last of Seller and Purchaser shall have executed this Agreement.

THE CITY OF SEATTLE
("Seller")

By: Paul Schell
Paul Schell, Mayor

CITY INVESTORS INC.
("Purchaser")

By: Larry E. Martin
Larry Martin, as Vice-President of
City Investors Inc.

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EXHIBIT A
RESOLUTION 30080

[SEE ATTACHED]

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RESOLUTION 30080

A RESOLUTION directing the Director of the Executive Services Department to investigate development opportunities for surplus City-owned properties in the South Lake Union area; and outlining the City objectives in potential disposition of said properties.

WHEREAS, redevelopment of City-owned properties in the South Lake Union area to provide a gateway to Seattle is a high priority of the Mayor and Council; and

WHEREAS, the South Lake Union Neighborhood Plan, adopted by City Council in March 1999, calls for redevelopment of City properties in the Mercer Corridor area; and

WHEREAS, the Mayor had requested all relevant departments to work as a team to coordinate City projects in the South Lake Union area and ascertain the actual need for the City to retain property there; and

WHEREAS, acquisition of the Naval Reserve property for park land by the Department of Parks and Recreation is imminent, and the Department anticipates the completed revision of the South Lake Union Park Master Plan by the end of March 2000; and

WHEREAS, the South Lake Union Neighborhood Plan encourages cultural uses at South Lake Union Park, related to maritime heritage; and

WHEREAS, the South Lake Union Neighborhood Plan proposed a series of transportation improvements intended to improve circulation as opposed to providing a grand transportation fix which would require the retention of the City's properties; and

WHEREAS, the Seattle Transportation Department is in the process of implementing a set of transportation improvements that are consistent with the vision and recommendations of the South Lake Union Neighborhood Plan, and funding transportation projects in the South Lake Union neighborhood is a high priority; and

WHEREAS, the City is planning projects in the area for a combined sewer overflow, streetscaping, and a bicycle trail to be implemented in the next two to three years; and

WHEREAS, real estate market conditions in South Lake Union are now very favorable from the City's financial perspective; and

WHEREAS, City and community representatives selected consultants to review urban design and real estate development alternatives for the properties; and

WHEREAS, real estate analysis has found that the subject properties are suitable, both physically and financially, to a broad range of uses; and



1 WHEREAS, while it is possible to individually redevelop the City-owned parcels at current height limits,
2 and without any land assembly, real estate and urban design analyses show that there are
3 potentially greater opportunities for public open space and other public amenities, public parking
4 accommodation, site circulation, design coherence, and integration with park development across
5 Valley Street, if the three blocks between Valley and Mercer Streets and Westlake and Fairview
6 Avenues are developed as an integrated development plan at heights compatible with
7 surrounding zoning; and

8 WHEREAS, these three blocks act as an important transition zone which connects the neighborhood with
9 South Lake Union Park in terms of pedestrian connections, view corridors, types of uses, and
10 architecture; and

11 WHEREAS, the consultants' analyses show that the parcels are limited in their usefulness as park
12 property because they are smaller than ballfields, are not contiguous with the new park, are
13 located between two extremely busy arterials, and using them to accommodate park-related
14 parking would preserve open space within the park itself; Now, therefore,

15 BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR
16 CONCURRING, THAT

17 Section 1. The City Council directs the Director of the Executive Services Department, in
18 conjunction with other relevant departments, to pursue redevelopment of surplus City properties in the
19 South Lake Union area (on the three blocks between Valley and Mercer Streets and Westlake and
20 Fairview Avenues) in ways that support the South Lake Union Neighborhood Plan. These departments
21 shall proceed to investigate the level of market interest in and development opportunities for these
22 properties, and the potential for achieving City objectives over the next few months by issuing a Request
23 for Qualifications (RFQ) for development, selecting appropriate developer(s), and entering into
24 negotiations of disposition and development agreements. The City Council further requests briefings
25 from City Departments at significant points in this process. Investigating development opportunities in
26 this manner implies no commitment on the part of the City to actually dispose of the properties.
27
28



Section 2. The City's intent in the potential property disposition and subsequent redevelopment is to achieve these public objectives:

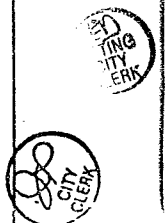
- a) to address the need for public parking for citizens using South Lake Union Park and the Maritime Heritage Center;
- b) to encourage development of uses that incorporate urban design, architecture, and construction of high quality, and that are compatible with and enhance South Lake Union Park and the neighborhood;
- c) to create an attractive "gateway" area into and out of Seattle along Valley and Mercer Streets, coming on and off of the I-5 ramps;
- d) to promote a safe and active pedestrian environment within the neighborhood, and between South Lake Union Park and the neighborhood;
- e) to enhance visual relationships in the park vicinity, especially in terms of view corridors between park, lake and neighborhood, and the street frontage on the south side of Valley Street as seen from the park;
- f) to encourage the location of cultural uses, the application of a percent for art on both the public and private portions of the South Lake Union property transaction and development.
- g) to increase the amount of public open space over what would likely result from a simple sale of the individual parcels;
- h) to encourage alternative forms of transportation including public transit;

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- i) to promote site design and development, vehicular access and egress, and uses that minimize parking and traffic impacts in the area;
- j) to discourage the continuation or creation of surface parking lots;
- k) to optimize overall monetary return and tax revenues to the City while achieving public objectives for redevelopment of the properties;
- l) to promote the creation of family wage jobs;
- m) to encourage, to the extent feasible, affordable housing as part of mixed use development on the City properties in the three block area directly south of Lake Union or as part of any redevelopment or disposition of the six nearby surplus City properties described in Section 5;
- n) to promote the goals and policies of the Comprehensive Plan, including the Economic Development Element and specific industries mentioned; and
- o) to catalyze economic development and revitalization in the area, consistent with the South Lake Union neighborhood plan.

Section 3. The City Council concurs with the findings of the consultants' analyses that a development plan that integrates the City properties on the three blocks between Valley and Mercer Streets and Westlake and Fairview Avenues with private parcels on the same blocks may optimize the achievement of public objectives set forth in Section 2. However, the City Council recognizes that there may be other ways to achieve this end. Therefore, responses to the RFQ that address individual parcels or sets of parcels will be considered, and all development concepts will be evaluated based on the potential for the achievement of the objectives set forth in Section 2.



1
2 Section 4. The City Council concurs with the consultants' analyses that there may be potential
3 benefits to allowing some or all of the new uses on the three blocks between Valley and Mercer Streets
4 and Westlake and Fairview Avenues to be compatible with heights in the surrounding upland zones,
5 which could yield improved public open space, and design and parking opportunities. Responses to the
6 RFQ may propose contract rezones or development agreements if they can demonstrate how such a
7 proposal would be essential to achieving the City's public objectives. Nothing in this resolution
8 expresses the views or determination by the City's legislative authority regarding the zoning or rezoning
9 of the subject property or any adjacent property.
10

11 Section 5. In addition to the above mentioned three block area, the consultants' analyses also
12 indicated that the incorporation of other nearby surplus City-owned properties as part of a development
13 plan may further the City's objectives associated with the City properties in the three block area. In
14 addition, these parcels could be available for trade with other parcels needed for transportation projects
15 or could be sites to which local business could relocate. Therefore, City departments shall also include
16 in the RFQ six other surplus City properties located in an area between Aurora Avenue North to the west,
17 Westlake Avenue North to the east, Valley Street to the north and Republican to the south. Respondents
18 to the RFQ may incorporate the acquisition and development of some or all of these six other City
19 properties. The six other surplus City properties in the South Lake Union area that are not ultimately
20 included with the disposition and development agreement will be the subject of a later RFQ for their
21 disposition and/or redevelopment.
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1 Section 6. The Council finds that in pursuing development and possible disposition of the City
2 properties on the three blocks between Valley and Mercer Streets and Westlake and Fairview Avenues,
3 the City is seeking benefits for the public such as are listed in Section 2 and beyond what would
4 otherwise be provided by a private entity. The Council further finds that both the City and its partner(s)
5 will have a financial interest in the development and possible disposition of the City properties.
6 Therefore the Council has determined that this development and possible property disposition shall be a
7 Targeted Partnership subject to the Public Private Partnership Review Process set forth in Council
8 Resolution 30072 and attachments.
9

10 Prior to the City's selection of a partner or partners with whom to negotiate any development or
11 property disposition agreements, a Public Private Partnership Panel shall have been appointed and a
12 minimum of five members from it shall have been selected to participate in the review of this project.
13 Those members shall have reviewed the Public Private Partnership Protocol and supplemental materials
14 provided by the City and delivered their comments to the Mayor and Council's Finance and Budget
15 Committee. The Panel will work with the City agencies to update the Partnership Protocol as additional
16 information becomes available, examine anticipated City costs and public benefits and comment thereon,
17 and participate in the public engagement process carried out by the City departments and the City
18 Council. As of the date of this Resolution, a panel has not yet been created pursuant to Resolution
19 30072. Therefore, in order to expedite consideration of development and disposition of these City
20 properties, if the Mayor notifies the Council President that the Public Private Partnership Panel will
21 likely not be created by March 15, 2000, a South Lake Union Public Private Partnership Panel will be
22 created for review of this project only. Said South Lake Union Public Private Partnership Panel shall
23 consist of five members who shall satisfy all the qualifications for members of the Public Private
24 Partnership Panel in Resolution 30072 and attachments and who shall serve the same role as the Public
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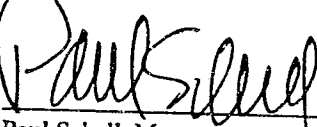


1 Private Partnership Panel. The Council shall appoint four members of the South Lake Union Public
2 Private Partnership Panel; and those four members shall select a fifth. The Panel will be staffed by the
3 City Budget Office. The South Lake Union Public Private Partnership Panel will cease to exist with the
4 execution of all agreements regarding development and disposal of the City South Lake Union
5 properties.

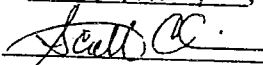
7 ADOPTED by the City Council of the City of Seattle this 13th day of December, 1999,
8 and signed by me in open session in authentication of its adoption this 13th day of December,
9 1999.

10 
11 President of the City Council

12 THE MAYOR CONCURRING:

13 
14 Paul Schell, Mayor

16
17 Filed by me this 21st day of December, 1999.

18 
19 City Clerk, Acting

20 (Seal)





Legend

- Tax Parcels
- Parcel 8



Exhibit B Parcel 8 Property Diagram & Legal Description



Produced by the City of Seattle,
Real Estate Services
February 5, 2001

IMPORTANT: This is not a Plat of Survey. It is furnished as a convenience to locate the land indicated hereon with reference to streets and other land. No liability is assumed by reason of reliance hereon.

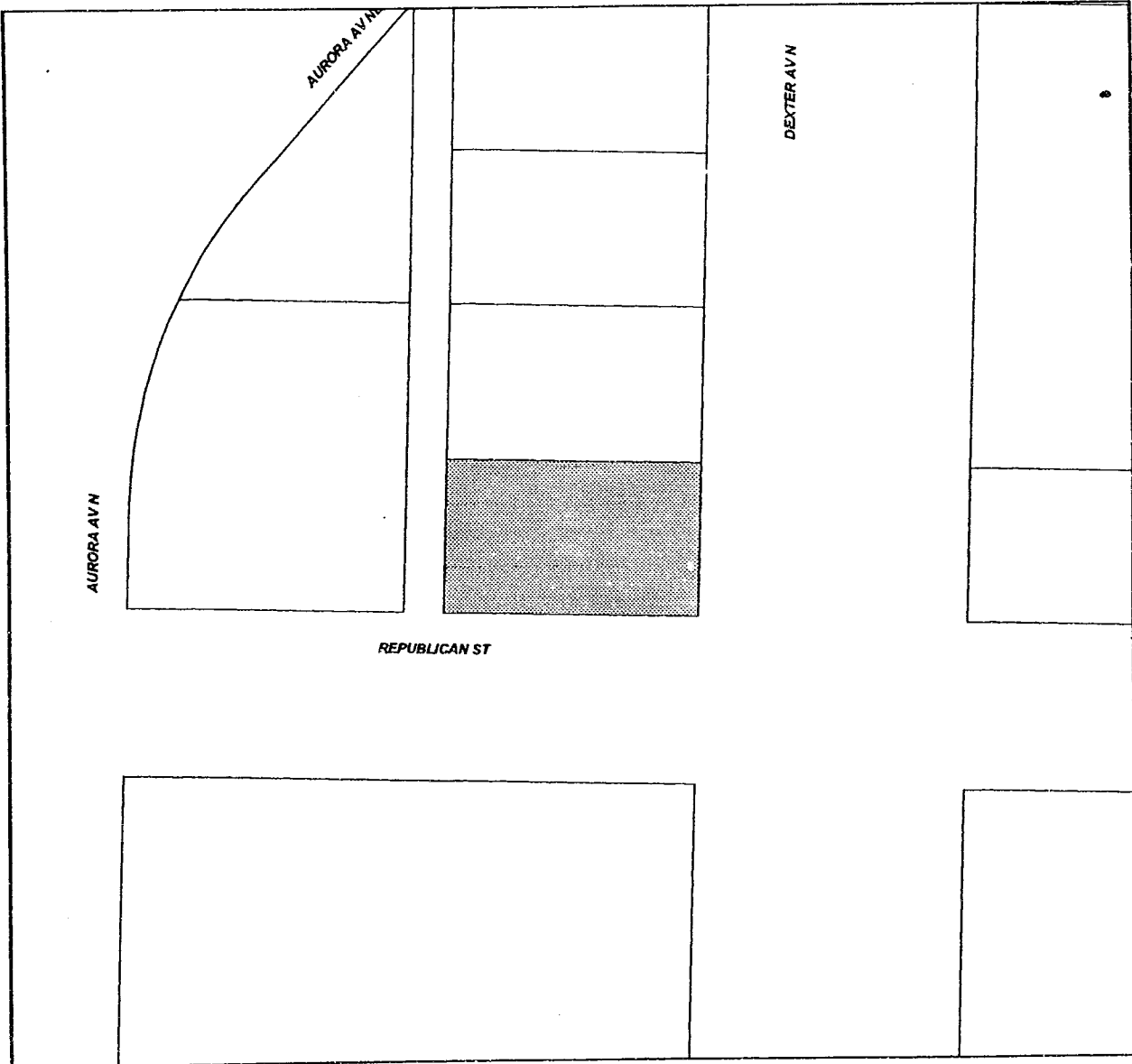
LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows:
PARCEL A: Lots 8 and 9, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington; EXCEPT the west 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle; AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle.

PARCEL B: Lots 10 and 11, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington; EXCEPT the West 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle; AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle for Broad Street.



NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

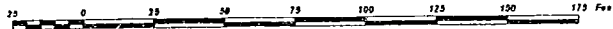


Legend

- Tax Parcels
- Parcel 9



**Exhibit C
Parcel 9 Property Diagram &
Legal Description**



Produced by the City of Seattle,
Real Estate Services
February 5, 2001

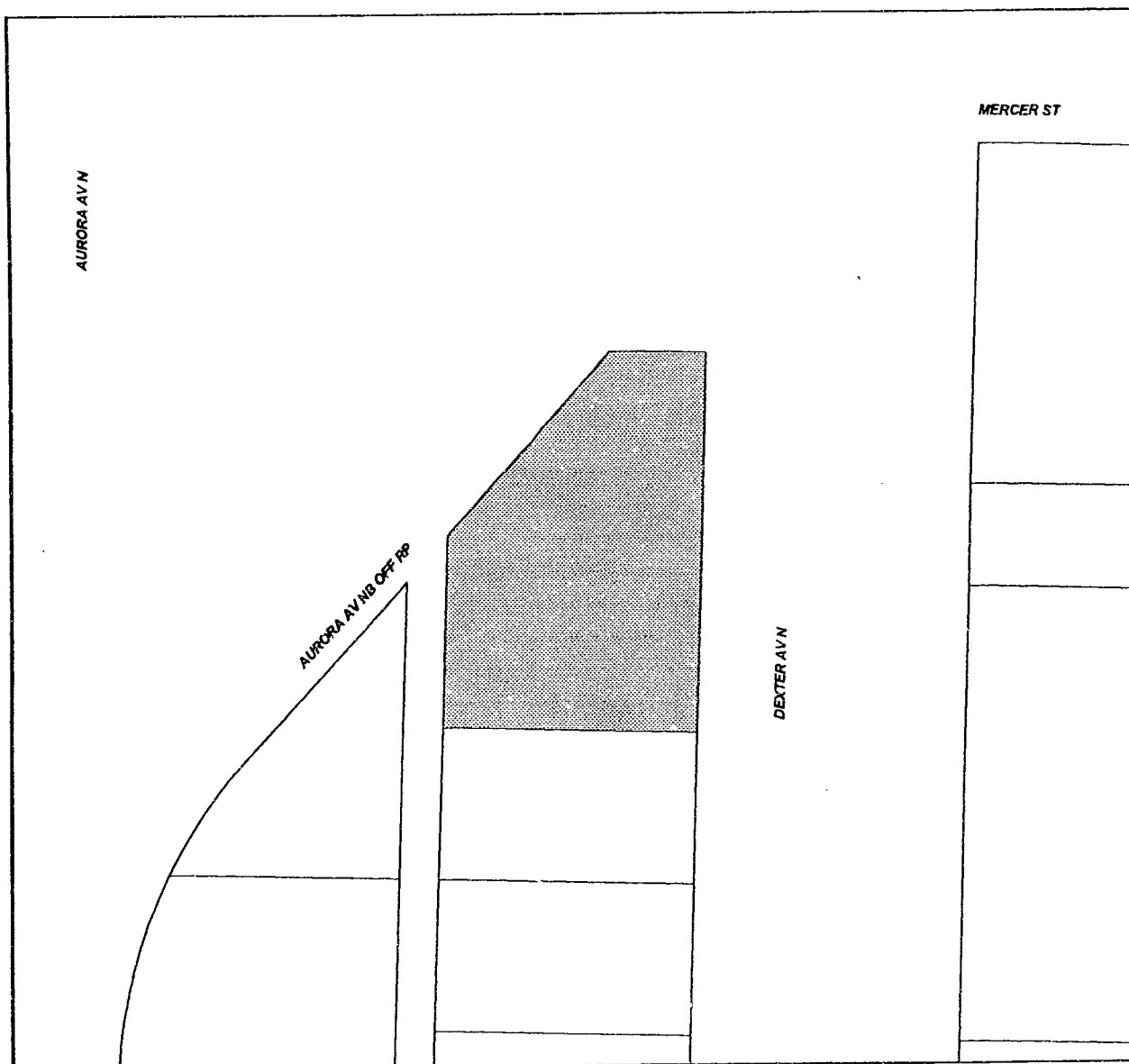
IMPORTANT: This is not a Plat of Survey. It is
furnished as a convenience to locate the land
indicated hereon with reference to streets and other
land. No liability is assumed by reason of reliance
hereon.

LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows:
Lot 7, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115,
in King County, Washington; EXCEPT the east 20 feet thereof as condemned in King County Cause Number 193437,
for Dexter Avenue, as provided by Ordinance Number 50890 of the City of Seattle.



NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.



Legend

- Tax Parcels
- Parcel 10



Exhibit D Parcel 10 Property Diagram & Legal Description



Produced by the City of Seattle,
Real Estate Services
February 5, 2001

IMPORTANT: This is not a Plat of Survey. It is furnished as a convenience to locate the land indicated herein with reference to streets and other land. No liability is assumed by reason of reliance hereon.

LEGAL DESCRIPTION

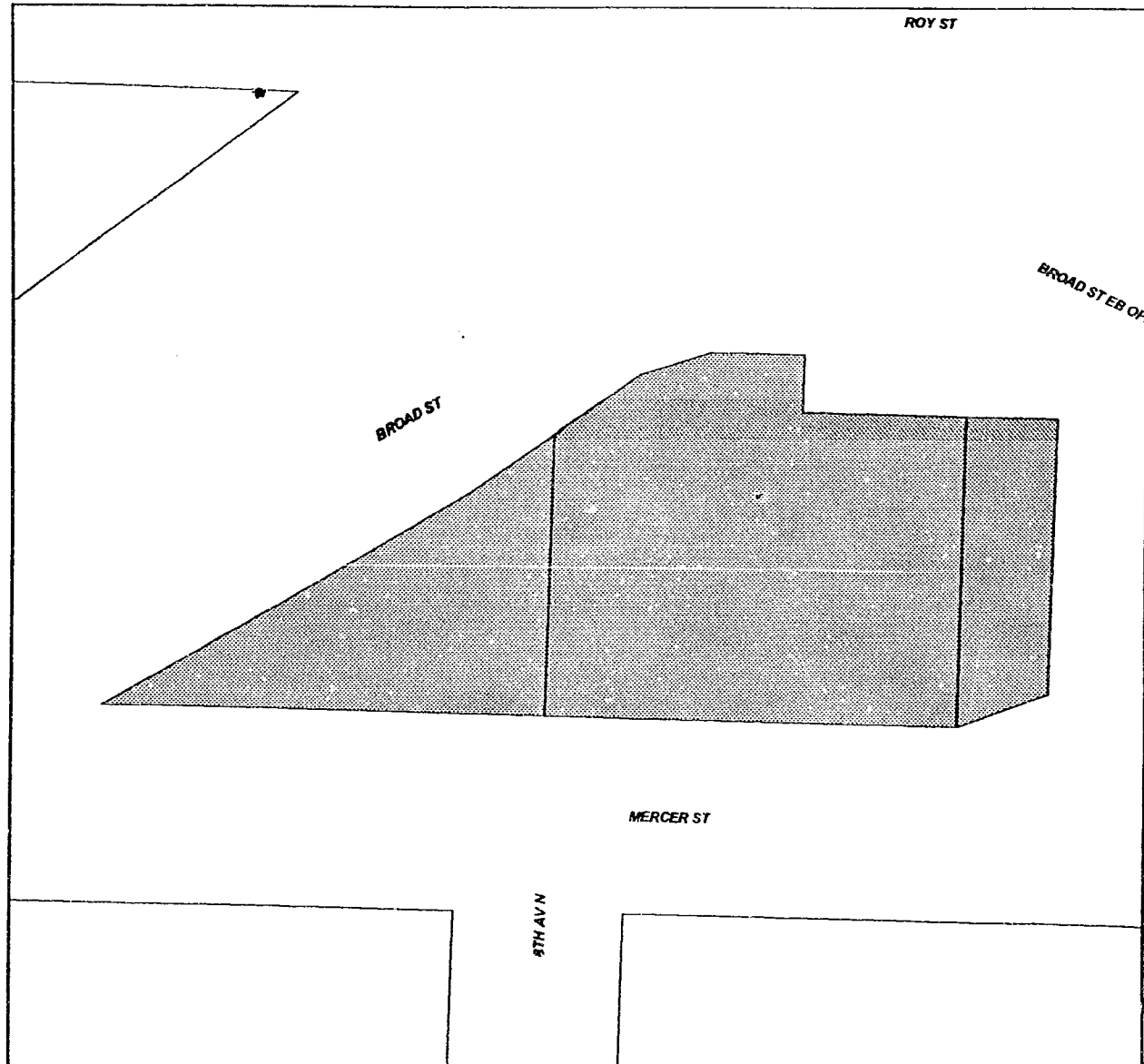
The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows:
Lots 1, 2, 3 and 4, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington; EXCEPT the east 20 feet of said Lots 2, 3 and 4 condemned in King County Superior Court Cause No. 193437 for Dexter Avenue, as provided by Ordinance Number 50890 of the City of Seattle; AND ALSO EXCEPT that portion of said Lots 1, 2 and 3, condemned in King County Superior Court Cause No. 486551 as provided by Ordinance No. 84452 of the City of Seattle, lying northerly and northwesterly of the following described line:

Beginning at a point on the westerly margin of Dexter Avenue as widened under Ordinance Number 50890, said point being 84.16 feet southerly (measured along said westerly line) from the north line of said block; thence along a straight line perpendicular to said westerly margin of Dexter Avenue a distance of 33.50 feet to an angle point; thence southwesterly along a straight line a distance of 96.44 feet to a point in the west line of Lot 3, said block, said point being 40.53 feet southerly (measured along said west line) from the southeasterly margin of Broad Street, as shown in said plat.

c:\mapinfo\p10.spr exhibit



NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.



Legend

- Tax Parcels
- Parcel 11



Exhibit E Parcel 11 Property Diagram & Legal Description

Produced by the City of Seattle,
Real Estate Services
February 5, 2001

IMPORTANT: This is not a Plat of Survey. It is furnished as a convenience to locate the land indicated herein with reference to streets and other land. No liability is assumed by reason of reliance hereon.

LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows: The west half of Lot 6, and all of Lots 7 and 8, Block 1, Eden Addition to the City of Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 61-A, in King County, Washington; EXCEPT portions of said Lot 6, acquired for street purposes by the City of Seattle as provided by Ordinance No. 84452 and Ordinance No. 88109;

ALSO that portion of Lots 1 and 2 in said Block 1, described as follows: Beginning at the southwest corner of said Lot 1; thence north along the west line of said Lots 1 and 2, a distance of 120 feet to the northeast corner of said Lot 2; thence east along the north line of said Lot 2, a distance of 33 feet; thence south parallel with said west line 107.10 feet; thence southwesterly along a straight line 35.43 feet to a point of beginning;

ALSO that portion of Lots 1, 2 and 8, Block 2 of said Addition and of vacated 8th Avenue North as provided by Ordinance No. 89653 described as follows: Beginning at the southeast corner of said Lot 1; thence westerly along the south line of said Lots 1 and 8, a distance of 139.48 feet to the southeasterly line of Broad Street as condemned by the City of Seattle by Ordinance No. 84452; thence northeasterly along said southeasterly line to the east line of said 8th Avenue North; thence southerly along said east line 132.87 feet to the production east of the south line of said Lot 1; thence westerly along said produced line 66 feet to the point of beginning.



NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

VALLEY ST

WESTLAKE AV N

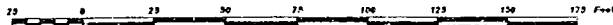
TERRY AV N

Legend

-  Tax Parcels
-  Parcel 14



Exhibit F Parcel 14 Property Diagram & Legal Description



Produced by the City of Seattle,
Real Estate Services
February 5, 2001

IMPORTANT: This is not a Plat of Survey. It is furnished as a convenience to locate the land indicated hereon with reference to streets and other land. No liability is assumed by reason of reliance hereon.

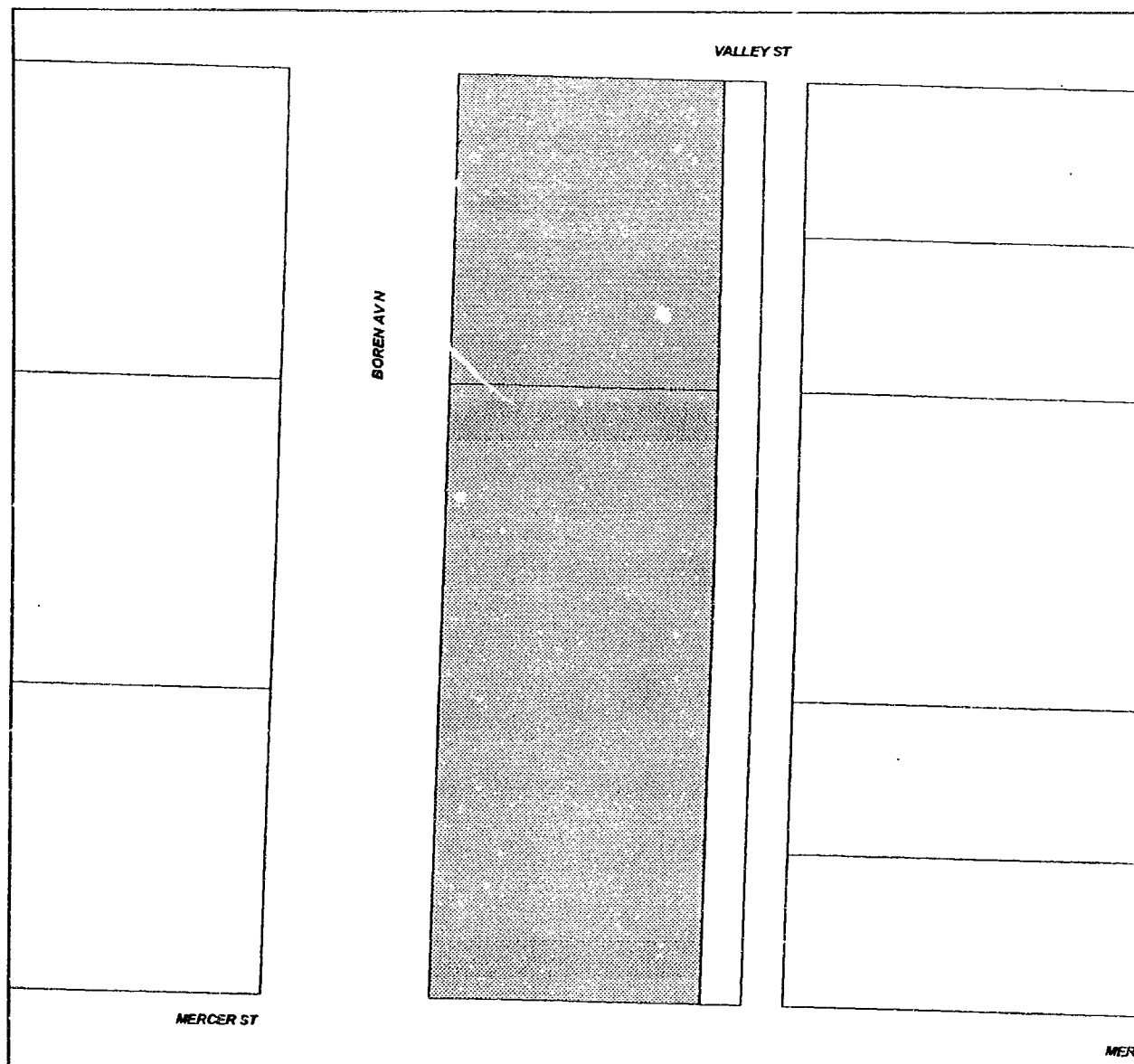
LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows:
Lots 1, 2 and 3, Block 77, Lake Union Shore Lands; EXCEPT the following:

Beginning at the northeast corner of Block 77;
thence southerly along the east line of said block, 137.96 feet; thence north $7^{\circ}52'$ west 23.26 feet to a point of curve; thence in a northwesterly direction along a curve to the left, having a radius of 271.44 feet turning through an angle of $26^{\circ}16'$, a distance of 124.44 feet, more or less, to a point on the north line of said Block 77; thence easterly along said line 48.11 feet, more or less, to the place of beginning; AND EXCEPT the east 5 feet of the remainder of Lots 2 and 3 as condemned in King County Superior Court Cause Number 162246 and provided by Ordinance Number 43560 for Terry Avenue, in King County, Washington.



NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.



Legend

-  Tax Parcels
-  Parcel 16



**Exhibit H
Parcel 16 Property Diagram &
Legal Description**



Produced by the City of Seattle,
Real Estate Services
February 5, 2001

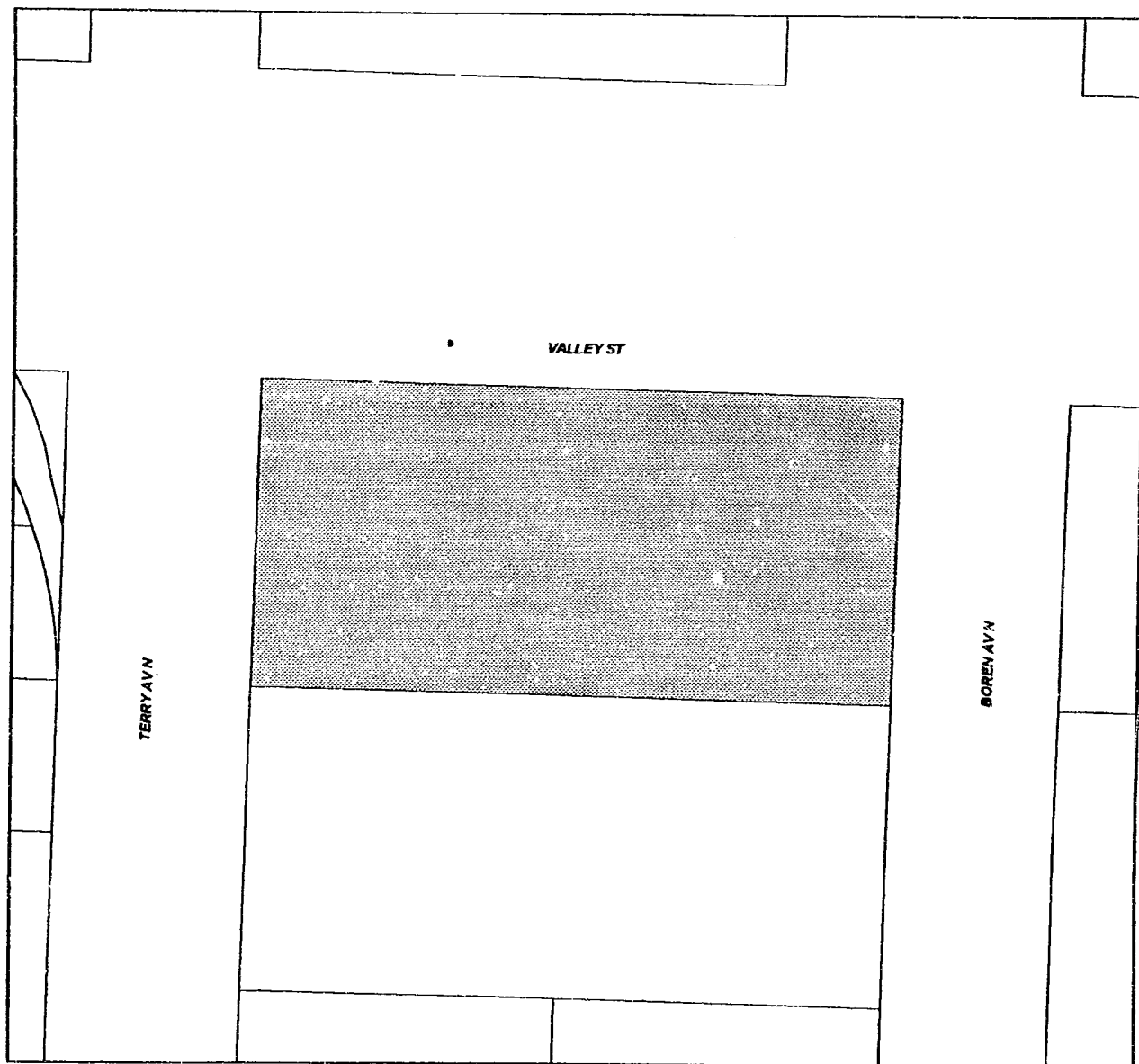
IMPORTANT: This is not a Plat of Survey. It is
furnished as a convenience to locate the land
indicated hereon with reference to streets and other
land. No liability is assumed by reason of reliance
hereon.

LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows:
The west 103 feet of Lots 7, 8, 9, 10, 11 and 12, Block 106, David T. Denny's First Addition to North Seattle, according to the plat thereof
recorded in Volume 1 of Plats, page 79, in King County, Washington



NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
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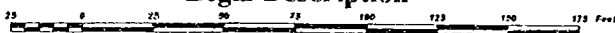


Legend

-  Tax Parcels
-  Parcel 15



**Exhibit G
Parcel 15 Property Diagram &
Legal Description**



Produced by the City of Seattle,
Real Estate Services
February 5, 2001

IMPORTANT: This is not a Plat of Survey. It is
furnished as a convenience to locate the land
indicated hereon with reference to streets and other
land. No liability is assumed by reason of reliance
hereon.



LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows:
Lots 1 and 2, Block 104, D. T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats,
page 79, in King County, Washington; TOGETHER WITH that portion of Lots 1 and 2, Block 76, Lake Union Shorelands, lying east of
the easterly margin of Terry Avenue North, as established pursuant to City of Seattle Ordinance Number 43560.



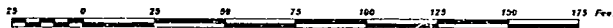


Legend

-  Tax Parcels
-  Parcel 17



**Exhibit I
Parcel 17 Property Diagram &
Legal Description**



Produced by the City of Seattle,
Real Estate Services
February 5, 2001

IMPORTANT: This is not a Plat of Survey. It is
furnished as a convenience to locate the land
indicated herein with reference to streets and other
land. No liability is assumed by reason of reliance
hereon.

LEGAL DESCRIPTION

The land referred to in this commitment is situated in the county of King, state of Washington, and described as follows:

Lots 5 and 6, Block 106, David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington; EXCEPT the east 21 feet thereof condemned in King County Superior Court Cause No. 204496 for Fairview Avenue, as provided by Ordinance No. 51975 of the City of Seattle.



EXHIBIT J
SUBJECT PROPERTIES MAP

[SEE ATTACHED]

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
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The City of Seattle



Exhibit J Subject Properties

Produced by the City of Seattle,
Real Estate Services
February 2, 2001

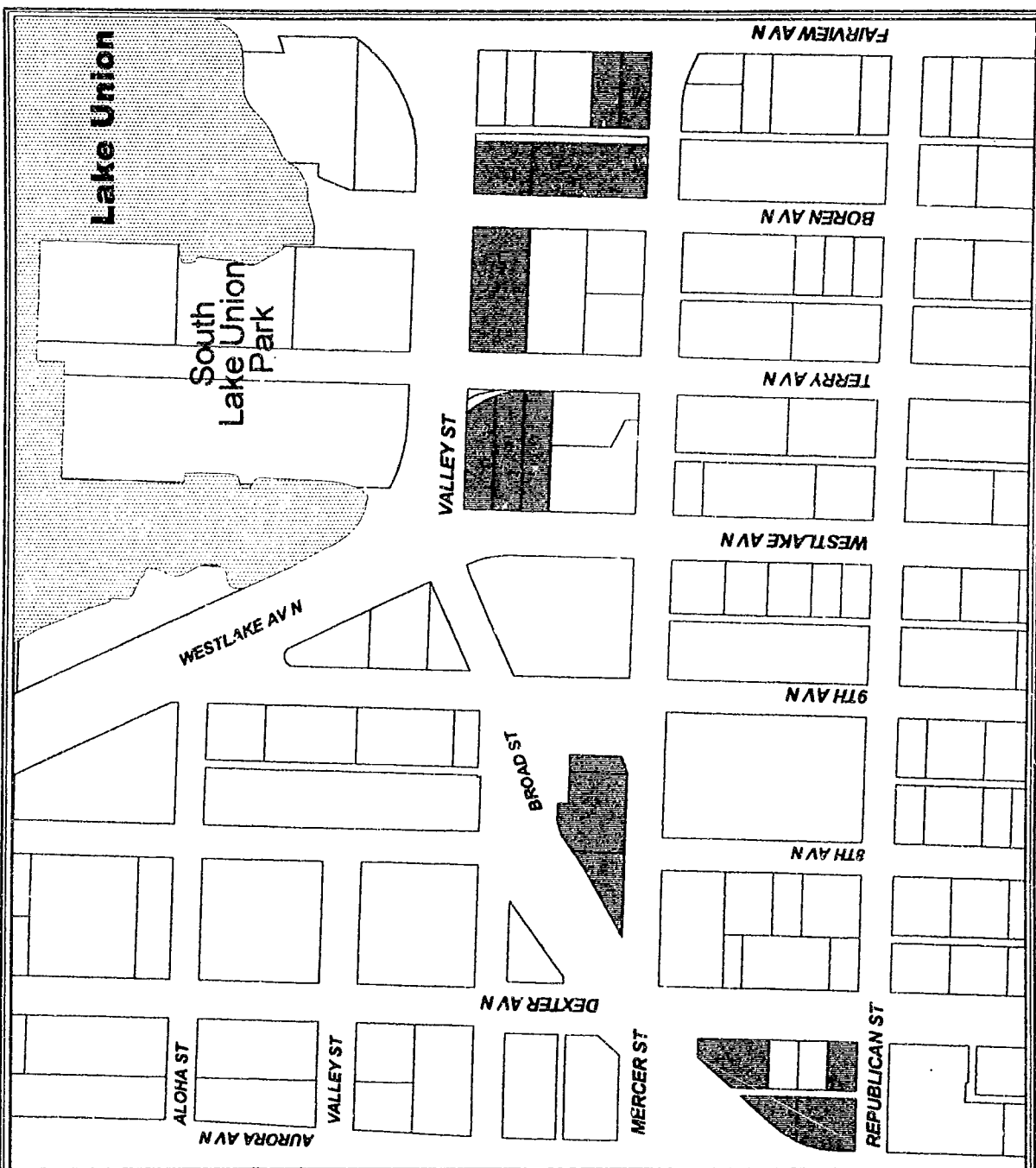
Legend

-  Tax Parcels
-  Subject Properties

100 0 100 200 300 Feet



THE CITY OF SEATTLE, 2001. All rights reserved.
No guarantee of any sort is implied, including accuracy,
completeness, or fitness for use.
c:\wpro\slu_psa.apr exhibit j



The City of Seattle



Exhibit K Map of Vacated Land adjacent to 800 Mercer St.

Produced by the City of Seattle,
Real Estate Services
February 28, 2001

- Legend**
- Vacation area without easements
 - Vacation area with utility easements
 - Tax Parcels
 - Building Outlines
 - Pavement Edge



THE CITY OF SEATTLE, 2001. All rights reserved.
For illustrative purposes only.

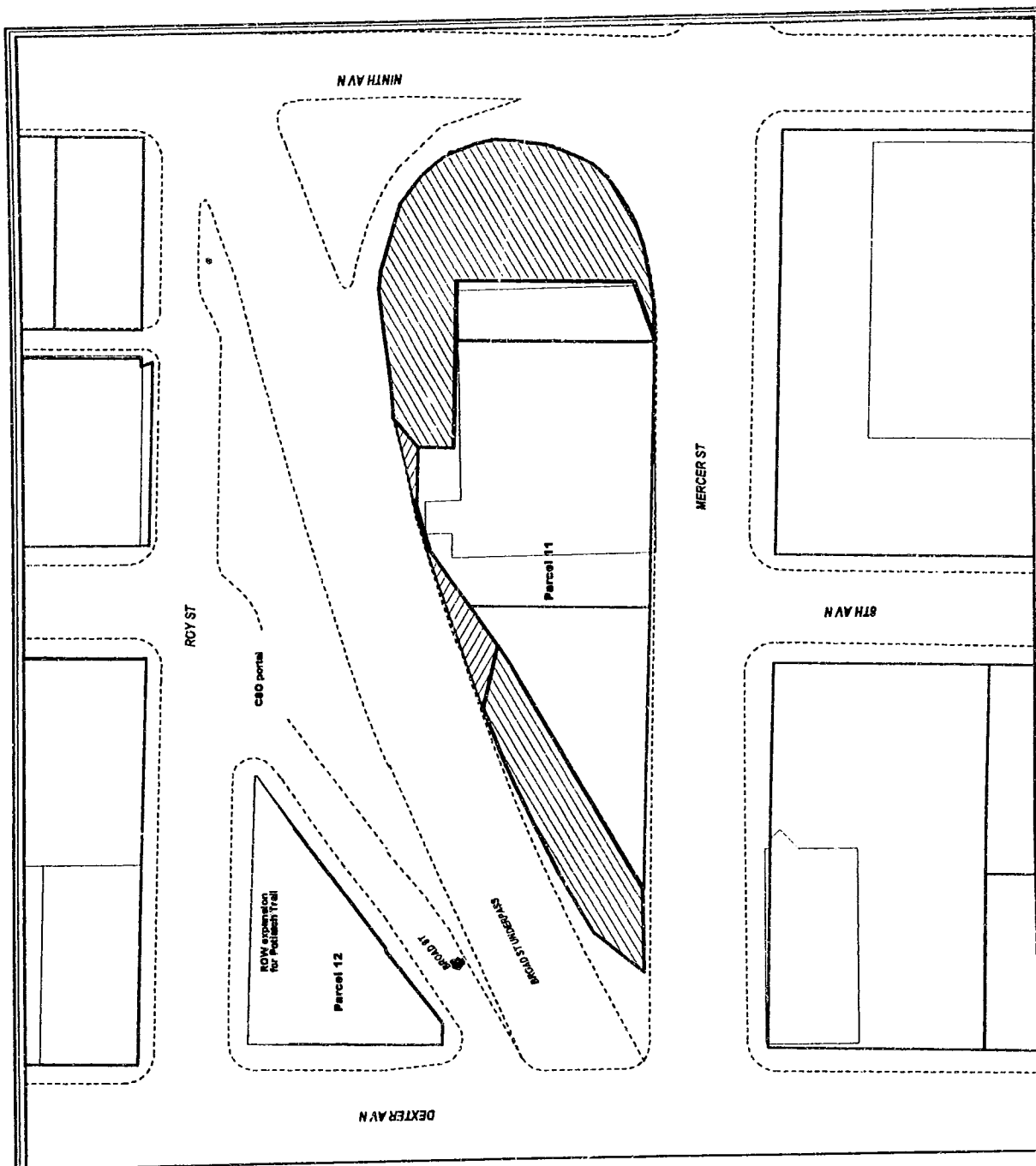


EXHIBIT L
BARGAIN AND SALE DEED

[SEE ATTACHED]

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.



RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

FOSTER PEPPER & SHEFELMAN PLLC
1111 THIRD AVENUE, SUITE 3400
SEATTLE, WA 98101
Attn: Joseph D. Delaney

BARGAIN AND SALE DEED

GRANTOR:

GRANTEE:

ABBREVIATED LEGAL
DESCRIPTION:

ASSESSORS' TAX PARCEL
ID NO.:

50253720 01



NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

BARGAIN AND SALE DEED

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, the Grantor, _____, hereby grants, bargains, sells, conveys and confirms to the Grantee, _____, the real property in the County of King, State of Washington, more particularly described on Exhibit A attached hereto and made a part hereof (the "Property").

The Grantor for itself and for its successors and assigns does by these presents expressly limit the covenants of this deed to those herein expressed, and excludes all covenants arising or to arise by statutory or other implication and does hereby covenant that against all persons whomsoever lawfully claiming or to claim by, through or under said Grantor and not otherwise, it will forever warrant and defend the said described real estate.

This conveyance is made subject to the items listed as attached Exhibit B (the "Permitted Exceptions").

DATED this _____ day of _____, 2001.

GRANTOR: _____

By _____
Name _____
Its _____



STATE OF WASHINGTON

COUNTY OF _____

ss.

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the _____ of _____, a _____, to be the free and voluntary act of such _____ for the uses and purposes mentioned in the instrument.

Dated this _____ day of _____, 2001.

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington,
residing at _____

My appointment expires _____



EXHIBIT A
LEGAL DESCRIPTION

EXHIBIT A

50253720 01



IT IS DUE TO THE QUALITY OF THE DOCUMENT.

EXHIBIT B
PERMITTED EXCEPTIONS

EXHIBIT B

50253720.01



EXHIBIT M
PRO FORMA TITLE INSURANCE POLICIES

[SEE ATTACHED]



Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325159

Policy No.: XXXX-XXXXXX

Policy Date: XXXXXXXXXXXX
at XXXXXXXXXXXX

Policy Amount: \$1,574,465.91

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

As on Schedule A, page 2, attached.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

SCHEDULE A

Page 2

The land referred to in this policy is in the County of King, State of Washington, and described as follows:

PARCEL A:

Lots 8 and 9, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the west 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle;
AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle.

PARCEL B:

Lots 10 and 11, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the West 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle;
AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle for Broad Street.

END OF SCHEDULE A

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



SCHEDULE B

Page 2

SPECIAL EXCEPTIONS:

1. INDEMNITY AGREEMENT AND THE TERMS AND CONDITIONS THEREOF:

BY AND BETWEEN: J. T. Hardeman Hat Co. and the City
of Seattle

DATED: December 1, 1920
RECORDED: December 1, 1920
RECORDING NUMBER: 1472454

REGARDING:

Said agreement released City of Seattle from all future claims for
damages resulting from the construction of steps.

AFFECTS: • Lot 8

2. INDEMNITY AGREEMENT AND THE TERMS AND CONDITIONS THEREOF:

BY AND BETWEEN: J. T. Hardeman Hat Co., a
corporation and the City of Seattle

DATED: February 26, 1932
RECORDED: April 12, 1932
RECORDING NUMBER: 2717625

REGARDING:

Said agreement released City of Seattle from all future claims for
damages resulting from the construction of steps.

AFFECTS: Lot 8

3. Limited access highway purposes pursuant to Ordinance Number 99377
recorded under Recording Number 7104230427.

4. Right of the City of Seattle, specified in Ordinance Number 84452
of the City of Seattle, as established by Judgment on Verdicts
entered in Superior Court Cause Number 486551.

AFFECTS: Lots 8 and 9

5. Matters disclosed by the ALTA survey from _____, dated
_____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

tas

This is a Pro Forma Policy provided to, or on
behalf of, the proposed insured. It does not pur-
port to show the current condition of title, but
rather reflects the form of the policy the com-
pany would expect to issue when all necessary
actions have been taken and all requirements
have been met to the satisfaction of the
company.



Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325160

Policy No.: XXXX-XXXXXX

Policy Date: XXXXXXXXXX
at XXXXXXXX

Policy Amount: \$516,064.74

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

Lot 7, Block 74, D.T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the east 20 feet thereof as condemned in King County Cause Number 193437, for Dexter Avenue, as provided by Ordinance Number 50890 of the City of Seattle.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

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SPECIAL EXCEPTIONS:

1. Right granted to the City of Seattle to make and maintain the necessary slopes for cuts and fills, as Cause Number 193437, which was commenced pursuant to the provision of Ordinance Number 50890.
2. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

tas

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



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Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325161
Policy Date: XXXXXXXXXX
at XXXXXXXX

Policy No.: XXXX-XXXXXX
Policy Amount: \$1,060,038.84

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

As on Schedule A, page 2, attached.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



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SCHEDULE A
Page 2

The land referred to in this policy is in the County of King, State of Washington, and described as follows:

Lots 1, 2, 3 and 4, Block 74, D.T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the east 20 feet of said Lots 2, 3 and 4 condemned in King County Superior Court Cause No. 193437 for Dexter Avenue as provided of Ordinance No. 50890 of the City of Seattle;
AND ALSO EXCEPT that portion of said Lots 1, 2 and 3, condemned in King County Superior Court Cause Number 486551 as provided by Ordinance No. 84452 of the City of Seattle, lying northerly and northwesterly of the following described line:

Beginning at a point on the westerly margin of Dexter Avenue as widened under Ordinance Number 50890, said point being 84.16 feet southerly (measured along said westerly line) from the north line of said block;
thence along a straight line perpendicular to said westerly margin of Dexter Avenue a distance of 33.50 feet to an angle point;
thence southwesterly along a straight line a distance of 96.44 feet to a point in the west line of Lot 3, said block, said point being 40.53 feet southerly (measured along said west line) from the southeasterly margin of Broad Street, as shown in said plat.

END OF SCHEDULE A

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



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Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflect the form of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



IT IS DUE TO THE QUALITY OF THE DOCUMENT.

SPECIAL EXCEPTIONS:

1. Right granted to the City of Seattle to make and maintain the necessary slopes for cuts and fills, as Cause Number 193437, which was commenced pursuant to the provision of Ordinance Number 50890.
2. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

tas

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



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Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325162

Policy No.: XXXX-XXXXXX

Policy Date: XXXXXXXXXX
at XXXXXXXX

Policy Amount: \$2,821,429.56

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

As on Schedule A, page 2, attached.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of policy the company would expect to issue if all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



IT IS DUE TO THE QUALITY OF THE DOCUMENT.

SCHEDULE A
Page 2

Policy No.: XXXX-XXXXXX

The land referred to in this policy is in the County of King, State of Washington, and described as follows:

The west half of Lot 6, and all of Lots 7 and 8, Block 1, Eden Addition to the City of Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 61-A, in King County, Washington;
EXCEPT portions of said Lot 6, acquired for street purposes by the City of Seattle as provided by Ordinance No. 84452 and Ordinance No. 88109;

ALSO that portion of Lots 1 and 2 in said Block 1, described as follows:

Beginning at the southwest corner of said Lot 1;
thence north along the west line of said Lots 1 and 2, a distance of 120 feet to the northeast corner of said Lot 2;
thence east along the north line of said Lot 2, a distance of 33 feet;
thence south parallel with said west line 107.10 feet;
thence southwesterly along a straight line 35.43 feet to the point of beginning;

ALSO that portion of Lots 1, 2 and 8, Block 2 of said Addition and of vacated 8th Avenue North as provided by Ordinance No. 89653 described as follows:

Beginning at the southeast corner of said Lot 1;
thence westerly along the south line of said Lots 1 and 8, a distance of 139.48 feet to the southeasterly line of Broad Street as condemned by the City of Seattle by Ordinance No. 84452;
thence northeasterly along said southeasterly line to the east line of said 8th Avenue North;
thence southerly along said east line 132.87 feet to the production east of the south line of said Lot 1;
thence westerly along said produced line 66 feet to the point of beginning.

END OF SCHEDULE A

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not report to show the actual condition of the insured, rather it is a form of policy which the company would issue to the insured if necessary by actions not inconsistent with the requirements have been met to the satisfaction of the company.



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Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) ☐ nted mining claims; (b) reservations or exceptions in ☐ s or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



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SPECIAL EXCEPTIONS.

1. Reservation contained in City of Seattle Ordinance No. 89653 vacating a portion of 8th Avenue North as follows: Reserving to the City of Seattle the right to reconstruct, maintain and operate any existing overhead or underground utilities in said street until the beneficiaries of the vacation arrange with the owner or owners thereof for their removal.
2. Provisions contained in City of Seattle Ordinance No. 99377 and in instrument recorded April 3, 1971 under King County Recording Number 7104230427 regarding limited access.
3. Right to make necessary slopes for cuts or fills as condemned in King County Superior Court Cause Numbers 193437 and 486551, and as provided in City of Seattle Ordinance Numbers 17628, 50890 and 84452.
4. EASEMENT AND THE TERMS AND CONDITIONS REFERENCED THEREIN, INCLUDING, BUT NOT LIMITED TO, THE FOLLOWING:

GRANTEE:	King County
PURPOSE:	Utility
AREA AFFECTED:	As constructed
RECORDED:	XXXXXXXXXX
RECORDING NUMBER:	XXXXXXXXXX
5. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

tas

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the terms of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



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Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325165

Policy No.: XXXX-XXXXXX

Policy Date: XXXXXXXXXXXX
at XXXXXXXXXX

Policy Amount: \$4,694,704.47

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

As on Schedule A, page 2, attached.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



IT IS DUE TO THE QUALITY OF THE DOCUMENT.

SCHEDULE A
Page 2

Policy No.: XXXX-XXXXXX

The land referred to in this policy is in the County of King, State of Washington, and described as follows:

Lots 1, 2 and 3, Block 77, Lake Union Shore Lands;
EXCEPT the following:

Beginning at the northeast corner of Block 77;
thence southerly along the east line of said block, 137.96 feet;
thence north 7°52' west 23.26 feet to a point of curve;
thence in a northwesterly direction along a curve to the left,
having a radius of 271.44 feet turning through an angle of 26°16", a
distance of 124.44 feet, more or less, to a point on the north line
of said Block 77;
thence easterly along said line 48.11 feet, more or less, to the
place of beginning;
AND EXCEPT the east 5 feet of the remainder of Lots 2 and 3 as
condemned in King County Superior Court Cause Number 162246 and
provided by Ordinance Number 43560 for Terry Avenue, in King County,
Washington.

END OF SCHEDULE A

NOTICE:
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behalf of, the proposed insured. It does not pur-
port to show the current condition of title, but
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pany would expect to issue when all necessary
actions have been taken and all requirements
have been met to the satisfaction of the



Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.



This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.

IT IS DUE TO THE QUALITY OF THE DOCUMENT.

SCHEDULE B
Page 2

Policy No.: XXXX-XXXXXX

SPECIAL EXCEPTIONS:

1. Exceptions and Reservations contained in deed from the state of Washington, whereby the Grantor excepts and reserves all oil, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working the same and providing that such rights shall not be exercised until provision has been made for full payment of all damages sustained by reason of such entry; recorded under Recording Number 1034109.

NOTE: No examination has been made to determine the present record owner of the above minerals, or mineral lands and appurtenant rights thereto, or to determine matters which may affect the lands or rights so reserved.

Right of state of Washington or its successors, subject to payment of compensation therefor, to acquire rights of way for private railroads, skid roads, flumes, canals, water courses or other easements for transporting and moving timber, stone, minerals and other products from this and other property, as reserved in deed referred to above.

2. EASEMENT AND THE TERMS AND CONDITIONS REFERENCED THEREIN, INCLUDING, BUT NOT LIMITED TO, THE FOLLOWING:

GRANTEE:	Pacific Telephone and Telegraph
PURPOSE:	Company, a California corporation
AREA AFFECTED:	One anchor
RECORDED:	As constructed
RECORDING NUMBER:	February 11, 1959
	4996277

3. Right to make necessary slopes for cuts or fills, as condemned in King County Superior Court Cause Number 162246 and provided by Ordinance Number 43560.
4. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

tas



This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the

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Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325166
Policy Date: XXXXXXXXXX
at XXXXXXXX

Policy No.: XXXX-XXXXXX
Policy Amount: \$3,333,940.47

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability

4. The land referred to in this Policy is described as follows:

Lots 1 and 2, Block 104, D. T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington;

TOGETHER WITH that portion of Lots 1 and 2, Block 76, Lake Union Shorelands, lying east of the easterly margin of Terry Avenue North, as established pursuant to City of Seattle Ordinance Number 43560.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



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Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

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SPECIAL EXCEPTIONS:

1. Exceptions and Reservations contained in deed from the state of Washington, whereby the Grantor excepts and reserves all oil, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working the same and providing that such rights shall not be exercised until provision has been made for full payment of all damages sustained by reason of such entry; recorded under Recording Number 519399.

NOTE: No examination has been made to determine the present record owner of the above minerals, or mineral lands and appurtenant rights thereto, or to determine matters which may affect the lands or rights so reserved.

2. Right to make necessary slopes for cuts or fills, including lateral supports as provided in City of Seattle Ordinance Number 43560.

AFFECTS:

That portion abutting Terry Avenue
North

3. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

tas

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



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Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325167
Policy Date: XXXXXXXXXX
at XXXXXXXX

Policy No.: XXXX-XXXXXX
Policy Amount: \$4,109,056.42

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

The west 103 feet of Lots 7, 8, 9, 10, 11 and 12, Block 106, David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



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Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



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SCHEDULE B
Page 2

Policy No.: XXXX-XXXXXX

SPECIAL EXCEPTIONS:

1. Provisions contained in the City of Seattle Ordinance No. 99377 and in instrument recorded April 23, 1971 under King County Recording Number 7104230427 regarding limited access.
2. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

tas

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current status of title, but rather reflects the form of policy the company would expect to issue. All necessary actions have been taken and all requirements have been met to the satisfaction of the company.



IT IS DUE TO THE QUALITY OF THE DOCUMENT.

Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. PROFORMA OWNER'S POLICY

SCHEDULE A

Order No.: 325168

Policy No.: XXXX-XXXXXX

Policy Date: XXXXXXXXXX
at XXXXXXXX

Policy Amount: \$2,076,911.83

1. Name of Insured:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

2. The estate or interest in the land described herein and which is covered by this Policy is:

FEE SIMPLE

3. The estate or interest referred to herein is at date of Policy vested in:

CITY INVESTORS XI, L.L.C., a Washington limited liability company

4. The land referred to in this Policy is described as follows:

Lots 5 and 6, Block 106, D.T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington;
EXCEPT the east 21 feet thereof condemned in King County Superior Court Cause No. 204496 for Fairview Avenue, as provided by Ordinance No. 51975 of the City of Seattle.

This is a Pro Forma Policy provided to, or on behalf of, the proposed insured. It does not purport to show the current condition of title, but rather reflects the form of the policy the company would expect to issue when all necessary actions have been taken and all requirements have been met to the satisfaction of the company.



IT IS DUE TO THE QUALITY OF THE DOCUMENT.

Owner's Extended Coverage

PACIFIC NORTHWEST TITLE INSURANCE COMPANY, INC.
A.L.T.A. OWNER'S POLICY

SCHEDULE B

Policy No.: XXXX-XXXXXX

This policy does not insure against loss or damage by reason of the following:

GENERAL EXCEPTIONS:

1. Any title or rights asserted by anyone including but not limited to persons corporations, governments or other entities, to tide lands, or lands comprising the shores or bottoms of navigable rivers, lakes, bays, ocean or sound, or lands beyond the line of the harbor lines as established or changed by the United States Government.
2. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water.
3. Taxes or special assessments which are not shown as existing liens by the public records.
4. Any service, installation, connection, maintenance, capacity, or construction charges for sewer, water, electricity or garbage removal.
5. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including, but not limited to, easements or equitable servitudes.

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SCHEDULE B

Page 2

SPECIAL EXCEPTIONS:

1. Provisions contained in City of Seattle Ordinance No. 99377 and instrument recorded April 23, 1971 under King County Recording Number 7104230427 regarding limited access.
2. Right to make necessary slopes for cuts or fills upon property herein described as condemned in King County Superior Court Cause Number 204496 and as provided by Ordinance No. 51975.
3. Matters disclosed by the ALTA survey from _____, dated _____, Job No. _____, refer to same for full particulars.

END OF SCHEDULE B

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Exhibit N – Schedule of Tenancies

Property	Tenant	Term
<i>Parcel 8</i>		
500 Aurora Avenue N	School for Visual Concepts Orville Dawson	Month-to-month holdover Month-to-month holdover
<i>Parcel 9</i>		
501 Dexter Avenue N	Sun West Co.	Month-to-month holdover
<i>Parcel 10</i>		
525 Dexter Avenue N	Glazer's Camera Supply Copiers NW (parking only)	November 30, 2002 Month-to-month
<i>Parcel 11</i>		
800 Mercer Street	Artco Sign Company Seattle Gilbert and Sullivan Society Electromatic, Inc. Quicksilver Metalsmithing James Moore Thomas Hugh Strangeland Art Lockwood David M. Fenn	Month-to-month holdover Month-to-month holdover Month-to-month holdover Month-to-month holdover Month-to-month holdover Month-to-month holdover Month-to-month holdover Month-to-month holdover
<i>Parcel 14</i>		
630 Westlake Avenue N 965 Valley Street	Vacant PEC, Inc. Jeff Lane	 Month-to-month Month-to-month holdover
<i>Parcel 15</i>		
625 Boren Avenue N	Thrifty Park dba U-Park System	July 31, 2001
<i>Parcel 16</i>		
1104 Mercer Street 1113 Valley Street	Shalimar The Best Towing dba TBT Towing Steven J. Walker	Month-to-month holdover Month-to-month Month-to-month holdover
<i>Parcel 17</i>		
1120 Mercer Street	Lincoln Enterprises dba Lincoln Towing	Month-to-month holdover



EXHIBIT O
TEXT AMENDMENT

[SEE ATTACHED]

50253713 01

EXHIBIT O



ORDINANCE 120267

AN ORDINANCE relating to land use and zoning; amending Seattle Municipal Code Section 23.47.012 to allow, as a special exception, specific commercial properties in the South Lake Union Neighborhood to increase their maximum structure height from forty (40) feet to sixty five (65) feet.

WHEREAS, encouraging redevelopment of properties in the Mercer Corridor is a high priority of the Mayor and Council; and

WHEREAS, the South Lake Union Neighborhood Plan, adopted by City Council in March 1999, encourages redevelopment of properties in the Mercer Corridor area. The neighborhood plan recognizes that there is a need to review existing zoning to determine if any aspects of the code that may need refinement to reflect planning goals, such as parking requirements, affordability, setbacks, height limits, and allowing compatible cultural uses in the area; and

WHEREAS, the three blocks between Valley and Mercer Streets and Westlake and Fairview Avenues act as an important transition zone that connects the neighborhood with South Lake Union Park in terms of pedestrian connections, view corridors, types of uses, and architecture; and

WHEREAS, in the spring of 1999, the City and the South Lake Union Planning Committee hired consultants to evaluate development opportunities on the three blocks between Valley and Mercer Streets and Westlake and Fairview Avenues. The analyses show that there are potential benefits to allowing some or all new uses to be compatible with heights in the surrounding zones, which could yield improved public open space, and design and parking opportunities; and

WHEREAS, while it is possible to individually redevelop these properties at current height limits, and without any land assembly, real estate and urban design analyses show that there are potentially greater opportunities for public open space and other public amenities, public parking accommodation with accessible weekend and even public parking, circulation, design coherence, and integration with park development across Valley Street, if the three blocks between Valley and Mercer Streets and Westlake and Fairview Avenues are developed as an integrated development plan at heights compatible with surrounding zoning; and

WHEREAS, in December of 1999, the City Council adopted Resolution 20080, which concurs with the consultants' analysis and lays out public objectives for redevelopment of the three blocks; and



IT IS DUE TO THE QUALITY OF THE DOCUMENT.

1
2 **NOW THEREFORE,**

3
4 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

5
6 **Section 1.** Section 23.47.012 of the Seattle Municipal Code, which Section was
7 last amended by Ordinance 119370, is amended as follows:

8
9 **23.47.012 Structure height and floor area ratio.**

10 ***

11 C. Additional Height Permitted. Within the area bounded by Valley and Mercer
12 Streets and Westlake and Fairview Avenues North, maximum structure height may be
13 increased from forty (40) feet to sixty-five (65) feet as a special exception pursuant to
14 Chapter 23.76, Procedures for Master Use Permits and Council Land Use Decisions. In
15 order to grant the special exception, the Director must find that all of the following criteria
16 are met:

17 1. The lot is not located within the shoreline district. However, if a lot is
18 located partially within the shoreline district, those portions of that lot which are not in the
19 shoreline district may be eligible for the special exception.

20 2. In order to reduce potential height, bulk and scale and view impacts,
21 enhance pedestrian connections across Valley and Mercer Streets, and provide greater
22 opportunities for public open space, the following development standards must apply:

23 a. A minimum of twenty (20) percent of the total development area
24 must be provided as useable open space at street level. The useable open space must be



1 directly accessible to the public during the hours of operation of South Lake Union Park,
2 and no occupied portion of the structure may extend into the required useable open space.

3 b. If the Director determines that greater public benefit will result, a
4 portion of the required useable open space may be located above street level, provided the
5 following criteria are met:

6 (1) A minimum of twenty five (25) percent of the total
7 development area is provided as useable open space.

8 (2) The useable open space is directly accessible to the
9 public during the hours of operation of South Lake Union Park, and no occupied portion of
10 the structure may extend into the required useable open space.

11 (3) The useable open space enhances visual and physical
12 pedestrian connection(s) between South Lake Union Park and the development area.

13 (4) The required useable open space is provided at heights
14 less than forty (40) feet, measured from existing or finished grade, whichever is lower.

15 c. If the Director determines that greater public benefit will result, a
16 portion of the required useable open space may be located below street level, provided the
17 criteria listed in this subsection are met. When useable open space is provided below street
18 level, the height of facades that abut the useable open space shall be measured from
19 existing grade.

20 (1) A minimum of twenty five (25) percent of the total
21 development area is provided as useable open space.

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1 (2) The useable open space is directly accessible to the
2 public during the hours of operation of South Lake Union Park, and no occupied portion of
3 the structure may extend into the required useable open space.

4 (3) The useable open space enhances the pedestrian
5 connection(s) between South Lake Union Park and the development area.

6 (4) The useable open space provides visual and physical
7 connections from street level to the useable open space. Required useable open space
8 allows for ease of access to pedestrians from street level and may include streetscape
9 elements such as semi-transparent fencing and low-level vegetation.

10 (5) The design and siting of the required useable open space
11 provides adequate light and air exposure and encourages lively pedestrian activity.

12 d. All portions of a structure that exceed forty (40) feet in height are
13 limited to a maximum lot coverage of sixty-four (64) percent. In addition, portions of a
14 structure above forty (40) feet in height must be located at least fifteen (15) feet from the
15 street property line along Valley Street and Westlake, Terry, Boren, and Fairview Avenues
16 North.

17 e. Departures from development standards may be granted pursuant
18 to Chapter 23.41, Design Review, except for open space quantity or upper level lot
19 coverage requirements in this Section.

20 3. In buildings constructed under permits applied for after the effective date
21 of this ordinance, all uses at street level, except for parking, must have a minimum floor to
22 floor height of thirteen (13) feet. Along Terry Avenue North between Valley and Mercer



1 Streets and along Valley Street between Westlake and Boren Avenues North, the following
2 standards apply:

3 a. A minimum of eighty (80) percent of a structure's street front
4 façade at street level must be occupied by uses other than parking. For purposes of
5 calculating the eighty (80) percent, twenty-two (22) feet for the width of a driveway to
6 access parking may be subtracted from the length of the street front façade if the Director
7 determines that access to parking from Valley Street or Terry Avenue North is the best
8 opportunity to avoid traffic problems or pedestrian conflicts.

9 b. A minimum depth of thirty (30) feet from the street front façade
10 of the structure must be occupied by uses other than parking. The minimum required
11 depth may be averaged, with no depth less than fifteen (15) feet.

12 c. If the street front façade and depth requirements result in a space
13 greater than fifty (50) percent of the structure's footprint, the Director may modify the
14 street front façade and depth requirements to reduce the space to fifty (50) percent of the
15 structure's footprint.

16 ((C-)) D. Exemptions From FAR Calculations. The following areas shall be
17 exempted from FAR calculations:

- 18 1. All gross floor area below grade;
19 2. All gross floor area used for accessory parking.

20 ((D-)) E. Split Zoned Lots. When a lot is subject to more than one (1) height and
21 FAR limit, the height and FAR limits for each zone shall apply to the portion of the lot
22 located in that zone.



1 ((E-)) F. Sloped Lots. On sloped lots, additional height shall be permitted along the
2 lower elevation of the structure footprint, at the rate of one (1) foot for each six (6) percent
3 of slope, to a maximum additional height of five (5) feet (Exhibit 23.47.012 A).

4 ((F-)) G. Pitched Roofs. The ridge of pitched roofs may extend up to five (5) feet
5 above the maximum height limit in zones with height limits of thirty (30) or forty (40) feet.
6 All parts of the roof above the height limit shall be pitched at a rate of not less than three to
7 twelve (3:12)(Exhibit 23.47.012 B). No portion of a shed roof shall be permitted to extend
8 beyond the height limit under this provision.

9 ((G-)) H. Rooftop Features.

10 1. Radio and television receiving antennas excluding dish antennas; ham
11 radio towers; smokestacks; chimneys; flagpoles; and religious symbols for religious
12 institutions are exempt from height controls, except as regulated in Chapter 23.64, Airport
13 Height Overlay District, provided they are a minimum of ten (10) feet from any side or rear
14 lot line.

15 2. Open railings, planters, skylights, clerestories, greenhouses, parapets and
16 firewalls may extend up to four (4) feet above the maximum height limit with unlimited
17 rooftop coverage.

18 3. Solar Collectors.

19 a. In zones with height limits of (30) thirty or forty (40) feet, solar
20 collectors may extend up to four (4) feet above the maximum height limit, with unlimited
21 rooftop coverage



1 b. In zones with height limits of sixty-five (65) feet or more, solar
2 collectors may extend up to seven (7) feet above the maximum height limit, with unlimited
3 rooftop coverage.

4 4. The following rooftop features may extend up to fifteen (15) feet above
5 the maximum height limit, so long as the combined total coverage of all features listed in
6 this subsection does not exceed twenty (20) percent of the roof area or twenty-five (25)
7 percent of the roof area if the total includes stair or elevator penthouses or screened
8 mechanical equipment:

- 9 a. Solar collectors;
10 b. Stair and elevator penthouses;
11 c. Mechanical equipment;
12 d. Play equipment and open-mesh fencing which encloses it, so long
13 as the fencing is at least fifteen (15) feet from the roof edge; and
14 e. Dish antennas, according to the provisions of Chapter 23.57.

15 5. In order to protect solar access for property to the north, the applicant
16 shall either locate the rooftop features listed in this subsection at least ten (10) feet from the
17 north edge of the roof, or provide shadow diagrams to demonstrate that the proposed
18 location of such rooftop features would shade property to the north on January 21st at noon
19 no more than would a structure built to maximum permitted bulk:

- 20 a. Solar collectors;
21 b. Planters.
22 c. Clerestories.



1 d. Greenhouses;

2 e. Dish antennas, according to the provisions of Chapter 23.57;

3 f. Non-firewall parapets;

4 g. Play equipment.

5 6. Structures existing prior to May 10, 1986 may add new or replace
6 existing mechanical equipment up to fifteen (15) feet above the roof elevation of the
7 structure and shall comply with the noise standards of Section 23.47.018.

8 ((H-)) L. Solar Retrofits. The Director may permit the retrofitting of solar collectors
9 on conforming or nonconforming structures existing on June 9, 1986 as a special exception
10 pursuant to Chapter 23.76, Procedures for Master Use Permits and Council Land Use
11 Decisions. Such a retrofit may be permitted even if it exceeds established height limits, if
12 the following conditions are met:

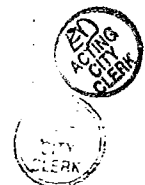
13 1. There is no feasible alternative solution to placing the collector(s) on the
14 roof;

15 2. The positioning of such collector(s) minimize view blockage and
16 shading of property to the north, while still providing adequate solar access for the
17 collectors; and

18 3. Such collector(s) meet minimum energy standards administered by the
19 Director.

20 ((F-)) L. Television Receiving Antennas. The maximum height of television
21 receiving antennas, except for dish antennas, shall be no more than fifty (50) feet in zones
22 where the maximum height limit does not exceed fifty (50) feet. In zones with a maximum

Page 5



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1 height limit which exceeds fifty (50) feet the maximum height of the antenna shall not
2 exceed the maximum height allowed for all structures.

3 ((J-)) K. Height Exceptions for Public Schools.

4 1. For new public school construction on new public school sites, the
5 maximum permitted height shall be the maximum height permitted in the zone.

6 2. For new public school construction on existing public school sites, the
7 maximum permitted height shall be the maximum height permitted in the zone or thirty-
8 five (35) feet plus fifteen (15) feet for a pitched roof, whichever is greater.

9 3. For additions to existing public schools on existing public school sites,
10 the maximum height permitted shall be the maximum height permitted in the zone, the
11 height of the existing school, or thirty-five (35) feet plus fifteen (15) feet for a pitched roof,
12 whichever is greater.

13 4. Development standard departure for structure height may be granted or
14 required pursuant to the procedures and criteria set forth in Chapter 23.79. For construction
15 of new structures on new and existing public school sites to the extent not otherwise
16 permitted outright, maximum height which may be granted as a development standard
17 departure in zones with height limits of thirty (30) or forty (40) feet shall be thirty-five (35)
18 feet plus fifteen (15) feet for a pitched roof for elementary schools and sixty (60) feet plus
19 fifteen (15) feet for a pitched roof for secondary schools. All height maximums may be
20 waived by the Director when waiver would contribute to reduced demolition of residential
21 structures.



5. To qualify for the pitched roof exception, all parts of the roof above the height limit must be pitched at a rate of not less than three to twelve (3:12). No portion of a shed roof shall extend above the height limit under this provision.

Section 2. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 20th day of February, 2001, and signed by me in open session in authentication of its passage this 20th day of February, 2001.

Margaret C. Pagan
President of the City Council

Approved by me this 21st day of FEBRUARY, 2001.

Paul Schell
Paul Schell, Mayor

Filed by me this 23rd day of February, 2001.

Judith E. Pappin
City Clerk

STATE OF WASHINGTON
COUNTY OF KING
CITY OF SEATTLE (SEAL)

} SS

JUDITH E. PAPPIN, CITY CLERK OF THE CITY OF SEATTLE, DO HEREBY
CERTIFY THAT THE WITHIN AND FOREGOING IS A TRUE AND CORRECT

Ordinance 120267

AND IT APPEARS ON FILE AND OF RECORD IN THIS DEPARTMENT.

IN WITNESS WHEREOF, I HAVE HERETO SET MY HAND AND AFFIXED
THE SEAL TO THE CITY OF SEATTLE THIS 3 April, 2001

JUDITH E. PAPPIN
CITY CLERK

BY Larkin B. ...
JEROME ...



EXHIBIT P

TENANT ESTOPPEL CERTIFICATE

_____, 2001

To: The City of Seattle and its Assigns ("Buyer")

Re: Lease Dated: _____, 19_____
Landlord: _____ ("Landlord")
Tenant: _____ ("Tenant")
Premises: _____ ("Premises")

The undersigned hereby certifies to The City of Seattle and its assigns ("Buyer") as of the date hereof as follows:

1. The undersigned is the "Tenant" under the above-referenced lease ("Lease") covering the above referenced Premises. A true, correct and complete copy of the Lease (including all addenda, riders, amendments, modifications and supplements thereto) is attached hereto as Exhibit A.
2. The Lease constitutes the entire agreement between Landlord and Tenant with respect to the Premises and the Lease has not been modified, changed, altered or amended in any respect.
3. The term of the Lease commenced on _____, 19____, and, including any presently exercised option or renewal term, expired[s] on _____, [and [by the terms of that Lease or by holdover], Tenant now occupies the premises on a month-to-month basis.] Tenant has accepted full and complete possession of the Premises and is the actual occupant in possession and has not sublet, assigned or hypothecated or otherwise transferred all or any portion of Tenant's leasehold interest. All improvements to be constructed on the Premises by Landlord have been completed to the satisfaction of Tenant and accepted by Tenant and any tenant construction allowances have been fulfilled. All of the Landlord's obligations, which have accrued prior to the date hereof, have been performed.
4. There exists no breach or default, nor state of facts nor conditions presently or which, with notice, the passage of time, or both, would result in a breach or default on the part of either Tenant or Landlord. To the best of Tenant's knowledge, no claim, controversy, dispute, quarrel or disagreement exists between Tenant and Landlord, with respect to the Lease or the Premises, including but not limited to, the physical condition of the Premises.
5. Tenant is currently obligated to pay base annual rental in monthly installments of

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\$_____ per month and monthly installments of annual rental have been paid through May 31, 2001. No other rent has been paid in advance and Tenant has no claim or defense against Landlord under the Lease and is asserting no offsets or credits against either the rent or Landlord. Tenant has no claim against Landlord for any security, rental, cleaning or other deposits [, except for a security deposit in the amount of \$_____ which was paid pursuant to the Lease].

6. The Lease is in full force and effect in accordance with its terms and is a binding obligation of the undersigned and tenant has not violated any provision of this lease including but not limited to unauthorized modifications of the property.

7. The undersigned has received no notice of prior sale, transfer, assignment, hypothecation or pledge of the Lease or of the rents secured therein, except to Buyer.

8. Tenant has no option or preferential right to purchase all or any part of the Premises (or the real property of which the Premises are a part) nor any right or interest with respect to the Premises or the real property of which the Premises are a part other than as Tenant under the Lease. Tenant has no right to renew or extend the terms of the Lease or expand the Premises.

9. Tenant has made no agreement with Landlord or any agent, representative or employee of Landlord concerning free rent, partial rent, rebate of rental payments or any other type of rental or other economic inducement or concession except as expressly set forth in the Lease.

10. All insurance required of Tenant by the Lease has been provided by Tenant and all premiums paid.

11. Tenant has not advised the Landlord that it intends to terminate the Lease or vacate the Premises prior to the end of the term of the Lease nor does it intend to do so.

12. The undersigned acknowledges that:

a. Buyer or Buyer's assignee is purchasing Landlord's interest in the property which includes the Premises and, in connection with that purchase, will be receiving an assignment of Landlord's interest under the Lease;

b. Buyer will be relying upon each of the statements contained herein in connection with Buyer's purchase of the property of which the Premises is a part and but for the assurances and agreements contained herein Buyer would not purchase the property of which the Premises is a part; and

c. The undersigned will attorn to and recognize Buyer as the Landlord under the Lease and will pay all rents and other amounts due thereunder to Buyer upon notice to the undersigned that Buyer has become the owner of Landlord's interest in the Premises under the Lease.



d. Tenant has not received notice of any violation of any federal, state or local law, regulation, rule, ordinance, order or other governmental requirement which relates to the use or condition of the Premises, and no hazardous wastes or toxic substances, as such terms are defined by all applicable environmental protection laws, have been disposed of, stored or used by Tenant in the Premises in violation of any such laws.

e. Tenant is not the subject of any bankruptcy, insolvency, reorganization or similar proceeding.

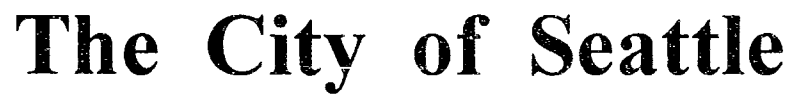
f. All notices to Tenant should be sent to the following address: _____

g. Tenant is not aware of any defects in the physical condition of the Premises except as follows: _____

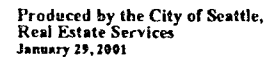
TENANT:

By: _____
Name: _____
Title: _____





- ## Exhibit Q
- ### Affordable Housing Area

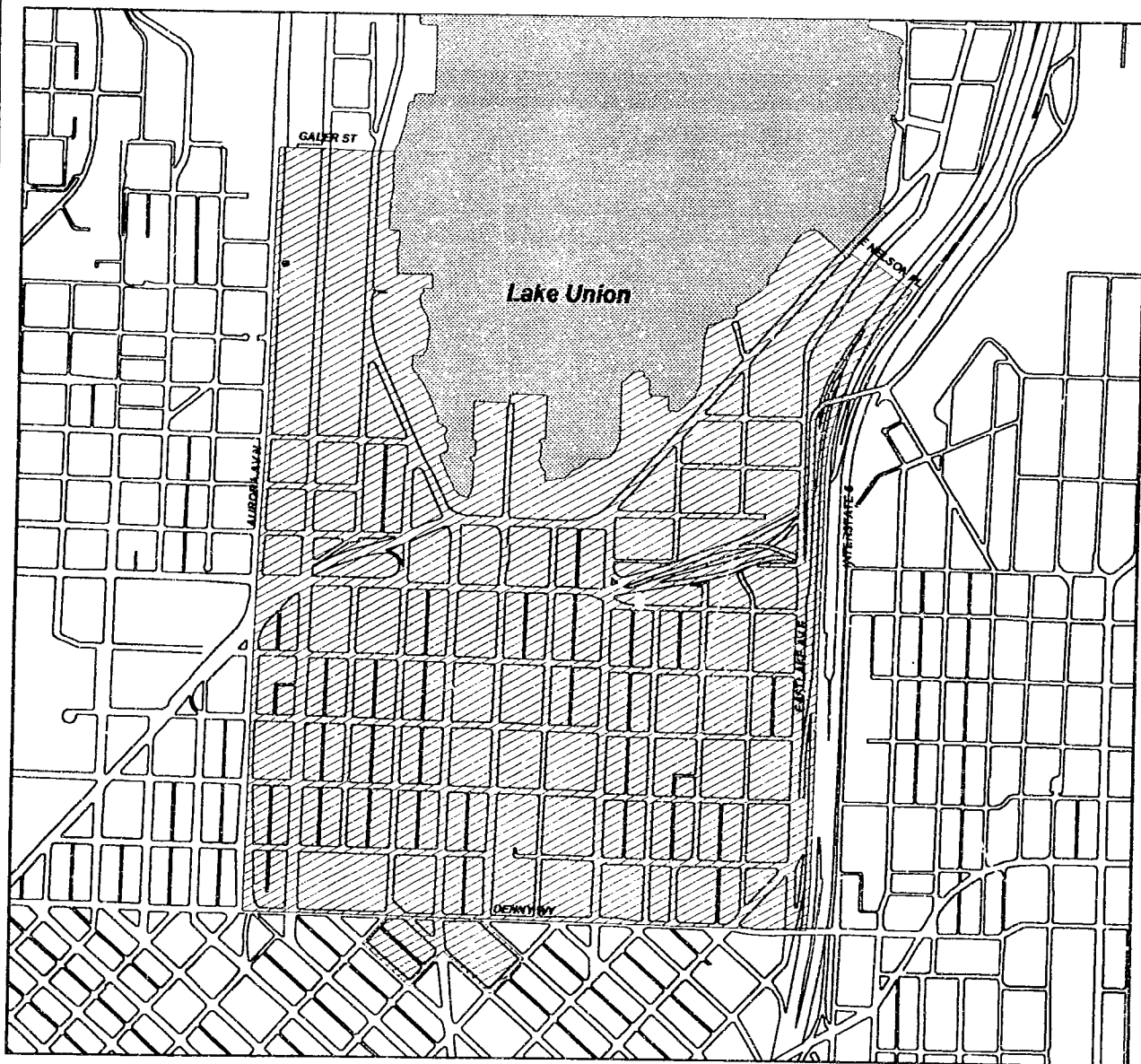


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The City of Seattle



Legend

- Housing Area
- Pavement Edge

Exhibit R Housing Area

300 0 300 600 900 1200 1500 1800 Feet

Produced by the City of Seattle,
Real Estate Services
February 6, 2001

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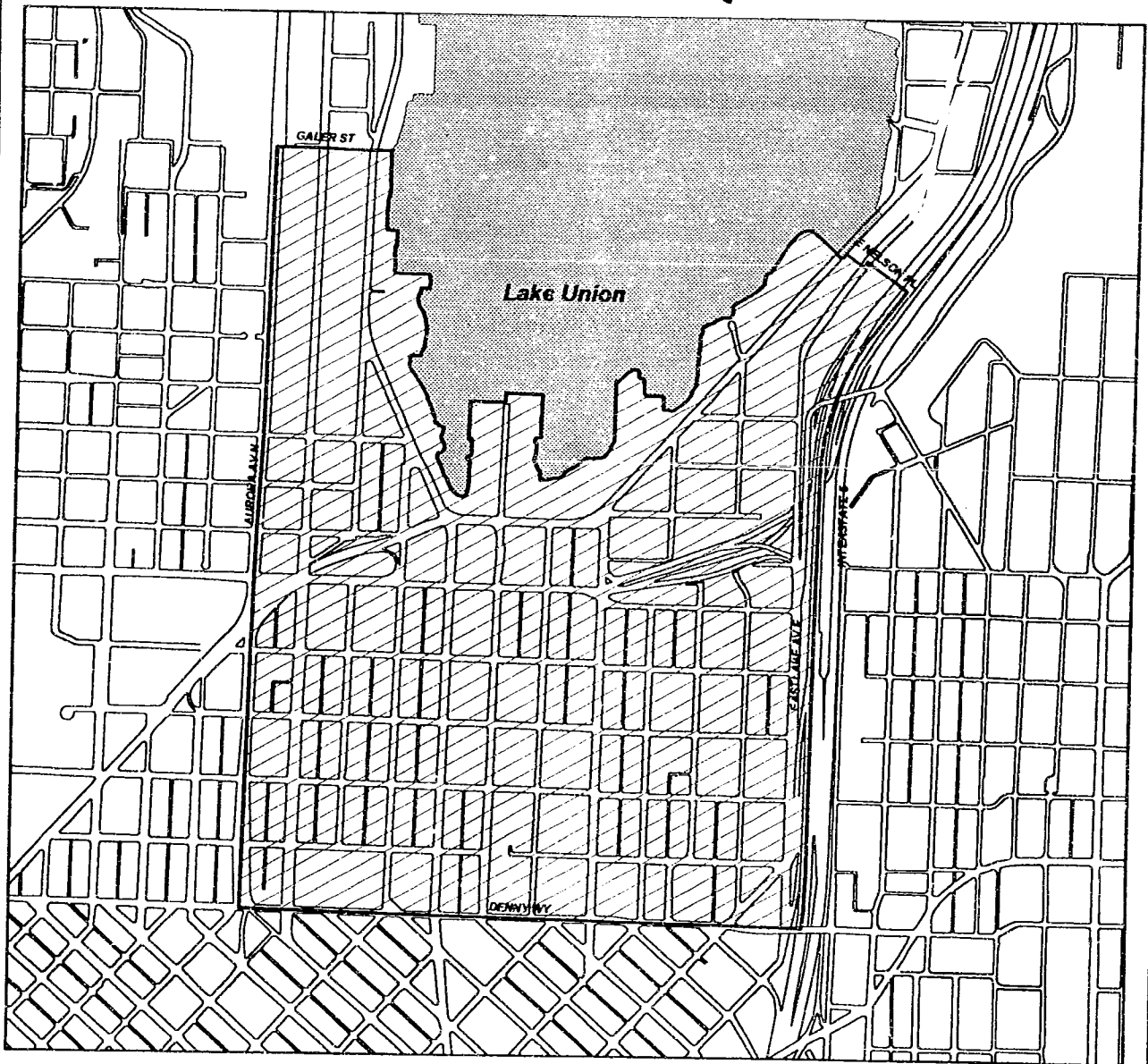
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The City of Seattle



Legend




-  Urban Village
-  Pavement Edge

Exhibit S South Lake Union Urban Village

300 0 300 600 900 1200 1500 1800 Feet



Produced by the City of Seattle,
Real Estate Services
February 6, 2001

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c:\projects\pse\exhibit p



EXHIBIT T
CERTIFICATE OF COMPLETION

[TO BE DEVELOPED]

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50253713 01

EXHIBIT T



ORDINANCE _____

AN ORDINANCE related to the sale of eight City-owned parcels in the South Lake Union area; authorizing the sale of said property in accordance with the terms and conditions of the attached Purchase and Sale Agreement; directing the deposit of sale proceeds; and creating a new subaccount within the Cumulative Reserve Subfund Capital Projects Account; and amending Sections 5.06.030, 5.80.020, and 5.80.030 of the Seattle Municipal Code in connection therewith.

WHEREAS, in 1999 the City determined that ten parcels of City-owned real property located in the South Lake Union neighborhood area were not needed by the City and should be disposed of as surplus property; and

WHEREAS, Resolution 30080 established public policy objectives and provided guidance for the disposition of City-owned parcels consistent with the South Lake Union Neighborhood Plan as recognized by the City Council in Resolution 29870; and

WHEREAS, Resolution 30080 requested that the Executive Services Department (now the Fleets and Facilities Department) offer ten surplus parcels for sale through a Request for Qualifications (RFQ) process; and

WHEREAS, the City issued a public RFQ in January 2000 to select the qualified respondent best able to meet the public policy objectives enumerated in Resolution 30080 and, as a result of that process, selected Vulcan Northwest, Inc. in April 2000; and

WHEREAS, City Investors, Inc. (Vulcan Northwest) and the Mayor signed a Purchase and Sale Agreement (PSA) on May 18, 2001 for eight of the ten surplus parcels and the PSA is subject to Council approval; and

WHEREAS, the PSA's terms and conditions adequately meet the City's needs, address the public objectives identified through Resolution 30080; establish the price of the parcels at the City's appraised value; and provide for other public objectives; and

WHEREAS, the Public Private Partnership Panel has reviewed the PSA as requested in Resolutions 30080 and 30072, and the City Council has thoroughly considered the Panel's recommendations; Now, Therefore;

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Director of the Fleets and Facilities Department is authorized to sell to City Investors, Inc. eight parcels of real property located in the area commonly known as the Mercer Corridor at 500 Aurora Avenue North (Parcel 8), 501 Dexter Avenue North (Parcel 9), 525 Dexter Avenue North

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(Parcel 10), 800 Mercer Street (Parcel 11), 630 Westlake Avenue North and 965 Valley Street (Parcel 14), 625 Boren Avenue North (Parcel 15), 1113 Valley Street and 1104 Mercer Street (Parcel 16), and 1120 Mercer Street (Parcel 17), and legally described as follows:

Parcel 8

PARCEL A:

Lots 8 and 9, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the west 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle;
AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle.

PARCEL B:

Lots 10 and 11, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the West 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle;
AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle for Broad Street.

Parcel 9

Lot 7, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the east 20 feet thereof as condemned in King County Cause Number 193437, for Dexter Avenue, as provided by Ordinance Number 50890 of the City of Seattle.

Parcel 10

Lots 1, 2, 3 and 4, Block 74, D. T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;
EXCEPT the east 20 feet of said Lots 2, 3 and 4 condemned in King County Superior Court Cause No. 193437 for Dexter Avenue, as provided by Ordinance Number 50890 of the City of Seattle;
AND ALSO EXCEPT that portion of said Lots 1, 2 and 3, condemned in King County Superior Court Cause No. 486551 as provided by Ordinance No. 84452 of the City of Seattle, lying northerly and northwesterly of the following described line:
Beginning at a point on the westerly margin of Dexter Avenue as widened under Ordinance Number 50890, said point being 84.16 feet southerly (measured along said westerly line) from the north line of said block;
thence along a straight line perpendicular to said westerly margin of Dexter Avenue a distance of 33.50 feet to an angle point;
thence southwesterly along a straight line a distance of 96.44 feet to a point in the west line of Lot 3, said block, said point being 40.53 feet southerly (measured along said west line) from the southeasterly margin of Broad Street, as shown in said plat.



Parcel 11

The west half of Lot 6, and all of Lots 7 and 8, Block 1, Eden Addition to the City of Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 61-A, in King County, Washington:

EXCEPT portions of said Lot 6, acquired for street purposes by the City of Seattle as provided by Ordinance No. 84452 and Ordinance No. 88109;

ALSO that portion of Lots 1 and 2 in said Block 1, described as follows:

Beginning at the southwest corner of said Lot 1;

thence north along the west line of said Lots 1 and 2, a distance of 120 feet to the northeast corner of said Lot 2;

thence east along the north line of said Lot 2, a distance of 33 feet;

thence south parallel with said west line 107.10 feet;

thence southwesterly along a straight line 35.43 feet to a point of beginning;

ALSO that portion of Lots 1, 2 and 8, Block 2 of said Addition and of vacated 8th Avenue North as provided by Ordinance No. 89653 described as follows:

Beginning at the southeast corner of said Lot 1;

thence westerly along the south line of said Lots 1 and 8, a distance of 139.48 feet to the southeasterly line of Broad Street as condemned by the City of Seattle by Ordinance No. 84452;

thence northeasterly along said southeasterly line to the east line of said 8th Avenue North;

thence southerly along said east line 132.87 feet to the production east of the south line of said Lot 1;

thence westerly along said produced line 66 feet to the point of beginning.

Parcel 14

Lots 1, 2 and 3, Block 77, Lake Union Shore Lands;

EXCEPT the following:

Beginning at the northeast corner of Block 77;

thence southerly along the east line of said block, 137.96 feet;

thence north 7°52' west 23.26 feet to a point of curve;

thence in a northwesterly direction along a curve to the left, having a radius of 271.44 feet turning through an angle of 26°16', a distance of 124.44 feet, more or less, to a point on the north line of said Block 77;

thence easterly along said line 48.11 feet, more or less, to the place of beginning;

AND EXCEPT the east 5 feet of the remainder of Lots 2 and 3 as condemned in King County Superior Court Cause Number 162246 and provided by Ordinance Number 43560 for Terry Avenue, in King County, Washington.

Parcel 15

Lots 1 and 2, Block 104, D. T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington;

TOGETHER WITH that portion of Lots 1 and 2, Block 76, Lake Union Shorelands, lying east of the easterly margin of Terry Avenue North, as established pursuant to City of Seattle Ordinance Number 43560.

Parcel 16

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The west 103 feet of Lots 7, 8, 9, 10, 11 and 12, Block 106, David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington.

Parcel 17

Lots 5 and 6, Block 106, David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington; EXCEPT the east 21 feet thereof condemned in King County Superior Court Cause No. 204496 for Fairview Avenue, as provided by Ordinance No. 51975 of the City of Seattle.

for the gross sales price of TWENTY MILLION SEVEN HUNDRED EIGHTY-FIVE THOUSAND EIGHT HUNDRED FORTY-FOUR DOLLARS (\$20,785,844.00), less SIX HUNDRED THOUSAND DOLLARS (\$600,000.00) credit to the purchaser for remediation of hazardous materials and environmental conditions and full indemnification of the City on all parcels except Parcel 14.

Section 2. The transaction authorized in Section 1 above shall be in accordance with the terms and conditions specified in the Purchase and Sale Agreement (PSA) negotiated with City Investors, Inc., a signed copy of which is attached hereto and labeled "Exhibit A".

Section 3. Section 5.80.020 of the Seattle Municipal Code is amended as follows:

SMC 5.80.020 Structure of subfund.

The Cumulative Reserve Subfund shall be comprised of two (2) accounts: the Capital Projects Account, with its several subaccounts, and the Revenue Stabilization Account.

A. The Capital Projects Account shall be comprised of several subaccounts, including but not limited to the Real Estate Excise Tax I Subaccount; the Real Estate Excise Tax II Subaccount; the South Lake Union Property Proceeds Subaccount; and the Unrestricted Subaccount. Expenditures from the Capital Projects Account shall require an ordinance adopted by a majority of the members of the City Council.

Section 4. Section 5.80.030 of the Seattle Municipal Code is amended as follows:

SMC 5.80.030 Capital Projects Subaccounts.

C. The Unrestricted Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of surplus City property net of sale proceeds deposited

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1 into the South Lake Union Property Proceeds Subaccount, transfers of General Fund
2 balances, investment earnings attributable to the Capital Projects Account of the
3 Cumulative Reserve Subfund net of investment earnings attributable to the South Lake
4 Union Property Proceeds Subaccount, and other unrestricted contributions to the
5 Cumulative Reserve Subfund.

6 D. The South Lake Union Property Proceeds Subaccount shall, unless provided
7 otherwise by ordinance, be comprised of revenues from sales of certain surplus City
8 property located adjacent to South Lake Union, investment earnings attributable to the
9 Subaccount, and other revenues identified through ordinance.

10 Section 5. Subsection B of Section 5.06.030 of the Seattle Municipal Code is amended as
11 follows:

12 5.06.030 Fund investments-Interfund loans.

13 B. Apportion earnings and losses to those funds participating in a common investment
14 portfolio. Those funds listed on Exhibit "A" to this ordinance, (Note 1) as that exhibit
15 may be amended from time to time by the Finance Director after consulting with the
16 Chair of the Finance Committee of the City Council, and trust or bond funds shall receive
17 a return in proportion to the amount of money earned by each; and the remainder shall be
18 allocated to the general fund, except that investment earnings attributable to the Capital
19 Projects Account of the Cumulative Reserve Subfund shall be deposited in the
20 Unrestricted Subaccount and South Lake Union Property Proceeds Subaccount within
21 that Capital Projects Account, all as authorized by RCW 35.39.034;

22 Section 6. The net proceeds from the transaction authorized in Section 1 hereof, anticipated to
23 be TWENTY MILLION ONE HUNDRED EIGHTY-FIVE THOUSAND EIGHT HUNDRED FORTY-
24 FOUR DOLLARS (\$20,185,844), together with all other net proceeds derived from the PSA, shall be
deposited upon the closing of the transaction into the Cumulative Reserve Subfund, South Lake Union
Property Proceeds Subaccount (0016X) and the Executive shall monitor such net proceeds and any
interest accruing to such funds for reporting and budgeting purposes.

Section 7. The Executive shall reserve within the Cumulative Reserve Subfund, South Lake
Union Property Proceeds Subaccount, from the net property proceeds deposited therein under Section 6
of this Ordinance, FIVE MILLION DOLLARS(\$5,000,000) to provide, as required under the terms of

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1 the PSA, for the potential City cost of repurchasing Parcel 14 and for costs of litigation (if any) related
2 to Parcel 14, until no longer necessary under the terms of the PSA, and shall clearly display this reserve
3 separately from other Subaccount fund balances within future budget submittals and associated reports.

4 Section 8. The appropriation of proceeds from the transaction authorized by Section 1 above,
5 including the transaction costs of closing, the creation of the litigation fund relative to Parcel 14 and any
6 other incidental expenses associated with the transaction of the above referenced property, shall be
7 subject to approval by the City Council via separate legislation.

8 Section 9. Any acts, including the execution of contracts and agreements, made consistent with
9 the authority and prior to the effective date of this ordinance, are hereby ratified and confirmed.

10 Section 10. This ordinance shall take effect and be in force thirty (30) days from and after its
11 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
12 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

13 Passed by the City Council the _____ day of _____, 2001, and signed by me in open
14 session in authentication of its passage this _____ day of _____, 2001.

15
16 _____
President _____ of the City Council

17 Approved by me this _____ day of _____, 2001.

18 _____
19 Mayor

20 Filed by me this _____ day of _____, 2001.

21 _____
City Clerk

22 (Seal)

23 Exhibit A: Purchase and Sale Agreement
24



Margaret Carter - Titles for introduction on Monday

From: Lee Belland
To: Carter, Margaret; Dunbar, Theresa
Date: 05/29/2001 1:12 PM
Subject: Titles for introduction on Monday
CC: Alves, Bill; Beardsley, Geri; Gordon, Meg; Krista Bunch; McGillin, Bill; Pearson, Mary; Peyer,

Theresa -

Per my voicemail, below are titles for introduction on Monday. Full jackets will be ready either by tomorrow at noon, or will be walked on by Jan on Monday. Please let me know if there is any other information you need for referral.

Lee

A RESOLUTION providing guidance for the use of the proceeds from the disposition of certain surplus City land in the South Lake Union neighborhood.

AN ORDINANCE related to the sale of eight City-owned parcels in the South Lake Union area; authorizing the sale of said property in accordance with the terms and conditions of the attached Purchase and Sale Agreement; directing the deposit of sale proceeds; and creating a new subaccount within the Cumulative Reserve Subfund Capital Projects Account; and amending Sections 5.06.030, 5.80.020, and 5.80.030 of the Seattle Municipal Code in connection therewith.

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STATE OF WASHINGTON - KING COUNTY

--SS.

133383
City of Seattle, Clerk's Office

No. ORD.IN FULL

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:120411/ORDINANCE;FULL

was published on

07/12/01

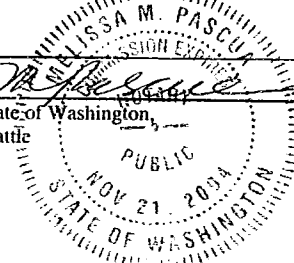
J. Hedman

Subscribed and sworn to before me on

07/13/01

Melissa M. Pasqua
Notary public for the State of Washington,
residing in Seattle

Affidavit of Publication



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State of Washington

City of Seattle

ORDINANCE 120411

AN ORDINANCE related to the sale of eight City-owned parcels in the South Lake Union area; authorizing the sale of said property in accordance with the terms and conditions of the attached Purchase and Sale Agreement; directing the deposit of sale proceeds; and creating a new sub-account within the Cumulative Reserve Subfund Capital Projects Account; and amending Section 5.06.020, 5.06.020, and 5.06.030 of the Seattle Municipal Code in connection therewith.

WHEREAS, in 1999 the City determined that ten parcels of City-owned real property located in the South Lake Union neighborhood area were not needed by the City and should be disposed of as surplus property; and

WHEREAS, Resolution 30080 established public policy objectives and provided guidance for the disposition of City-owned parcels consistent with the South Lake Union Neighborhood Plan as recognized by the City Council in Resolution 29870; and

WHEREAS, Resolution 30080 requested that the Executive Services Department (now the Fleet and Facilities Department) offer ten surplus parcels for sale through a Request for Qualifications (RFQ) process; and

WHEREAS, the City issued a public RFQ in January 2000 to select the qualified respondent best able to meet the public policy objectives enumerated in Resolution 30080 and, as a result of that process, selected Vulcan Northwest, Inc., in April 2000; and

WHEREAS, City Investors, Inc. (Vulcan Northwest) and the Mayor signed a Purchase and Sale Agreement (PSA) on May 18, 2001 for eight of the ten surplus parcels, and the PSA is subject to Council approval; and

WHEREAS, the PSA's terms and conditions adequately meet the City's needs, address the public objectives identified through Resolution 30080; establish the price of the parcels at the City's appraised value; and provide for other public objectives; and

WHEREAS, to avoid future misunderstandings, the City would like to apprise City Investors, Inc. that a contract between the City and a private entity, such as this Purchase and Sale Agreement, does not exempt that entity from having to comply with such future City regulations as may be taken effect prior to the vesting of any permit; and

WHEREAS, the Public Private Partnership Panel has reviewed the PSA as requested in Resolutions 30080 and 30074, and the City Council has thoroughly considered the Panel's recommendations; Now, Therefore:

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Director of the Fleet and Facilities Department is authorized to sell to City Investors, Inc. eight parcels of real property located in the area commonly known as the Mercer Corridor at 500 Aurora Avenue North (Parcel 8), 601 Dexter Avenue North (Parcel 9), 625 Dexter Avenue North (Parcel 10), 800 Mercer Street (Parcel 11), 630 Westlake Avenue North and 865 Valley Street (Parcel 14), 625 Boren Avenue North (Parcel 15), 1113 Valley Street and 1104 Mercer Street (Parcel 16), and 1120 Mercer Street (Parcel 17), and legally described as follows:

PARCEL 8

PARCEL 8:

Lots 8 and 9, Block 74, D.T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;

EXCEPT the west 12 feet as condemned in King County Cause Number 486651, as provided by Ordinance Number 50890 of the City of Seattle;

AND EXCEPT that portion condemned by King County Cause Number 486651, as provided by Ordinance Number 50890 of the City of Seattle.

PARCEL 9:

Lots 10 and 11, Block 74, D.T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington; EXCEPT the West 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle;

AND EXCEPT that portion condemned by King County Cause Number 486651, as provided by Ordinance Number 50890 of the City of Seattle for Broad Street.

PARCEL 9

Lot 7, Block 74, D.T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;

EXCEPT the east 20 feet thereof as condemned in King County Cause Num-

ber 1 and 2, a distance of 120 feet to the northeast corner of said Lot 2;
thence east along the north line of said Lot 2, a distance of 33 feet;
thence south parallel with said west as 107.10 feet;
thence southwesterly along a straight line 35.43 feet to a point of beginning;
ALSO that portion of Lots 1, 2 and 8, Block 2 of said Addition and of vacated 8th Avenue North, as provided by Ordinance No. 50653 described as follows:

Beginning at the southeast corner of said Lot 1;
thence westerly along the south line of said Lot 1 and 8, a distance of 139.48 feet to the southeasterly line of Broad Street as condemned by the City of Seattle by Ordinance No. 54452;
thence northeasterly along said southeasterly line to the east line of said 8th Avenue North;

thence southerly along said east line 125.67 feet to the production east of the south line of said Lot 1;

thence westerly along said produced line 65 feet to the point of beginning.

PARCEL 14

Lots 1, 2 and 3, Block 77, Lake Union Shore Lands;

EXCEPT the following:

Beginning at the northeast corner of Block 77;

thence southerly along the east line of said block, 137.96 feet;

thence north 7° 52' west 23.36 feet to a point of curve; thence in a northeasterly direction along a curve to the left, having a radius of 211.44 feet forming through an angle of 26° 16' a distance of 124.44 feet, more or less, to a point on the north line of said Block 77;

thence easterly along said line 48.11 feet, more or less, to the place of beginning;

AND EXCEPT the east 5 feet of the remainder of Lots 2 and 3 as condemned in King County Superior Court Cause Number 162145 and provided by Ordinance Number 43560 for Terry Avenue, in King County, Washington.

PARCEL 15

Lots 1 and 2, Block 104, D.T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington;

TOGETHER WITH that portion of Lots 1 and 2, Block 76, Lake Union Shorelands, lying east of the easterly margin of Terry Avenue North, as established pursuant to City of Seattle Ordinance Number 43560.

PARCEL 16

The west 123 feet of Lots 7, 8, 9, 10, 11 and 12, Block 108, David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington.

PARCEL 17

Lots 5 and 6, Block 106, David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Washington; EXCEPT the east 21 feet thereof condemned in King County Superior Court Cause No. 204496 for Fairview Avenue, as provided by Ordinance No. 61975 of the City of Seattle.

For the gross price of TWENTY MILLION SEVEN HUNDRED EIGHTY-THREE THOUSAND EIGHT HUNDRED FORTY-FOUR DOLLARS (\$20,735,844.00), less SIX HUNDRED THOUSAND DOLLARS (\$600,000.00) credit to the purchaser for remediation of hazardous materials and environmental conditions and full indemnification of the City on all parcels except Parcel 14.

Section 2. The transaction authorized in Section 1 above shall be in accordance with the terms and conditions specified in the Purchase and Sale Agreement (PSA) negotiated with City Investors, Inc., a signed copy of which is attached hereto and labeled Exhibit A.

Section 3. Section 5.06.020 of the Seattle Municipal Code is amended as follows:

SMC 5.06.020 Structure of subfund.

The Cumulative Reserve Subfund shall be comprised of two (2) accounts: the Capital Projects Account, with its several sub-accounts, and the Revenue Stabilization Account.

A. The Capital Projects Account shall be comprised of several subaccounts, including but not limited to the Real Estate Excise Tax I Subaccount; the Real Estate Excise Tax II Subaccount; the South Lake Union Property Proceeds Subaccount; and the Unrestricted Subaccount. Expenditures from the Capital Projects Account shall require an ordinance adopted by a majority of the members of the City Council.

Section 4. Section 5.06.030 of the Seattle Municipal Code is amended as follows:

SMC 5.06.030 Capital Projects Sub-accounts.

C. The Unrestricted Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of surplus City property net of sale proceeds deposited into the South Lake Union Property Proceeds Subaccount, transfers of General Fund balances, investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund net of investment earnings attributable to the South Lake Union Property Proceeds Subaccount, and other unrestricted contributions to the Cumulative Reserve Subfund.

D. The South Lake Union Property Proceeds Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of surplus City property located adjacent to South Lake Union investment earnings attributable to the Subaccount, and other revenues identified through ordinance.

Section 5. Subsection B of Section 5.06.030 of the Seattle Municipal Code is amended as follows:

5.06.030 Fund Investments-Interfund

1. B. Apportion earnings and losses to those funds participating in a common investment portfolio. These funds listed on Exhibit A to this ordinance. (Note 1) as that exhibit may be amended from time to time by the Finance Director after consulting with the Chair of the Finance Committee of the City Council, and trust or bond funds shall receive a return in proportion to the amount of money earned by each; and the remainder shall be allocated to the general fund, except that investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund shall be deposited in the Unrestricted Subaccount and South Lake Union Property Proceeds Subaccount within that Capital Projects Account, all as authorized by RCW 35.24.034.

Section 6. The net proceeds from the transaction authorized in Section 1, hereby anticipated to be TWENTY MILLION ONE HUNDRED EIGHTY-FIVE THOUSAND EIGHT HUNDRED FORTY-FOUR DOLLARS (\$20,185,844), together with all other net proceeds derived from the PSA, shall be deposited into the Cumulative Reserve

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guidance for the disposition of City-owned parcels consistent with the South Lake Union Neighborhood Plan, as adopted by the City Council in Resolution 30870, and

WHEREAS, Resolution 30880 requested that the Executive Services Department (ESE) and the Facilities Department offer ten surplus parcels for sale through a Request for Qualifications (RFQ) process; and

WHEREAS, the City issued a public RFQ in January 2000 to select the qualified respondent best able to meet the public policy objectives enumerated in Resolution 30880 and, as a result of that process, selected Vulcan Northwest, Inc. in April 2000; and

WHEREAS, City Investors, Inc. (Vulcan Northwest) and the Mayor signed a Purchase and Sale Agreement (PSA) on May 18, 2001 for eight of the ten surplus parcels, and the PSA is subject to Council approval; and

WHEREAS, the PSA's terms and conditions adequately meet the City's needs, address the public objectives identified through Resolution 30880; establish the price of the parcels at the City's appraised value; and provide for other public objectives; and

WHEREAS, to avoid future misunderstandings, the City would like to apprise City Investors, Inc. that a contract between the City and a private entity, such as this Purchase and Sale Agreement, does not exempt that entity from having to comply with such future City regulations as may be taken effect prior to the vesting of any permits; and

WHEREAS, the Public Private Partnership Panel has reviewed the PSA as requested in Resolutions 30880 and 30872, and the City Council has thoroughly considered the Panel's recommendations; Now, Therefore:

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Director of the Fleets and Facilities Department is authorized to sell to City Investors, Inc. eight parcels of real property located in the area commonly known as the Mercer Corridor at 600 Aurora Avenue North (Parcel 8), 601 Dextor Avenue North (Parcel 9), 605 Dextor Avenue North (Parcel 10), 800 Mercer Street (Parcel 11), 630 Westlake Avenue North and 965 Valley Street (Parcel 14), 625 Brown Avenue North (Parcel 15), 1113 Valley Street and 1104 Mercer Street (Parcel 16), and 1120 Mercer Street (Parcel 17), and legally described as follows:

PARCEL 8

PARCEL A:

Lots 8 and 9, Block 74, D.T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;

EXCEPT the west 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle;

AND EXCEPT that portion condemned by King County Cause Number 486551, as provided by Ordinance Number 84452 of the City of Seattle.

PARCEL B:

Lots 10 and 11, Block 74, D.T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington; EXCEPT the West 12 feet as condemned in King County Cause Number 193437 for Aurora Avenue, as provided by Ordinance Number 50890 of the City of Seattle;

AND EXCEPT that portion condemned by King County Cause Number 486551 as provided by Ordinance Number 84452 of the City of Seattle for Broad Street.

PARCEL 9

Lot 7, Block 74, D.T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;

EXCEPT the east 20 feet thereof as condemned in King County Cause Number 193437 for Dextor Avenue, as provided by Ordinance Number 50890 of the City of Seattle.

PARCEL 10

Lots 1, 2, 3 and 4, Block 74, D.T. Denny's Home Addition to the City of Seattle, according to the plat thereof recorded in Volume 3 of Plats, page 115, in King County, Washington;

EXCEPT the east 20 feet of said Lots 2, 3 and 4 condemned in King County Superior Court Cause No. 193437 for Dextor Avenue, as provided by Ordinance Number 50890 of the City of Seattle;

AND ALSO EXCEPT that portion of said Lots 1, 2 and 3, condemned in King County Superior Court Cause No. 486551 as provided by Ordinance No. 84452 of the City of Seattle, lying northerly and westerly of the following described line:

Beginning at a point on the westerly margin of Dextor Avenue as widened under Ordinance Number 50890, said point being 64.18 feet southerly (measured along said westerly line) from the north line of said block;

Thence along a straight line perpendicular to said westerly margin of Dextor Avenue a distance of 33.50 feet to an angle point;

Thence southwesterly along a straight line a distance of 98.44 feet to a point in the west line of Lot 3, said block, said point being 40.53 feet southerly (measured along said west line) from the southeasterly margin of Broad Street, as shown in said plat.

PARCEL 11

The west half of Lot 6, and all of Lots 7 and 8, Block 1, Eden Addition to the City of Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 61-A, in King County, Washington;

EXCEPT portions of said Lot 6, acquired for street purposes by the City of Seattle as provided by Ordinance No. 84452 and Ordinance No. 88109;

ALSO that portion of Lots 1 and 2 in said Block 1, described as follows:

Beginning at the southwest corner of said Lot 1;

Thence north along the west line of said

Volume 1 of Plats, page 79, in King County Cause Number 193437, and said 21 feet thereof condemned in King County Superior Court Cause No. 29448 for Fairview Avenue, as provided by Ordinance No. 51975 of the City of Seattle;

for the gross price of TWENTY MILLION SEVEN HUNDRED EIGHTY-FIVE THOUSAND EIGHT HUNDRED FORTY-FOUR DOLLARS (\$20,785,844.00), less SIX HUNDRED THOUSAND DOLLARS (\$600,000.00) credit to the purchaser for remediation of hazardous materials and environmental conditions and full indemnification of the City on all parcels except Parcel 14.

Section 2. The transaction authorized in Section 1 above shall be in accordance with the terms and conditions specified in the Purchase and Sale Agreement (PSA) negotiated with City Investors, Inc., a signed copy of which is attached hereto and labeled "Exhibit A".

Section 3. Section 5.80.020 of the Seattle Municipal Code is amended as follows:

SMC 5.80.020 Structure of subfund. The Cumulative Reserve Subfund shall be comprised of two (2) accounts: the Capital Projects Account, with its general subaccounts, and the Revenue Stabilization Account.

A. The Capital Projects Account shall be comprised of several subaccounts, including but not limited to the Real Estate Excise Tax I Subaccount, the Real Estate Excise Tax II Subaccount, the South Lake Union Property Proceeds Subaccount, and the Unrestricted Subaccount. Expenditures from the Capital Projects Account shall require an ordinance adopted by a majority of the members of the City Council.

Section 4. Section 5.80.030 of the Seattle Municipal Code is amended as follows:

SMC 5.80.030 Capital Projects Subaccounts.

C. The Unrestricted Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of surplus City property not of sale proceeds deposited into the South Lake Union Property Proceeds Subaccount; transfers of General Fund balances; investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund net of investment earnings attributable to the South Lake Union Property Proceeds Subaccount; and other unrestricted contributions to the Cumulative Reserve Subfund.

D. The South Lake Union Property Proceeds Subaccount shall, unless provided otherwise by ordinance, be comprised of revenues from sales of certain surplus City property located adjacent to South Lake Union, investment earnings attributable to the Subaccount, and other revenues described through ordinance.

Section 5. Subsection B of Section 5.80.030 of the Seattle Municipal Code is amended as follows:

5.800.030 Fund investments-Interfund loans.

B. Apportion earnings and losses to those funds portfolio. Those funds listed on Exhibit "A" to this ordinance, (Note 1) as that exhibit may be amended from time to time by the Finance Director after consulting with the Chair of the Finance Committee of the City Council, and trust or bond funds shall receive a return in proportion to the amount of money earned by each; and the remainder shall be allocated to the general fund, except that investment earnings attributable to the Capital Projects Account of the Cumulative Reserve Subfund shall be deposited in the Unrestricted Subaccount and South Lake Union Property Proceeds Subaccount within that Capital Projects Account, as authorized by RCW 35.39.034.

Section 6. The net proceeds from the transaction authorized in Section 1 hereof, anticipated to be TWENTY MILLION ONE HUNDRED EIGHTY-FIVE THOUSAND EIGHT HUNDRED FORTY-FOUR DOLLARS (\$20,785,844), together with all other net proceeds derived from the PSA, shall be deposited upon the closing of the transaction into the Cumulative Reserve Subfund, South Lake Union Property Proceeds Subaccount (00160) and the Executive shall monitor such net proceeds and any interest accruing to such funds for reporting and budgeting purposes.

Section 7. The Executive shall reserve within the Cumulative Reserve Subfund, South Lake Union Property Proceeds Subaccount, from the net proceeds deposited therein under Section 6 of this Ordinance, FIVE MILLION DOLLARS (\$5,000,000) to provide, as recited under the terms of the PSA, for the potential City cost of repurchasing Parcel 14 and for costs of litigation (if any) related to Parcel 14, until no longer necessary under the terms of the PSA, and shall clearly display this reserve separately from other Subaccount fund balances within future budget submissions and associated reports.

Section 8. The appropriation of proceeds from the transaction authorized by Section 1 above, including the transaction costs of closing, the creation of the litigation fund relative to Parcel 14 and any other incidental expense associated with the transaction of the above referenced property, shall be subject to approval by the City Council via separate legislation.

Section 9. Any acts, including the execution of contracts and agreements, made consistent with the authority and prior to the effective date of this ordinance, are hereby ratified and confirmed.

Section 10. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council this 25th day of June, 2001, and signed by me in open session in authentication of its passage this 25th day of June, 2001.

MARGARET FACELER,
President of the City Council.

Approved by me this 2nd day of July, 2001.

PAUL SCHELL,
Mayor.

Filed by me this 3rd day of July, 2001.

(Seal) JUDITH E. PIPPIN,
City Clerk.

Petition ordered by JUDITH PIPPIN,
City Clerk.

Date of official publication in Daily Journal of Commerce, Seattle, July 12, 2001.

7/12(153283C)

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ORD 120411

ADDITION TO ORDINANCE:

120411

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City of Seattle

Gregory J. Nickels, Mayor
Office of Policy and Management
Mary Jean Ryan, Director

FILED
CITY OF SEATTLE

MAR 10 AM 11:36

CITY CLERK

MEMORANDUM

DATE: March 10, 2006
TO: Office of the City Clerk
FROM: Don Sherwood, Administrative Staff Assistant to the Director *DS*
SUBJECT: Certificate of Completion Needs To Be Filed With Ord. 120411

Attached is a copy of a "Certificate of Completion" document that has been sent to City Investors, Inc. It has also been sent to several offices in the City of Seattle for their own files.

The official Project Manager for this work has been Karen Tsao in the Department of Fleets and Facilities, Real Estate Services. She has asked that the attached certificate, since it is part of the South Lake Union Purchase and Sale Agreement (Ord. 121902), should now be attached to Ord. 120411 which authorized the sale and required the cultural facility development.

Thank you.

Office of Policy and Management, 600 Fourth Avenue, 6th Floor, P.O. Box 94745, Seattle, WA 98124-4745

Tel: (206) 684-8041, FAX: (206) 233-0085

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Accommodations for people with disabilities provided upon request.

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Certificate of Completion

The CITY OF SEATTLE, a city of the first class of the State of Washington ("City"), hereby certifies that CITY INVESTORS INC., a Washington corporation ("City Investors") has satisfactorily completed the following described condition(s) or obligation(s) of Section 6 of that certain Purchase and Sale Agreement between City and City Investors dated as of May 18, 2001 ("Purchase Agreement"):

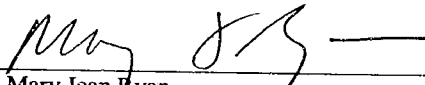
Pursuant to Ordinance 121902, the City has accepted the sum of FIVE MILLION DOLLARS (\$5,000,000) as satisfactory completion of City Investors' obligations under Subsection 6.2 Purchaser's Cultural Use Commitment.

This Certificate of Completion is and shall be a conclusive determination that City Investors has completed to the City's satisfaction the above-described condition(s) or obligation(s); provided, however, that the remaining conditions and obligations under Section 6 of the Purchase Agreement not referenced herein as completed shall continue as contractual obligations of City Investors. This Certificate represents and certifies the completion of the City Investor's obligations only as specifically described herein.

With respect only to rights created under the Purchase Agreement, the City acknowledges that it shall not have, or be entitled to exercise, any of the rights or remedies or controls that it may otherwise have been entitled to exercise under the Purchase Agreement with respect to the obligations of City Investors under Section 6 of the Purchase Agreement which have been acknowledged as completed herein.

IN WITNESS WHEREOF, the City has caused this instrument to be executed this 9th, day of March, 2006.

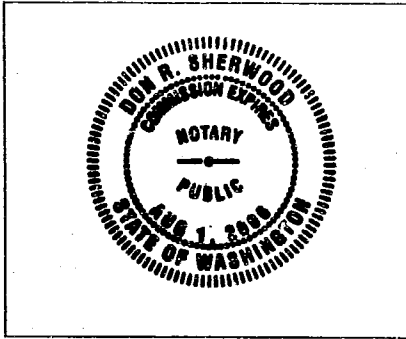
THE CITY OF SEATTLE


By: Mary Jean Ryan
Its: Director of the Office of Policy and Management

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Mary Jean Ryan is the person who appeared before me, and said person acknowledged that she signed this agreement, on oath stated that she was authorized to execute the instrument and acknowledged it as the Director of the Office of Policy and Management to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.



Dated: March 9, 2006

Don R. Sherwood
Notary Public

DON R. SHERWOOD
Print Name (Seattle, WA - King County)

My commission expires: August 1, 2006

FILED
CITY OF SEATTLE
2006 MAR 10 AM 11:37
CITY CLERK

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Additions to

Ordinance 120411

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City of Seattle

Gregory J. Nickels, Mayor

Fleets & Facilities Department
John Franklin, Director
Real Estate Services Division
Mary Pearson, Director

FILED
CITY OF SEATTLE
2003 MAR 18 AM 11:01
CITY CLERK

MEMORANDUM

Date: March 17, 2003

To: Judith Pippin, City Clerk
ATTENTION: _____

From: Frances Samaniego

Subject: Filing of Purchase and Sale Agreement Between City of Seattle
("City" or "Seller")

and
City Investors Inc., a Washington corporation ("Purchaser")

Enclosed for your files is a Purchase and Sale Agreement between the City of Seattle and City Investors Inc., for eight (8) parcels of real property located in the South Lake Union neighborhood in the City of Seattle, Washington which are the subject of this transaction (collectively the "Subject Properties"). Through the South Lake Union neighborhood planning process and in City of Seattle Resolution 30080, a copy of which is attached hereto as Exhibit A, the redevelopment of the Subject Properties has been identified as a necessary catalyst for redevelopment in the Mercer/Valley corridor. The Resolution also listed a number of public objectives for the disposition of these properties.

If you have any questions regarding this document, please call Karen Tsao at 3-5101.

Cc:

fileclrk

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
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**THE CITY OF SEATTLE/
CITY INVESTORS INC.**
Purchase and Sale Agreement

Technical Corrections

(Effective June 1, 2001)

Page 1, Paragraph 1

- The date, May 18, inserted.

Page 1, Paragraph 5

- The word "and" inserted at the end of the paragraph.

Page 2, Section 2, Paragraph 1

- The word "deed" changed to "deeds."
- Section "4.1" changed to "4."

Page 4, Section 4.1

- Capitalization edit and the words "Sale Deed" changed to "sale deeds."

Page 6, Section 5.1.6

- Sentence added to end of paragraph - "If Purchaser is not satisfied with the condition of any Improvement, Seller shall have a right to cure any defect by either repairing the Improvement or delivering the Improvement free of any tenancy;"

Page 6, Section 5.1.7

- The word "and" inserted at the end of the paragraph.

Page 8, Section 6.1.1

- The word "materially" added to first sentence.

Page 13, Section 7.1

- The words "Sections 3.1.1 and 3.1.2" are struck and "Section 3.2" is inserted.

Page 14, Section 7.2.3

- The words "the City and" are struck.
- Spelling correction ("Parrcel" changed to "Parcel").
- The word "and" inserted at the end of the paragraph.

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
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Page 15, Section 8.1.6

- The word "and" deleted at the end of the paragraph.

Page 15, Section 8.1.7

- The word "and" inserted at the end of the paragraph.

Page 15, Section 8.2.1

- The Heading "Existence" is inserted.

Page 15, Section 8.2.2

- The Heading "Binding Obligation" is inserted.

Page 15, Section 8.2.3

- The Heading "Authority" is inserted.

Page 15, Section 8.2.4

- The Heading "No Breach" is inserted.

Page 16, Section 8.2.7, Paragraph (i)

- Punctuation change.

Page 16, Section 8.2.7, Paragraph (ii)

- Punctuation change.

Page 16, Section 8.2.7, Paragraph (iii)

- Punctuation change.

Page 16, Section 8.2.7, Paragraph (iv)

- Punctuation change.

Page 16, Section 8.2.7, Paragraph (v)

- Punctuation change.

Page 16, Section 8.2.7, Paragraph (vi)

- The word "and" inserted at the end of the paragraph.

Page 17, Section 8.2.8

- The word "The" struck and the words "To the best of Seller's actual knowledge, without implying an additional duty to investigate, the" inserted.

Page 17, Section 8.2.9

- Punctuation change.

Page 17, Section 8.2.10

- Punctuation change.

Page 17, Section 8.2.11

- The word "and" inserted at the end of the paragraph.

Page 18, Section 9.3

- Punctuation change.

Page 18, Section 9.4, Paragraph (i)

- The word "deed" changed to "deeds."

Page 20, Section 15.1

- The words "shall not unreasonably" are deleted. The word "may" is inserted.
The words "in Seller's sole discretion" are inserted. The word "Subject" is struck.

Exhibit T, Pages 1 and 2

- Entire Exhibit is inserted.

**THE CITY OF SEATTLE/
CITY INVESTORS INC.**
(with technical corrections as of June 1, 2001)
PURCHASE AND SALE AGREEMENT
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EXHIBIT F - Parcel 14
EXHIBIT G - Parcel 15
EXHIBIT H - Parcel 16
EXHIBIT I - Parcel 17
EXHIBIT J - Subject Properties Map
EXHIBIT K - Map of Vacated Land

(with technical corrections June 1, 2001)
50233186.12

NOTICE:
IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
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- EXHIBIT L - Bargain and Sale Deed**
- EXHIBIT M - Pro Forma Title Policy**
- EXHIBIT N - Schedule of Tenant Leases**
- EXHIBIT O - Land Use and Zoning Code Text Amendment**
- EXHIBIT P - Form of Tenant Estoppel**
- EXHIBIT Q - Affordable Housing Area**
- EXHIBIT R - Housing Area**
- EXHIBIT S - South Lake Union Urban Village**
- EXHIBIT T - Certificate of Completion**

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
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(with technical corrections June 1, 2001)
50233186.12

**PURCHASE AND SALE AGREEMENT
FOR SALE OF REAL PROPERTY
(with technical corrections as of June 1, 2001)**

THIS AGREEMENT ("Agreement") is entered into as of May 18, 2001, between THE CITY OF SEATTLE ("City" or "Seller"), a city of the first class of the State of Washington, and CITY INVESTORS INC., a Washington corporation ("Purchaser"), together referred to as the "Parties."

RECITALS

This Agreement has been entered into with reference to and in reliance on the following facts:

The City owns eight (8) parcels of real property located in the South Lake Union neighborhood in the City of Seattle, Washington which are the subject of this transaction (collectively the "Subject Properties");

Through the South Lake Union neighborhood planning process and in City of Seattle Resolution 30080, a copy of which is attached hereto as Exhibit A, the redevelopment of the Subject Properties has been identified as a necessary catalyst for redevelopment in the Mercer/Valley corridor. The Resolution also listed a number of public objectives for the disposition of these properties;

The City issued a public Request for Qualifications in response to Resolution 30080. As a result of that process, Purchaser was selected by the City as the party most responsive to the request, most qualified to complete the transaction and most likely to accomplish the quality of planning and development in a manner that would achieve the stated public objectives listed in Resolution 30080; and

As a member of the South Lake Union community, Purchaser is committed to fostering creative and lasting solutions to neighborhood needs and challenges, and therefore, in addition to the obligations set forth in this Agreement, the Parties have committed to a goal of working collaboratively with the South Lake Union neighborhood community to develop specific strategies to improve transportation, parking and housing in the South Lake Union neighborhood as a whole.

TERMS

In consideration of the payment and receipt of the Purchase Price, and in reliance on the Parties' mutual promises and undertakings and the mutual benefits to be derived from the promises contained in this Agreement, the Parties hereto agree as follows:

1. PROPERTY INTEREST TO BE CONVEYED. Seller owns and shall convey to Purchaser: (i) the Subject Properties legally described on Exhibits B through I attached to this Agreement together with all rights and easements appurtenant thereto (the "Land"); (ii) all buildings and improvements on the Land (the "Improvements"); (iii) all personal property associated with the Land and Improvements (the "Personal Property"); (iv) all leases and other agreements under which tenants occupy any portion of the Land and Improvements (the "Tenant Leases"); and (v) all permits, approvals, studies, surveys, warranties and other documents associated with the Land, Improvements, Personal Property and Tenant Leases ("Permits") (the Land, Improvements, Personal Property, Tenant Leases and Permits are collectively referred to herein as the "Subject Properties"). A map depicting the location of the Subject Properties is attached hereto as Exhibit J. The City is acquiring additional property for right-of-way as part of the Fairview/Valley Corridor Realignment Project which, when completed, may result in surplus land remnants that are contiguous to one or more of the Subject Properties on the block bordered by Valley St. on the north, Mercer St. on the south, Boren Avenue on the west and Fairview Avenue on the east (the "Remnant Properties"). A legal description of the Remnant Properties, if any, will be appended to this Agreement as soon as it is available. The City is requiring that the Remnant Properties, if any, be included in the sale to Purchaser subject to the terms and conditions of this Agreement. In addition, the City is in the process of vacating right-of-way contiguous to the Subject Property legally described in Exhibit E as "Parcel 11". A map depicting the general location of the right of way to be vacated is attached as Exhibit K ("Vacated Land"). Exhibit E shall be revised to include the legal description of the Vacated Land as soon as said legal description is available. It is the intent of the Parties to include the Vacated Land, which shall increase the size of Parcel 11, in the sale by Seller to Purchaser, subject to the terms and conditions of this Agreement.

2. SALE OF SUBJECT PROPERTIES; REMNANT PROPERTIES; VACATED LAND. Upon the execution of this Agreement by the duly authorized representatives of Purchaser and Seller, and subject to approval of this Agreement by Ordinance of the Seattle City Council and satisfaction or waiver of the other conditions to Closing set forth herein, Purchaser shall purchase and Seller shall convey to Purchaser by bargain and sale deeds, in the form attached as Exhibit L to this Agreement, the Subject Properties described on Exhibits B through I, subject to the terms and conditions of this Agreement and subject further to such encumbrances and restrictions of record approved by Purchaser pursuant to Section 4 below.

In the event all conditions to Closing on the Remnant Properties and Vacated Land, respectively, have been satisfied as set forth in Section 5 hereof, then Purchaser shall purchase and Seller shall convey to Purchaser by bargain and sale deed, in the form attached as Exhibit L to this Agreement, the Remnant Properties and the Vacated Land, subject to the terms and conditions of the Agreement and subject further to such encumbrances and restrictions of record approved by

Purchaser pursuant to Section 4.4 below. The Parties recognize and agree that closing on either or both of the Remnant Properties and Vacated Land may be extended beyond the Closing date of the Subject Properties for reasons beyond the control of either of the Parties. If the Subject Properties Closing occurs before the conditions to close on either the Vacated Land and/or Remnant Properties have been met, the provisions in this Agreement concerning the Vacated Land and/or the Remnant Properties shall survive the Closing date of the Subject Properties. If the conditions to closing on the Remnant Properties and/or Vacated Land have not been satisfied by the date which is three (3) years after the Closing date on the Subject Properties, then Purchaser's obligation to purchase and Seller's obligation to sell the Remnant Properties and/or Vacated Land shall thereupon terminate and be null and void, unless otherwise agreed to by the Parties.

Purchaser and its agents, employees and consultants shall have access to the Subject Properties at all reasonable times for the purpose of conducting inspections thereof so long as this Agreement remains in force.

3. PURCHASE PRICE.

3.1 Purchase Price for Subject Properties. The total purchase price for the Subject Properties ("Purchase Price") shall be Twenty Million Seven Hundred Eighty-Five Thousand Eight Hundred Forty-Four Dollars (\$20,785,844.00), subject to a credit in the amount of Six Hundred Thousand Dollars (\$600,000.00), to be deducted from the Purchase Price for the costs of cleanup of Hazardous Substances on the Subject Properties and the indemnity given by Purchaser to Seller pursuant to Section 7, below. The Purchase Price shall be payable in cash at Closing as defined in Section 9.2 below.

3.2 Purchase Price for Remnant Properties; Vacated Land. The purchase price for the Remnant Properties shall be an amount equal to the total gross land square footage included in the Remnant Properties, multiplied by One Hundred Fourteen Dollars and Sixty-Seven Cents (\$114.67), minus an amount equal to the total gross land square footage included in the Remnant Properties multiplied by Three Dollars and Eighty-Six Cents (\$3.86) (the "Remnant Properties Purchase Price"). The purchase price for the Vacated Land shall be an amount equal to the total gross land square footage included in the Vacated Land as depicted in Exhibit K, estimated at 23,716 square feet, multiplied by Fifty-Eight Dollars and Sixty-Two Cents (\$58.62), minus an amount equal to the total gross land square footage included in the Vacated Land multiplied by Three Dollars and Eighty-Six Cents (\$3.86) (the "Vacated Land Purchase Price"). The sum of Three Dollars and Eighty-Six Cents (\$3.86) represents the agreed upon sum to offset the costs of cleanup of Hazardous Substances on said properties and the indemnity given by Purchaser pursuant to Section 7 below. The Remnant Properties Purchase Price and the Vacated Land Purchase Price shall be payable in cash at closing, as the same may occur with respect to each property.

3.3 Earnest Money. Within ten (10) business days of execution of this Agreement, the Parties shall open an escrow (the "Escrow") with the Seattle office of Pacific Northwest Title Insurance Company ("Escrow Agreement" and "Title Company") and Purchaser shall immediately deposit the sum of One Million Dollars (\$1,000,000.00) ("Deposit") with the Title

Company as Escrow Agent. The Parties shall instruct the Title Company to place the Deposit in an interest-bearing account with interest to accrue to Purchaser's benefit. If the transaction closes, the Deposit, together with accrued interest, shall be applied to the Purchase Price. If the transaction does not close for any reason other than default ("Default") by Purchaser, then the Deposit and accrued interest shall be returned to Purchaser. In the event this transaction does not close because of Purchaser's Default hereunder, Seller shall receive the Deposit together with accrued interest as damages, in addition to all other remedies provided for in Section 11, below.

4. CONDITION OF TITLE.

4.1 Permitted Exceptions for Subject Properties. Seller's conveyance of title to the Subject Properties shall be subject to all of the following, whether or not referred to in the bargain and sale deeds (collectively, the "Permitted Exceptions"):

(i) The conditions of title set forth on the Pro Forma Title Policies attached as Exhibit M to this Agreement ("Title Reports").

(ii) Zoning laws, restrictions, regulations, resolutions, ordinances, building restrictions and governmental regulations now or hereafter in effect;

(iii) The Tenant Leases, a true and complete schedule of which is attached to this Agreement as Exhibit N; and

(iv) Such other liens and encumbrances as are approved in writing by Purchaser.

4.2 Title Policy for Subject Properties. Evidence of delivery of title to the Subject Properties shall be the issuance by the Title Company of an extended coverage ALTA (Form B-1970) title insurance policy or policies insuring fee simple title to the Subject Properties as vested in Purchaser, or in such other entity or entities as Purchaser may elect to hold title to one or more of the Subject Properties, subject to the Permitted Exceptions (the "Title Policy").

4.3 Intervening Liens. Any liens, encumbrances, easements, restrictions, conditions, covenants, rights, rights-of-ways, and other matters affecting title to the Subject Properties which are created, which may appear of record, or which may be revealed by supplements to the Title Reports after the date of the Title Reports but before the Closing Date (hereinafter "Intervening Liens"). shall also be subject to Purchaser's approval. Purchaser shall have fifteen (15) business days after notice in writing of any Intervening Lien together with a description thereof and a copy of the instrument creating or evidencing the Intervening Lien, to submit written objections thereto, or to accept that matter as a Permitted Encumbrance in the manner set forth above. If any such time periods expire after the Closing Date, the Closing Date shall be extended for a date three (3) days after the expiration of such period. Notwithstanding the foregoing, Seller shall not voluntarily cause, create, or permit the creation of any Intervening Lien, except as may be required by law.

Without incurring any liability on account of its inability to do so, Seller shall use its reasonable best efforts to eliminate as an exception to title to the Subject Properties any matters disclosed by the Title Reports, required by the Title Company to issue the Title Reports, and any Intervening Liens timely objected to in writing by Purchaser. If an Intervening Lien is monetary in nature, and not created or caused by Purchaser, Seller shall cure the Intervening Lien on or before Closing or Purchaser shall be entitled to a reduction in the Purchase Price in the amount of such Intervening Lien.

If, prior to Closing, Purchaser creates or causes the creation of an Intervening Lien, monetary or otherwise, without the agreement of Seller, Purchaser shall have ten (10) days in which to cure the Intervening Lien, or to deposit into escrow funds sufficient to cure the lien which shall be non-refundable to Purchaser. If Purchaser fails to cure such Intervening Lien in ten (10) days or to deposit sufficient funds into Escrow, Purchaser shall be in Default under the terms of this Agreement and Seller may elect to declare a Default and may recover the Deposit and terminate this Agreement as its sole remedy for such Default. In the event that the Seller declares a Default under this provision, the Purchaser shall remain legally liable for any liens created by Purchaser. Seller may waive, in its sole discretion, the Purchaser's obligation to cure an Intervening Lien.

In the case that an Intervening Lien is not monetary in nature, is not created by Purchaser, and Seller refuses to cure such Intervening Lien at or before Closing, Purchaser may elect to not complete the purchase, in which case the Deposit and all interest accrued thereon shall be returned to Purchaser or Purchaser may waive the Intervening Lien and proceed to close.

4.4 Remnant Properties; Vacated Land. As soon as practical following mutual execution of this Agreement, Seller shall deliver to Purchaser a commitment for a standard owner's policy of title insurance for the Remnant Properties and for the Vacated Land (the "Remnant Properties Title Commitment" and the "Vacated Land Title Commitment" respectively) including legible copies of all documents referenced therein. Purchaser shall have fifteen (15) days after receipt of each of the Remnant Properties Title Commitment and the Vacated Land Title Commitment in which to review and make any objections to title in writing to Seller. Seller shall be obligated to remove title exceptions to which Purchaser objects if they consist of a monetary lien or encumbrance of an ascertainable amount. Seller shall have no obligation to cure any of Purchaser's other objections. Seller shall have fifteen (15) days after receipt of Purchaser's objections to cure or commence to cure at or prior to closing on the Remnant Properties and/or Vacated Land, any of Purchaser's objections. If there are remaining objections after expiration of the curative period, Purchaser shall have the right to either terminate this Agreement as to the Remnant Properties and/or Vacated Land only, by written notice thereof to Seller, or waive its objections as to both or either of the Remnant Properties or and Vacated Land and proceed with closing thereon. In addition, title to the Remnant Properties and the Vacated Property, shall be conveyed by Seller to Purchaser subject to the terms and conditions as provided in Sections 4.2, and 4.3 above.

5. **CONDITIONS PRECEDENT TO PERFORMANCE.**

5.1 Purchaser's Conditions Precedent to Closing on Subject Properties. Purchaser shall be obligated to close on the Subject Properties only upon the occurrence or waiver by the Purchaser of each of the following conditions:

5.1.1 Passage of an ordinance by the City authorizing its execution of this Agreement, and expiration without appeal of all appeal periods applicable thereto and/or a resolution of all appeals affirming the City's action and otherwise with conditions acceptable to Purchaser;

5.1.2 Seller is able to convey title to the Subject Properties to Purchaser as set forth in Section 4, above;

5.1.3 Resolution of all appeals applicable to the adoption of the Land Use and Zoning Code text amendment by the City Council, Ordinance No. 120267, with such resolution resulting in a decision upholding Ordinance No. 120267 as adopted by the City Council in the form attached hereto as Exhibit O and otherwise with conditions acceptable to Purchaser;

5.1.4 The Title Company is committed to issue to Purchaser the Title Policy in an amount equal to the Purchase Price in the form approved by Purchaser as described in Section 4.1, with such endorsements and reinsurance coverage as may be requested by Purchaser;

5.1.5 Seller shall have delivered a certificate at closing confirming that representations and warranties made by Seller in this Agreement are true on and as of the date of Closing;

5.1.6 Purchaser shall have notified Seller in writing within sixty (60) days of mutual execution of this Agreement, that Purchaser is satisfied with the physical condition of the Improvements. If Purchaser is not satisfied with the condition of any Improvement, Seller shall have a right to cure any defect by either repairing the Improvement or delivering the Improvement free of any tenancy;

5.1.7 Seller shall have delivered to Purchaser within forty-five (45) days of mutual execution of this Agreement, an executed estoppel certificate from each of the tenants under the Tenant Leases in the form attached hereto as Exhibit P confirming the terms of the Tenant Leases as described in Exhibit N and the absence of any defaults or claims against Landlord thereunder; and

5.1.8 All obligations of Seller and all other conditions of this Agreement related to Seller have been met, satisfied or waived.

5.2 Purchaser's Conditions Precedent to Closing on Remnant Properties; Vacated Land. Purchaser's obligation to close on the Remnant Properties and the Vacated Land shall be

subject to the prior or simultaneous closing on the Subject Properties, together with the following additional conditions:

5.2.1 With respect to both of the Remnant Properties and the Vacated Land, Purchaser shall have approved the condition of title pursuant to Section 4.4 above;

5.2.2 With respect to both of the Remnant Properties and the Vacated Land, Seller shall have taken any and all necessary legislative or other action for the conveyance of the properties to Purchaser in the condition set forth herein and with conditions or requirements approved by Purchaser, and all applicable appeal periods have expired without appeal and/or all appeals have been resolved affirming such legislative or other action and otherwise with conditions approved by Purchaser;

5.2.3 With respect to both of the Remnant Properties and the Vacated Land, Seller shall have delivered a certificate as of the date of closing thereon confirming the accuracy of the representations and warranties set forth in 8.2.1, 8.2.2, 8.2.3, 8.2.4, 8.2.5, 8.2.9, 8.2.10, 8.2.11 and 8.2.12 all as if the same were made by Seller with respect to the Remnant Properties and the Vacated Land; and

5.2.4 With respect to both of the Remnant Properties and the Vacated Land, Seller shall confirm that there are no tenants or other parties entitled to possession thereof as of the date of closing.

5.3 Conditions Precedent to Performance by Seller. Seller shall be obligated to perform under this Agreement only upon the following conditions:

5.3.1 Passage of an ordinance by the City authorizing execution of this Agreement by the City;

5.3.2 The representations and warranties made by Purchaser in this Agreement are true on and as of the date of Closing with the same effect as though such representations and warranties had been made on and as of the date of Closing; and

5.3.3 All other pre-Closing obligations of Purchaser under this Agreement have been met, satisfied, or waived.

6. CONDITIONS SUBSEQUENT TO PERFORMANCE.

The Parties agree that this Agreement imposes certain post-Closing obligations on Purchaser. The Parties agree that such post-Closing obligations shall survive Closing and shall not be merged in the deed delivered at Closing. Upon Seller's written request, and no more than once per annum, Purchaser shall furnish to Seller's Representative, as defined in Section 17 below, a written report which details the steps taken and progress achieved by Purchaser since the Closing Date, toward accomplishment of the conditions subsequent described in this Section 6. For purposes of calculations of time, all references to "Closing" in this Section 6 shall refer to the Closing of the Subject Properties.

6.1 Purchaser's Housing Commitment.

6.1.1 Affordable Housing. Not later than six (6) years from the Closing Date ("Housing Performance Date"), Purchaser shall construct, materially participate with others in the construction of, or otherwise guarantee the construction of, and have ready for occupancy, a minimum of fifty (50) affordable housing units ("Affordable Housing Units") within the area depicted on Exhibit Q as the "Affordable Housing Area". For the purposes of this Agreement, the term "Affordable Housing" means housing which can be purchased or rented by households with an annual income that is no more than eighty percent (80%) of the Seattle area median income as defined by the City of Seattle Office of Housing. The Affordable Housing Units shall be free of any City subsidy or contribution, unless otherwise mutually agreed to by the City and the Purchaser. The Affordable Housing Units shall consist of a mix of unit sizes, including units suitable for families to the extent consistent with then-current market demands in the Affordable Housing Area. In order for any unit to qualify as an Affordable Housing Unit as that term is used herein, such housing unit must be subject to a restrictive covenant requiring its continuance as Affordable Housing for a minimum of twenty (20) years from the date the first Occupancy certificate is issued for such unit and be subject to the rental/income verification rules and procedures of the City's Office of Housing.

6.1.2 Additional Housing Units. In addition to the obligations set forth in 6.1.1, Purchaser further agrees to work cooperatively with the City and the South Lake Union community toward a development goal of an additional four hundred fifty (450) housing units (not including the Affordable Housing Units) within the area depicted on Exhibit R as the "Housing Area". Notwithstanding anything to the contrary set forth herein, the parties agree and acknowledge that satisfaction of the development goal described herein is subject to numerous forces outside the control of Purchaser and is not an obligation of Purchaser under this Agreement nor is it subject on any basis to any of Seller's remedies for Purchaser's Default under this Agreement.

6.1.3 Time and Type of Development. All of the Affordable Housing Units called for in Section 6.1.1 may be located within a single purpose development or distributed throughout one or more mixed income and/or mixed use developments, subject to the City's Land Use and Zoning Code. To qualify as part of this total, the Affordable Housing Units need not be located on property or in projects controlled by Purchaser, as long as they are located within the Affordable Housing Area. Any Affordable Housing Units developed pursuant to Section 6.1.1 for which a building permit application has been submitted to the City on or after the mutual execution date of this Agreement and which are completed and ready for occupancy within the Affordable Housing Area prior to the Housing Performance Date shall be credited toward the satisfaction of Purchaser's Affordable Housing Units commitment.

6.1.4 Remedies Regarding Affordable Housing. In the event that some or all of the Affordable Housing Units described in Section 6.1.1. are not constructed and ready for occupancy prior to the Housing Performance Date, then Purchaser shall be in Default and the provisions of Section 11.1.3 below shall apply.

6.2 Purchaser's Cultural Use Commitment. Purchaser agrees that it shall develop a minimum of twenty thousand (20,000) square feet of new space for a cultural use or uses within the South Lake Union neighborhood as described on Exhibit S, on or before six (6) years from the Closing Date ("Cultural Commitment Performance Date"). "Cultural Use or Uses" means non-profit use or use(s) by organizations, groups or individuals providing venues and facilities open to admission of the public, which may include the following or similar uses as selected by the Purchaser: libraries, fine and performance arts facilities, arts education, galleries, performing arts theaters and rehearsal spaces, and museums, including museums for the arts and/or sciences, but does not include uses which solely support functions such as storage, administration or management. In the event that Purchaser fails to provide such space for Cultural Uses by the Cultural Commitment Performance Date, Purchaser shall be in Default and the provisions of Section 11.1.3, below, shall apply.

6.3 Purchaser's Parking Commitment.

6.3.1 Non-Peak Parking. Purchaser plans to develop a significant parking facility or facilities ("Project Parking") for the properties that are bounded by Westlake, Fairview, Valley and Mercer (the "Three-Block Area"). Purchaser agrees to operate the Project Parking during non-peak hours so that available parking will be offered to the public at then fair market, short-term (defined for the purpose of this Agreement as 5 hours or fewer) parking rates for comparable off-street parking in the South Lake Union area.

6.3.2 Public Parking. Purchaser shall make available twenty percent (20%) of the Project Parking spaces for short-term public parking available to the public at then fair market, short-term parking rates for comparable off-street parking in the South Lake Union area ("Public Parking"). The Public Parking may be located either in the Three-Block Area and/or on other properties owned by Purchaser or one of its affiliates within 800 feet (or the otherwise then-required maximum distance for land use code covenant parking) of South Lake Union Park. In the event of phased development of the Subject Properties in the Three-Block Area, the twenty percent (20%) Public Parking obligation shall be required when Project Parking exceeds 200 stalls. Upon completion of development of the Three-Block Area, Purchaser shall have provided no fewer than 120 stalls of Public Parking; provided, however, that in the event that Purchaser exercises its option to reconvey Parcel 14 to Seller as described in Section 7 hereof, then the minimum number of Public Parking stalls provided for herein may be reduced by Purchaser to 100.

6.3.3 City's Option for Dedicated Parking. The City shall have the option to require Purchaser to build up to 160 dedicated parking spaces for public uses associated with development on South Lake Union Park on the terms described herein ("Park Parking"), which parking may be located either in the Three-Block Area and/or on other properties owned by Purchaser or one of its affiliates within 800 feet (or the otherwise then-maximum distance for land use code covenant parking) of South Lake Union Park. The City shall have the right to exercise its Park Parking rights upon receipt of a Parking Rights Notice from Purchaser. Purchaser shall deliver the Parking Rights Notice when Purchaser is planning its development for the Three-Block Area, or any portion or phase thereof, but in any event no sooner than twelve (12) months following the Closing hereunder. The Parking Rights Notice shall include a

description of Purchaser's intended development of the Three-Block Area or phase or portion thereof, as the case may be, including a description of the uses contemplated for said development, an estimate of the number of private and public parking stalls to be included in the intended development, and an estimate of the number of stalls that are anticipated to be available for public, short-term parking during evenings and weekends ("Off Peak Reservoir Parking"). The City shall exercise its Park Parking rights by delivering written notice to Purchaser of the amount of Park Parking it will require within ninety (90) days of receipt of the Parking Rights Notice, together with an irrevocable letter of credit or other form of financial guaranty or collateral acceptable to Purchaser and guarantying payment in full to Purchaser in the amount of the Parking Costs (as defined below) for such Park Parking. If the City fails to deliver such written notice and financial guaranty within 90 days of its receipt of the Parking Rights Notice, the City shall have irrevocably waived its rights to Park Parking, in whole if the Parking Rights Notice references the entirety of Purchaser's property within the Three-Block Area or in the same prorata portion as the area described in the Parking Rights Notice bears to the entirety of Purchaser's property within the Three-Block Area, and shall thereupon execute a document in recordable form evidencing such waiver. If, after delivery of its Parking Rights Notice, Purchaser's planned development changes such that Purchaser anticipates there will be a substantial decrease in the number of Off Peak Reservoir Parking spaces, Purchaser shall be obligated to provide the City with a new Parking Rights Notice. For purposes of this Agreement, a substantial decrease in the Off Peak Reservoir Parking spaces shall be a decrease of 30% or more of the Off Peak Reservoir Parking spaces identified in a Parking Rights Notice.

Upon the City's exercise of its Parking Rights, Purchaser shall be obligated to construct, in conjunction with its development of the Subject Properties, the number of Park Parking stalls requested by the City. The City shall be obligated to pay Purchaser for the Park Parking stalls in an amount equal to Fifty-Five Thousand Dollars (\$55,000.00) per stall ("Parking Costs"). The Parking Costs shall be increased by an amount equal to the sum resulting from the percentage of increase between the Revised Consumer Price Index for all Urban Consumers--All Items--Seattle-Tacoma-Bremerton (Reference Base 1982-84 = 100) published by the Bureau of Labor Statistics of the United States Department of Labor ("CPI") for the month immediately preceding the month in which Closing occurs and the CPI for the month immediately preceding the month in which payment for the Parking Costs is due Purchaser, multiplied by such Parking Costs; provided, however that in no event shall the Parking Costs be decreased pursuant to this CPI adjustment. Payment shall be due in cash upon Purchaser's delivery to the City (or City's assignee as provided for below) of the Park Parking (including phased payment if the delivery is in phases).

If the City exercises its Parking Rights, it is anticipated that the Park Parking shall be integrated with the Project Parking and shall operate as a single garage. The parties shall develop an agreement sharing operation and maintenance costs of the Park Parking. Such agreement shall be on then reasonable market rates and terms, with the City receiving revenue from the Park Parking, less costs to operate and maintain the Park Parking.

The City's parking rights under this section 6.3.3 shall be assignable to a public or nonprofit entity that will be a user of the facility on the South Lake Union Park on the same

terms and conditions described herein, contingent upon such assignee's assumption in writing of all of Seller's obligations set forth in this Section 6.3.3.

Notwithstanding anything to the contrary contained in this Section 6.3.3, the Parties agree and acknowledge that: (a) in the event that Purchaser exercises its option to reconvey Parcel 14 to Seller as described in Section 7 hereof, then the City's option for Park Parking shall be reduced to 110 stalls; (b) in the event that the Parking Rights Notice applies to less than the entirety of Purchaser's property within the Three-Block Area, then the City shall be entitled to exercise its rights to Park Parking in the same prorata portion as the area described in the Parking Rights Notice bears to the entirety of Purchaser's property within the Three-Block Area; and (c) in the event that Seller exercises its option to repurchase the Subject Properties within the Three-Block Area pursuant to Section 6.5 hereof, then Purchaser shall have no obligation to provide any of the Public Parking or Park Parking described in Section 6.3 hereof.

6.3.4 Improved Parking and Transportation Solutions. Purchaser and the City shall cooperate and engage in feasibility studies for other parking and transportation improvements and alternatives for the South Lake Union Park, the development on the Subject Properties and the overall neighborhood parking needs. Such studies shall explore improvements to maximize transportation efficiencies and shall include studies of shared parking and covenant parking. The City and Purchaser shall further explore the development of additional public parking within or connected to the Public Parking and/or improvements to vehicular or pedestrian access in connection therewith. City and Purchaser shall work cooperatively to ensure that any such additional public parking within or connected to the Public Parking also works to improve vehicle ingress/egress, internal circulation of the Public Parking and pedestrian circulation.

The Parties agree and acknowledge that in the event that pedestrian linkages or improvements connecting Purchaser's development on the Three-Block Area to property on the north side of Valley Street, if any, are required as permit conditions or requirements for Purchaser's development of the Three-Block Area, this Agreement shall not be construed to obligate Purchaser or the City to pay for the required connections to the extent such connections are required or imposed due substantially to impacts associated with the Public or Park Parking proposed pursuant to Sections 6.3.2 or 6.3.3 of this Agreement.

6.3.5 Interim Parking for the S. Lake Union Park. Until such time as it is developed or needed for development staging, Purchaser shall maintain Parcel 15 as a parking lot operating in a manner similar to its current use.

6.4 Purchaser's Family-Wage Jobs Commitment. Purchaser, including all development entities working in coordination with Purchaser to redevelop the Subject Properties, shall participate in the Office of Port JOBS Apprenticeship Opportunities Project. Purchaser shall undertake an effort with the office of Port JOBS Apprenticeship Opportunities Project and the Seattle/King County Building and Construction Trades Council to assist low-income King County residents in gaining access to building and construction trades apprenticeships created as a result of Purchaser's commercial development activities. Purchaser shall: adopt a goal that at least fifteen percent (15%) of the labor hours related to construction on the Subject Properties

shall be performed by participants in apprenticeship and training programs, adopt a goal that twenty percent (20%) of the apprentice labor hours be performed by female apprentices and twenty-one percent (21%) of apprentice labor hours be performed by minority apprentices; and, facilitate opportunities, when possible, between the apprenticeship program and tenants or occupants of the Subject Properties for the purpose of developing employment and training opportunities to disadvantaged individuals.

Purchaser has a strong commitment to providing work environments free of any form of harassment or discrimination in recruitment, a proven track record of making business and employment opportunities available to a diverse population, and a commitment to making such business and employment opportunities available to a diverse population in the future.

In addition, Purchaser shall coordinate discussions between the occupants of the Subject Properties and the Seattle Jobs Initiative ("SJI") (a job training program administered by the City's Office of Economic Development) for the purpose of facilitating and assisting the occupants in recruitment, training and retention of qualified workers. Notwithstanding the foregoing, all hiring decisions shall be in the sole discretion of the occupants.

6.5 Purchaser's Commitment to Pursue Development Applications and Development. On or before expiration of the two-year period following Purchaser's closing on the Subject Properties and on all other parcels within the Three-Block Area, including the Remnant Properties, but in any event not later than six (6) years after the Closing date, Purchaser shall submit to the Department of Design Construction and Land Use one or more master use permit application or applications, whichever shall be required for the development of the Subject Properties within the Three-Block Area, and Purchaser shall thereafter diligently pursue regulatory approvals therefor. The parties recognize that Purchaser may submit one or more master use permit applications, and that such submittals may contemplate a phased development approach of the Three-Block Area in order to accommodate Purchaser's development plans, provided all such applications shall be submitted within 6 years after the Closing date.

Notwithstanding the remedies set forth in Section 11.1.3, Seller, as its sole and exclusive remedy, shall be entitled to repurchase any of the Subject Properties within the Three-Block Area for which Purchaser has failed to submit a master use permit application with DCLU within the required time periods noted above. Any such repurchase shall be at the same purchase price paid by Purchaser under this Agreement. Seller's failure to notify Purchaser of its intent to exercise its repurchase right within one hundred eighty (180) days following expiration of the two-year period following Purchaser's acquisition of the Subject Properties and all other parcels within the Three-Block Area, or the six-year period following the Closing Date, whichever is applicable, shall constitute a permanent and final waiver of Seller's repurchase right pursuant to this Section 6.5.

6.6 Certificate of Completion. Seller, upon Purchaser's satisfaction of the conditions subsequent set forth in this Section 6 shall execute and record in the real property records of King County a certificate of completion certifying that Purchaser has satisfied each of the agreements and conditions contained in this Section 6 with respect to the Subject Properties, and otherwise in the form attached hereto as Exhibit T.

7. HAZARDOUS SUBSTANCES AND INDEMNITY.

7.1 Investigation, Price Reduction and Indemnity. Purchaser has, at its own expense, conducted such surveys and investigations of the Subject Properties as it deems warranted, including investigations by itself and others in its employ, to determine the nature and extent of any Hazardous Substances. In doing so, Purchaser has independently verified information supplied by the City regarding historic uses and known conditions. Except as provided in Section 7.2 below, Purchaser is satisfied that it is sufficiently aware of all such conditions on the Subject Properties and accepts the risks associated with their presence, and shall undertake remediation of any Hazardous Substances as required by law in connection with redevelopment of the Subject Properties. Purchaser is aware of its rights to seek contribution from Seller for remediation and cleanup of such Hazardous Substances as a matter of law, and, except as set forth in Section 7.2 hereof, knowingly waives that right as a term of this Agreement and voluntarily relinquishes that right and forever releases the Seller from any such obligation as provided for in this Section 7.1. Therefore, in consideration of a price reduction in the amount of Six Hundred Thousand Dollars (\$600,000.00), and upon Closing, Purchaser shall release the City from any responsibility for cleanup of any Hazardous Substances, as this term is defined in MTCA and CERCLA, and any amendments thereto, on, under or migrating from the Subject Properties, except as provided in Section 7.2 below. Purchaser shall indemnify, release, defend and hold harmless Seller from any and all claims arising out of any Hazardous Substances on, under or migrating from the Subject Properties prior to Closing (except as provided in Section 7.2 below). Purchaser shall further indemnify, defend and hold Seller harmless from any claims arising out of any Hazardous Substances on, under or migrating from the Subject Properties after Closing (except as provided in Section 7.2 below). This indemnity also shall apply to land acquired under Section 3.2, if any, above. This indemnity shall not apply, however, to claims by the City as owner of properties and/or rights-of-way not acquired by Purchaser, except to the extent of any contamination caused by Purchaser.

7.2 Parcel 14. One of the Subject Properties, Parcel 14, as described on Exhibit F, is significantly contaminated with petroleum and other Hazardous Substances which have migrated from the service station property located to the south of Parcel 14, and which were deposited on Parcel 14 by past on-site uses. The contamination migrating from the service station property substantially impairs the value of Parcel 14. Unless the service station property is cleaned up in conjunction with redevelopment of Parcel 14, the cost to clean up Parcel 14 may be prohibitive. Accordingly, Purchaser has agreed to close on its acquisition of Parcel 14 in accordance with the terms of this Agreement, subject to the following:

7.2.1 Purchaser and the City shall jointly file suit against the appropriate defendants, which may include the current owner of the service station property, the current operator of the service station property, and the past owner of the service station property, seeking a declaratory judgment that those parties are responsible for all clean-up costs, and seeking damages for loss of value and other such losses or costs that the Parties may incur. This suit would be filed as soon as reasonably practical after Closing. The City shall cooperate with Purchaser in the preparation of the complaint and in all communications with defendants. The

City and Purchaser shall enter into the Joint Prosecution Agreement of even date herewith to address cost sharing and joint decision-making with respect to such litigation;

7.2.2 At Closing, the amount of \$300,000 shall be held by the City in a dedicated account (the "Litigation Escrow") to cover litigation costs, expenses and Purchaser's attorney fees. Purchaser and the City shall be entitled to draw down on the Litigation Escrow to pay litigation costs and fees as provided by the Joint Prosecution Agreement;

7.2.3 In the event that the litigation referred to above has not been resolved to the satisfaction of Purchaser, Purchaser shall have the absolute right to reconvey (rescinding that portion of the transaction as to Parcel 14) Parcel 14 to the City at the same purchase price for Parcel 14 paid by Purchaser (Purchaser's "Put Right"). Purchaser shall be entitled to exercise its Put Right between the date twelve (12) months after Closing and the date thirty (30) months after Closing; and

7.2.4 Purchaser shall exercise its Put Right by giving written notice to the City. The City shall repay the purchase price and the Purchaser shall reconvey title by Bargain and Sale Deed within 180 days of Purchaser's exercise of its Put Right rescinding the transaction as to Parcel 14. Parcel 14 shall be conveyed "as is," provided that Purchaser shall return Parcel 14 to the City in substantially the same condition in which it is received (it being understood that any damage or destruction to the buildings need not be repaired by Purchaser, as the parties assign no value to the buildings contained on Parcel 14). The City shall pay any transfer tax and any other closing costs.

8. REPRESENTATIONS AND WARRANTIES.

The following representations and warranties shall survive Closing.

8.1 Purchaser's Representations and Warranties. Purchaser represents and warrants as follows:

8.1.1 Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has the power to own its property and assets;

8.1.2 As of Closing, this Agreement shall have been duly authorized, executed and delivered by Purchaser, shall constitute the legal, valid and binding obligation of Purchaser and shall be enforceable against Purchaser in accordance with its terms;

8.1.3 The individual executing this Agreement on behalf of Purchaser is authorized to do so;

8.1.4 The representations and warranties made in this Agreement are true on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date;

8.1.5 Purchaser shall at all times through the development and construction of the Subject Properties within the Three-Block Area act as the developer either on its own or in cooperation with development partners and shall not otherwise transfer or assign its rights or obligations hereunder without prior written approval of Seller, which approval shall not unreasonably be withheld; provided, however, that if Purchaser guarantees performance of any such transferee or assignee hereunder, then Seller may not withhold its approval;

8.1.6 Purchaser has made its own investigation of the conditions of title as well as the physical conditions of the Land, Improvements, Tenant Leases, and the Title Reports and is willing to accept the same on an "as-is, where-is" basis, except for the representations and warranties of Seller as described herein;

8.1.7 The purchase of the Subject Properties shall not conflict with or result in a material breach affecting Purchaser's ability to perform under this Agreement, of any other agreement or instrument to which Purchaser is a party or by which it is or may be bound or constitute a Default under any of the foregoing, or violate any state or federal governmental law, statute, ordinance or regulation in effect on the date of execution of this Agreement; and

8.1.8 Purchaser has and will at all times maintain for the duration of the post-closing obligations set forth in this Agreement assets with a fair market value in excess of all liabilities of at least \$50,000,000, and will warrant that to be true with each annual report to the Seller's Representative.

Purchaser hereby agrees to defend, protect, indemnify and hold Seller harmless from any and all loss, damage, liability or expense, including attorneys' fees and costs, Seller may suffer as a result of any breach of or any inaccuracy of the foregoing representations and warranties. These representations and warranties shall survive Closing.

8.2 Seller's Representations and Warranties. Seller represents and warrants as follows and will deliver to Purchaser at Closing a certificate confirming that the same are true and correct as of the Closing date:

8.2.1 Existence. Seller is a Municipality of the first class of the State of Washington, duly organized under its laws and has complied with and is validity existing and in good standing under the laws of the State of Washington;

8.2.2 Binding Obligation. As of Closing, this Agreement shall have been duly authorized, executed and delivered by Seller, shall constitute the legal, valid and binding obligation of Seller and shall be enforceable against Seller in accordance with its terms;

8.2.3 Authority. The individual executing this Agreement on behalf of Seller is authorized to do so;

8.2.4 No Breach. The sale of the Subject Properties shall not conflict with or result in a material breach affecting Seller's ability to perform under this Agreement, of any other agreement or instrument to which Seller is a party or by which it is or may be bound or

constitute a default under any of the foregoing, or violate any state or federal governmental law, statute, ordinance or regulation in effect on the date of execution of this Agreement;

8.2.5 Title. As of the date of Closing, Seller shall have good, marketable, indefeasible title to the Subject Properties (including, without limitation, the Land and Personal Property) free and clear of all liens, claims and encumbrances except for exceptions approved by Purchaser pursuant to Section 4.1 above;

8.2.6 Condition of Subject Properties. Except as disclosed in writing to Purchaser, Seller, to the best of its knowledge, is not aware of any physical, structural, mechanical or other defects or deficiencies in the Improvements on the Subject Properties, which would constitute material violations under the City's land use, building code, life, health or safety regulations or ordinances. The phrase "to the best of its knowledge" shall mean and be understood to mean for the purpose of this Agreement the actual knowledge of City employees Debra Lewis, property manager, and Karen Tsao, strategic planner, City of Seattle Fleets and Facilities Department;

8.2.7 Tenant Leases. Seller has previously provided to Purchaser full, true and complete copies of all Tenant Leases. The Tenant Leases have not been amended, orally or in writing, except as previously disclosed to Purchaser in writing. With respect to the Tenant Leases:

(i) There are no oral or written leases, rental agreements or other occupancy agreements other than the Tenant Leases allowing any person to occupy any portion of the Subject Properties;

(ii) No person other than the tenants named in the Tenant Leases has any right of possession to any portion of the Subject Properties;

(iii) Except as disclosed to Purchaser in writing, no concessions or abatements have been given to any tenant under a Tenant Lease and no tenant is occupying a portion of the Subject Properties free of rent;

(iv) Excluding security deposits and advanced rentals disclosed in writing to Purchaser, no more than one month's rent has been paid in advance by any tenant under a Tenant Lease;

(v) No person has an option or right of first refusal to purchase or lease any interest in the Subject Properties under a Tenant Lease or otherwise;

(vi) Seller is not in default under any Tenant Lease and there have been no acts or omissions by Seller which with the passage of time, the giving of notice or both would constitute a default by Seller under a Tenant Lease. Seller has not received any claim from a tenant under a Tenant Lease that Seller is in default of any of its obligations under a Tenant Lease or that such tenant has a defense to the payment of rent; and

(vii) To the best of Seller's knowledge, no Tenants under a Tenant Lease are in default thereunder.

8.2.8 Use of Subject Properties. To the best of Seller's actual knowledge, without implying an additional duty to investigate, the present use and operation of the Subject Properties are authorized by and in compliance with all laws, rules, regulations, permits, agreements, and licenses with respect thereto. In addition, the present use and operation of the Subject Properties are in compliance with all applicable zoning and land use laws and regulations.

8.2.9 Contracts. Seller shall have taken all necessary action to terminate as of the Closing date any and all contracts or agreements with respect to the Subject Properties which would be binding thereon after Closing if not otherwise terminated, and shall indemnify and defend Purchaser from any costs or expenses related to such contracts;

8.2.10 Litigation. There is no claim, litigation, proceeding or governmental investigation pending, or, so far as known to Seller, threatened against or relating to the Subject Properties, or the transactions contemplated by this Agreement, or any dispute arising out of any contract or commitment entered into regarding the Subject Properties nor is there any basis known to Seller for any such action or claim;

8.2.11 Zoning. There is no existing or pending, and Seller has no knowledge of any contemplated, threatened or anticipated (i) change in the zoning classification of the Subject Properties, (ii) widening, change of grade or limitation on use of streets abiding the Property, except as previously disclosed in writing to Purchaser; and

8.2.12 Assessments. Except as reflected in the Title Reports, there are no pending and Seller has no knowledge of any planned public improvements which will result in the imposition of a tax, assessment or other lien on the Subject Properties.

Seller hereby agrees to defend, protect, indemnify and hold Purchaser harmless from any and all loss, damage, liability or expense, including attorneys' fees and costs, Purchaser may suffer as a result of any breach of or any inaccuracy of the foregoing representations and warranties. These representations and warranties shall survive Closing.

9. ESCROW AND CLOSING.

9.1 Escrow Instructions. The provisions of this Agreement shall constitute the joint instructions of the Parties to the Escrow Agent; provided, however, that the Parties shall execute such additional instructions as requested by the Escrow Agent not inconsistent with the provisions of this Agreement.

9.2 Closing Date. Closing on the Subject Properties shall occur within thirty (30) days after the satisfaction or removal of all conditions precedent to Closing, except with respect to the Remnant Properties and the Vacated Land, each of which shall close thirty (30) days after

satisfaction of all conditions to closing thereon, but in no event later than three (3) years after the Closing Date for the Subject Properties.

9.3 Purchaser's Closing Obligations & Instrument. At Closing, Purchaser shall deliver to Seller through the Escrow Agent, by certified or cashier's check or wire transfer:

- (i) the balance of the Purchase Price, less the Deposit and all interest earned thereon;
- (ii) a counterpart executed real estate excise tax affidavit; and
- (iii) such other instruments as are reasonably necessary to consummate this purchase and sale transaction.

9.4 Seller's Closing Obligations & Instruments. At Closing, Seller shall deliver to Purchaser through the Escrow Agent originals of:

- (i) fully executed and acknowledged bargain and sale deeds subject only to the exceptions identified in Section 4, above;
- (ii) a bill of sale in form satisfactory to Purchaser conveying title to all Personal Property to Purchaser;
- (iii) an assignment and assumption of leases in form satisfactory to Purchaser transferring the Tenant Leases to Purchaser;
- (iv) All prepaid rents, security and other deposits and fees (whether refundable or non-refundable) under the Tenant Leases;
- (v) An estoppel form executed by each of the tenants under the Tenant Leases;
- (vi) a fully executed Certificate of Non-Foreign Status;
- (vii) a counterpart executed real estate excise tax affidavit; and
- (viii) such other instruments as are reasonably necessary to close under this Agreement.

10. ESCROW AGENT'S OBLIGATIONS.

10.1 In General. The Escrow Agent shall receive, hold and disburse all funds, arrange the execution, delivery and recording of all instruments necessary to this transaction and shall otherwise act in accordance with the mutual written instructions of the parties to this Agreement and in accordance with the laws of the state of Washington.

10.2 The Deposit. The Deposit shall be held by Escrow Agent in a separate interest bearing account, identified to this transaction. The interest accruing thereon between the date of deposit and the date of Closing shall be applied to the Purchaser's obligations at Closing or be paid to Seller in the event of a Default under 11.1.2, below.

10.3 Payment of Purchase Price. Upon recording of all documents necessary to transfer title, Escrow Agent shall pay to Seller the Purchase Price as adjusted and prorated for Seller's portion of costs of this transaction and after deduction of all applicable fees and taxes.

10.4 Prorations and Expenses. Real property taxes, general and special assessments, LIDs, Surface Water Management charges, rents, Conservation Service Charges, and utility charges constituting liens against the Property, all for the year of Closing, shall be prorated as of the date of Closing. Any documentary transfer tax, real estate excise tax, or other similar tax levied in accordance with the requirements of lawful authority shall be paid by Seller. Purchaser shall pay the cost of recording the Bargain and Sale Deed. Seller shall pay the premium for the issuance of the Title Policy if issued as standard coverage and Purchaser shall pay any additional premiums charged by Title Company for extended coverage and/or endorsements if requested by Purchaser. All other recording and Closing costs (including the escrow fee but excluding attorneys' and brokers' fees, costs and expenses associated therewith) shall be shared equally by the Parties. Each party shall pay the attorneys' fees, costs, and expenses incurred by such party with respect to the negotiation of this Agreement and the consummation of the transactions contemplated herein.

10.5 Title Policy. As soon as possible after Closing, the Escrow Agent shall have the Title Company issue to Purchaser the Title Policy in the amount of the Purchase Price and insuring fee simple title to the Subject Properties subject to the exceptions contained in the Title Reports identified in Section 4, above, and as approved or deemed to have been approved by Purchaser pursuant to this Agreement.

11. DEFAULT.

11.1 If either Party to this Agreement shall fail of refuse to perform or satisfy a material obligation under this Agreement, that party shall be in Default and the non-defaulting party may elect from the following remedies.

11.1.1 Seller in Default. In the event that Seller is in Default, Purchaser may elect to seek specific performance of this Agreement or may elect to terminate this Agreement and recover its Deposit plus interest accrued thereon.

11.1.2 Purchaser in Default Prior to Closing. In the event that Purchaser is in Default prior to Closing, Seller may at its sole and exclusive remedy retain the Deposit plus interest accrued thereon (less Escrow Agent's fees and expenses) as liquidated damages. In such event, Seller shall have no further rights and Purchaser shall have no further obligations under this Agreement.

11.1.3 Purchaser in Default After Closing. Except as otherwise set forth in Section 6.5, Seller, as its sole and exclusive remedy, shall have the right to seek specific performance of all obligations of Purchaser set forth in Sections 6, 7 and 8.1.5 which are intended to survive Closing.

12. CONDITION OF PROPERTY.

The Subject Properties shall be delivered by Seller to Purchaser at Closing in the same physical condition as of the date of Seller's execution of this Agreement, excepting ordinary wear and tear.

13. RISK OF LOSS.

Risk of loss or damage to the Subject Properties by fire or other casualty, from the date of this Agreement through the date of Closing shall be on the Seller, and thereafter shall be on the Purchaser.

14. BROKERAGE COMMISSIONS.

If any individual or entity shall assert a claim to a finder's fee or commission as a broker or a finder for the transfer of the Subject Properties, then the party that is alleged to have retained such individual or entity shall defend, indemnify and hold the other party harmless from and against any such claim and all costs, expenses, liabilities and damages incurred in connection with such claim or any action or proceeding brought thereon. This indemnification obligation shall survive the Closing and the termination of this Agreement.

15. ASSIGNMENT; BINDING EFFECT.

15.1 This Agreement shall not be assigned by Purchaser without the prior written consent of Seller, which consent may be withheld in Seller's sole discretion; provided, however, that Seller and Purchaser agree that Purchaser shall have the unrestricted right to have one or more entities controlled by, or under common control with, Purchaser take title to one or more of the Properties at Closing.

15.2 Subject to the foregoing, this Agreement shall be binding upon each Party and its successors and assigns.

16. SELLER'S REPRESENTATIVE.

Upon Closing under this Agreement, Seller shall designate a representative ("Seller's Representative"), initially identified in Section 17, below, to act as a resource for Purchaser during the planning and development of the Subject Properties and to assist Purchaser with communications with the City.

17. NOTICES.

17.1 All notices, requests, demands and other communications under this Agreement shall be in writing and shall either be delivered in person or sent by courier with documented delivery or by registered or certified mail through the U.S. Postal Service with postage prepaid addressed as follows:

PURCHASER (both):

Larry Martin
CITY INVESTORS INC.
505 Union Station
505 Fifth Avenue South
Suite 900
Seattle, WA 98104
(206) 342-2000
Fax: (206) 342-3000

With a Copy to:

Beth A. Clark
FOSTER PEPPER & SHEFELMAN PLLC
1111 Third Avenue, Suite 3400
Seattle, WA 98101-3299
(206) 447-8893
Fax: (206) 447-1916

SELLER (both):

Office of the Mayor
THE CITY OF SEATTLE
12th Floor
600 Second Avenue
Seattle, WA 98104
(206) 684-4000
Fax: (206) 684-5360

and

SELLER'S REPRESENTATIVE:

City of Seattle
Director, Office of Economic Development
600 Fourth Avenue, Room 205
Seattle, WA 98104-1826

or to such other address as shall be furnished in writing with fifteen (15) days prior notice by either party.

17.2 Notices shall be deemed to have been given upon the earlier of actual receipt, as evidenced by the deliverer's affidavit, the recipient's acknowledgment of receipt, or the Federal Express receipt, and in the event of attempted delivery during normal business hours at the proper address by an agent of a party or by Federal Express or the U.S. Postal Service but refused acceptance, shall be deemed to have been given upon attempted delivery, as evidenced by an affidavit of inability to deliver stating the time, date, place and manner in which such delivery was attempted and the manner in which such delivery was refused.

18. GOVERNING LAW JURISDICTION AND VENUE; ATTORNEYS' FEES.

18.1 This Agreement shall be governed by the law of the State of Washington.

18.2 In the event that litigation is commenced by either party, the Parties to this Agreement agree that jurisdiction shall lie solely in the courts of the State of Washington, with venue at Seattle, King County, Washington.

18.3 In any action between the Parties at law or in equity pursuant to this Agreement, the prevailing party shall be entitled to collect its reasonable attorneys' fees from the non-prevailing party. The term "prevailing party" shall mean the party who receives substantially the relief sought.

19. TIME OF THE ESSENCE; CALCULATION OF TIME PERIODS.

19.1 Time is of the essence of this Agreement and of all acts required to be done and performed by either and both of the parties hereto, including but not limited to the proper delivery of all documents, and the tender of all amounts of money, required by the terms hereof to be delivered or paid, respectively. Any extension of time granted for performance of any obligation to this Agreement shall not be considered an extension of time for the performance of any other obligation under this Agreement.

19.2 Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday. The final day of any such period shall be deemed to end at 5:00 p.m., Pacific Time.

20. COUNTERPARTS.

20.1 This Agreement may be executed in counterparts and, if so, only when counterparts are delivered to the Escrow Agent shall it be deemed a binding Agreement.

20.2 It is understood, agreed and acknowledged that if both Purchaser and Seller have not executed a counterpart of this Agreement and deposited signed copies, accompanied by the Deposit with the Escrow Agent as provided for in this Agreement, this Agreement shall be of no force and effect.

21. WAIVER.

Any waiver under this Agreement must be in writing. A waiver of any right or remedy in the event of a Default shall not constitute a waiver of such right or remedy in the event of any subsequent Default.

22. ENTIRE AGREEMENT; MODIFICATIONS; NEGOTIATED UNDERSTANDING.

22.1 This Agreement represents the entire agreement of the Parties with respect to the Subject Properties, the Remnant Properties and the Vacated Property, and any and all agreements, oral or written, entered into prior to the date hereof are revoked and superceded by this Agreement.

22.2 This Agreement may not be changed, modified or rescinded except in writing signed by both parties and any attempt at oral modification of this Agreement shall be of no effect.

22.3 The Parties to this Agreement acknowledge that it is a negotiated agreement, that they have had the opportunity to have this Agreement reviewed by their respective legal counsel, and that the terms and conditions of this Agreement are not to be construed against any party on the basis of such party's draftsmanship thereof.

22.4 The relationship of the Parties hereunder is that of buyer and seller and nothing in this Agreement shall be construed to create a partnership or joint venture between the Parties.

23. FURTHER INSTRUMENTS AND ACTION.

Each party shall promptly, upon the request of the other or Escrow Agent, execute, and as required, have acknowledged and deliver to the other, any and all further instruments and shall take all such further action as may be requested or appropriate to evidence or give effect to the provisions of this Agreement or to satisfy escrow agent's requirements.

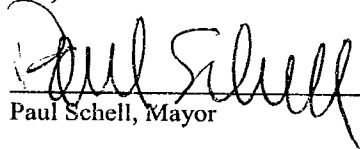
24. SURVIVAL AND NON-MERGER.

The Parties agree that the terms and conditions of this Agreement contained in Sections 6, 7, 8 and 11.1.3 shall survive Closing and are not merged into the deed.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Agreement to be executed by representatives duly authorized as of the day and year first above written, which shall be the date that the last of Seller and Purchaser shall have executed this Agreement.

THE CITY OF SEATTLE
("Seller")

By: _____


Paul Schell, Mayor

CITY INVESTORS INC.
("Purchaser")

By: _____

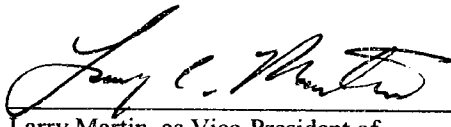

Larry Martin, as Vice-President of
City Investors Inc.

EXHIBIT T

Form of Certificate of Completion

The CITY OF SEATTLE, a city of the first class of the State of Washington ("City"), hereby certifies that CITY INVESTORS INC., a Washington corporation ("City Investors") has satisfactorily completed the following described condition(s) or obligation(s) of Section 6 of that certain Purchase and Sale Agreement between City and City Investors dated as of May 18, 2001 ("Purchase Agreement"):

This Certificate of Completion is and shall be a conclusive determination that City Investors has completed to the City's satisfaction the above-described condition(s) or obligation(s); provided, however, that the remaining conditions and obligations under Section 6 of the Purchase Agreement not referenced herein as complete shall continue as contractual obligations of City Investors. This Certificate represents and certifies the completion of the City Investor's obligations only as specifically described herein.

With respect only to rights created under the Purchase Agreement, the City acknowledges that it shall not have, or be entitled to exercise, any of the rights or remedies or controls that it may otherwise have been entitled to exercise under the Purchase Agreement with respect to the obligations of City Investors under Section 6 of the Purchase Agreement which have been acknowledged as completed herein.

IN WITNESS WHEREOF, the City has caused this instrument to be executed this ____ day of _____, ____.

THE CITY OF SEATTLE

By _____
Its: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

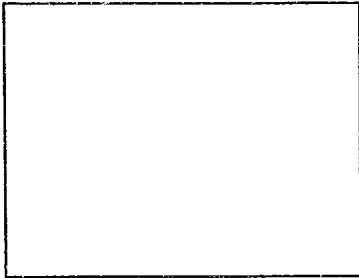
I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the _____ of the _____ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

- I -

(with technical corrections June 1, 2001)
50233186.12

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

Dated: _____



(Use this space for notarial stamp/seal)

Notary Public

Print Name _____

My commission expires _____

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

May 17, 2001

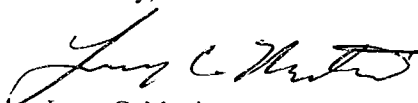
City of Seattle
c/o Heartland
Attn: Jim Reinhardsen
524 Second Avenue, Suite 200
Seattle, WA 98104

Dear Jim:

This letter confirms that, under the terms of the Purchase and Sale Agreement for Sale of Real Property between the City of Seattle and City Investors Inc., dated May __, 2001, City Investors agrees that the price of any Remnant Property created from the current Lot 1, Block 106, DT Denny's First Addition to North Seattle (now owned by City Investors XI L.L.C. and referred to as the "Tritell property"), shall be determined on a land square foot basis, with the purchase price to be equal to the greater of: (1) the Price as provided in Section 3.2 of the Purchase Agreement; or (2) the per square foot of land price paid by the City to City Investors XI L.L.C. in the City's condemnation proceeding against the Tritell property, multiplied by the number of square feet in any Remnant Property created from the Tritell property.

This letter is intended to be binding upon City Investors with respect to the purchase price for any Remnant Property created from the Tritell property.

Sincerely,



Larry C. Martin
City Investors Inc.

:rlh

**THE CITY OF SEATTLE/
CITY INVESTORS INC.**

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**PURCHASE AND SALE AGREEMENT
FOR SALE OF REAL PROPERTY**

THIS AGREEMENT ("Agreement") is entered into as of _____, 2001, between THE CITY OF SEATTLE ("City" or "Seller"), a city of the first class of the State of Washington, and CITY INVESTORS INC., a Washington corporation ("Purchaser"), together referred to as the "Parties."

RECITALS

This Agreement has been entered into with reference to and in reliance on the following facts:

The City owns eight (8) parcels of real property located in the South Lake Union neighborhood in the City of Seattle, Washington which are the subject of this transaction (collectively the "Subject Properties");

Through the South Lake Union neighborhood planning process and in City of Seattle Resolution 30080, a copy of which is attached hereto as Exhibit A, the redevelopment of the Subject Properties has been identified as a necessary catalyst for redevelopment in the Mercer/Valley corridor. The Resolution also listed a number of public objectives for the disposition of these properties;

The City issued a public Request for Qualifications in response to Resolution 30080. As a result of that process, Purchaser was selected by the City as the party most responsive to the request, most qualified to complete the transaction and most likely to accomplish the quality of planning and development in a manner that would achieve the stated public objectives listed in Resolution 30080;

As a member of the South Lake Union community, Purchaser is committed to fostering creative and lasting solutions to neighborhood needs and challenges, and therefore, in addition to the obligations set forth in this Agreement, the Parties have committed to a goal of working collaboratively with the South Lake Union neighborhood community to develop specific strategies to improve transportation, parking and housing in the South Lake Union neighborhood as a whole.

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

TERMS

In consideration of the payment and receipt of the Purchase Price, and in reliance on the Parties' mutual promises and undertakings and the mutual benefits to be derived from the promises contained in this Agreement, the Parties hereto agree as follows:

1. PROPERTY INTEREST TO BE CONVEYED. Seller owns and shall convey to Purchaser: (i) the Subject Properties legally described on Exhibits B through I attached to this Agreement together with all rights and easements appurtenant thereto (the "Land"); (ii) all buildings and improvements on the Land (the "Improvements"); (iii) all personal property associated with the Land and Improvements (the "Personal Property"); (iv) all leases and other agreements under which tenants occupy any portion of the Land and Improvements (the "Tenant Leases"); and (v) all permits, approvals, studies, surveys, warranties and other documents associated with the Land, Improvements, Personal Property and Tenant Leases ("Permits") (the Land, Improvements, Personal Property, Tenant Leases and Permits are collectively referred to herein as the "Subject Properties"). A map depicting the location of the Subject Properties is attached hereto as Exhibit J. The City is acquiring additional property for right-of-way as part of the Fairview/Valley Corridor Realignment Project which, when completed, may result in surplus land remnants that are contiguous to one or more of the Subject Properties on the block bordered by Valley St. on the north, Mercer St. on the south, Boren Avenue on the west and Fairview Avenue on the east (the "Remnant Properties"). A legal description of the Remnant Properties, if any, will be appended to this Agreement as soon as it is available. The City is requiring that the Remnant Properties, if any, be included in the sale to Purchaser subject to the terms and conditions of this Agreement. In addition, the City is in the process of vacating right-of-way contiguous to the Subject Property legally described in Exhibit E as "Parcel 11". A map depicting the general location of the right of way to be vacated is attached as Exhibit K ("Vacated Land"). Exhibit E shall be revised to include the legal description of the Vacated Land as soon as said legal description is available. It is the intent of the Parties to include the Vacated Land, which shall increase the size of Parcel 11, in the sale by Seller to Purchaser, subject to the terms and conditions of this Agreement.

2. SALE OF SUBJECT PROPERTIES; REMNANT PROPERTIES; VACATED LAND. Upon the execution of this Agreement by the duly authorized representatives of Purchaser and Seller, and subject to approval of this Agreement by Ordinance of the Seattle City Council and satisfaction or waiver of the other conditions to Closing set forth herein, Purchaser shall purchase and Seller shall convey to Purchaser by bargain and sale deed, in the form attached as Exhibit L to this Agreement, the Subject Properties described on Exhibits B through I, subject to the terms and conditions of this Agreement and subject further to such encumbrances and restrictions of record approved by Purchaser pursuant to Section 4.1 below.

In the event all conditions to Closing on the Remnant Properties and Vacated Land, respectively, have been satisfied as set forth in Section 5 hereof, then Purchaser shall purchase and Seller shall convey to Purchaser by bargain and sale deed, in the form attached as Exhibit L to this Agreement, the Remnant Properties and the Vacated Land, subject to the terms and conditions of the Agreement and subject further to such encumbrances and restrictions of record approved by

Purchaser pursuant to Section 4.4 below. The Parties recognize and agree that closing on either or both of the Remnant Properties and Vacated Land may be extended beyond the Closing date of the Subject Properties for reasons beyond the control of either of the Parties. If the Subject Properties Closing occurs before the conditions to close on either the Vacated Land and/or Remnant Properties have been met, the provisions in this Agreement concerning the Vacated Land and/or the Remnant Properties shall survive the Closing date of the Subject Properties. If the conditions to closing on the Remnant Properties and/or Vacated Land have not been satisfied by the date which is three (3) years after the Closing date on the Subject Properties, then Purchaser's obligation to purchase and Seller's obligation to sell the Remnant Properties and/or Vacated Land shall thereupon terminate and be null and void, unless otherwise agreed to by the Parties.

Purchaser and its agents, employees and consultants shall have access to the Subject Properties at all reasonable times for the purpose of conducting inspections thereof so long as this Agreement remains in force.

3. PURCHASE PRICE.

3.1 Purchase Price for Subject Properties. The total purchase price for the Subject Properties ("Purchase Price") shall be Twenty Million Seven Hundred Eighty-Five Thousand Eight Hundred Forty-Four Dollars (\$20,785,844.00), subject to a credit in the amount of Six Hundred Thousand Dollars (\$600,000.00), to be deducted from the Purchase Price for the costs of cleanup of Hazardous Substances on the Subject Properties and the indemnity given by Purchaser to Seller pursuant to Section 7, below. The Purchase Price shall be payable in cash at Closing as defined in Section 9.2 below.

3.2 Purchase Price for Remnant Properties; Vacated Land. The purchase price for the Remnant Properties shall be an amount equal to the total gross land square footage included in the Remnant Properties, multiplied by One Hundred Fourteen Dollars and Sixty-Seven Cents (\$114.67), minus an amount equal to the total gross land square footage included in the Remnant Properties multiplied by Three Dollars and Eighty-Six Cents (\$3.86) (the "Remnant Properties Purchase Price"). The purchase price for the Vacated Land shall be an amount equal to the total gross land square footage included in the Vacated Land as depicted in Exhibit K, estimated at 23,716 square feet, multiplied by Fifty-Eight Dollars and Sixty-Two Cents (\$58.62), minus an amount equal to the total gross land square footage included in the Vacated Land multiplied by Three Dollars and Eighty-Six Cents (\$3.86) (the "Vacated Land Purchase Price"). The sum of Three Dollars and Eighty-Six Cents (\$3.86) represents the agreed upon sum to offset the costs of cleanup of Hazardous Substances on said properties and the indemnity given by Purchaser pursuant to Section 7 below. The Remnant Properties Purchase Price and the Vacated Land Purchase Price shall be payable in cash at closing, as the same may occur with respect to each property.

3.3 Earnest Money. Within ten (10) business days of execution of this Agreement, the Parties shall open an escrow (the "Escrow") with the Seattle office of Pacific Northwest Title Insurance Company ("Escrow Agreement" and "Title Company") and Purchaser shall immediately deposit the sum of One Million Dollars (\$1,000,000.00) ("Deposit") with the Title

Company as Escrow Agent. The Parties shall instruct the Title Company to place the Deposit in an interest-bearing account with interest to accrue to Purchaser's benefit. If the transaction closes, the Deposit, together with accrued interest, shall be applied to the Purchase Price. If the transaction does not close for any reason other than default ("Default") by Purchaser, then the Deposit and accrued interest shall be returned to Purchaser. In the event this transaction does not close because of Purchaser's Default hereunder, Seller shall receive the Deposit together with accrued interest as damages, in addition to all other remedies provided for in Section 11, below.

4. CONDITION OF TITLE.

4.1 Permitted Exceptions for Subject Properties. Seller's conveyance of title to the Subject Properties shall be subject to all of the following, whether or not referred to in the Bargain and Sale Deed (collectively, the "Permitted Exceptions"):

(i) The conditions of title set forth on the Pro Forma Title Policies attached as Exhibit M to this Agreement ("Title Reports").

(ii) Zoning laws, restrictions, regulations, resolutions, ordinances, building restrictions and governmental regulations now or hereafter in effect;

(iii) The Tenant Leases, a true and complete schedule of which is attached to this Agreement as Exhibit N; and

(iv) Such other liens and encumbrances as are approved in writing by Purchaser.

4.2 Title Policy for Subject Properties. Evidence of delivery of title to the Subject Properties shall be the issuance by the Title Company of an extended coverage ALTA (Form B-1970) title insurance policy or policies insuring fee simple title to the Subject Properties as vested in Purchaser, or in such other entity or entities as Purchaser may elect to hold title to one or more of the Subject Properties, subject to the Permitted Exceptions (the "Title Policy").

4.3 Intervening Liens. Any liens, encumbrances, easements, restrictions, conditions, covenants, rights, rights-of-ways, and other matters affecting title to the Subject Properties which are created, which may appear of record, or which may be revealed by supplements to the Title Reports after the date of the Title Reports but before the Closing Date (hereinafter "Intervening Liens"), shall also be subject to Purchaser's approval. Purchaser shall have fifteen (15) business days after notice in writing of any Intervening Lien together with a description thereof and a copy of the instrument creating or evidencing the Intervening Lien, to submit written objections thereto, or to accept that matter as a Permitted Encumbrance in the manner set forth above. If any such time periods expire after the Closing Date, the Closing Date shall be extended for a date three (3) days after the expiration of such period. Notwithstanding the foregoing, Seller shall not voluntarily cause, create, or permit the creation of any Intervening Lien, except as may be required by law.

Without incurring any liability on account of its inability to do so, Seller shall use its reasonable best efforts to eliminate as an exception to title to the Subject Properties any matters disclosed by the Title Reports, required by the Title Company to issue the Title Reports, and any Intervening Liens timely objected to in writing by Purchaser. If an Intervening Lien is monetary in nature, and not created or caused by Purchaser, Seller shall cure the Intervening Lien on or before Closing or Purchaser shall be entitled to a reduction in the Purchase Price in the amount of such Intervening Lien.

If, prior to Closing, Purchaser creates or causes the creation of an Intervening Lien, monetary or otherwise, without the agreement of Seller, Purchaser shall have ten (10) days in which to cure the Intervening Lien, or to deposit into escrow funds sufficient to cure the lien which shall be non-refundable to Purchaser. If Purchaser fails to cure such Intervening Lien in ten (10) days or to deposit sufficient funds into Escrow, Purchaser shall be in Default under the terms of this Agreement and Seller may elect to declare a Default and may recover the Deposit and terminate this Agreement as its sole remedy for such Default. In the event that the Seller declares a Default under this provision, the Purchaser shall remain legally liable for any liens created by Purchaser. Seller may waive, in its sole discretion, the Purchaser's obligation to cure an Intervening Lien.

In the case that an Intervening Lien is not monetary in nature, is not created by Purchaser, and Seller refuses to cure such Intervening Lien at or before Closing, Purchaser may elect to not complete the purchase, in which case the Deposit and all interest accrued thereon shall be returned to Purchaser or Purchaser may waive the Intervening Lien and proceed to close.

4.4 Remnant Properties; Vacated Land. As soon as practical following mutual execution of this Agreement, Seller shall deliver to Purchaser a commitment for a standard owner's policy of title insurance for the Remnant Properties and for the Vacated Land (the "Remnant Properties Title Commitment" and the "Vacated Land Title Commitment" respectively) including legible copies of all documents referenced therein. Purchaser shall have fifteen (15) days after receipt of each of the Remnant Properties Title Commitment and the Vacated Land Title Commitment in which to review and make any objections to title in writing to Seller. Seller shall be obligated to remove title exceptions to which Purchaser objects if they consist of a monetary lien or encumbrance of an ascertainable amount. Seller shall have no obligation to cure any of Purchaser's other objections. Seller shall have fifteen (15) days after receipt of Purchaser's objections to cure or commence to cure at or prior to closing on the Remnant Properties and/or Vacated Land, any of Purchaser's objections. If there are remaining objections after expiration of the curative period, Purchaser shall have the right to either terminate this Agreement as to the Remnant Properties and/or Vacated Land only, by written notice thereof to Seller, or waive its objections as to both or either of the Remnant Properties or and Vacated Land and proceed with closing thereon. In addition, title to the Remnant Properties and the Vacated Property, shall be conveyed by Seller to Purchaser subject to the terms and conditions as provided in Sections 4.2, and 4.3 above.

5. CONDITIONS PRECEDENT TO PERFORMANCE.

5.1 Purchaser's Conditions Precedent to Closing on Subject Properties. Purchaser shall be obligated to close on the Subject Properties only upon the occurrence or waiver by the Purchaser of each of the following conditions:

5.1.1 Passage of an ordinance by the City authorizing its execution of this Agreement, and expiration without appeal of all appeal periods applicable thereto and/or a resolution of all appeals affirming the City's action and otherwise with conditions acceptable to Purchaser;

5.1.2 Seller is able to convey title to the Subject Properties to Purchaser as set forth in Section 4, above;

5.1.3 Resolution of all appeals applicable to the adoption of the Land Use and Zoning Code text amendment by the City Council, Ordinance No. 120267, with such resolution resulting in a decision upholding Ordinance No. 120267 as adopted by the City Council in the form attached hereto as Exhibit Q and otherwise with conditions acceptable to Purchaser;

5.1.4 The Title Company is committed to issue to Purchaser the Title Policy in an amount equal to the Purchase Price in the form approved by Purchaser as described in Section 4.1, with such endorsements and reinsurance coverage as may be requested by Purchaser;

5.1.5 Seller shall have delivered a certificate at closing confirming that representations and warranties made by Seller in this Agreement are true on and as of the date of Closing;

5.1.6 Purchaser shall have notified Seller in writing within sixty (60) days of mutual execution of this Agreement, that Purchaser is satisfied with the physical condition of the Improvements.

5.1.7 Seller shall have delivered to Purchaser within forty-five (45) days of mutual execution of this Agreement, an executed estoppel certificate from each of the tenants under the Tenant Leases in the form attached hereto as Exhibit P confirming the terms of the Tenant Leases as described in Exhibit N and the absence of any defaults or claims against Landlord thereunder;

5.1.8 All obligations of Seller and all other conditions of this Agreement related to Seller have been met, satisfied or waived.

5.2 Purchaser's Conditions Precedent to Closing on Remnant Properties; Vacated Land. Purchaser's obligation to close on the Remnant Properties and the Vacated Land shall be subject to the prior or simultaneous closing on the Subject Properties, together with the following additional conditions:

5.2.1 With respect to both of the Remnant Properties and the Vacated Land, Purchaser shall have approved the condition of title pursuant to Section 4.4 above;

5.2.2 With respect to both of the Remnant Properties and the Vacated Land, Seller shall have taken any and all necessary legislative or other action for the conveyance of the properties to Purchaser in the condition set forth herein and with conditions or requirements approved by Purchaser, and all applicable appeal periods have expired without appeal and/or all appeals have been resolved affirming such legislative or other action and otherwise with conditions approved by Purchaser;

5.2.3 With respect to both of the Remnant Properties and the Vacated Land, Seller shall have delivered a certificate as of the date of closing thereon confirming the accuracy of the representations and warranties set forth in 8.2.1, 8.2.2, 8.2.3, 8.2.4, 8.2.8, 8.2.9, 8.2.10, 8.2.11 and 8.2.12 all as if the same were made by Seller with respect to the Remnant Properties and the Vacated Land.

5.2.4 With respect to both of the Remnant Properties and the Vacated Land, Seller shall confirm that there are no tenants or other parties entitled to possession thereof as of the date of closing.

5.3 Conditions Precedent to Performance by Seller. Seller shall be obligated to perform under this Agreement only upon the following conditions:

5.3.1 Passage of an ordinance by the City authorizing execution of this Agreement by the City;

5.3.2 The representations and warranties made by Purchaser in this Agreement are true on and as of the date of Closing with the same effect as though such representations and warranties had been made on and as of the date of Closing; and

5.3.3 All other pre-Closing obligations of Purchaser under this Agreement have been met, satisfied, or waived.

6. CONDITIONS SUBSEQUENT TO PERFORMANCE.

The Parties agree that this Agreement imposes certain post-Closing obligations on Purchaser. The Parties agree that such post-Closing obligations shall survive Closing and shall not be merged in the deed delivered at Closing. Upon Seller's written request, and no more than once per annum, Purchaser shall furnish to Seller's Representative, as defined in Section 17 below, a written report which details the steps taken and progress achieved by Purchaser since the Closing Date, toward accomplishment of the conditions subsequent described in this Section 6. For purposes of calculations of time, all references to "Closing" in this Section 6 shall refer to the Closing of the Subject Properties.

6.1 Purchaser's Housing Commitment.

6.1.1 Affordable Housing. Not later than six (6) years from the Closing Date ("Housing Performance Date"), Purchaser shall construct, participate with others in the construction of, or otherwise guarantee the construction of, and have ready for occupancy, a minimum of fifty (50) affordable housing units ("Affordable Housing Units") within the area depicted on Exhibit Q as the "Affordable Housing Area". For the purposes of this Agreement, the term "Affordable Housing" means housing which can be purchased or rented by households with an annual income that is no more than eighty percent (80%) of the Seattle area median income as defined by the City of Seattle Office of Housing. The Affordable Housing Units shall be free of any City subsidy or contribution, unless otherwise mutually agreed to by the City and the Purchaser. The Affordable Housing Units shall consist of a mix of unit sizes, including units suitable for families to the extent consistent with then-current market demands in the Affordable Housing Area. In order for any unit to qualify as an Affordable Housing Unit as that term is used herein, such housing unit must be subject to a restrictive covenant requiring its continuance as Affordable Housing for a minimum of twenty (20) years from the date the first Occupancy certificate is issued for such unit and be subject to the rental/income verification rules and procedures of the City's Office of Housing.

6.1.2 Additional Housing Units. In addition to the obligations set forth in 6.1.1, Purchaser further agrees to work cooperatively with the City and the South Lake Union community toward a development goal of an additional four hundred fifty (450) housing units (not including the Affordable Housing Units) within the area depicted on Exhibit R as the "Housing Area". Notwithstanding anything to the contrary set forth herein, the parties agree and acknowledge that satisfaction of the development goal described herein is subject to numerous forces outside the control of Purchaser and is not an obligation of Purchaser under this Agreement nor is it subject on any basis to any of Seller's remedies for Purchaser's Default under this Agreement.

6.1.3 Time and Type of Development. All of the Affordable Housing Units called for in Section 6.1.1 may be located within a single purpose development or distributed throughout one or more mixed income and/or mixed use developments, subject to the City's Land Use and Zoning Code. To qualify as part of this total, the Affordable Housing Units need not be located on property or in projects controlled by Purchaser, as long as they are located within the Affordable Housing Area. Any Affordable Housing Units developed pursuant to Section 6.1.1 for which a building permit application has been submitted to the City on or after the mutual execution date of this Agreement and which are completed and ready for occupancy within the Affordable Housing Area prior to the Housing Performance Date shall be credited toward the satisfaction of Purchaser's Affordable Housing Units commitment.

6.1.4 Remedies Regarding Affordable Housing. In the event that some or all of the Affordable Housing Units described in Section 6.1.1. are not constructed and ready for occupancy prior to the Housing Performance Date, then Purchaser shall be in Default and the provisions of Section 11.1.3 below shall apply.

6.2 Purchaser's Cultural Use Commitment. Purchaser agrees that it shall develop a minimum of twenty thousand (20,000) square feet of new space for a cultural use or uses within the South Lake Union neighborhood as described on Exhibit S, on or before six (6) years from

the Closing Date ("Cultural Commitment Performance Date"). "Cultural Use or Uses" means non-profit use or use(s) by organizations, groups or individuals providing venues and facilities open to admission of the public, which may include the following or similar uses as selected by the Purchaser: libraries, fine and performance arts facilities, arts education, galleries, performing arts theaters and rehearsal spaces, and museums, including museums for the arts and/or sciences, but does not include uses which solely support functions such as storage, administration or management. In the event that Purchaser fails to provide such space for Cultural Uses by the Cultural Commitment Performance Date, Purchaser shall be in Default and the provisions of Section 11.1.3, below, shall apply.

6.3 Purchaser's Parking Commitment.

6.3.1 Non-Peak Parking. Purchaser plans to develop a significant parking facility or facilities ("Project Parking") for the properties that are bounded by Westlake, Fairview, Valley and Mercer (the "Three-Block Area"). Purchaser agrees to operate the Project Parking during non-peak hours so that available parking will be offered to the public at then fair market, short-term (defined for the purpose of this Agreement as 5 hours or fewer) parking rates for comparable off-street parking in the South Lake Union area.

6.3.2 Public Parking. Purchaser shall make available twenty percent (20%) of the Project Parking spaces for short-term public parking available to the public at then fair market, short-term parking rates for comparable off-street parking in the South Lake Union area ("Public Parking"). The Public Parking may be located either in the Three-Block Area and/or on other properties owned by Purchaser or one of its affiliates within 800 feet (or the otherwise then-required maximum distance for land use code covenant parking) of South Lake Union Park. In the event of phased development of the Subject Properties in the Three-Block Area, the twenty percent (20%) Public Parking obligation shall be required when Project Parking exceeds 200 stalls. Upon completion of development of the Three-Block Area, Purchaser shall have provided no fewer than 120 stalls of Public Parking; provided, however, that in the event that Purchaser exercises its option to reconvey Parcel 14 to Seller as described in Section 7 hereof, then the minimum number of Public Parking stalls provided for herein may be reduced by Purchaser to 100.

6.3.3 City's Option for Dedicated Parking. The City shall have the option to require Purchaser to build up to 160 dedicated parking spaces for public uses associated with development on South Lake Union Park on the terms described herein ("Park Parking"), which parking may be located either in the Three-Block Area and/or on other properties owned by Purchaser or one of its affiliates within 800 feet (or the otherwise then-maximum distance for land use code covenant parking) of South Lake Union Park. The City shall have the right to exercise its Park Parking rights upon receipt of a Parking Rights Notice from Purchaser. Purchaser shall deliver the Parking Rights Notice when Purchaser is planning its development for the Three-Block Area, or any portion or phase thereof, but in any event no sooner than twelve (12) months following the Closing hereunder. The Parking Rights Notice shall include a description of Purchaser's intended development of the Three-Block Area or phase or portion thereof, as the case may be, including a description of the uses contemplated for said development, an estimate of the number of private and public parking stalls to be included in the

intended development, and an estimate of the number of stalls that are anticipated to be available for public, short-term parking during evenings and weekends ("Off Peak Reservoir Parking"). The City shall exercise its Park Parking rights by delivering written notice to Purchaser of the amount of Park Parking it will require within ninety (90) days of receipt of the Parking Rights Notice, together with an irrevocable letter of credit or other form of financial guaranty or collateral acceptable to Purchaser and guarantying payment in full to Purchaser in the amount of the Parking Costs (as defined below) for such Park Parking. If the City fails to deliver such written notice and financial guaranty within 90 days of its receipt of the Parking Rights Notice, the City shall have irrevocably waived its rights to Park Parking, in whole if the Parking Rights Notice references the entirety of Purchaser's property within the Three-Block Area or in the same prorata portion as the area described in the Parking Rights Notice bears to the entirety of Purchaser's property within the Three-Block Area, and shall thereupon execute a document in recordable form evidencing such waiver. If, after delivery of its Parking Rights Notice, Purchaser's planned development changes such that Purchaser anticipates there will be a substantial decrease in the number of Off Peak Reservoir Parking spaces, Purchaser shall be obligated to provide the City with a new Parking Rights Notice. For purposes of this Agreement, a substantial decrease in the Off Peak Reservoir Parking spaces shall be a decrease of 30% or more of the Off Peak Reservoir Parking spaces identified in a Parking Rights Notice.

Upon the City's exercise of its Parking Rights, Purchaser shall be obligated to construct, in conjunction with its development of the Subject Properties, the number of Park Parking stalls requested by the City. The City shall be obligated to pay Purchaser for the Park Parking stalls in an amount equal to Fifty-Five Thousand Dollars (\$55,000.00) per stall ("Parking Costs"). The Parking Costs shall be increased by an amount equal to the sum resulting from the percentage of increase between the Revised Consumer Price Index for all Urban Consumers--All Items--Seattle-Tacoma-Bremerton (Reference Base 1982-84 = 100) published by the Bureau of Labor Statistics of the United States Department of Labor ("CPI") for the month immediately preceding the month in which Closing occurs and the CPI for the month immediately preceding the month in which payment for the Parking Costs is due Purchaser, multiplied by such Parking Costs; provided, however that in no event shall the Parking Costs be decreased pursuant to this CPI adjustment. Payment shall be due in cash upon Purchaser's delivery to the City (or City's assignee as provided for below) of the Park Parking (including phased payment if the delivery is in phases).

If the City exercises its Parking Rights, it is anticipated that the Park Parking shall be integrated with the Project Parking and shall operate as a single garage. The parties shall develop an agreement sharing operation and maintenance costs of the Park Parking. Such agreement shall be on then reasonable market rates and terms, with the City receiving revenue from the Park Parking, less costs to operate and maintain the Park Parking.

The City's parking rights under this section 6.3.3 shall be assignable to a public or nonprofit entity that will be a user of the facility on the South Lake Union Park on the same terms and conditions described herein, contingent upon such assignee's assumption in writing of all of Seller's obligations set forth in this Section 6.3.3.

Notwithstanding anything to the contrary contained in this Section 6.3.3, the Parties agree and acknowledge that: (a) in the event that Purchaser exercises its option to reconvey Parcel 14 to Seller as described in Section 7 hereof, then the City's option for Park Parking shall be reduced to 110 stalls; (b) in the event that the Parking Rights Notice applies to less than the entirety of Purchaser's property within the Three-Block Area, then the City shall be entitled to exercise its rights to Park Parking in the same prorata portion as the area described in the Parking Rights Notice bears to the entirety of Purchaser's property within the Three-Block Area; and (c) in the event that Seller exercises its option to repurchase the Subject Properties within the Three-Block Area pursuant to Section 6.5 hereof, then Purchaser shall have no obligation to provide any of the Public Parking or Park Parking described in Section 6.3 hereof.

6.3.4 Improved Parking and Transportation Solutions. Purchaser and the City shall cooperate and engage in feasibility studies for other parking and transportation improvements and alternatives for the South Lake Union Park, the development on the Subject Properties and the overall neighborhood parking needs. Such studies shall explore improvements to maximize transportation efficiencies and shall include studies of shared parking and covenant parking. The City and Purchaser shall further explore the development of additional public parking within or connected to the Public Parking and/or improvements to vehicular or pedestrian access in connection therewith. City and Purchaser shall work cooperatively to ensure that any such additional public parking within or connected to the Public Parking also works to improve vehicle ingress/egress, internal circulation of the Public Parking and pedestrian circulation.

The Parties agree and acknowledge that in the event that pedestrian linkages or improvements connecting Purchaser's development on the Three-Block Area to property on the north side of Valley Street, if any, are required as permit conditions or requirements for Purchaser's development of the Three-Block Area, this Agreement shall not be construed to obligate Purchaser or the City to pay for the required connections to the extent such connections are required or imposed due substantially to impacts associated with the Public or Park Parking proposed pursuant to Sections 6.3.2 or 6.3.3 of this Agreement.

6.3.5 Interim Parking for the S. Lake Union Park. Until such time as it is developed or needed for development staging, Purchaser shall maintain Parcel 15 as a parking lot operating in a manner similar to its current use.

6.4 Purchaser's Family-Wage Jobs Commitment. Purchaser, including all development entities working in coordination with Purchaser to redevelop the Subject Properties, shall participate in the Office of Port JOBS Apprenticeship Opportunities Project. Purchaser shall undertake an effort with the office of Port JOBS Apprenticeship Opportunities Project and the Seattle/King County Building and Construction Trades Council to assist low-income King County residents in gaining access to building and construction trades apprenticeships created as a result of Purchaser's commercial development activities. Purchaser shall: adopt a goal that at least fifteen percent (15%) of the labor hours related to construction on the Subject Properties shall be performed by participants in apprenticeship and training programs, adopt a goal that twenty percent (20%) of the apprentice labor hours be performed by female apprentices and twenty-one percent (21%) of apprentice labor hours be performed by minority apprentices; and.

facilitate opportunities, when possible, between the apprenticeship program and tenants or occupants of the Subject Properties for the purpose of developing employment and training opportunities to disadvantaged individuals.

Purchaser has a strong commitment to providing work environments free of any form of harassment or discrimination in recruitment, a proven track record of making business and employment opportunities available to a diverse population, and a commitment to making such business and employment opportunities available to a diverse population in the future.

In addition, Purchaser shall coordinate discussions between the occupants of the Subject Properties and the Seattle Jobs Initiative ("SJI") (a job training program administered by the City's Office of Economic Development) for the purpose of facilitating and assisting the occupants in recruitment, training and retention of qualified workers. Notwithstanding the foregoing, all hiring decisions shall be in the sole discretion of the occupants.

6.5 Purchaser's Commitment to Pursue Development Applications and Development. On or before expiration of the two-year period following Purchaser's closing on the Subject Properties and on all other parcels within the Three-Block Area, including the Remnant Properties, but in any event not later than six (6) years after the Closing date, Purchaser shall submit to the Department of Design Construction and Land Use one or more master use permit application or applications, whichever shall be required for the development of the Subject Properties within the Three-Block Area, and Purchaser shall thereafter diligently pursue regulatory approvals therefor. The parties recognize that Purchaser may submit one or more master use permit applications, and that such submittals may contemplate a phased development approach of the Three-Block Area in order to accommodate Purchaser's development plans, provided all such applications shall be submitted within 6 years after the Closing date.

Notwithstanding the remedies set forth in Section 11.1.3, Seller, as its sole and exclusive remedy, shall be entitled to repurchase any of the Subject Properties within the Three-Block Area for which Purchaser has failed to submit a master use permit application with DCLU within the required time periods noted above. Any such repurchase shall be at the same purchase price paid by Purchaser under this Agreement. Seller's failure to notify Purchaser of its intent to exercise its repurchase right within one hundred eighty (180) days following expiration of the two-year period following Purchaser's acquisition of the Subject Properties and all other parcels within the Three-Block Area, or the six-year period following the Closing Date, whichever is applicable, shall constitute a permanent and final waiver of Seller's repurchase right pursuant to this Section 6.5.

6.6 Certificate of Completion. Seller, upon Purchaser's satisfaction of the conditions subsequent set forth in this Section 6 shall execute and record in the real property records of King County a certificate of completion certifying that Purchaser has satisfied each of the agreements and conditions contained in this Section 6 with respect to the Subject Properties, and otherwise in the form attached hereto as Exhibit T.

7. HAZARDOUS SUBSTANCES AND INDEMNITY.

7.1 Investigation, Price Reduction and Indemnity. Purchaser has, at its own expense, conducted such surveys and investigations of the Subject Properties as it deems warranted, including investigations by itself and others in its employ, to determine the nature and extent of any Hazardous Substances. In doing so, Purchaser has independently verified information supplied by the City regarding historic uses and known conditions. Except as provided in Section 7.2 below, Purchaser is satisfied that it is sufficiently aware of all such conditions on the Subject Properties and accepts the risks associated with their presence, and shall undertake remediation of any Hazardous Substances as required by law in connection with redevelopment of the Subject Properties. Purchaser is aware of its rights to seek contribution from Seller for remediation and cleanup of such Hazardous Substances as a matter of law, and, except as set forth in Section 7.2 hereof, knowingly waives that right as a term of this Agreement and voluntarily relinquishes that right and forever releases the Seller from any such obligation as provided for in this Section 7.1. Therefore, in consideration of a price reduction in the amount of Six Hundred Thousand Dollars (\$600,000.00), and upon Closing, Purchaser shall release the City from any responsibility for cleanup of any Hazardous Substances, as this term is defined in MTCA and CERCLA, and any amendments thereto, on, under or migrating from the Subject Properties, except as provided in Section 7.2 below. Purchaser shall indemnify, release, defend and hold harmless Seller from any and all claims arising out of any Hazardous Substances on, under or migrating from the Subject Properties prior to Closing (except as provided in Section 7.2 below). Purchaser shall further indemnify, defend and hold Seller harmless from any claims arising out of any Hazardous Substances on, under or migrating from the Subject Properties after Closing (except as provided in Section 7.2 below). This indemnity also shall apply to land acquired under Sections 3.1.1 and 3.1.2, if any, above. This indemnity shall not apply, however, to claims by the City as owner of properties and/or rights-of-way not acquired by Purchaser, except to the extent of any contamination caused by Purchaser.

7.2 Parcel 14. One of the Subject Properties, Parcel 14, as described on Exhibit F, is significantly contaminated with petroleum and other Hazardous Substances which have migrated from the service station property located to the south of Parcel 14, and which were deposited on Parcel 14 by past on-site uses. The contamination migrating from the service station property substantially impairs the value of Parcel 14. Unless the service station property is cleaned up in conjunction with redevelopment of Parcel 14, the cost to clean up Parcel 14 may be prohibitive. Accordingly, Purchaser has agreed to close on its acquisition of Parcel 14 in accordance with the terms of this Agreement, subject to the following:

7.2.1 Purchaser and the City shall jointly file suit against the appropriate defendants, which may include the current owner of the service station property, the current operator of the service station property, and the past owner of the service station property, seeking a declaratory judgment that those parties are responsible for all clean-up costs, and seeking damages for loss of value and other such losses or costs that the parties may incur. This suit would be filed as soon as reasonably practical after Closing. The City shall cooperate with Purchaser in the preparation of the complaint and in all communications with defendants. The City and Purchaser shall enter into the Joint Prosecution Agreement of even date herewith to address cost sharing and joint decision-making with respect to such litigation.

7.2.2 At Closing, the amount of \$300,000 shall be held by the City in a dedicated account (the "Litigation Escrow") to cover litigation costs, expenses and Purchaser's attorney fees. Purchaser and the City shall be entitled to draw down on the Litigation Escrow to pay litigation costs and fees as provided by the Joint Prosecution Agreement.

7.2.3 In the event that the litigation referred to above has not been resolved to the satisfaction of the City and Purchaser, Purchaser shall have the absolute right to reconvey (rescinding that portion of the transaction as to Parcel 14) Parcel 14 to the City at the same purchase price for Parcel 14 paid by Purchaser (Purchaser's "Put Right"). Purchaser shall be entitled to exercise its Put Right between the date twelve (12) months after Closing and the date thirty (30) months after Closing.

7.2.4 Purchaser shall exercise its Put Right by giving written notice to the City. The City shall repay the purchase price and the Purchaser shall reconvey title by Bargain and Sale Deed within 180 days of Purchaser's exercise of its Put Right rescinding the transaction as to Parcel 14. Parcel 14 shall be conveyed "as is," provided that Purchaser shall return Parcel 14 to the City in substantially the same condition in which it is received (it being understood that any damage or destruction to the buildings need not be repaired by Purchaser, as the parties assign no value to the buildings contained on Parcel 14). The City shall pay any transfer tax and any other closing costs.

8. REPRESENTATIONS AND WARRANTIES.

The following representations and warranties shall survive Closing.

8.1 Purchaser's Representations and Warranties. Purchaser represents and warrants as follows:

8.1.1 Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has the power to own its property and assets;

8.1.2 As of Closing, this Agreement shall have been duly authorized, executed and delivered by Purchaser, shall constitute the legal, valid and binding obligation of Purchaser and shall be enforceable against Purchaser in accordance with its terms;

8.1.3 The individual executing this Agreement on behalf of Purchaser is authorized to do so;

8.1.4 The representations and warranties made in this Agreement are true on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date;

8.1.5 Purchaser shall at all times through the development and construction of the Subject Properties within the Three-Block Area act as the developer either on its own or in cooperation with development partners and shall not otherwise transfer or assign its rights or

obligations hereunder without prior written approval of Seller, which approval shall not unreasonably be withheld; provided, however, that if Purchaser guarantees performance of any such transferee or assignee hereunder, then Seller may not withhold its approval;

8.1.6 Purchaser has made its own investigation of the conditions of title as well as the physical conditions of the Land, Improvements, Tenant Leases, and the Title Reports and is willing to accept the same on an "as-is, where-is" basis, except for the representations and warranties of Seller as described herein; and

8.1.7 The purchase of the Subject Properties shall not conflict with or result in a material breach affecting Purchaser's ability to perform under this Agreement, of any other agreement or instrument to which Purchaser is a party or by which it is or may be bound or constitute a Default under any of the foregoing, or violate any state or federal governmental law, statute, ordinance or regulation in effect on the date of execution of this Agreement;

8.1.8 Purchaser has and will at all times maintain for the duration of the post-closing obligations set forth in this Agreement assets with a fair market value in excess of all liabilities of at least \$50,000,000, and will warrant that to be true with each annual report to the Seller's Representative.

Purchaser hereby agrees to defend, protect, indemnify and hold Seller harmless from any and all loss, damage, liability or expense, including attorneys' fees and costs, Seller may suffer as a result of any breach of or any inaccuracy of the foregoing representations and warranties. These representations and warranties shall survive Closing.

8.2 Seller's Representations and Warranties. Seller represents and warrants as follows and will deliver to Purchaser at Closing a certificate confirming that the same are true and correct as of the Closing date:

8.2.1 Seller is a Municipality of the first class of the State of Washington, duly organized under its laws and has complied with and is validity existing and in good standing under the laws of the State of Washington;

8.2.2 As of Closing, this Agreement shall have been duly authorized, executed and delivered by Seller, shall constitute the legal, valid and binding obligation of Seller and shall be enforceable against Seller in accordance with its terms;

8.2.3 The individual executing this Agreement on behalf of Seller is authorized to do so;

8.2.4 The sale of the Subject Properties shall not conflict with or result in a material breach affecting Seller's ability to perform under this Agreement, of any other agreement or instrument to which Seller is a party or by which it is or may be bound or constitute a default under any of the foregoing, or violate any state or federal governmental law, statute, ordinance or regulation in effect on the date of execution of this Agreement.

8.2.5 Title. As of the date of Closing, Seller shall have good, marketable, indefeasible title to the Subject Properties (including, without limitation, the Land and Personal Property) free and clear of all liens, claims and encumbrances except for exceptions approved by Purchaser pursuant to Section 4.1 above.

8.2.6 Condition of Subject Properties. Except as disclosed in writing to Purchaser, Seller, to the best of its knowledge, is not aware of any physical, structural, mechanical or other defects or deficiencies in the Improvements on the Subject Properties, which would constitute material violations under the City's land use, building code, life, health or safety regulations or ordinances. The phrase "to the best of its knowledge" shall mean and be understood to mean for the purpose of this Agreement the actual knowledge of City employees Debra Lewis, property manager, and Karen Tsao, strategic planner, City of Seattle Fleets and Facilities Department.

8.2.7 Tenant Leases. Seller has previously provided to Purchaser full, true and complete copies of all Tenant Leases. The Tenant Leases have not been amended, orally or in writing, except as previously disclosed to Purchaser in writing. With respect to the Tenant Leases:

(i) There are no oral or written leases, rental agreements or other occupancy agreements other than the Tenant Leases allowing any person to occupy any portion of the Subject Properties.

(ii) No person other than the tenants named in the Tenant Leases has any right of possession to any portion of the Subject Properties.

(iii) Except as disclosed to Purchaser in writing, no concessions or abatements have been given to any tenant under a Tenant Lease and no tenant is occupying a portion of the Subject Properties free of rent.

(iv) Excluding security deposits and advanced rentals disclosed in writing to Purchaser, no more than one month's rent has been paid in advance by any tenant under a Tenant Lease.

(v) No person has an option or right of first refusal to purchase or lease any interest in the Subject Properties under a Tenant Lease or otherwise.

(vi) Seller is not in default under any Tenant Lease and there have been no acts or omissions by Seller which with the passage of time, the giving of notice or both would constitute a default by Seller under a Tenant Lease. Seller has not received any claim from a tenant under a Tenant Lease that Seller is in default of any of its obligations under a Tenant Lease or that such tenant has a defense to the payment of rent.

(vii) To the best of Seller's knowledge, no Tenants under a Tenant Lease are in default thereunder.

8.2.8 Use of Subject Properties. The present use and operation of the Subject Properties are authorized by and in compliance with all laws, rules, regulations, permits, agreements, and licenses with respect thereto. In addition, the present use and operation of the Subject Properties are in compliance with all applicable zoning and land use laws and regulations.

8.2.9 Contracts. Seller shall have taken all necessary action to terminate as of the Closing date any and all contracts or agreements with respect to the Subject Properties which would be binding thereon after Closing if not otherwise terminated, and shall indemnify and defend Purchaser from any costs or expenses related to such contracts.

8.2.10 Litigation. There is no claim, litigation, proceeding or governmental investigation pending, or, so far as known to Seller, threatened against or relating to the Subject Properties, or the transactions contemplated by this Agreement, or any dispute arising out of any contract or commitment entered into regarding the Subject Properties nor is there any basis known to Seller for any such action or claim.

8.2.11 Zoning. There is no existing or pending, and Seller has no knowledge of any contemplated, threatened or anticipated (i) change in the zoning classification of the Subject Properties, (ii) widening, change of grade or limitation on use of streets abiding the Property, except as previously disclosed in writing to Purchaser.

8.2.12 Assessments. Except as reflected in the Title Reports, there are no pending and Seller has no knowledge of any planned public improvements which will result in the imposition of a tax, assessment or other lien on the Subject Properties.

Seller hereby agrees to defend, protect, indemnify and hold Purchaser harmless from any and all loss, damage, liability or expense, including attorneys' fees and costs, Purchaser may suffer as a result of any breach of or any inaccuracy of the foregoing representations and warranties. These representations and warranties shall survive Closing.

9. ESCROW AND CLOSING.

9.1 Escrow Instructions. The provisions of this Agreement shall constitute the joint instructions of the Parties to the Escrow Agent; provided, however, that the Parties shall execute such additional instructions as requested by the Escrow Agent not inconsistent with the provisions of this Agreement.

9.2 Closing Date. Closing on the Subject Properties shall occur within thirty (30) days after the satisfaction or removal of all conditions precedent to Closing, except with respect to the Remnant Properties and the Vacated Land, each of which shall close thirty (30) days after satisfaction of all conditions to closing hereon, but in no event later than three (3) years after the Closing Date for the Subject Properties.

9.3 Purchaser's Closing Obligations & Instrument. At Closing, Purchaser shall deliver to Seller through the Escrow Agent, by certified or cashier's check or wire transfer.

- thereon;
- (i) the balance of the Purchase Price, less the Deposit and all interest earned
 - (ii) a counterpart executed real estate excise tax affidavit; and
 - (iii) such other instruments as are reasonably necessary to consummate this purchase and sale transaction.

9.4 Seller's Closing Obligations & Instruments. At Closing, Seller shall deliver to Purchaser through the Escrow Agent originals of:

- (i) a fully executed and acknowledged bargain and sale deed subject only to the exceptions identified in Section 4, above;
- (ii) a bill of sale in form satisfactory to Purchaser conveying title to all Personal Property to Purchaser;
- (iii) an assignment and assumption of leases in form satisfactory to Purchaser transferring the Tenant Leases to Purchaser;
- (iv) All prepaid rents, security and other deposits and fees (whether refundable or non-refundable) under the Tenant Leases;
- (v) An estoppel form executed by each of the tenants under the Tenant Leases;
- (vi) a fully executed Certificate of Non-Foreign Status;
- (vii) a counterpart executed real estate excise tax affidavit; and
- (viii) such other instruments as are reasonably necessary to close under this Agreement.

10. ESCROW AGENT'S OBLIGATIONS.

10.1 In General. The Escrow Agent shall receive, hold and disburse all funds, arrange the execution, delivery and recording of all instruments necessary to this transaction and shall otherwise act in accordance with the mutual written instructions of the parties to this Agreement and in accordance with the laws of the state of Washington.

10.2 The Deposit. The Deposit shall be held by Escrow Agent in a separate interest bearing account, identified to this transaction. The interest accruing thereon between the date of deposit and the date of Closing shall be applied to the Purchaser's obligations at Closing or be paid to Seller in the event of a Default under 11.1.2, below.

10.3 Payment of Purchase Price. Upon recording of all documents necessary to transfer title, Escrow Agent shall pay to Seller the Purchase Price as adjusted and prorated for Seller's portion of costs of this transaction and after deduction of all applicable fees and taxes.

10.4 Prorations and Expenses. Real property taxes, general and special assessments, LIDs, Surface Water Management charges, rents, Conservation Service Charges, and utility charges constituting liens against the Property, all for the year of Closing, shall be prorated as of the date of Closing. Any documentary transfer tax, real estate excise tax, or other similar tax levied in accordance with the requirements of lawful authority shall be paid by Seller. Purchaser shall pay the cost of recording the Bargain and Sale Deed. Seller shall pay the premium for the issuance of the Title Policy if issued as standard coverage and Purchaser shall pay any additional premiums charged by Title Company for extended coverage and/or endorsements if requested by Purchaser. All other recording and Closing costs (including the escrow fee but excluding attorneys' and brokers' fees, costs and expenses associated therewith) shall be shared equally by the Parties. Each party shall pay the attorneys' fees, costs, and expenses incurred by such party with respect to the negotiation of this Agreement and the consummation of the transactions contemplated herein.

10.5 Title Policy. As soon as possible after Closing, the Escrow Agent shall have the Title Company issue to Purchaser the Title Policy in the amount of the Purchase Price and insuring fee simple title to the Subject Properties subject to the exceptions contained in the Title Reports identified in Section 4, above, and as approved or deemed to have been approved by Purchaser pursuant to this Agreement.

11. DEFAULT.

11.1 If either Party to this Agreement shall fail of refuse to perform or satisfy a material obligation under this Agreement, that party shall be in Default and the non-defaulting party may elect from the following remedies.

11.1.1 Seller in Default. In the event that Seller is in Default, Purchaser may elect to seek specific performance of this Agreement or may elect to terminate this Agreement and recover its Deposit plus interest accrued thereon.

11.1.2 Purchaser in Default Prior to Closing. In the event that Purchaser is in Default prior to Closing, Seller may at its sole and exclusive remedy retain the Deposit plus interest accrued thereon (less Escrow Agent's fees and expenses) as liquidated damages. In such event, Seller shall have no further rights and Purchaser shall have no further obligations under this Agreement.

11.1.3 Purchaser in Default After Closing. Except as otherwise set forth in Section 6.5, Seller, as its sole and exclusive remedy, shall have the right to seek specific performance of all obligations of Purchaser set forth in Sections 6, 7 and 8.1.5 which are intended to survive Closing.

12. CONDITION OF PROPERTY.

The Subject Properties shall be delivered by Seller to Purchaser at Closing in the same physical condition as of the date of Seller's execution of this Agreement, excepting ordinary wear and tear.

13. RISK OF LOSS.

Risk of loss or damage to the Subject Properties by fire or other casualty, from the date of this Agreement through the date of Closing shall be on the Seller, and thereafter shall be on the Purchaser.

14. BROKERAGE COMMISSIONS.

If any individual or entity shall assert a claim to a finder's fee or commission as a broker or a finder for the transfer of the Subject Properties, then the party that is alleged to have retained such individual or entity shall defend, indemnify and hold the other party harmless from and against any such claim and all costs, expenses, liabilities and damages incurred in connection with such claim or any action or proceeding brought thereon. This indemnification obligation shall survive the Closing and the termination of this Agreement.

15. ASSIGNMENT; BINDING EFFECT.

15.1 This Agreement shall not be assigned by Purchaser without the prior written consent of Seller, which consent shall not unreasonably be withheld; provided, however, that Seller and Purchaser agree that Purchaser shall have the unrestricted right to have one or more entities controlled by, or under common control with, Purchaser take title to one or more of the Subject Properties at Closing.

15.2 Subject to the foregoing, this Agreement shall be binding upon each Party and its successors and assigns.

16. SELLER'S REPRESENTATIVE.

Upon Closing under this Agreement, Seller shall designate a representative ("Seller's Representative"), initially identified in Section 17, below, to act as a resource for Purchaser during the planning and development of the Subject Properties and to assist Purchaser with communications with the City.

17. NOTICES.

17.1 All notices, requests, demands and other communications under this Agreement shall be in writing and shall either be delivered in person or sent by courier with documented delivery or by registered or certified mail through the U.S. Postal Service with postage prepaid addressed as follows:

PURCHASER (both):

Larry Martin
CITY INVESTORS INC.
505 Union Station
505 Fifth Avenue South
Suite 900
Seattle, WA 98104
(206) 342-2000
Fax: (206) 342-3000

With a Copy to:

Beth A. Clark
FOSTER PEPPER & SHEFELMAN PLLC
1111 Third Avenue, Suite 3400
Seattle, WA 98101-3299
(206) 447-8893
Fax: (206) 447-1916

SELLER (both):

Office of the Mayor
THE CITY OF SEATTLE
12th Floor
600 Second Avenue
Seattle, WA 98104
(206) 684-4000
Fax: (206) 684-5360

and

SELLER'S REPRESENTATIVE:

City of Seattle
Director, Office of Economic Development
600 Fourth Avenue, Room 205
Seattle, WA 98104-1826

or to such other address as shall be furnished in writing with fifteen (15) days prior notice by either party.

17.2 Notices shall be deemed to have been given upon the earlier of actual receipt, as evidenced by the deliverer's affidavit, the recipient's acknowledgment of receipt, or the Federal Express receipt, and in the event of attempted delivery during normal business hours at the proper address by an agent of a party or by Federal Express or the U.S. Postal Service but refused acceptance, shall be deemed to have been given upon attempted delivery, as evidenced by an affidavit of inability to deliver stating the time, date, place and manner in which such delivery was attempted and the manner in which such delivery was refused.

18. GOVERNING LAW JURISDICTION AND VENUE; ATTORNEYS' FEES.

18.1 This Agreement shall be governed by the law of the State of Washington.

18.2 In the event that litigation is commenced by either party, the Parties to this Agreement agree that jurisdiction shall lie solely in the courts of the State of Washington, with venue at Seattle, King County, Washington.

18.3 In any action between the Parties at law or in equity pursuant to this Agreement, the prevailing party shall be entitled to collect its reasonable attorneys' fees from the non-prevailing party. The term "prevailing party" shall mean the party who receives substantially the relief sought.

19. TIME OF THE ESSENCE; CALCULATION OF TIME PERIODS.

19.1 Time is of the essence of this Agreement and of all acts required to be done and performed by either and both of the parties hereto, including but not limited to the proper delivery of all documents, and the tender of all amounts of money, required by the terms hereof to be delivered or paid, respectively. Any extension of time granted for performance of any obligation to this Agreement shall not be considered an extension of time for the performance of any other obligation under this Agreement.

19.2 Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday. The final day of any such period shall be deemed to end at 5:00 p.m., Pacific Time.

20. COUNTERPARTS.

20.1 This Agreement may be executed in counterparts and, if so, only when counterparts are delivered to the Escrow Agent shall it be deemed a binding Agreement.

20.2 It is understood, agreed and acknowledged that if both Purchaser and Seller have not executed a counterpart of this Agreement and deposited signed copies, accompanied by the Deposit with the Escrow Agent as provided for in this Agreement, this Agreement shall be of no force and effect.

21. WAIVER.

Any waiver under this Agreement must be in writing. A waiver of any right or remedy in the event of a Default shall not constitute a waiver of such right or remedy in the event of any subsequent Default.

22. ENTIRE AGREEMENT; MODIFICATIONS; NEGOTIATED UNDERSTANDING.

22.1 This Agreement represents the entire agreement of the Parties with respect to the Subject Properties, the Remnant Properties and the Vacated Property, and any and all agreements, oral or written, entered into prior to the date hereof are revoked and superceded by this Agreement.

22.2 This Agreement may not be changed, modified or rescinded except in writing signed by both parties and any attempt at oral modification of this Agreement shall be of no effect.

22.3 The Parties to this Agreement acknowledge that it is a negotiated agreement, that they have had the opportunity to have this Agreement reviewed by their respective legal counsel, and that the terms and conditions of this Agreement are not to be construed against any party on the basis of such party's draftsmanship thereof.

22.4 The relationship of the Parties hereunder is that of buyer and seller and nothing in this Agreement shall be construed to create a partnership or joint venture between the Parties.

23. FURTHER INSTRUMENTS AND ACTION.

Each party shall promptly, upon the request of the other or Escrow Agent, execute, and as required, have acknowledged and deliver to the other, any and all further instruments and shall take all such further action as may be requested or appropriate to evidence or give effect to the provisions of this Agreement or to satisfy escrow agent's requirements.

24. SURVIVAL AND NON-MERGER.

The Parties agree that the terms and conditions of this Agreement contained in Sections 6, 7, 8 and 11.1.3 shall survive Closing and are not merged into the deed.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Agreement to be executed by representatives duly authorized as of the day and year first above written, which shall be the date that the last of Seller and Purchaser shall have executed this Agreement.

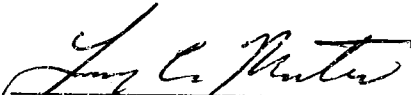
THE CITY OF SEATTLE
("Seller")

By: _____


Paul Schell, Mayor

CITY INVESTORS INC.
("Purchaser")

By: _____


Larry Martin, as Vice-President of
City Investors Inc.