

Ordinance No. 120962

Council Bill No. 114380

AN ORDINANCE relating to the Seattle Chinatown-International District Preservation and Development Authority's International District Village Square Project; authorizing the City to execute two separate guaranty agreements guaranteeing tax exempt bonds to be issued by the Authority for the support of the International District Village Square Two Project ("IDVSI Project"); establishing the terms and conditions under which the City will provide each such guaranty; and authorizing guaranty agreements, depository agreements, a reconveyance to the Authority of the City's interest in the real property which was the City's security for the City's guaranty of the Village Square One Bond Issue or a subordination agreement relating thereto, and such related documents and agreements as are necessary between the City, the Authority and other parties with regard to the Authority's issuance of the bonds and the City's guaranties.

10-21-02	Date 1st Referred:	To: (committee)
10-21-02	Date Re - Referred:	To: (committee)
	Date Re - Referred:	To: (committee)
	Date of Final Passage:	Full Council Vote:
	Date Presented to Mayor:	Date Approved:
11/4/02	Date Returned to City Clerk:	Date Published: 11/4/02
11/4/02	Date Vetoed by Mayor:	T.O. ✓ F.T. ✓
	Date Passed Over Veto:	Date Veto Published:
		Veto Sustained:

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

**Committee Action:**

10-28-02 Passed

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

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

*Jan Dregge*

Councilmember

### Committee Action:

*10-28-02 Passed*

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(Initials/Date)

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ORDINANCE 120962

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3 Development Authority's International District Village Square Project; authorizing the City to  
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6 Project"); establishing the terms and conditions under which the City will provide each such  
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Authority of the City's interest in the real property which was the City's security for the City's  
guaranty of the Village Square One Bond Issue or a subordination agreement relating thereto,  
and such related documents and agreements as are necessary between the City, the Authority and  
other parties with regard to the Authority's issuance of the bonds and the City's guaranties.

8 WHEREAS, the Seattle Chinatown-International District Preservation and Development Authority (the  
9 "Authority") was chartered by the City pursuant to RCW Ch. 35.21 and Chapter 3.110 of the  
Seattle Municipal Code to "conserve and renew the unique cultural and ethnic integrity  
characteristic of the International District" in Seattle; and

WHEREAS, the Authority has formulated plans to develop land in the International District to be known as the "IDVSII Project" which will include two components: a low-income housing component and a public purpose component consisting of a community center, public library, and parking facilities, the development cost of which is approximately Twenty-four Million Nine Hundred Thirty Eight Thousand Dollars (\$24,938,000); and

WHEREAS, the Authority intends to issue its Special Obligation Bonds, 2002 Series A (Housing Facilities) (the "2002 Series A Bonds") in an amount not to exceed Seven Million Nine Hundred Thousand Dollars (\$7,900,000) to finance the low-income housing facilities, and its Special Obligation Bonds, 2002 Series B (Community Facilities) (the "2002 Series B Bonds") in an amount not to exceed Two Million Nine Hundred Thousand Dollars (\$2,900,000) to finance the library and parking facilities; and

17 WHEREAS, the Authority intends to lend the proceeds of the 2002 Series A Bonds to the IDVS 2  
18 Family Housing LLC (the "Company"), a Washington limited liability company, of which the  
Authority is the managing member, formed by the Authority for the purpose of developing,  
constructing and operating the housing facilities component of the IDVSII Project facilities; and

19 WHEREAS, the Authority will receive an equity contribution of approximately Four Million Five  
20 Hundred Thousand (\$4,500,000) from a tax credit investor to finance part of the costs of the  
21 housing facilities, and approximately Fourteen Million Dollars (\$14,000,000) from sources other  
22 than the 2002 Series A Bonds and the 2002 Series B Bonds (collectively, the "Bonds"),  
including grants, other loans and fundraising proceeds to finance the development cost of the  
IDVSII Project facilities; and

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(V.r. 2 )

1 WHEREAS, the Authority has requested that the City facilitate the financing of the development cost of  
2 the IDVSII Project facilities by guaranteeing repayment of the Bonds in the aggregate principal  
amount of not to exceed Ten Million Eight Hundred Thousand Dollars (\$10,800,000); and

3 WHEREAS, the Authority, on its own, would be unable to obtain financing to develop the IDVSII  
4 Project facilities on terms that would make it economically and financially feasible, and the  
5 City's guaranty of the Bonds would significantly reduce the Authority's borrowing costs and  
thereby enable the Authority to develop the IDVSII Project facilities in a manner that is  
financially prudent and that would allow the Authority to provide the greatest benefits to the  
community in furtherance of its public purpose; and

6 WHEREAS, the IDVSII Project will benefit the International District and the City of Seattle as a whole  
7 by providing centralized Asian/Pacific resources for low-income housing and community  
services through a community center, public library, and parking facility; and

8 WHEREAS, the Authority forecasts that the rental payments from the low-income housing units and  
9 leases of the IDVSII Project facilities, together with parking revenues, the contributions of a tax  
credit partner, and other revenues of the Authority, will provide sufficient funds for the  
10 repayment of the Bonds; and

11 WHEREAS, the Council has received the advice of the City's Debt Management Policy Advisory  
Committee ("the Committee") pursuant to the City's Debt Management Policies as adopted by  
12 Resolution, and while acknowledging the advice of the Committee, finds that the substantial  
public benefit derived from the IDVSII Project outweighs the financial risks associated with the  
13 Project;

14 NOW THEREFORE,

15 BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

16 Section 1. Findings. The City Council hereby makes the following findings:

17 It is in the best interests of the City and its citizens for the Authority to develop and construct the IDVSII  
18 Project. The Authority, on its own, is unable to obtain sufficient financing to develop and construct the  
19 IDVSII Project on terms and conditions that make it economically and financially feasible. The pledge  
20 by the City of its full faith and credit to guarantee payment of the principal of and interest on the  
21 Authority's Bonds in an aggregate amount not to exceed Ten Million Eight Hundred Thousand Dollars  
22 (\$10,800,000) will significantly reduce the costs of the Authority's financing for the IDVSII Project and  
thereby enable the Authority to develop the IDVSII Project facilities in a manner that is financially  
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1 prudent. The Authority expects to derive funds for the repayment of the Bonds from payments from a  
2 tax credit investor, from rental payments under the leases of portions of the IDVSII housing units and  
3 facilities, from parking revenues, and from other sources available to the Authority.

4 The City Council concludes that the most appropriate method of assisting the Authority in  
5 furtherance of its public purpose is to pledge the City's full faith and credit to guarantee payment of the  
6 principal of and interest on the Bonds issued by the Authority. Such guaranty shall be provided in the  
7 manner hereinafter set forth in two separate guaranty agreements, one for the 2002 Series A Bonds and  
8 one for the 2002 Series B Bonus, substantially in the forms contained in Exhibit A and Exhibit B hereto  
9 with such modifications as the Mayor may deem necessary and appropriate and which are consistent  
10 with this Ordinance. The City Council hereby further finds and declares that the City's provision of  
11 credit support and any expenditure of public funds to assist in the development of the IDVSII Project are  
12 for a public and strictly municipal purpose.

13 Section 2. Authorization to execute agreements. If he finds it to be in the best interests of the  
14 City to do so, the Mayor is authorized to execute on behalf of the City two guaranty agreements with the  
15 Authority substantially in the forms contained in Exhibits A and B hereto. The Mayor's authority to  
16 execute either or both guaranty agreements, however, is expressly contingent upon (a) the Authority  
17 and a tax credit investor executing a final agreement providing for the contribution of the tax credit  
18 investor of approximately Four Million Five Hundred Thousand Dollars (\$4,500,000) to the IDVSII  
19 Project; and (b) both the Company's and the Authority's obligations under either or both guaranty  
20 agreements being secured by a deed of trust or deeds of trust acceptable to the Director of the  
21 Department of Finance. The Mayor is further authorized to execute depository agreements and such  
22 other related agreements and documents as he deems necessary and appropriate to carry out the  
23 agreements contemplated in Exhibits A and B and this Ordinance.

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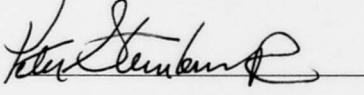
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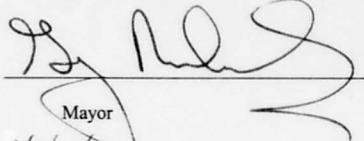
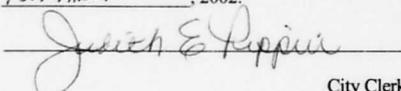
1        Section 3. Authorization to reconvey interest in real property or execute subordination  
2 agreement. If, to carry out the goals set forth in this Ordinance, he finds it to be in the interests of the  
3 City to do so, the Mayor is authorized to execute on behalf of the City a reconveyance deed,  
4 reconveying to the Authority the City's interest in the real property securing the City's guaranty of the  
5 1996 Bonds issued by the Authority in support of the Village Square One project, or a subordination  
6 agreement subordinating the City's interest in the real property securing the City's guaranty of the 1996  
7 Bonds issued by the Authority in support of the Village Square One project.

8        Section 4. This ordinance shall take effect and be in force thirty (30) days from and after its  
9 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after  
10 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

11        Passed by the City Council the 28<sup>th</sup> day of October, 2002, and signed by me in open  
12 session in authentication of its passage this 28<sup>th</sup> day of October, 2002.

13          
14  
15        President \_\_\_\_\_ of the City Council

16        Approved by me this 4 day of November, 2002.

17          
18  
19        Mayor  
20        Filed by me this 4<sup>th</sup> day of November, 2002.  
21          
22        City Clerk

23        (Seal)

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BOND PAYMENT GUARANTY AGREEMENT

between

THE CITY OF SEATTLE,

IDVS2 FAMILY HOUSING LLC,

and

THE SEATTLE CHINATOWN-INTERNATIONAL DISTRICT  
PRESERVATION AND DEVELOPMENT AUTHORITY

Special Obligation Bonds,  
2002 Series A (Housing Facilities)  
Not to Exceed \$7,900,000

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ACTING  
CITY  
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**Exhibits**

- Exhibit A—Legal Description of Housing Facilities Condominium
- Exhibit B—Housing Facilities Description
- Exhibit C—Form of Deed of Trust
- Exhibit D—Project Budget
- Exhibit E—Construction Schedule
- Exhibit F—Proforma Budget
- Exhibit G—Insurance

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BOND PAYMENT GUARANTY AGREEMENT  
BETWEEN  
THE CITY OF SEATTLE,  
IDVS2 FAMILY HOUSING, LLC  
AND  
SEATTLE CHINATOWN-INTERNATIONAL DISTRICT  
PRESERVATION AND DEVELOPMENT AUTHORITY  
SPECIAL OBLIGATION BONDS, 2002 SERIES A (HOUSING FACILITIES)

THIS BOND PAYMENT GUARANTY AGREEMENT is effective as of the \_\_\_\_\_ day of \_\_\_\_\_ 2002, between THE CITY OF SEATTLE (the "City"), a Washington municipal corporation, IDVS2 FAMILY HOUSING LLC, and the SEATTLE CHINATOWN-INTERNATIONAL DISTRICT PRESERVATION AND DEVELOPMENT AUTHORITY (the "Authority"), a public corporation chartered by the City, to provide for the City's guaranty of payment on bonds issued by the Authority to finance a portion of the Authority's costs to develop and construct housing facilities as part of a project to be known as "International District Village Square Phase 2."

I. RECITALS

These facts and principles form the background of this Agreement:

1.1 The Authority was chartered by the City pursuant to the Revised Code of Washington (RCW), Chapter 35 (RCW 35.21.730, *et seq.*) and Seattle Municipal Code (SMC), Chapter 3.110 (Ordinance 103387, as amended) to "work for the conservation and renewal of the unique cultural and ethnic integrities characteristic of the area historically known as the Chinatown-International District," and "to expand and preserve the residential community, especially for low-income people."

1.2 The Authority has undertaken to develop the International District Village Square 2 (IDVSI) Project, a mixed-use project containing low-income family housing, parking, a community recreation center, a branch library and other uses (the "Project") located in the City of Seattle's Chinatown-International District.

1.3 The Project, in addition to providing various community facilities, will further the purposes of the Authority and serve the public interest by providing low income housing, as described and defined in Exhibit B hereto (the "Housing Facilities"). The Housing Facilities will be owned by the Company (as such term is defined herein).

1.4 The City of Seattle, the State of Washington and other public and private funders are providing the Authority with crucial financial assistance for the development of the Project, which will provide significant public benefit to the community.

1.5 By Resolution No. \_\_\_\_\_, adopted \_\_\_\_\_, 2002, (the "Bond Resolution"), the Authority has approved the issuance and sale of its Special Obligation Bonds, Series 2002 Series A (Housing Facilities), in an aggregate principal amount of not-to-exceed

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Million Dollars (\$\_\_\_\_\_) (the "Bonds") and the loan of the proceeds, or a portion thereof to the Company pursuant to a Loan and Regulatory Agreement, dated as of \_\_\_\_\_, between the Authority and the Company (the "Loan Agreement") to finance a portion of the costs for development and construction of the Housing Facilities.

1.6 The Authority and Washington Mutual Bank (the "Tax Credit Investor") have entered into an Amended and Restated Operating Agreement (the "Tax Credit Agreement") pursuant to which the Tax Credit Investor will become an investment member in the Company and will contribute equity to the Company to help finance the Housing Facilities.

1.7 The City has reviewed and approved the Tax Credit Agreement which cannot be amended without the written consent of the City, which consent shall not be unreasonably withheld.

1.8 The City, the Company, and the Authority have negotiated this Agreement pursuant to which the City will provide credit enhancement to the Bonds by unconditionally guaranteeing their payment.

1.9 The parties understand that because of the unique structure of this transaction, certain obligations and duties set forth herein apply to both the Authority and the Company, or to either the Authority or the Company, depending upon, among other things, the particular obligation, the circumstances, the length of the tax credit period, and whether the Authority is replaced as managing member of the Company or managing agent of the Housing Facilities at some future date. As such, the parties intend that in the event that (1) the Authority is replaced as the managing member of the Company or managing agent of the Housing Facilities; or (2) the Authority or another entity other than the Company becomes the owner and/or operator of the Housing Facilities, then the obligations of the Authority shall continue for so long as the Bonds remain Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, unless all such obligations are expressly assumed, with the City's approval, by another party. In addition, the parties intend that for so long as the Company remains the owner of the Housing Facilities, all obligations of the Company hereunder shall continue for so long as the Bonds remain outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later. It is further understood and agreed by the parties that the Company may transfer its ownership interest in Housing Facilities only in accordance with paragraph 5.17 herein.

1.10 The City Council by Ordinance No. \_\_\_\_\_ passed on \_\_\_\_\_, 2002, has authorized the Mayor to execute this Agreement on behalf of the City.

1.11 By the Bond Resolution the Authority has authorized the execution of this Agreement on behalf of the Authority.

1.12 This Agreement is the culmination of negotiations and discussions between the City and the Authority regarding the terms and conditions under which the City will provide its

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unconditional payment obligation with respect to the Bonds as set forth herein and other duties and functions of each of the parties.

## II. DEFINITIONS

The words hereinafter defined shall throughout this Agreement have the meanings set forth in this Section:

2.1 "Agreement" means this Bond Payment Guaranty Agreement between the City, the Company, and the Authority with respect to the Bonds.

2.2 "Arbitrage and Tax Certification" means the certificate executed by the Authority pertaining to, among other things, the calculation and payment of any Rebate Amount with respect to the Bonds.

2.3 "Authority" means Seattle Chinatown-International District Preservation and Development Authority or its successors, established by the City pursuant to RCW Ch. 35.21 and SMC Ch. 3.110, and chartered to transact business and exercise its powers.

2.4 "Authority and/or Company" means that both the Authority and the Company or either the Authority or the Company shall have the obligation or duty imposed.

2.5 "Authority Council" means the Council of the Authority established pursuant to its Charter and Bylaws.

2.6 "Bond Counsel" means the counsel selected by the Authority to act as its bond counsel for issuance of the Bonds.

2.7 "Bond Resolution" means the resolution of the Authority authorizing the issuance and sale of the Bonds.

2.8 "Bonds" means the Authority's Special Obligation Bonds, 2002 Series A (Housing Facilities), to be issued by the Authority pursuant to the Bond Resolution, the Ordinance and this Agreement in an aggregate principle amount of not to exceed Seven Million Nine Hundred Thousand Dollars (\$7,900,000).

2.9 "Business Day" means any day other than: (a) a Saturday or Sunday, (b) a day on which the Depository or commercial banks in Seattle are authorized or obligated to close, or (c) a day on which the offices of the City are closed.

2.10 "Capital Cost" means costs for the replacement of the building systems or components of the Housing Facilities which have a projected useful life less than the remaining life of the Housing Facilities, and include, without limitation, the roof, the heating, ventilation and air conditioning system, the water heating system, floor coverings, appliances, exterior finishes, and landscaping features, allocable to the Housing Facilities.

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2.11 "Capital Reserve Account" means the special account of the Company with respect to the Housing Facilities established pursuant to this Agreement and the Tax Credit Agreement.

2.12 "City" means The City of Seattle, Washington.

2.13 "Code" means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

2.14 "Committee" means the oversight committee established pursuant to Section IV of this Agreement.

2.15 "Company" means IDVS 2 Family Housing LLC, a Washington limited liability company, the managing member of which is the Authority, which will own and operate the Housing Facilities.

2.16 "Condominium" means the condominium comprising the Housing Facilities portion of the Project, as more fully described in Exhibit A hereto, which is incorporated herein by this reference.

2.17 "Debt Service Payment Date" means any date on which the principal of and/or interest on the Bonds is due and payable as provided in the Bond Resolution.

2.18 "Debt Service Reserve Subaccount" means the subaccount of that name established within the Bond Account of the Authority with respect to the Bonds pursuant to this Agreement and the Bond Resolution.

2.19 "Debt Service Reserve Requirement" means the amount established at closing on the Bonds equal to the least of: (i) ten percent (10%) of the issue price of the Bonds maturing after 2005; (ii) maximum annual debt service on the Bonds maturing after 2005; and (iii) one hundred twenty-five percent (125%) of the average annual debt service on the Bonds maturing after 2005.

Upon the optional or mandatory redemption, open market purchase or defeasance of a portion of the outstanding principal amount of the Bonds, the Debt Service Reserve Requirement shall be reduced on a pro rata basis.

2.20 "Deed of Trust" means the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing to be executed by the Company and the Authority in favor of the City securing the obligations to the City of both the Authority and the Company set forth in this Agreement, and recorded with respect to the real property described in Exhibit A which is attached hereto and incorporated by this reference, in substantially the form attached hereto as Exhibit C which is attached hereto and incorporated herein by this reference, with such changes thereto as are approved by the City.



2.21 "Department of Finance" means the Department of Finance of the City, or its functional successor.

2.22 "Depository" means a national banking association or trust company selected by the Authority with the City's approval to act as depository under the Depository Agreement.

2.23 "Depository Agreement" means the depository agreement among the Depository, the City, the Company and the Authority with respect to, among other things, the Project Account and the Bond Account.

2.24 "Housing Facilities" means the completed Housing Facilities of the Project, as described in Exhibit B hereto and which is incorporated herein by this reference.

2.25 "Fiscal Year" means the fiscal year of the Authority.

2.26 "Interest Subaccount" means the subaccount of that name established within the Bond Account of the Authority with respect to the Bonds pursuant to this Agreement and the Bond Resolution.

2.27 "Leases" mean the residential leases for the use of the Housing Facilities between the Company and its tenants.

2.28 "Legislative Authority" means the Mayor and the City Council of the City.

2.29 "Operating Reserve Account" means the special account of the Company with respect to the Housing Facilities established pursuant to this Agreement and the Tax Credit Agreement.

2.30 "Operations and Maintenance Expenses" means all reasonable and necessary expenses incurred by the Company in causing the Housing Facilities to be operated and maintained in good repair, working order and condition. Operation and Maintenance Expenses shall include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs to the extent not properly classifiable as Capital Costs, and a properly allocated share of charges for insurance (including reasonable contributions for self-insurance reserves, if any) consulting, technical and professional services, and all other expenses incidental to the operation of the Housing Facilities, including customary property management expenses.

2.31 "Ordinance" means Ordinance No. \_\_\_\_\_ of the City, passed \_\_\_\_\_, 2002, authorizing the Mayor of the City to execute this Agreement and authorizing the City's unconditional payment obligation with respect to the Bonds as set forth herein.

2.32 "Outstanding" means, with respect to the Bonds, an obligation that has not yet been paid or redeemed.

2.33 "Plans and Specifications" is defined in Section 4.2 of this Agreement

2.34 "Principal Subaccount" means the subaccount of that name established within the Bond Account of the Authority with respect to the Bonds pursuant to this Agreement and the Bond Resolution.

2.35 "Project" means the work and undertaking by the Authority known as International District Village Square 2 (IDVSI), including planning, financing, design, purchase, acquisition, development, construction, and equipping of a mixed use project, and all work or undertakings related thereto, a part of which is the Housing Facilities.

2.36 "Project Account" means the special account of the Company established pursuant to this Agreement and the Bond Resolution into which a portion of the proceeds from the Bonds shall be deposited.

2.37 "Project Revenues" means: (1) all earnings and revenues received by the Company from the operation of the Housing Facilities and includes without limitation all rents, income, receipts, revenues, issues, profits and other income of the Housing Facilities from all Leases of the Housing Facilities including minimum rents, additional rents, percentage rents or common area maintenance contributions, tax and insurance contributions, deficiency rents, liquidated damages following default in any Lease, and all proceeds payable under any policy of insurance covering loss of rents resulting from untenantability caused by destruction or damage to the Housing Facilities.

2.38 "Rebate Amount" means the amount, if any, determined to be payable with respect to the Bonds by the Authority in accordance with Section 148(f) of the Code.

2.39 "Revenue Account" means the special account established by the Company with respect to the Housing Facilities pursuant to this Agreement and the Tax Credit Agreement into which Project Revenues shall be deposited.

2.40 "Tax Credit Agreement" means the Amended and Restated Operating Agreement dated as of \_\_\_\_\_, 2002 between the Authority and the Tax Credit Investor.

2.41 "Tax Credit Investor" means Washington Mutual Bank, its successors and assigns.

### III. GUARANTY PAYMENT OBLIGATIONS OF THE CITY AND REPAYMENT BY THE AUTHORITY

3.1 Payment Obligations. The City unconditionally obligates itself to make payments to the Depository for deposit into the Interest Subaccount, Principal Subaccount and/or Debt in Service Reserve Subaccount with respect to the Bonds as provided in Section 3.2 below, in amounts sufficient, together with other funds available therefor, to make scheduled payments of principal of and interest on the Bonds when due. The City covenants and agrees, for so long as any Bonds are Outstanding, that each year it will include in its budget and levy an ad valorem tax

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within and as a part of the tax levy permitted to cities without a vote of the people, upon all the property within the City subject to taxation, which will be sufficient, together with all other money of the City that may legally be used and that the City may apply for such purposes, to satisfy its guaranty obligation to make payments with respect to the Bonds as provided herein. Registered owners of the Bonds are the express beneficiaries of the City's payment obligation set forth in this paragraph.

3.2 Procedure in Event of Insufficient Funds.

(a) In the event that the amount of funds in the Debt Service Reserve Subaccount (taking into account earnings accrued thereon) falls below one-half (1/2) the Debt Service Reserve Requirement, the City shall, upon notice provided pursuant to the Depository Agreement given no later than the first Business Day of the second month preceding the next Debt Service Payment Date, cause to be deposited into the Debt Service Reserve Subaccount no later than seven (7) days prior to such Debt Service Payment Date, the amount of money necessary to restore the amount of funds in the Debt Service Reserve Subaccount to one-half the Debt Service Reserve Requirement. The City shall deposit such funds directly with the Depository in accordance with the Depository Agreement.

(b) If, for any reason by 10:00 a.m. on the second Business Day preceding a Debt Service Payment Date the amount on hand in the Interest Subaccount, Principal Subaccount and the Debt Service Reserve Subaccount (taking into account earnings accrued thereon) is inadequate to make scheduled payments of principal of and interest on the Bonds on such Debt Service Payment Date, the Authority shall and the Depository (pursuant to the Depository Agreement) will immediately so notify the City. Upon such notice the City shall pay to the Depository the amount necessary to make up such deficiency no later than 10:00 a.m. on the Business Day preceding the scheduled Debt Service Payment Date.

(c) Notwithstanding any failure by the Authority or the Depository to provide notice required under this section 3.2, the City shall not be relieved of its payment obligations under this Section III, and shall make such payments upon receiving actual (and not merely constructive) notice of all facts set forth in this Section III that trigger the City's payments hereunder.

3.3 Authority's Obligation to Repay the City.

(a) Any amounts expended by the City pursuant to this Agreement shall be deemed a loan from the City to the Authority. The Authority shall be obligated to repay such amounts from all property, assets, or funds of the Authority including payments from the Company pursuant to the Loan Agreement, with interest payable at an interest rate equal to the cost of funds to the City at the time of such expenditure or the annualized earnings rate of the City's general fund, whichever is greater, calculated on the basis of a 360-day year composed of twelve 30-day months from the date of such expenditures.

(b) The Authority shall repay the City any and all amounts expended by the City pursuant to this Agreement, together with interest as set forth above, within six (6) months after

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the City has expended such funds. The Authority's failure to repay the City within such time shall be an Event of Default under this Agreement.

3.4 Tax Exemption. The City covenants that it will not make any use of the proceeds from the sale of the Bonds or any other money or obligations of the Authority or the City which may be deemed to be proceeds of such Bonds pursuant to Section 148(a) of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said Section and said regulations. The City will comply with the applicable requirements of Section 148(a) of the Code throughout the term of the Bonds. The City covenants that it will not act or fail to act in a manner which will cause the Bonds to be considered obligations not described in Section 103(a) of the Code.

3.5 Non-Impairment. The Authority is relying on this Agreement, and in particular, on the unconditional obligations of the City provided for herein, to issue the Bonds. The City shall not take any action which impairs the Authority's authority to issue and sell the Bonds pursuant to this Agreement. To the extent legally required to prevent impairment of the City's obligations hereunder, the City shall reserve and designate for purposes of providing for the unconditional obligation of the City specified herein a portion of its general obligation debt capacity permitted to cities without a vote in accordance with Chapter 39.36 RCW, equal to the maximum principal amount of the Bonds, and, upon issuance thereof, such reservation may be reduced to equal the principal amount of the Bonds actually issued.

Upon the maturity, optional or mandatory redemption, open market purchase or defeasance of a portion of the Bonds, the City may further reduce such reservation to an amount equal to the principal amount of Bonds then outstanding.

3.6 Undertaking to Provide Continuing Disclosure.

(a) Disclosure. This Section 3.6 constitutes the City's written undertaking (the "Undertaking") for the benefit of the holders of the Bonds as required by paragraph (b)(5) of the United States Securities and Exchange Commission (the "SEC") Rule 15c2 - 12, as it may be amended and administratively and judicially interpreted (the "Rule"). For purposes of this Undertaking, the term "holders of the Bonds" shall have the meaning intended for such term under the Rule. The City as an "obligated person" within the meaning of the Rule undertakes to provide or cause to be provided, either directly or through a designated agent:

(1) to each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule (each "NRMSIR") and to a state information depository, if one is established in the State of Washington and recognized by the SEC (the "SID"), annual financial information and operating data regarding the City of the type included in the Official Statement for the Bonds as follows: (i) annual financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by State law, which statements will not be audited, except that if and when audited financial statements are otherwise prepared and available to the City they will be provided; (ii) a statement of authorized, issued and outstanding general obligation bond debt of

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the City; (iii) the assessed value of the property within the City subject to ad valorem taxation; and (iv) ad valorem tax levy rates and amounts and percentage of taxes collected.

Annual financial information, as described above, will be provided to each NRMSIR and the SID, not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as permitted or required by State law, commencing with the City's fiscal year ending December 31, 2002. The annual financial information may be provided in a single or in multiple documents, and may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an obligated person as defined by the Rule, which documents have been filed with each NRMSIR and the SID. If the document incorporated by reference is a "final official statement" (as defined by the Rule) with respect to which the City is an obligated person, it must be available from the Municipal Securities Rulemaking Board ("MSRB"). The City will clearly identify each such other document so incorporated by reference.

(2) to each NRMSIR or to the MSRB and to the SID timely notice of a failure by the City to provide required annual financial information on or before the date specified in paragraph (a)(1) above.

(b) Amendment. The Undertaking may be amended without the consent of any owner of any Bond, any broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule. The City will give notice to each NRMSIR or the MSRB, and the SID of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information being provided.

(c) Compliance. If the City fails to comply with this Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the City learns of that failure. No failure by the City or other obligated person to comply with this Undertaking shall constitute a default with respect to the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary and appropriate to compel the City or other obligated person to comply with this Undertaking.

(d) Beneficiaries. This Undertaking shall inure to the benefit of the City, the Authority and any holder of the Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination. The City's obligations under the Undertaking described in this Section 3.6 shall terminate upon the legal defeasance of all of the Bonds or any refunding bonds guaranteed pursuant to this Agreement. In addition, the City's obligations under the Undertaking shall terminate if those provisions of the Rule which require the City to comply with the Undertaking become legally inapplicable with respect to the Bonds, or such refunding bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel



familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the SID and either the MSRB or each NRMSIR.

#### IV. OBLIGATIONS OF THE COMMITTEE

4.1 Purpose and Composition. The Committee shall be established for the purpose of determining substantial progress of the Housing Facilities portion of the Project, approving disbursements from the Project Account pursuant to Section 5.10 below, and reporting to the Legislative Authority on the progress of the Housing Facilities portion of the Project as provided herein. The Committee will consist of the Mayor, the City Council Finance Committee Chair and the Director of the Office of Housing, or their respective designees. The City shall provide such support staff for the Committee as it deems reasonable in its discretion. The Committee may, as it deems useful, permit or cause persons with specialized expertise to consult with members of the Committee and to attend all or any of the proceedings, meetings or activities of the Committee, to advise the Committee and its members regarding its functions under this Agreement; provided, however, that such consulting persons shall act solely in an advisory capacity and shall have no authority hereunder to act on behalf of the Committee.

4.2 Monitor Progress. The Committee shall, upon receipt of staff reports, determine: (1) whether the Authority has provided the Committee with evidence satisfactory to the Committee that, prior to beginning work on the Housing Facilities portion of the Project, the Authority has obtained sufficient financing to complete the Housing Facilities; and (2) whether the Company is making substantial progress in developing the Housing Facilities using the Project Budget attached hereto as Exhibit D and incorporated herein by this reference, and the Construction Schedule attached hereto as Exhibit E and incorporated herein by this reference, as the standards against which to measure progress (as such Project Budget and Construction Schedule may be amended with the City's review and approval); and (3) whether the Housing Facilities are being constructed in substantial accordance with the plans and specifications designated and/or incorporated into the general contract for construction of the Housing Facilities (hereinafter, the "Plans and Specifications").

4.3 Approval of Disbursements from Project Account. The Committee shall review and approve requests for disbursement from the Project Account as provided in Section 5.10, below.

4.4 Recommendations. Upon request of the Director of the Department of Finance, the Committee shall recommend to the Legislative Authority such actions as it deems advisable or warranted to further the purposes of this Agreement if: (1) the Committee finds that the Authority has not demonstrated to the Committee's satisfaction that it has obtained sufficient financing to complete the Housing Facilities; or (2) that substantial progress on the Housing Facilities is not being made; or (3) that the Housing Facilities are not being constructed in accordance with the Plans and Specifications. Upon request of the Director of the Department of Finance, the Committee shall recommend to the Authority and the Legislative Authority any adjustments to the Housing Facilities or amendments to this Agreement that would improve the Housing Facilities, further its purposes or objectives, or reduce any problems or difficulties encountered in completing the Housing Facilities.

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4.5 Reviews. The Committee shall review or cause to be reviewed monthly reports from the Authority and any additional information the Committee may reasonably request on the cost, design and progress of the Housing Facilities.

4.6 Access. The Committee shall have access, at reasonable times and conditions, and subject to reasonable notice, to all records and files with respect to the Housing Facilities and all personnel involved in the management or ownership of the Housing Facilities.

4.7 Dissolution of Committee. The Committee shall be dissolved and shall have no further authority or responsibility without any action on the part of the City or the Committee immediately following filing of the Certificate of Completion of the Housing Facilities with the Depository pursuant to the Depository Agreement.

#### V. OBLIGATIONS OF THE AUTHORITY

5.1 Issue Bonds. The Authority shall issue its Bonds in accordance with the Bond Resolution and this Agreement. The Authority shall issue Bonds in an amount not to exceed the amount necessary to finance the Housing Facilities in accordance with the Project Budget attached as Exhibit D, but in no event in an amount exceeding \$7,900,000 without express written authorization of the City. Principal payments on the Bonds may commence no later than forty-eight (48) months after issuance of the Bonds. Prior to the issuance and sale of the Bonds, the Authority will review the proposed date, terms, conditions, interest rates and other features of the Bonds with the Director of the City's Department of Finance or his/her designee, and the Authority shall be obligated to make any changes in the terms and conditions thereof reasonably requested by the City.

##### 5.2 Tax Exemption.

(a) Arbitrage Bonds. The Authority covenants that it will not make any use of the proceeds from the sale of the Bonds or any other money or obligations of the Authority or the City which may be deemed to be proceeds of the Bonds pursuant to Section 148(a) of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said Section and said regulations. The Authority will comply with the applicable requirements of Section 148 (a) of the Code throughout the term of the Bonds, including arbitrage and arbitrage rebate requirements. The Authority covenants that it will not act or fail to act in a manner which will cause the Bonds to be considered obligations not described in Section 103 (a) of the Code.

5.3 Creation of Accounts. The Authority shall create and establish the Bond Account with the Depository pursuant to this Agreement, the Bond Resolution and the Depository Agreement. Within the Bond Account the Authority shall create and establish the following subaccounts: the Interest Subaccount, the Principal Subaccount and the Debt Service Reserve Subaccount.

The Company shall create and establish the Project Account with the Depository pursuant to this Agreement, the Bond Resolution and the Depository Agreement.

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The Project Account and the Bond Account and each of its constituent accounts and subaccounts, if any, shall be held by the Depository pursuant to the Depository Agreement separate and apart from all other funds and accounts of the Authority and the Company, and shall be established, managed, invested, disbursed and administered as provided in this Agreement, the Loan Agreement, the Depository Agreement and the Tax Credit Agreement.

(b) The Company shall separately establish the Revenue Account; the Capital Reserve Account; and the Operating Reserve Account.

5.4 Revenue Account and Application of Project Revenues.

(a) For so long as the Bonds remain Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, and unless otherwise specifically provided herein, the Company shall deposit all Project Revenues into the Revenue Account. In particular, payments under the Leases shall be deposited by the Company into the Revenue Account upon receipt.

(b) For so long as the Bonds are Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, the money in the Revenue Account shall be used only for the following purposes and in the following order of priority:

First, to make all payments required by this Agreement to be made into the Interest Subaccount to pay the interest on the Bonds;

Second, to make all payments required by this Agreement to be made into the Principal Subaccount to pay the principal of the Bonds (including mandatory sinking fund payments with respect to term bonds);

Third, to make all payments required by this Agreement to be made into the Debt Service Reserve Subaccount;

Fourth, to pay Operation and Maintenance Expenses, including payment of the Property Management Fee;

Fifth, to make payments to the State of Washington Housing Trust Fund with respect to a loan in the principal amount of \$1,900,000;

Sixth, to make all payments required by the Tax Credit Agreement and this Agreement to be made into the Capital Reserve Account;

Seventh, to make all tax credit adjustment payments required under the Tax Credit Agreement to the Tax Credit Investor;

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Eighth, to make payment of any accrued and payable Asset Management Fees to the Asset Manger as set forth in the Tax Credit Agreement as approved by the City;

Ninth, to pay any unpaid balance on the deferred development fee, if any, as such balance may be reflected in the Pro Forma Budget;

Tenth, to make payments on any loans made pursuant to the Tax Credit Agreement to the Company by the Tax Credit Investor;

Eleventh, to make all payments required by this Agreement to be made into the Operating Reserve Account;

Twelfth, to make all payments required by this Agreement to be made to reimburse the City, including interest thereon, for the City's payments made pursuant to the City's guaranty obligations set forth in Section III of this Agreement;

Thirteenth, to make all payments required to reimburse the Authority for advances made to the Company in support of the Housing Facilities and approved by the City;

Fourteenth, to make payment of any accrued and payable Company Management Fees to the Authority as managing member of the Company as set forth in the Tax Credit Agreement as approved by the City;

Fifteenth, to repay the loan from the City's Office of Housing; and

Sixteenth, to make payments as are otherwise required under the Tax Credit Agreement or to retire by redemption or purchase in the open market any Outstanding Bonds.

5.5 Bond Account. For so long as the Bonds are Outstanding, the Authority shall establish and maintain the Bond Account. Within the Bond Account the Authority shall authorize and establish the "Interest Subaccount", the "Principal Subaccount" and the "Debt Service Reserve Subaccount".

(a) Interest Subaccount. Upon the issuance of the Bonds, the Authority shall deposit into the Interest Subaccount all accrued interest on the Bonds, if any, paid by the purchaser thereof and a portion of the proceeds of the Bonds or other funds in an amount equal to interest on the Bonds through \_\_\_\_\_. For so long as the Bonds remain Outstanding, the Authority and/or the Company shall deposit (or cause the Depository to deposit) into the Interest Subaccount on or before the twentieth (20th) day of each month, from the Revenue Account or from any other revenues, funds and assets of the Authority, one-sixth (1/6<sup>th</sup>) of the interest on the Bonds due and payable on the next Debt Service Payment Date (adjusted for capitalized interest, interest earnings and other money on deposit in the Interest Subaccount). The Authority and/or the Company shall also deposit money into the Interest Subaccount from the Revenue Account to the extent necessary to make up any deficiency in such Subaccount resulting from the failure to pay all or any portion of any prior monthly payment since the last Debt Service Payment Date. If there are insufficient funds in the Revenue Account to make up any such deficiency, the

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Authority shall make up such deficiency from any and all other revenues, money and assets of the Authority from all sources including sources other than the Housing Facilities. The Authority shall authorize the Depository under the Depository Agreement to draw upon funds in the Interest Subaccount to make payments of the interest on the Bonds due on each Debt Service Payment Date, and the Authority shall not draw upon funds in the Interest Subaccount for any other purpose until the principal of and interest on the Bonds is paid in full.

(b) Principal Subaccount. Upon the issuance of the Bonds and for so long as the Bonds remain Outstanding, the Authority and/or the Company shall deposit (or cause the Depository to deposit) into the Principal Subaccount on or before the twentieth (20th) day of each month, from the Revenue Account or from any other revenues, funds and assets of the Authority, and taking into account investment earnings on money in the Principal Subaccount (if any), one-twelfth (1/12th) of the principal of the Bonds due and payable on the next Debt Service Payment Date (whether such principal is due upon maturity of serial bonds or upon mandatory sinking fund redemptions of term bonds) (provided, however, that if the first Debt Service Payment Date on which principal is due and payable on the Bonds is more than twelve (12) months after issuance of the Bonds, then monthly payments of principal hereunder shall commence on the 20<sup>th</sup> day of the twelfth (12th) month preceding the first Debt Service Payment Date on which principal on the Bonds is due and payable). The Authority and/or the Company shall also deposit money into the Principal Subaccount from the Revenue Account to the extent necessary to make up any deficiency in such Subaccount resulting from the failure to pay all or any portion of any prior monthly payment since the last Debt Service Payment Date. If there are not sufficient funds in the Revenue Account to make up any such deficiency, the Authority shall make up such deficiency from any and all other revenues, money and assets of the Authority from all sources including sources other than the Housing Facilities. The Authority shall authorize the Depository under the Depository Agreement to draw upon funds in the Principal Subaccount to make payments of the principal of the Bonds due on each Debt Service Payment Date, and the Authority shall not draw upon funds in the Principal Subaccount for any other purpose until the principal of and interest on the Bonds is paid in full.

(c) Debt Service Reserve Subaccount.

(i) Establishment and Replenishment of Account. Upon the issuance of the Bonds the Authority shall deposit into the Debt Service Reserve Subaccount a portion of the proceeds of the Bonds or other amounts in an amount equal to the Debt Service Reserve Requirement. For so long as the Bonds remain Outstanding, the Authority and/or the Company shall deposit (or cause the Depository to deposit) into the Debt Service Reserve Subaccount, on or before the twentieth (20th) day of each month, money from the Revenue Account or from any other revenues, funds and assets of the Authority in an amount sufficient, together with other funds in the Debt Service Reserve Subaccount and interest earnings thereon, to maintain the balance in the Debt Service Reserve Subaccount in an amount equal to the Debt Service Reserve Requirement.

(ii) Use of Funds. In the event that funds in the Interest Subaccount and/or Principal Subaccount are insufficient to make any payment of the principal of or interest on the Bonds then due and payable, the Authority shall authorize the Depository under

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the Depository Agreement to withdraw funds from the Debt Service Reserve Subaccount to make such payment. The Authority shall not draw upon funds in the Debt Service Reserve Subaccount for any other purpose until the principal of and interest on the Bonds is paid in full without the consent of the City, except that earnings from the investment of money in the Debt Service Reserve Subaccount in excess of the amount needed to maintain the Debt Service Reserve Subaccount at the Debt Service Reserve Requirement shall be transferred to the Interest Subaccount and used to pay interest on the Bonds.

(iii) Final Disposition of Funds. When the total remaining debt service on the Bonds is equal to, or less than the amount in the Debt Service Reserve Subaccount, and if at that time the City has been fully reimbursed for money expended, if any, under its guarantee obligations under this Agreement, then the money in the Debt Service Reserve Subaccount shall be transferred to the Interest Subaccount and Principal Subaccount at such times and in such amounts as is necessary to make the final debt service payment(s) (or portion of such final debt service payment(s), as applicable) on the Bonds. If the City has not previously been fully reimbursed for any money expended to satisfy its guarantee obligations hereunder, then when no Bonds remain Outstanding, the balance in the Debt Service Reserve Subaccount shall be used to repay the City for such expenditures; provided, however, that this sentence, and the existence of funds in the Debt Service Reserve Subaccount which may be used pursuant hereto to repay the City when no Bonds remain Outstanding, shall not abrogate or in any way affect or alter the Authority's obligation under Section 3.3, above, to repay the City within the time set forth therein, and making failure to do so an Event of Default under this Agreement. If any funds remain after repaying the City, then when no Bonds remain Outstanding such remaining funds shall be remitted to the Authority by the Depository.

(iv) Notification to City of Withdrawal. The Authority shall notify the City within 2 working days of any withdrawal from the Debt Service Reserve Subaccount (other than the transfer of investment earnings into the Revenue Account as required under this Agreement)

#### 5.6 Capital Reserve Account.

(a) Funding of Account. For so long as the Bonds remain Outstanding, or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, the Authority and/or the Company shall deposit into the Capital Reserve Account on or before the twentieth (20th) day of each month money from Project Revenues or from any other revenues, funds and assets of the Authority in an amount at least equal to \$300 per unit per year, to be increased annually by 3%, as set forth in the Pro Forma Budget for the Housing Facilities attached to this Agreement as Exhibit F and incorporated herein by this reference.

(b) Use of Money in Capital Reserve Account. Subject to the terms of the Tax Credit Agreement, the Company may withdraw and use any and all funds in the Capital Reserve Account to pay for Capital Costs of the Housing Facilities. In the event that the expenditure of funds on a Capital Cost is necessary to operate the Housing Facilities consistently with prudent

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management practices, the Company shall spend money in the Capital Reserve Account for such Capital Cost. In addition and subject to the Tax Credit Agreement, the Company may withdraw and use money in the Capital Reserve Account, if any, for the following purposes: (i) to repay the City, if the City so requests, for any money expended to satisfy its guaranty obligations under this Agreement; (ii) to replenish the Debt Service Reserve Subaccount, if the City so requests, up to the amount of the Debt Service Reserve Requirement; and (iii) to redeem the Bonds or pay debt service on refunding bonds or other refinancing pursuant to Section 5.19 below ("Refinancing"). Subject to the Tax Credit Agreement, when no Bonds remain Outstanding, any amounts remaining in the Capital Reserve Account shall be remitted to the Authority by the Company.

5.7 Operating Reserve Account.

(a) Account Activity. Upon receipt of the equity allocable to the Operating Reserve pursuant to the Tax Credit Agreement, the Company shall deposit \$55,535 into the Operating Reserve Account from such equity contribution. Thereafter and for so long as the Bonds remain Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later the Company shall maintain in the Operating Reserve Account an amount equal to \$55,535. In the event funds from Project Revenues are inadequate to maintain a balance of \$55,535 in the Operating Reserve Account, the Company shall deposit sufficient funds to replenish the account equal to \$55,535.

(b) Use of Money in Operating Reserve Account. Subject to the terms of the Tax Credit Agreement, the Company may use any and all money in the Operating Reserve Account for: (1) Operations and Maintenance Expenses; (2) the reasonable and necessary expenses incurred by the Company to own and operate the Housing Facilities until the Housing Facilities are fully leased and rental payments on all such leases have commenced; and (3) for twenty-four (24) months after the Bonds are issued, to make payments into the Principal Subaccount or Interest Subaccount to pay debt service on the Bonds where Project Revenues are insufficient to pay such debt service and the Company has taken reasonable and appropriate measures to maximize Project Revenues. In addition and subject to the Tax Credit Agreement, the Company may withdraw and use money in the Operating Reserve Account, if any, for the following purposes: (i) to repay the City, if the City so requests, for any money expended to satisfy its guaranty obligations under this Agreement; (ii) to replenish the Debt Service Reserve Subaccount, if the City so requests, up to the amount of the Debt Service Reserve Requirement; (iii) to make payments required under the Tax Credit Agreement to the Tax Credit Investor; (iv) to repay the Authority for advances made to the Company and approved by the City in support of the Housing Facilities; and (v) to redeem the Bonds or pay debt service on refunding bonds or other refinancing pursuant to Section 5.19 below ("Refinancing")

5.8 Investments and Earnings. The Company and the Authority may invest funds in the accounts and subaccounts established pursuant to this Agreement in such investments as the Company and the Authority are legally authorized to make, provided no such investment may adversely affect the exemption from federal income taxation under the Code of the interest on the Bonds. The investment earnings on the Debt Service Reserve Subaccount in excess of the amount needed to maintain the Debt Service Reserve Subaccount at the Debt Service Reserve

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Requirement shall be deposited into the Interest Subaccount. Investment earnings on the Capital Reserve Account shall be deposited in the Interest Subaccount. Investment earnings on money in all other accounts and subaccounts shall accrue to such accounts and subaccounts.

5.9 Corrective Action Plan.

(a) Use of Corrective Action Plan. Upon the following events, the Authority and/or the Company shall propose and the City may impose on the Authority and/or Company, in the manner and at such times as set forth below, a Corrective Action Plan with respect to the management and operation of the Housing Facilities:

(1) any withdrawal from the Debt Service Reserve Subaccount (other than the transfer of investment earnings into the Interest Subaccount as required under this Agreement);

(2) the Housing Facilities' actual Net Rental Income, Total Income, Net Operating Income, Total Expenses or Net Cash flow in any Fiscal Year varies by more than five percent (5%) from the projections for such items on the Pro Forma Budget for the Housing Facilities attached hereto as Exhibit F as such budget may be amended with City review and written approval;

(3) the City, the Company, or the Authority reasonably determine, based upon actual expenditures to date and any other information available concerning the Housing Facilities, that there is a significant possibility that the total actual cost of the Housing Facilities or the sources expected to be available for payment of such costs will vary by more than two percent (2%) from the projections thereof in the Project Budget attached hereto as Exhibit D and incorporated herein by this reference; or

(4) any withdrawal from the Operating Reserve Account which is not replenished within fifteen (15) days.

(b) Corrective Action Plan - When Proposed and Imposed. The Authority and/or the Company shall notify the City upon the occurrence of any of the events set forth in subsection (a) immediately above, and provide the City with such information as the City may request concerning such occurrence. The Authority and/or the Company shall propose a Corrective Action Plan within forty-five (45) days after the occurrence of any of the events set forth in subsection (a), above, and the City may impose a Corrective Action Plan at any time after the occurrence of any such event; provided, that any such Corrective Action Plan may not cause a reduction in or recapture of the tax credits granted in accordance with the Tax Credit Agreement. In no case shall the City's guaranty obligations under this Agreement be waived and no action required under this Section may in any manner whatsoever adversely affect the exemption from federal income taxation of interest on the Bonds. Taking action under this Section shall not be a condition to the City's exercise of its rights and remedies set forth in Section VI, "Events of Default and Remedies," and any action the City may take pursuant to this Paragraph shall not diminish or abrogate the City's rights and remedies under said Section VI.

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(c) Corrective Action Plan - Elements. A Corrective Action Plan may consist of such terms and conditions as the City may impose in its reasonable discretion (provided that no requirement hereunder shall be imposed which would affect the tax exempt status of the Authority or the Bonds or cause a reduction in or recapture of the tax credits granted in accordance with the Tax Credit Agreement, or breach any income or rent restrictions imposed by the State, the City and the Federal Home Loan Bank), including without limitation:

- (i) Requiring the Authority and/or the Company to enforce any rights or options it has under the Leases, including without limitation leasing all or portions of the Housing Facilities to tenants who demonstrate an ability to pay rents, or collecting unpaid rents from the Housing Facility's tenants;
- (ii) Requiring the Authority and/or the Company to raise or contribute additional funds from other sources, including increased rents, under such terms as the City may require in its reasonable discretion, to replenish the Debt Service Reserve Subaccount or any other accounts described herein;
- (iii) Imposing reasonable time limits for the performance of the above conditions;
- (iv) Requiring the Authority and/or the Company to change the scope and frequency of reporting required under this Agreement; or
- (v) Such further conditions as may be added by the mutual agreement of the City and the Authority, subject to the reasonable approval of the Tax Credit Investor.

A Corrective Action Plan imposed by the City may differ in any or all respects from any Corrective Action Plan proposed or implemented by the Authority and/or the Company, and the City may, in its discretion, at any time, change any element of a Corrective Action Plan previously implemented hereunder.

#### 5.10 Project Account.

(a) Establishment. The Company shall establish and maintain a special account entitled the "Project Account" ("Project Account"). The Project Account shall, pursuant to the Depository Agreement, be held by the Depository, separate and apart from all other funds and accounts of the Authority and the Company. All principal proceeds of the Bonds after making deposits to the Interest Subaccount as required by paragraph (a) and (c) of Section 5.5, shall be deposited in the Project Account, and no other money from any other source shall be deposited into the Project Account.

(b) Use of Project Account. The Bond proceeds deposited in the Project Account and any investment earnings thereon shall be used solely to pay the costs and expenses of the Housing Facilities and to pay the Rebate Amount, if any, to the extent that the Rebate Amount is attributable to earnings on moneys in the Project Account. Except as may be otherwise approved by the City in writing, all money in the Project Account used to pay the costs and expenses of the

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Housing Facilities shall be spent on the Housing Facilities before any money available to the Authority for the Housing Facilities from any other source is spent on the Housing Facilities. When the Housing Facilities are completed, any funds remaining in the Project Account shall be applied to the payment of the principal of the Bonds or to the redemption of the Bonds, upon approval of the City. Any disbursements from the Project Account shall be made only with the prior written approval of the Committee upon the request of the Authority and/or the Company, which approval shall not be unreasonably withheld. The Authority and/or the Company shall submit its disbursement schedules for the Project Account to the Committee for advance approval. The Committee shall approve such disbursement schedules in writing based upon the City's satisfaction that there is substantial progress being made on the Housing Facilities, using the Project Budget attached hereto as Exhibit D and the Construction Schedule attached hereto as Exhibit E, as the standards against which to measure progress, and that the Housing Facilities are being constructed in substantial accordance with the Plans and Specifications for the Housing Facilities. The City's notice of approval or disapproval shall be given no later than eight (8) Business Days after the first Business Day of the month after the City receives the Authority's and/or Company's request. The Authority and/or the Company may disburse (or request that the Depository disburse) amounts from the Project Account in accordance with the disbursement schedule approved by the Committee.

(c) Demonstration of Financing Prior to Disbursement from Project Account. Before funds may be disbursed from the Project Account, and before any money from any other source is spent on the Housing Facilities, the Authority and/or the Company shall provide the Committee with evidence satisfactory to the Committee that sufficient financing to complete the Housing Facilities has been obtained.

5.11 Accounting. The Authority shall establish accounting procedures and systems and maintain its accounting books and records in a manner satisfactory to the Auditor of the State of Washington, the City Auditor, and such additional person as the Mayor of the City shall designate, and shall allow each of them access thereto for audit purposes. The Company shall establish accounting procedures and systems and maintain its accounting books and records in accordance with GAAP standards and shall allow the City Auditor, and such additional persons as the Mayor shall designate access thereto for audit purposes. Promptly upon the City's request for information (whether oral or written), the Authority and the Company shall provide the City with all information concerning the Project and all funds and accounts established pursuant to this Agreement. Until the Bonds are redeemed or otherwise retired or until such time that the Authority and the Company have satisfied all of their obligations to the City pursuant to this Agreement, whichever is later, the Authority and/or the Company shall file (or cause to be filed) with the Department of Finance, monthly written financial reports (in a form reasonably acceptable to the City) disclosing the balances and account activities of the Operating Reserve Account, Capital Reserve Account, and the Bond Account (and the subaccounts therein).

5.12 Rebate of Arbitrage Earnings. The Authority shall calculate the Rebate Amount, and pay the Rebate Amount to the United States of America in the manner and at the times and in the amounts necessary to meet the requirements of the Code to maintain the federal income tax exemption for interest on the Bonds, in accordance with the Arbitrage and Tax Certification.

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5.13 Project Conditions, Progress and Monitoring.

(a) Substantial Delay and Cost Increase. The Authority and/or the Company shall immediately notify the Committee in the event that there is any significant risk that there will be substantial delay in the completion of the Housing Facilities or an increase of more than two percent (2%) in the total budgeted cost of the Housing Facilities as set forth in the Project Budget attached hereto as Exhibit D.

(b) Progress. The Authority and/or the Company shall proceed with diligence to cause to be constructed the Housing Facilities in accordance with the description as set forth in Exhibit B hereto, as amended only with City review and approval, and as substantially described and for the purposes and benefits provided herein and in the Ordinance.

(c) Construction Contract. The Authority and/or the Company shall enter into a contract for the construction of the Housing Facilities, and shall ensure that the contractor is selected pursuant to a process which satisfies applicable state and local law for the solicitation of proposals or bids by contractors who are qualified to undertake development or construction of the Housing Facilities. The Authority and/or the Company shall have obligations, among other things, to purchase insurance associated with the construction of the Housing Facilities as described more fully in Exhibit G which is attached hereto and incorporated herein by this reference.

(d) Inspection and Bond. The Authority and/or the Company shall, before construction of the Housing Facilities begins, enter into a contract with an inspector acceptable to the Committee who shall issue a certification on a monthly basis during the construction of the Housing Facilities and also upon completion of the Housing Facilities that the Housing Facilities have been constructed in substantial accordance with the construction schedule and plans and specifications for the Housing Facilities. The City shall be an express third party beneficiary of said inspection contract. The acts or omissions of the Housing Facilities architect or inspector shall not waive or impair the rights of the City under this Agreement. The Authority and/or the Company shall obtain a bond from a surety company, acceptable to the City in its reasonable discretion, which for a period of not less than one year after substantial completion of the Housing Facilities shall provide for payment for the repair or remedy of defects in the Housing Facilities which are due to faulty materials or workmanship and for damage to other work resulting from such faulty material and workmanship. The Authority and/or the Company shall have obligations to purchase insurance associated with the Housing Facilities as described more fully in Exhibit G.

(e) Changes. The Authority shall have sole discretion, consistent with the Ordinance and this Agreement, to make changes with respect to unit costs, design elements, selection of contractor, change orders, and all other matters relating to the Housing Facilities, without approval of the City; provided, that such changes are consistent with the description of the Housing Facilities set forth in Exhibit B and with the Project Budget set forth in Exhibit D.

(f) Ownership. The Company shall be the owner of the Housing Facilities. The Authority shall be the managing member of the Company unless it is substituted as managing

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member pursuant to the Tax Credit Agreement with approval of the City, approval which shall not be unreasonably withheld.

(g) Compliance. Each contract related to the construction of the Project, including the design and general construction contracts, will be awarded by the Authority or the Company pursuant to processes that: (a) satisfy all state and local laws for the solicitation of proposals or bids by contractors who are qualified to undertake development or construction of the Project, and (b) fully comply with all other state and local requirements applicable to this public works project, including those requirements related to the inclusion of required terms and conditions applicable to this Project in all such contracts. Among other state and local requirements, any contract with respect to the Project shall meet the following requirements for City public works projects utilizing City funding: (a) fair contracting practices (Chapter 14.10 SMC); (b) nondiscrimination in contracting (Chapter 20.44 SMC); (c) nondiscrimination in benefits (Chapter 20.45 SMC); (d) women's and minority business enterprise utilization (Chapter 20.46A RCW); and (e) the City's "Boost" program (Chapter 20.49 SMC).

(h) American with Disabilities Act. The Authority shall comply, and require its consultants and contractors to comply, with all applicable provisions of the Americans with Disabilities Act ("ADA") in performing its obligations under this Agreement. Failure to comply with the provisions of the ADA shall be a material breach of this Agreement.(i) Monthly Reports. Until the Housing Facilities are completed, the Authority and/or the Company shall file with the Committee a monthly written report in a form reasonably acceptable to Department of Finance as to the progress of the Housing Facilities, including:

(1) Certification that substantial progress with the construction of the Housing Facilities is being made, indicating the extent to which the Housing Facilities are in compliance with the Description of Housing Facilities (Exhibit B), the Project Budget (Exhibit D), the Construction Schedule (Exhibit C) and the Pro Forma Budget attached hereto as Exhibit F and incorporated herein by this reference; and that the Housing Facilities are being constructed in substantial accordance with plans and specifications for the Housing Facilities;

(2) A description of significant events during the preceding month and planned activities for the next month, such significant events to include, without limitation, change orders, any changes in the cost of the Housing Facilities associated with such change orders, and any lawsuits relating to the Housing Facilities that have been filed or that the Authority and/or Company have reasonable cause to believe may be filed;

(3) An estimate of the disbursements which will be requested from the Project Fund for the next month; and

(4) A financial statement certified by the Authority and/or the Company, describing funds disbursed from the Project Account and any outstanding liabilities.

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5.14 Management of Housing Facilities and Condominium.

(a) The Authority and/or the Company shall be responsible for the management and operation of the Housing Facilities, including:

(1) Developing a lease structure which is adequate to meet the payments required by the Bonds;

(2) Operating the Housing Facilities consistently with prudent management practices, in a manner that will allow the Authority and/or the Company to maximize operating surpluses;

(3) providing to the Department of Finance (or its successor charged with responsibility for monitoring the Facility) quarterly reports on the financial and operating aspects of the Housing Facilities;

(4) Submitting to the Department of Finance (or its successor charged with responsibility for monitoring the Housing Facilities), by January 15th of each year of the term of this Agreement following completion of the Housing Facilities, an operating budget for the Housing Facilities for review and approval or disapproval by the City. If disapproved, the City and the Authority and/or the Company shall cooperate in the development of a budget acceptable to the City.

(b) In the event that the Net Cash Flow from operation of the Housing Facilities exceeds the amount projected for such item in the Pro Forma Budget attached as Exhibit F hereto, the Authority and/or the Company may request the City to permit some portion of Project Revenues to be used for purposes other than those permitted under this Agreement, which request the City may accept or reject in its sole discretion.

(c) Subject to the terms of the Tax Credit Agreement, the Authority and/or the Company may enter into a management contract for all or any portion of the Housing Facilities, on such terms as are acceptable to the City in its reasonable discretion.

5.15 Leasing.

(a) Form; Requirements. All Leases for the Housing Facilities shall be in writing. All Leases shall be on such terms and conditions as are acceptable to the City in its reasonable discretion. The Leases for the Housing Facilities shall, in the aggregate, provide for lease payments in amounts and at such times as are sufficient for the timely payment of debt service on the Bonds.

(b) Termination. In the event of termination of any Lease, the Authority and/or the Company shall:

(1) Act to remove tenants whose lease has been terminated;

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(2) Lease the vacant space of the Housing Facilities in a timely manner to ensure payments required by the Bonds;

(c) Consistency with Agreement and Consent to City as Lessor. Any Lease of the Housing Facilities shall not conflict with any provision of this Agreement, shall specifically reference this Agreement, and shall provide that the tenant agrees to the substitution of the City as Lessor under such lease pursuant to the terms of this Agreement.

5.16 PDA Report. The Authority and/or the Company shall include in its annual PDA report to the City required under Seattle Municipal Code Ch. 3.110, as amended, on April 15th of each year, a report on the planned and actual operations of the Housing Facilities, which report shall include: (i) all receipts and payments related to the Housing Facilities by budget category; (ii) whether and to what extent the Authority's actual Net Rental Income, Total Income, Net Operating Income, Total Expenses or Net Cash flow varies from the projections for such items on the Pro Forma Budget attached hereto as Exhibit F as amended with the City's review and approval; and (iii) and a three-year financial projection for costs and receipts for the Housing Facilities.

5.17 Sale or Redevelopment. Any property constituting: (i) a part of the Housing Facilities developed, constructed, or acquired with money from the Project Fund; or (ii) any real property or improvements thereto defined as Collateral in the Deed of Trust may not be sold or otherwise transferred, assigned, encumbered, disposed of, or redeveloped to change its intended use as low income housing without the express written permission of the City; provided, that the City shall approve a sale or transfer if coincident thereto the Bonds are redeemed or defeased or such transfer shall be from the Company to the Authority pursuant to the Tax Credit Agreement. Notwithstanding the foregoing, in the event of any such sale or transfer (including a transfer to the Authority), so long as the Bonds remain Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, the transferee or purchaser of the Collateral shall take the property subject to the Deed of Trust described in Section 5.18.

5.18 Security. Upon the issuance of the Bonds, the Company shall execute and record a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing in favor of the City (the "Deed of Trust") in substantial conformance with Exhibit C and Exhibit G hereto, and immediately assign and deliver said the Deed of Trust to the City. There shall be no liens or encumbrances on the Condominium comprising the Housing Facilities except the following encumbrances in the following order of priority:

(1) the Extended Use Regulatory Agreement between the Company and the Washington State Housing Finance Commission relating to low income housing tax credits;

(2) the Regulatory Agreement in favor of the City of Seattle relating to the City's housing loan to the Authority for development of low-income housing;

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(3) a Low-Income Housing Covenant in favor of the State of Washington in form acceptable to the City;

(4) the Loan and Regulatory Agreement between the Authority and the Company;

(5) a Regulatory Agreement in favor of the Seattle Housing Authority

(6) the Deed of Trust in favor of the City securing this Agreement;

(7) the Deed of Trust in favor of the Authority securing the Loan Agreement;

(8) the deed of trust in favor of the City of Seattle securing the City's housing loan to the Authority;

(9) a deed of trust in favor of the State of Washington securing a loan for the Project;

(10) a deed of trust in favor of the Seattle Housing Authority securing a loan for the Project;

(11) An Option and Right of First Refusal in favor of the Authority pursuant to the terms of the Tax Credit Agreement; and

(10) any other encumbrances that the City may hereafter specifically approve in writing in its discretion.

The City, the Company, and the Authority shall execute, deliver and/or record (and the Authority shall cause all other necessary parties to execute, deliver and/or record) such subordination agreements or such other documents, in form and content acceptable to the City, as are reasonable or necessary to effect the orders of priority set forth in this Paragraph. The City may, in its sole discretion, at any time, change the priorities among the two deeds of trust from the Company to the City identified in subparagraphs (5) and (6), above.

5.19 Refinancing. From and after the first date upon which the Bonds may be redeemed at par, the City may request the Authority to:

(a) redeem the Bonds if the City reasonably determines that in order to provide funds with which to redeem the Bonds, the Authority is able to issue and sell refunding bonds or to obtain other refinancing, in either case without the unconditional guaranty of the City, and is financially able to pay the debt service on such refunding bonds or other refinancing; or

(b) redeem the Bonds with the proceeds of refunding bonds if the interest rate at which refunding bonds would likely be issued is less than the rate on the Bonds, and the Authority is financially able to pay debt service on such refunding bonds with the unconditional guaranty of the City.

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If the City makes such request, the Authority shall use its best efforts to obtain a contract for the purchase of such bonds or obtain other refinancing bearing an effective net interest rate that is not more than the effective net interest rate on the Bonds. The Authority shall not issue the refunding bonds to redeem the Bonds unless the Authority has consulted with the City and the City has approved the terms and conditions of the issuance of such refunding bonds.

5.20 Authority's Continuing Disclosure. In the Bond Resolution and the Loan Agreement, the Authority and the Company shall undertake to provide the continuing disclosure to the extent required by SEC Rule 15c2-12, and shall provide to the City copies of any filings or disclosures relating to "material events" within the meaning of such SEC Rule.

5.21 Authority's Obligations. The obligations of the Authority contained herein shall apply to the Authority and to the Authority as managing member of the Company, as applicable, and thereby require the Authority to cause the Company to comply with the terms and conditions set forth herein, as long as such compliance does not cause a reduction in or recapture of the tax credit granted in accordance with the Tax Credit Agreement.

5.22 Title Insurance. The Company and/or the Authority, at their own expense, shall obtain a lender's title insurance policy, on a form acceptable to the City, with respect to the condominium, naming the City as the named insured. Such policy shall be issued in an amount equal to the total amount of the Bonds, insuring that title to the condominium is vested in the Company and that the lien of the deed of trust is a valid lien, subject only to certain permitted encumbrances as described in Section 5.02 of this Agreement. The title policy shall include such endorsements as the City shall request; shall expressly insure the City against the rights and liens of mechanics and other statutory lien claimants; and shall contain no exceptions for matters not shown by survey or rights of parties in possession.

5.23 Condominium Declaration. Prior to closing, the Company and/or the Authority shall provide the City with the condominium declaration and all related documents, which shall be subject to the approval of the City, in its sole and reasonable discretion.

#### VI. EVENTS OF DEFAULT AND REMEDIES

6.1 Events of Default. The following shall be Events of Default, without notice or demand by the City except as expressly provided herein:

(a) Any failure by the Authority and/or the Company to make a payment of money to any person or entity as required by this Agreement or to make a deposit or transfer of money as required under this Agreement from or to any of the Accounts established hereunder, including, without limitation the Authority's failure to timely pay interest or principal on the Bonds, the Authority's failure to repay the City any and all amounts expended by the City pursuant to this Agreement within the time limit in Section 3.3 above, and the failure to replenish the Debt Service Reserve Subaccount as provided in Section 5.5(c) or the Operating Reserve Account as provided in Section 5.7;

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(b) Any breach or nonperformance, whether voluntary or involuntary, of Section 5.17 of this Agreement ("Sale or Redevelopment"), without the advance written consent of the City;

(c) Any breach or nonperformance of any provision of this Agreement not included within Subsections (a) and (b) above that is not cured within thirty (30) days after notice to the Authority or Company of such breach or nonperformance;

(d) The filing of a voluntary petition for bankruptcy or reorganization by the Authority; the filing against the Authority of any complaint for receivership or trusteeship for any of the Authority's property, the filing of an involuntary petition for bankruptcy or for reorganization (unless such complaint or petition be dismissed within forty-five (45) days of such filing); if the Authority shall become insolvent, or make a general assignment for the benefit of creditors, or consent to the appointment of a receiver of all or any of its assets; if the Condominium, the Project or the Housing Facilities shall become subject to any encumbrance or lien or attachment except as provided in this Agreement; or, the Authority and/or Company suspends or is unable to conduct its usual business; or

(e) Any default under, breach of, failure to comply with, or failure to satisfy any condition of any other contracts or instruments relating to the financing of the Project or secured by the Condominium unless such default, breach or failure is waived in writing by all interested parties or is cured within an applicable cure period permitted by the documents in question, in either case before any party has the right to exercise any remedy or to be excused from any performance as a result of such breach, default or failure.

6.2 Authority's Remedies. The Authority shall have all remedies provided at law or in equity, including the remedy of being able to specifically enforce the terms and provisions of this Agreement.

6.3 City's Remedies. Upon an Event of Default and so long as such remedy does not cause a reduction in or recapture of the tax-credits available to the Company in accordance with the Tax Credit Agreement, the City shall be entitled, but not obligated, to any or all of the following remedies

(i) Requiring the Authority to immediately pay to the City an amount of money that is sufficient to defease and refund the Bonds in accordance with their terms, or, at the City's election, an amount of money that is sufficient to redeem the Bonds if the Bonds are then subject to voluntary redemption, provided, that the City shall be obligated to use such moneys to defease or redeem the Bonds;

(ii) Exercising any and all of its rights under the Deed of Trust including without limitation foreclosure, appointment of a receiver or acting as mortgagee in possession;

(iii) Take over in whole or in part management of the Housing Facilities with the consent of the Tax Credit Investor which consent shall not be unreasonably withheld; and

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(iv) Exercise any other remedy provided at law or in equity, including without limitation appointment of a receiver for the Housing Facilities.

6.4 Notice to Tax Credit Investor. The City agrees to give the Tax Credit Investor a copy of any notice given to the Authority or the Company of any failure by the Authority or the Company to make any payment required of it pursuant to this Agreement (a "Monetary Default"), and the City agrees to use its best efforts to give the Tax Credit Investor a copy of any notice given to the Authority or the Company of any failure to perform any obligation contained in this Agreement, other than the obligation to make payments (a "Nonmonetary Default"), at such address as is provided by the Tax Credit Investor. The City will give copies of these notices concurrently with the giving of any notice to the Authority or the Company; provided, however, that the City's failure to give any such notice for any reason shall not (i) act to impair or waive any remedy or right of the City under this Agreement or (ii) subject the City to any liability to the Tax Credit Investor for any loss, cost, or expense the Tax Credit Investor may incur as a result of such default. The Tax Credit Investor will have the right to cure defaults of the Authority or the Company.

The City agrees to accept cures tendered by the Tax Credit Investor on behalf of the Authority or the Company, as follows: (a) the Tax Credit Investor will have sixty (60) days from the receipt of written notice from the City that the Authority or the Company has failed to make a payment required under this Agreement to cure a Monetary Default; and (b) with respect to any Nonmonetary Default, the Tax Credit Investor will have the same cure period as the Authority or the Company to commence to cure and thereafter to complete the cure of a Nonmonetary Default.

6.5 Unconditional Obligation. The City's obligations to make payments to the Depository pursuant to the Depository Agreement and in accordance with this Agreement is unconditional notwithstanding an Event of Default hereunder.

## VII. TERM AND MISCELLANEOUS

### 7.1 Term and Termination.

(a) This Agreement shall be binding on the City, the Company, and the Authority until none of the Bonds are Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later. Either the City or the Authority may terminate this Agreement upon thirty (30) days prior written notice to the other in the event that:

(i) A final judicial determination, including exhaustion of all appeals, has been rendered that this Agreement violates the law in any material respect, or amendments to or changes in law shall deprive either party of the ability to render further performance as contemplated by the Agreement, and the parties cannot agree within sixty (60) days upon amendments to bring the Agreement into compliance with the decision of the court or the amendments to the law (provided, however, that no such amendments

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shall impair, and no such termination shall be effective which impairs the security of any financing undertaken by the Authority which is secured by the City's obligations pursuant to Section III); or

(ii) The other party agrees or assents thereto;

(b) Termination by the City under this Paragraph may be authorized only by ordinance. Termination by the Authority under this Paragraph may be authorized only by resolution duly adopted by the Authority.

7.2 Assignment and Survival of Obligations.

- (a) Except as provided below, no party shall assign any of its rights or delegate any of its duties under this Agreement without the express written approval of the other parties; provided, however, that the City's guaranty obligations under Article III shall not be assigned. Notwithstanding the prior sentence, the City agrees that under the Tax Credit Agreement, the Authority may be replaced as managing member of the Company or managing agent of the Housing Facilities, provided that the City consents to such replacement (which consent shall not be unreasonably withheld) and only if the new managing member or managing agent assumes the obligations of the Authority set forth in this Agreement.
- (b) Notwithstanding anything in this Agreement to the contrary, all of the obligations of the Authority set forth in this Agreement shall survive any replacement of the managing member of the Company or managing agent of the Housing Facilities.
- (c) Notwithstanding anything in this Agreement to the contrary, all of the obligations of the Company set forth in this Agreement shall survive any replacement of the managing member of the Company or managing agent of the Housing Facilities .
- (d) Notwithstanding anything in this Agreement to the contrary, in the event the Authority becomes the owner or operator of the Housing Facilities before the Bonds are redeemed or defeased or in the event the Company is no longer party to this Agreement, the Authority shall assume all of the obligations of the Company set forth in this Agreement.

7.3 Obligation to Third Parties. The owners of the Bonds shall be the express beneficiaries of the City's obligations under this Agreement to the extent the performance of such obligations is necessary to pay and redeem the Bonds in accordance with their terms and as is necessary to maintain the exemption from federal income taxation of the interest on the Bonds. Except as provided in the previous sentence, neither the City nor the Authority shall be obligated or liable hereunder to any other third party, and the City and the Authority may amend this Agreement by mutual agreement without the consent of any other party or the owners of the Bonds, provided that no amendment shall impair or diminish the City's payment guaranty obligations hereunder.



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7.4 Actions Contesting Agreement.

(a) Obligation to Appear and Defend. Each party shall appear and defend any action or legal proceeding brought to determine or contest:

- (1) The validity of this Agreement;
- (2) The establishment of any fund or account pursuant to this Agreement; and
- (3) The legal authority of the City, the Company, and/or the Authority to undertake the activities contemplated by this Agreement.

(b) Notice and Costs. If the parties to this Agreement are not named as parties to the action, the party named shall give the other parties prompt notice of the action and provide the other an opportunity to intervene. Each party shall bear any costs and expenses taxed by the court against it; any costs and expenses assessed by a court against the parties jointly shall be shared equally.

7.5 Indemnification.

(a) To the maximum extent permitted by law, the Company and the Authority covenant and agree, jointly and severally, and at their own expense, to pay and to indemnify and hold the City and its officers, agents and employees harmless of, from and against any and all claims, damages, demands, expenses, liabilities of any character or nature whatsoever relating to the Housing Facilities, including, but not limited to, claims for loss or damage to any property or injury to or death of any person, asserted by or on behalf of any person arising out of, resulting from, or in any way connected to the Housing Facilities, or the conditions, occupancy, use, possession, conduct or management of or any work done in or about the Housing Facilities or from the planning, design, acquisition or construction, rehabilitation, improvement and financing of the Property, or any part thereof, or any untrue statement or alleged untrue statement of any material fact or the omission or alleged omission to state a material fact necessary to make the statements made in any statement, information or material furnished by or on behalf of the Company or the Authority to the City, including, but not limited to, any information for use in any official statement used by the Authority or the Company in connection with the sale of the Bonds, not misleading; provided that this covenant shall be subject to the provisions of Section 7.5(c); and provided further that neither the Company nor the Authority shall be liable in any manner for information provided by the City in the official statement for bonds issued by the City of Seattle dated September 17, 2002. The Authority specifically waives its immunity under RCW Title 51 for any claim the City may assert against the Authority with respect to any claims brought by the Authority's employees against the City. This waiver has been mutually negotiated by the parties.

(b) To the maximum extent permitted by law, the Company and the Authority further covenant and agree, at their own expense, to pay and to indemnify and hold the City, its officers, agents, and employees harmless of, from and against all fees, costs, reasonable counsel fees,

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expenses and liabilities incurred in any action or proceeding brought by reason of any claim or demand described in section 7.5(a). In the event any action or proceeding is brought against the City or any of its officers, agents or employees by reason of any such claim or demand, the Company and the Authority, upon notice from the City, covenants and agrees to resist and defend such action or proceeding on behalf of the City or its officers, agents or employees; provided that this covenant shall be subject to the provisions of 7.5(c).

(c) Neither the Company nor the Authority shall be obligated to pay, defend, indemnify, or hold harmless the City or its officers, agents or employees in the circumstances described in Section 7.5(a) and 7.5(b) against liability for damages arising out of the negligence or willful and malicious acts of the City.

(d) To the extent permitted by law, the provisions of this Section 7.5 survive termination of this Agreement.

7.6 Environmental Liability and Indemnification.

(a) Condition of the Condominium. The Authority warrants and covenants that except as expressly and specifically permitted by the Purchase and Sale Agreement for the Authority's acquisition of the real property comprising the Condominium from King County dated March 30, 1995 ("Purchase and Sale Agreement") and by the Consent Decree between Metro and the Washington State Department of Ecology referenced in the Purchase and Sale Agreement ("Consent Decree"), no Hazardous Substance is located on or under, or is currently being generated, processed, stored, transported, handled or disposed of at the Condominium. The Authority and the Company warrant and covenant that: (i) neither the Authority nor the Company shall take any action inconsistent with the Consent Decree; (ii) no Hazardous Substance shall be used in connection with the Project or the operation of the Housing Facilities except in full compliance with all applicable laws, regulations, and prudent construction practices; and (iii) neither the Authority nor the Company shall allow or cause, and shall prohibit, the following at the Condominium or the Housing Facilities: the generation, manufacture, refining, transportation, treatment, storage, handling, disposal, transfer, production, processing or release of Hazardous Substances, except in compliance with all applicable Federal, State and local laws or regulations.

(b) Definition. As used herein, the term "Hazardous Substance" means any hazardous, toxic or dangerous substance, waste or material or pollutant or contaminant which is regulated under any federal, state or local statute, ordinance, rule, regulation or other law pertaining to environmental protection, contamination or cleanup, including without limitation any substance, waste or material which is designated as a "Hazardous Substance" or as hazardous, toxic, or dangerous, or as a pollutant or contaminant under the Federal Resource Conservation and Recovery Act, as amended, the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1257 *et seq.*, the Clean Air Act, as amended, 42 U.S.C. Section 2001 *et seq.*, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. 9601, the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 *et seq.*, or the Washington Model Toxics Control Act, as amended, RCW Chapter 70.105D, or Washington Hazardous Waste Management Act, as amended.

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RCW chapter 70.105, including all regulations promulgated thereunder, as amended or supplemented. Hazardous Substances also shall include any substance which after being released into the environment and upon exposure will or may reasonably be anticipated to cause death, disease, behavior abnormalities, cancer and/or genetic abnormalities.

(c) Indemnity. The Authority and the Company shall jointly and severally defend, hold harmless and indemnify the City from and against any and all claims, causes of actions, judgments, settlements, costs, penalties, fees, liens, and damages resulting from (i) any breach of the foregoing representations and warranties, including all reasonable attorney's fees and costs incurred by the City; (ii) any and all costs, expenses, penalties and damages incurred as a result of Hazardous Substances being located on, found on or being remediated at, cleaned up from or removed from any other properties where such Hazardous Substances came from activities on or contamination from the Condominium or the real property upon which the Project is located; and (iii) any and all costs, expenses, penalties, damages, and remediation, and cleanup costs, incurred as a result of Hazardous Substances being located on, in, at or under, or being found within the Condominium.

(d) Notification and Cleanup. The Authority and/or the Company shall immediately notify the City in writing if the either (i) becomes aware that the Condominium or any adjacent property is being or has been contaminated with Hazardous Substances, (ii) receives any notice or becomes aware of any actual or alleged violation with respect to the Condominium of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances or any of the obligations set forth in Section 7.6(a)(ii-iv) of this Agreement, or (iii) becomes aware of any lien or action with respect to any of the foregoing. The Authority and/or the Company will, at their sole expense, promptly take all necessary and reasonable actions to comply with all laws, and with all orders, decrees or judgments of governmental authorities or courts that have jurisdiction over Hazardous Substances, and shall further pay or cause to be paid all cleanup, administrative, enforcement and other costs of governmental agencies if obligated to do so by contract or by law.

(e) Delivery of Property. In the event the Deed of Trust is foreclosed or the Company tenders a deed in lieu of foreclosure, the Authority and the Company shall deliver the interest of the Company and the Authority in the Condominium to the City free of any and all Hazardous Substances or with such substances appropriately mitigated so that the condition of the Property shall comply with all applicable laws.

(f) Survival of Environmental Provisions. This Paragraph 7.6 shall survive the expiration of this Agreement, the replacement of the Authority as the managing member of the Company, or the City's exercise of any of its rights, including foreclosure, under the City Deed of Trust.

#### 7.7 Insurance.

(a) Obligations. At all times during the term of this Agreement and for so long as the Bonds remain Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, the Authority and

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the Company shall obtain and continuously maintain, at their own expense, all policies of insurance as fully described in Exhibit G hereto. The City shall be entitled to review and approve all such insurance policies. The terms of any insurance policy required under this section and described in Exhibit G shall provide that the insurer shall notify the City at least forty-five (45) days before any reduction or cancellation of any of the required insurance. No such insurance shall be reduced or canceled without the City's prior written agreement. Unless the City authorizes a different application of insurance proceeds, proceeds shall be applied to repair or replace damaged property.

(b) Completion, Repair and Restoration. The Authority shall promptly complete or cause to be promptly completed, shall promptly repair or cause to be promptly repaired, and shall promptly restore or cause to be promptly restored, in good workmanlike manner any building or improvement of the IDVS2 Project or on the Property which may be partially constructed, damaged or destroyed and shall pay all costs incurred therefor, provided that (i) the repair and restoration shall be subject to the approval of mortgagees as set forth in any senior mortgage and in any Priority Agreement or Subordination Agreement executed by the City; and (ii) if the Authority maintains insurance as required by this Agreement and described in Exhibit G, then the Authority's obligation to repair and restore in case of casualty shall be limited to the insurance proceeds available therefor and any reserves maintained for the Project. Prior to commencement of any restoration costing in excess of \$10,000, the Authority shall submit the plans and specifications for the City's approval and shall furnish evidence of sufficient funds to complete the work.

7.8 Entire Agreement, Amendments and Waiver. This Agreement, the Depository Agreement and Deed of Trust (collectively, the "Bond Guarantee Documents"), the Tax Credit Agreement and the Loan Agreement, together with all exhibits and attachments thereto contain the entire agreement and understanding of the City, the Company, and Authority with respect to the subject matter hereof, and supersede all prior or contemporaneous oral or written understandings, agreements, promises, or other undertakings between the parties, except as provided in the Charter of the Authority and SMC Chapter 3.110. The Bond Guarantee Documents may not be modified or amended other than by a written instrument executed by all parties, nor shall any waiver of any right or remedy of the City be valid unless in writing and signed by the City. No document shall be binding upon the City unless signed by the Mayor of the City or the Director of Department of Finance. No course of dealing between the parties or any delay in exercising any rights hereunder shall operate as a waiver of any rights of any party. Any rating agency providing a rating on the Bonds shall be notified in writing prior to the execution of any amendment to the Bond Guarantee Documents.

7.9 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. The venue of any suit or arbitration arising under this Agreement shall be in King County, Washington, and if a suit, in King County Superior Court.

7.10 Captions. The section and paragraph captions used in this Agreement are for convenience only and shall not control and affect the meaning or construction of any of the provisions of this Agreement.



7.11 **Notices.** Any notice, demand, document, or other communication which is required by this Agreement to be given shall be in writing and shall be deemed to have been given when hand-delivered to the person to whom it is addressed or three days after mailing by registered or certified mail, return receipt requested, addressed as follows:

(a) If to the City:

City of Seattle  
PDA Coordinator  
Attn: Aaron Bert  
300 Municipal Building  
600 Fourth Avenue  
Seattle, Washington 98104

and

City of Seattle  
Debt Manager  
Attn: Michael Van Dyck  
700 Fifth Avenue, Suite 4212  
Seattle, Washington 98104

(b) If to the Authority:

Attn: Ms. Sue Taoka  
Executive Director  
Seattle Chinatown-International District Preservation and Development Authority

Authority mailing address:  
P.O. Box 3302  
Seattle, Washington 98114

Authority street address:  
409 Maynard Avenue South  
Seattle, Washington 98104

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(d) If to the Company:

IDVS2 FAMILY HOUSING, LLC  
c/o Seattle Chinatown-International District Preservation and Development  
Authority

Attn: Ms. Sue Taoka  
Executive Director

Authority mailing address:  
P.O. Box 3302  
Seattle, Washington 98114

Authority street address:  
409 Maynard Avenue South  
Seattle, Washington 98104

(e) If to the Tax Credit Investor:

Washington Mutual Bank  
Community Investment and Development  
Mailstop FCB1615  
1215 4<sup>th</sup> Avenue, 16<sup>th</sup> Floor  
Seattle, WA 98101  
Attn: Margaret Yung

Such names and addresses may be changed by written notice pursuant to this provision.

7.12 Joint Notice to City Under Depository Agreement. The Depository Agreement shall provide that the Depository shall give the City duplicate notice of all notices it provides to the Authority thereunder.

7.13 Force Majeure. Other than the Authority's unconditional obligation to issue the Bonds, to pay the principal of and interest on the Bonds, and the Authority's or the Company's obligations to apply and to deposit Project Revenues into the Revenue Account and the Bond Accounts, and the City's unconditional obligation to guarantee payment of principal of and interest on the Bonds pursuant to this Agreement, if any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, that party shall give to the other parties prompt notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement, contrary to the wishes of the party involved, of strikes, lockouts, or other labor difficulty and any such difficulty shall be handled entirely

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within the discretion of the party concerned. The term "force majeure" as here employed shall mean any act of God, strike, lockout, or other labor relations disturbance, act of the public enemy, war, blockade, public riot, fire, flood, explosion, failure to timely receive necessary governmental approvals, governmental restraint, and any other cause, whether of the kind specifically enumerated above or otherwise, that is not reasonably within the control of the party claiming suspension. Notwithstanding the forgoing, the Authority and the Company shall purchase required insurance as more fully described in Exhibit G hereto.

7.14 City Approval. Unless specifically otherwise provided for herein, all decisions of the City hereunder shall be deemed to be made by the Director of the Department of Finance or his successor.

7.15 Approval Pursuant to the Code. Execution of this Agreement by the Mayor of the City shall be deemed to be approval of the Bonds pursuant to Section 147(f) of the Code.

7.16 Amendments to Other Documents. No amendment to this Agreement, the Depository Agreement, the Deed of Trust, the Loan Agreement, the Tax Credit Agreement or the Bond Resolution, or any documents appended to or incorporated into such documents, or any other documents or agreements relating to the issuance of the Bonds, shall be valid without the written consent of the City, which consent shall not be unreasonably withheld. This Agreement may not be amended without the prior written consent of the Tax Credit Investor, which consent may not be unreasonably withheld.

7.17 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without affecting or invalidating the remainder of this Agreement.

7.18 Counterparts. This Agreement may be executed in counterparts, and each such counterpart shall be deemed to be an original instrument. All such counterparts together will constitute one and the same Agreement.

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7.19 Statutory Notice. The Authority is a public corporation organized pursuant to Seattle Municipal Code (SMC) 3.110 and RCW 35.21.660, 35.21.670, and 35.21.730 - .755. RCW 35.21.750 provides as follows:

All liabilities incurred by such public corporation, commission or authority shall be satisfied exclusively from the assets and properties of such public corporation, commission or authority and no creditor or such person shall have any right of action against the city, town or county creating such public corporation, commission or authority on account of any debts, obligations or liabilities of such public corporation, commission or authority.

IN WITNESS WHEREOF, the City and the Authority have executed this Agreement this day of \_\_\_\_\_, 2002.

SEATTLE CHINATOWN- INTERNATIONAL  
DISTRICT PRESERVATION AND  
DEVELOPMENT AUTHORITY

By \_\_\_\_\_  
Executive Director

THE CITY OF SEATTLE

Mayor

IDVS2 FAMILY HOUSING LLC, A  
WASHINGTON LIMITED LIABILITY  
COMPANY, BY SEATTLE CHINATOWN  
INTERNATIONAL DISTRICT  
PRESERVATION AND DEVELOPMENT  
AUTHORITY, ITS MANAGING MEMBER

By \_\_\_\_\_  
Executive Director

ATTEST:

By \_\_\_\_\_

Pursuant to the authority of



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Ordinance \_\_\_\_\_

List of Exhibits:

- A—Legal Description of Housing Facilities Condominium
- B—Housing Facilities Description
- C—Form of Deed of Trust
- D—Project Budget
- E—Construction Schedule
- F—Pro Forma Budget
- G—Insurance

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## City of Seattle

Gregory J. Nickels, Mayor

### Office of the Mayor

October 3, 2002

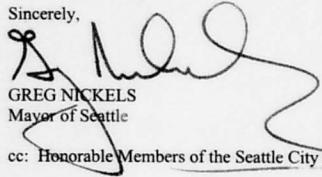
Honorable Peter Steinbrueck  
President  
Seattle City Council  
Municipal Building, 11<sup>th</sup> Floor

Dear Council President Steinbrueck:

The attached ordinance authorizes the City to guaranty up to \$10.8 million in bonds to be issued by the Seattle Chinatown International District PDA for the Village Square II project. We hired a consultant to perform an extensive risk analysis of this guaranty which we have included as part of the fiscal note. While the guaranty represents some financial risks to the City, I support moving forward with it as Village Square II will provide significant benefits to the International District.

Thank you for your consideration of this legislation. Should you have questions please contact Michael van Dyck at 4-8347 or Jan Oscherwitz at 4-8510.

Sincerely,

  
GREG NICKELS  
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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Jan Oscherwitz  
October 7, 2002  
IDVS Bond Guaranty Legislation  
Version # 1.

**SCIDPDA Village Square II Fiscal Note**  
**Department:** **Contact Person/Phone:** **DOF Analyst/Phone:**  
Finance Michael van Dyck 4-8347 Jan Oscherwitz 4-8510

**Legislation Title:**

AN ORDINANCE relating to the Seattle Chinatown-International District Preservation and Development Authority's International District Village Square Project; authorizing the City to execute two separate guaranty agreements guaranteeing tax exempt bonds to be issued by the Authority for the support of the International District Village Square Two Project ("IDVSII Project"); establishing the terms and conditions under which the City will provide each such guaranty; and authorizing guaranty agreements, depository agreements, a reconveyance to the Authority of the City's interest in the real property which was the City's security for the City's guaranty of the Village Square One Bond Issue or a subordination agreement relating thereto, and such related documents and agreements as are necessary between the City, the Authority and other parties with regard to the Authority's issuance of the bonds and the City's guaranties.

**Summary of the Legislation:**

The attached legislation:

- 1) Authorizes the City to guaranty \$10.8 million of limited tax general obligation bonds to be issued by the Seattle Chinatown International District PDA for the Village Square II project.
- 2) Authorizes the City to release or subordinate approximately \$1.9 million of land from the City's security on the guaranty of the 1996 Village Square I bonds requirement for securing a tax credit partner.

**Appropriations (in \$1,000's):**

Fund Name and Number	Department	Budget Control Level*	2002 Appropriation	2003 Anticipated Appropriation
N/A	N/A	N/A	N/A	N/A
<b>TOTAL</b>				

\* This is line of business for operating budgets, and program or project for capital improvements

**Notes:** There are no appropriations associated with this ordinance. Appropriations for the Library and Community Center projects have occurred/will occur through the City's annual budget process. The City will only incur additional expenses in the event that SCIDPDA fails to meet bond requirements.

**Anticipated Revenue/Reimbursement (in \$1,000's):**

Fund Name and Number	Department	Revenue Source	2003 Revenue	2004 Revenue
N/A	N/A	N/A	N/A	N/A
<b>TOTAL</b>				



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**Total Permanent Positions Created Or Abrogated Through Legislation, Including FTE Impact;**  
**Estimated FTE Impact for Temporary Positions:**

Fund Name and Number	Department	Position Title*	2003 FTE	2004 FTE
N/A	N/A	N/A	N/A	N/A
<b>TOTAL</b>				

\* List each position separately

**Do positions sunset in the future? (If yes, identify sunset date):**

No

**Background** (Include brief description which states the purpose and context of legislation and include record of previous legislation and funding history, if applicable):

The Seattle Chinatown-International District Preservation and Development Authority ("PDA") is developing a \$24,938,000 mixed-use facility that includes a branch library, community center, affordable housing, office and retail space, and structured parking. The City is a partner in this project, having committed *Libraries for All* funds for tenant improvements in a 4,000 sq. ft. library and 1999 Community Center Levy funds for a 7,000 sq. ft. community center, Office of Housing funds to support 57 housing units and Neighborhood Matching Fund, CDBG and Parks Opportunity Fund funds to support construction of a gym. The PDA will issue two series of revenue bonds for this project to be repaid with rents from the housing units and parking revenues. To reduce cost of borrowing, the PDA has requested a City debt guaranty for up to \$10.8 million. The PDA will also seek a commercial loan for the retail component of the project. The PDA is pursuing private and non-City public funding to fill a \$380,000 funding gap.

The PDA intends to pay debt service on these bonds from project revenues (including the Library lease) and the City would only be called upon to cover those costs if PDA revenues fall short of expectations. Since the PDA debt is guaranteed by the City, it reduces the City's legal debt capacity. Please see the attached detailed analysis of this project for risks and remedies of this debt guaranty.

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**Sources**

Fund Source	Total	Comments
Seattle Office of Housing	\$2,550,000	Full amount approved in Spring NOFA
Seattle Housing Authority	1,662,878	Fully committed
Federal Home Loan Bank	256,000	Fully committed
Housing Trust Fund	1,900,000	Awarded April 30, 2002
Park Levy Opportunity Fund	250,000	Approved
Neighborhood Matching Fund	199,000	Allocated June 2001
1999 Community Center Levy	2,100,000	Levy Lid Lift passed by voters November 1999
SCIDPDA Contribution	1,966,027	Land and other SCIDPDA contribution
Low Income Housing Tax Credit	4,500,676	Available upon certification of tenants as income-eligible, short term bonds to be used in interim
Community Development Block Grant	175,000	Reimbursement basis
Fundraising	2,152,948	\$360,000 is still pending
Misc Income (pre-development)	248,882	
<i>Financing</i>		
Bond Cap	3,187,000	Available at closing
Tax Exempt Bonds	2,790,000	To be paid back from parking and library rent revenues.
Conventional Financing	1,000,000	Loan from WAMU
Total	\$24,938,411	

**Uses**

	Housing	Library	Community Center	Retail	Parking	Total
Acquisition	1,117,561	65,500	225,698	90,469	422,371	1,921,599
Construction	9,586,571	624,916	2,961,383	863,136	3,265,708	17,301,714
Development (Professional)	1,506,436	93,252	441,908	128,800	487,320	2,657,716
Other Development	1,608,987	125,420	279,796	365,896	677,283	3,057,382
Total	\$13,819,555	\$909,088	\$3,908,785	\$1,448,301	\$4,852,682	\$24,938,411

**The financial cost of not implementing the legislation**

Without the City's debt guaranty, the project would not go forward. The City would need to find alternative sites for the voter approved Library and Community Center in the International District.



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**Possible alternatives to the legislation which could achieve the same or similar objectives :**

The City could build stand-alone facilities or find alternative partners to develop the Library and Community Center in the International District.

**Is the legislation subject to public hearing requirements** (If yes, what public hearings have been held to date):

No

**Other Issues** (including long-term implications of the legislation):

The Project poses a variety of credit risks of varying magnitudes. The analysis contemplates that each component (Housing Project and the Non-Housing Project) are separate credits. The projects can be broken down further into four distinct repayment sources:

Project	Pledged Revenues	Repayment Exposure
i) Long-term housing	Section 8/other rental income	\$216,000 annually
ii) Short -term housing	Tax credit receipts	\$4,370,000 lump sum
iii) Long-term Library	Library lease payments	\$60,000 annually
iv) Long-term parking garage	Parking revenues	\$123,800 annually

The attached financial analysis details these risks and proposes potential remedies. This legislation also authorizes the City to release or subordinate approximately \$1.9 million of land from the City's security on the guaranty of the 1996 Village Square I bonds requirement for securing a tax credit partner. This reduces the City's security on the outstanding Village Square I bonds.

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**FOR CAPITAL PROJECTS ONLY**

**Background:**

See description above. The City provided \$9M debt guaranty for IDVS I in 1996. \$8.6M is still outstanding. The Council passed Resolution 30491 in July 2002 to support the City's negotiations with the PDA for a debt guaranty agreement for up to \$12M for IDVS II. The City's components of the project are described in the proposed 2003-2008 CIP in SPL's Project BLIDV and Parks Project K734852. For a complete analysis, see attachment to fiscal note.

Project Name:	Project Location:	Start Date:	End Date:
International District Village Square II	8 <sup>th</sup> Ave South and Dearborn	October 2002	November 2004, some occupancy in July 2004

**Spending Plan and Future Appropriations for Capital Projects (\$000s)**

Spending Plan and Budget	2002	2003	2004	2005	2006	2007	Total
Spending Plan (Non-Housing)							
Spending Plan (Housing)							
Current Year Appropriation	N/A						
Future Appropriations		N/A	N/A	N/A	N/A	N/A	

**Key Assumptions:**

See attached financial report.

**Funding source** (Identify funding sources including revenue generated from the project and the expected level of funding from each source):

Funding Source	2002	2003	2004	2005	2006	2007	Total
Library				75,000	75,525	76,068	\$226,593
Parking				216,233	230,452	237,559	\$684,244
Vacancy and Loss				-17,474	-18,359	-18,818	\$-54,651
<b>TOTAL</b>				\$273,759	\$287,618	\$294,809	\$856,186

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**Bond Financing Required** (If the project or program requires financing, please list type of financing, amount, interest rate, term and annual debt service or payment amount. Please include issuance costs of 3% in listed amount):

Type	Amount	Assumed Interest Rate	Term	Timing	Expected Annual Debt Service/Payment
Series A Short	\$4,370,000	1.9%	30 months	Nov 2002	Lump sum payment
Series A Long	\$3,187,000	5.07%	30 year	Nov 2002	\$216,000
Series B Long	\$2,790,000	4.85%	30 year	Nov 2002	\$183,800
<b>TOTAL</b>	<b>\$10,347,000</b>				

Key Assumptions:

Based on SCIDPDA's pro-formas. Numbers are slightly different from the consultant report

**Uses and Sources for Operation and Maintenance Costs for the Project:**

O&M	2002	2003	2004	2005	2006	2007	Total
<b>Uses</b>							
Start Up			N/A	N/A	N/A		
On-going Community Facilities				78,856	81,616	81,265	\$241,737
On-going Housing				235,350	243,588	252,113	\$731,051
<b>Sources (itemize)</b>							

Key Assumptions:

Based on SCIDPDA's pro-formas. Includes Administrative Fees, utilities, insurance, security, maintenance, also assumes fire alarm testing not necessary after 2006

**Periodic Major Maintenance costs for the project** (Estimate capital cost of performing periodic maintenance over life of facility. Please identify major work items, frequency):

Major Maintenance Item	Frequency	Cost	Likely Funding Source
Various	Various	Various	Tenant income or funding raising
<b>TOTAL</b>			

**Funding sources for replacement of project** (Identify possible and/or recommended method of financing the project replacement costs):

N/A

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Exhibit A

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Exhibit A Legal Description of Housing Facilities Condominium

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**EXHIBIT A**

Legal Description of Housing Condominium

Apartment Unit of International District Village Square Phase 2 per Condominium Declaration for  
International District Village Square Phase 2 Condominium recorded under King County  
Recording No. \_\_\_\_\_.

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Exhibit B

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Exhibit B Housing Facilities Description

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**EXHIBIT B**

Description of Housing Facility

The Housing Facility will provide 57 units of family housing, forty units with two bedrooms and seventeen three-bedroom units. These units will all be affordable to families with incomes below 50% of median. All of the units will be income restricted governed by the Extended Use Regulatory Agreement with the Washington State Housing Finance Commission as well as regulatory agreements with the City of Seattle Office of Housing and the Washington State Department of Community Trade and Economic Development.

The International District Village Square Family Housing LLC will own the Housing Facility condominium. The Seattle Chinatown International District Preservation and Development Authority will be managing member of the LLC and the property manager of the Housing Facility.

Along with the financing from the bonds that are the subject of this guaranty agreement, funding for this Facility includes funds from the City of Seattle Office of Housing, Washington State Community Trade and Economic Development Department, Federal Home Loan Bank of Seattle, Seattle Housing Authority and Low Income Housing Tax Credits.

Other components of the International District Village Square phase 2 include a community center with a gymnasium, space for a branch of the Seattle Public Library, commercial retail space and parking garage. The parking and library space will be primarily financed through another bond issuance. The Community Center component of the Project will be owned by the City, through its Department of Parks and Recreation, pursuant to a condominium agreement between the City and the Authority. The Community Center will receive funding from a 1999 City Community Center Levy, other City sources and private sources.

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Exhibit C



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Exhibit C Deed of Trust

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Exhibit D



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Exhibit D Project Budget

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**EXHIBIT D- HOUSING FACILITIES PROJECT BUDGET**

**Acquisition Costs:**

Alley vacuation	\$22,634
Land	1,086,427
Closing, Title & Recording Costs	8,500
<b>SUBTOTAL</b>	<b>\$1,117,561</b>

**Construction:**

Basic Construction Contract	\$7,754,572
Escalation/extended construction	180,114
Bond Premium	0
Infrastructure Improvements	41,556
Hazardous Abate. & Monitoring	11,082
Construction Contingency ( 10%)	75,457
Sales Taxes(8.8%)	775,374
Other Constr Costs: Inspection and testing	48,111
<b>SUBTOTAL</b>	<b>\$9,586,571</b>

**Development Costs: Professional**

Appraisal	\$4,987
Architect/Engineer(9% of basic constr \$)	697,911
Environmental Assessment	0
Geotechnical Study	1,385
Boundary & Topographic Survey	1,385
Legal	142,121
Developer Fee	543,265
Technical Assistance	0
Other Consultants financial advisor	19,393
Other: Waterproof Consultant	28,812
Other: Garbage Management	2,770
Commissioning	33,245
Other consultant: high tech & security	5,541
Other: Traffic consultant	1,662
Professional Fees Contingency @2.5%	23,958
<b>SUBTOTAL</b>	<b>\$1,506,436</b>

**Other Development Costs**

Parking Relocation	\$831
Bidding Costs	11,082
Sewer Charge	31,416
Permits, Fees & Hookups	110,816
Impact/Mitigation Fees	5,541
Bridge Loan Interest	174,586
Construction & Permanent Loan Fees	170,050
Construction Interest& principle	594,044
Other Loan Fees (WCDLF, State HTF, etc.)	38,000
LIHTC Fees	49,984
Accounting/Audit	15,000
Marketing/Leasing Expenses	2,488
Facility Turn Over to Prop. Magmnt	2,488
Carrying Costs at Rent up	24,880
Operating Reserves	55,535
Exterior Signage & Directions	13,852
Equipment & Furnishings	19,393
Debt service Reserve	229,000
Other: Tax Credit Opinion, Investor Legal	60,000
<b>SUBTOTAL</b>	<b>\$1,608,967</b>
<b>Total Development Cost:</b>	<b>\$13,819,555</b>

**Sources of Funds**

Low Income Housing Tax Credits	\$4,500,676
Housing Trust fund	\$1,900,000
Seattle Housing Levy	\$2,150,000
FHLB SEA	\$256,000
Grants/Fundraising	\$163,000
Seattle Housing Authority	\$1,662,878
Bond Cap bond	\$3,197,000
<b>Total Funds</b>	<b>\$ 13,819,554</b>

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Exhibit E



Exhibit E Construction Schedule

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EXHIBIT E

International District Village Square Phase 2  
Construction Schedule

<b>Permits</b>	
Master Use Permit submitted to DCLU	Apr-2001
Master Use Permit corrections submitted to DCLU	Apr-2002
Shoring permit submitted to DCLU	May-2002
Building permit submitted to DCLU	Jul-2002
International Special Review Board approval	Aug-2002
Master Use Permit issued	Nov-2002
Shoring permit issued	Nov-2002
Building permit issued	Jan-2003
<b>Construction</b>	
Shoring bids received	Sep-2002
Building bids received	Oct-2002
Shoring work begins	Nov-2002
Shoring work completed	Jan-2003
Building construction begins	Jan-2003
Building construction completed	May-2004
Building commissioning	Jun-2004
<b>Occupancy</b>	
Marketing	May-2004
Building Opens	Jun-2004

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Exhibit F



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Exhibit F Pro Forma Budget

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EXHIBIT F - HOUSING PROFORMA BUDGET

	2.5%	Average Per Unit	2005	2006	2007	2008	2009	2010
			1	2	3	4	5	6
<b>Revenue Inflation factor:</b>								
<b>Expense Inflation factor:</b>								
<b>Operating Revenues:</b>								
Gross Rental Revenue	\$ 567,804	\$ 9,961	\$ 567,804	\$ 581,999	\$ 596,549	\$ 611,463	\$ 626,749	\$ 642,418
Other Revenue, rent up reserves, const. interest	9,040	159	9,040	9,266	9,498	9,735	9,978	10,228
Rental Assistance								
Vacancy and Loss	(28,390)	(498)	(28,390)	(29,100)	(29,827)	(30,573)	(31,337)	(32,121)
<b>Total Operating Revenue</b>	<b>\$ 540,454</b>	<b>\$ 9,622</b>	<b>\$ 540,454</b>	<b>\$ 582,165</b>	<b>\$ 576,219</b>	<b>\$ 590,625</b>	<b>\$ 605,390</b>	<b>\$ 620,525</b>
<b>Operating Expenses:</b>								
<b>Administrative</b>								
Advertising	\$ 2,500	\$ 44	\$ 2,500	\$ 2,588	\$ 2,678	\$ 2,772	\$ 2,869	\$ 2,969
Management	40,993	719	\$ 40,993	42,430	43,915	45,452	47,043	48,690
Legal/Partnership	7,500	132	\$ 7,500	7,763	8,034	8,315	8,606	8,908
Accounting/Audit	11,000	193	\$ 11,000	11,385	11,783	12,196	12,523	13,065
Compliance Monitoring Fee	1,800	32	\$ 1,800	1,863	1,928	1,996	2,066	2,138
Other partnership	5,000	88	\$ 5,000	5,175	5,356	5,544	5,738	5,938
Other resident manager	19,500	342	\$ 19,500	20,183	20,889	21,620	22,377	23,160
Other security/misc.	11,050	194	\$ 11,050	11,437	11,837	12,251	12,680	13,124
Other Bond Trustee	1,800	32	\$ 1,800	1,863	1,928	1,996	2,066	2,138
<b>Operating</b>								
Elevator			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Heat			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	64,600	1,133	\$ 64,600	66,861	69,201	71,623	74,130	76,725
Payroll / Payroll Taxes			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	25,300	444	\$ 25,300	26,186	27,102	28,051	29,032	30,048
Security			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other elevator	2,000	35	\$ 2,000	2,070	2,142	2,217	2,295	2,375
Other fire/alarm/testing	3,500	61	\$ 3,500	3,623	3,749	3,881	4,016	4,157
Other custodians	12,800	225	\$ 12,800	13,248	13,712	14,192	14,688	15,202
Other contract maintenance	6,430	113	\$ 6,430	6,655	6,888	7,129	7,379	7,637
<b>Maintenance</b>			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Decorating & Turnover	2,500	44	\$ 2,500	2,588	2,678	2,772	2,869	2,969
Repairs & Maintenance	9,500	167	\$ 9,500	9,833	10,177	10,533	10,901	11,283
Landscaping			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other pest control	2,000	35	\$ 2,000	2,070	2,142	2,217	2,295	2,375
Other misc.	500	9	\$ 500	518	536	554	574	594
Other supplies	5,075	89	\$ 5,075	5,253	5,436	5,627	5,824	6,028
<b>Real Estate Taxes</b>			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Operating Expenses</b>	<b>\$ 235,350</b>	<b>\$ 4,129</b>	<b>\$ 235,350</b>	<b>\$ 243,588</b>	<b>\$ 252,113</b>	<b>\$ 260,937</b>	<b>\$ 270,070</b>	<b>\$ 279,523</b>
Replacement Reserves	17,100	300	\$ 17,100	17,699	18,318	18,959	19,623	20,309
Operating Reserve	4,275	75	\$ 4,275	4,425	4,579	4,740	4,906	5,077
Earnings on Replacement Reserves	3.5%			2,243	2,253	2,264	2,276	2,287
Earnings on Debt Service Reserve	3.5%			7,525	7,525	7,525	7,525	7,525
<b>Net Operating Income</b>			<b>\$ 301,496</b>	<b>\$ 306,233</b>	<b>\$ 310,998</b>	<b>\$ 315,789</b>	<b>\$ 320,804</b>	<b>\$ 325,440</b>
<b>Annual Operating Expenses per Unit (excl. Trustee Fee)</b>	<b>\$ 4,429</b>		<b>\$ 4,429</b>	<b>\$ 4,584</b>	<b>\$ 4,744</b>	<b>\$ 4,910</b>	<b>\$ 5,082</b>	<b>\$ 5,260</b>
Debt Svc: Bonds			\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715
Debt Svc: State HTF			57,690	57,690	57,690	57,690	57,690	57,690
Debt Svc: City								
Debt Svc:								
Debt Svc: SHA								
Debt Svc:								
<b>Total Debt Service</b>			<b>\$ 273,405</b>					
<b>Debt Service Coverage Ratio (Bonds only)</b>			1.40	1.42	1.44	1.46	1.49	1.51
<b>Debt Service Coverage Ratio (all loans)</b>			1.10	1.12	1.14	1.16	1.17	1.19
<b>Cash Flow after Debt Service</b>			<b>\$ 28,091</b>	<b>\$ 32,828</b>	<b>\$ 37,593</b>	<b>\$ 42,384</b>	<b>\$ 47,199</b>	<b>\$ 52,035</b>
Interest Accrued on Developer Loan	1.00%		3,143	3,941	3,652	3,312	2,922	2,479
Interest Paid on Developer I can			(3,143)	(3,941)	(3,652)	(3,312)	(2,922)	(2,479)
Principal Paid or Accrued on Developer Loan			(24,949)	(28,887)	(33,941)	(39,072)	(44,278)	(49,556)
Developer Loan Balance			394,051	365,164	331,223	292,151	247,873	198,317
<b>Net Cash Flow</b>			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Limited Partner Net Cash Flow</b>	<b>20.00%</b>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replacement Reserves Cumulative Balance			64,085	64,384	64,694	65,015	65,346	65,690
% Spent in Year of Reserve:	50%							

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EXHIBIT F - HOUSING PROFOI

Revenue inflation factor:	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expense inflation factor:	7	8	9	10	11	12	13	14	15
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ 658,479	\$ 674,941	\$ 691,814	\$ 709,109	\$ 726,837	\$ 745,008	\$ 763,633	\$ 782,724	\$ 802,292
Other Revenue, rent up reserves, const. interest	10,484	10,746	11,014	11,290	11,572	11,861	12,158	12,462	12,773
Rental Assistance									
Vacancy and Loss	(32,924)	(33,747)	(34,591)	(35,455)	(36,342)	(37,250)	(38,182)	(39,136)	(40,115)
<b>Total Operating Revenue</b>	<b>\$ 636,038</b>	<b>\$ 651,939</b>	<b>\$ 668,238</b>	<b>\$ 684,944</b>	<b>\$ 702,067</b>	<b>\$ 719,619</b>	<b>\$ 737,609</b>	<b>\$ 756,050</b>	<b>\$ 774,951</b>
<b>Operating Expenses:</b>									
<b>Administrative</b>									
Advertising	\$ 3,073	\$ 3,181	\$ 3,292	\$ 3,407	\$ 3,526	\$ 3,650	\$ 3,778	\$ 3,910	\$ 4,047
Management	50,394	52,158	53,983	55,873	57,828	59,852	61,947	64,115	66,359
Legal/Partnership	9,219	9,542	9,876	10,222	10,579	10,950	11,333	11,730	12,140
Accounting/Audit	13,522	13,995	14,485	14,992	15,517	16,060	16,622	17,204	17,806
Compliance Monitoring Fee	2,213	2,290	2,370	2,453	2,539	2,628	2,720	2,815	2,914
Other partnership	6,146	6,361	6,584	6,814	7,053	7,300	7,55	7,820	8,093
Other resident manager	23,970	24,809	25,678	26,576	27,507	28,469	29,46	30,497	31,565
Other security/misc.	13,583	14,059	14,551	15,060	15,587	16,133	16,68	17,282	17,887
Other Bond Trustee	2,213	2,290	2,370	2,453	2,539	2,628	2,720	2,815	2,914
<b>Operating</b>									
Elevator	-	-	-	-	-	-	-	-	-
Heat	79,410	82,189	85,066	88,043	91,125	94,314	97,615	101,032	104,568
Utilities	-	-	-	-	-	-	-	-	-
Payroll / Payroll Taxes	-	32,189	33,315	34,481	35,688	36,937	38,230	39,568	40,953
Insurance	31,100	-	-	-	-	-	-	-	-
Security	-	-	-	-	-	-	-	-	-
Other elevator	2,459	2,545	2,634	2,726	2,821	2,920	3,022	3,128	3,237
Other fire/alarm/testing	4,302	4,453	4,609	4,770	4,937	5,110	5,289	5,474	5,665
Other custodians	15,734	16,285	16,855	17,445	18,056	18,688	19,342	20,019	20,719
Other contract maintenance	7,904	8,181	8,467	8,763	9,070	9,388	9,716	10,056	10,408
<b>Maintenance</b>									
Decorating & Turnover	3,073	3,181	3,292	3,407	3,526	3,650	3,778	3,910	4,047
Repair & Maintenance	11,678	12,087	12,510	12,948	13,401	13,870	14,355	14,858	15,378
Landscaping	-	-	-	-	-	-	-	-	-
Other pest control	2,459	2,545	2,634	2,726	2,821	2,920	3,022	3,128	3,237
Other misc.	615	636	658	681	705	730	756	782	809
Other supplies	6,238	6,457	6,683	6,917	7,159	7,409	7,669	7,937	8,215
<b>Real Estate Taxes</b>									
<b>Total Operating Expenses</b>	<b>\$ 289,306</b>	<b>\$ 299,431</b>	<b>\$ 309,912</b>	<b>\$ 320,759</b>	<b>\$ 331,985</b>	<b>\$ 343,605</b>	<b>\$ 355,831</b>	<b>\$ 368,078</b>	<b>\$ 380,960</b>
Replacement Reserves	21,020	21,756	22,517	23,306	24,121	24,965	25,839	26,744	27,680
Operating Reserve	5,255	5,439	5,629	5,826	6,030	6,241	6,460	6,686	6,920
Earnings on Replacement Reserves	2,312	2,324	2,338	2,352	2,356	2,381	2,396	2,412	2,428
Earnings on Debt Service Reserve	7,525	7,525	7,525	7,525	7,525	7,525	7,525	7,525	7,525
<b>Net Operating Income</b>	<b>\$ 330,294</b>	<b>\$ 335,162</b>	<b>\$ 340,042</b>	<b>\$ 344,930</b>	<b>\$ 349,821</b>	<b>\$ 354,713</b>	<b>\$ 359,601</b>	<b>\$ 364,479</b>	<b>\$ 379,344</b>
Annual Operating Expenses per Unit (excl. Trustee Fr \$)	<b>\$ 5,444</b>	<b>\$ 5,635</b>	<b>\$ 5,832</b>	<b>\$ 6,036</b>	<b>\$ 6,247</b>	<b>\$ 6,466</b>	<b>\$ 6,682</b>	<b>\$ 6,927</b>	<b>\$ 7,169</b>
Debt Svc: Bonds	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715
Debt Svc: State HTF	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690
Debt Svc: City	-	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-	-
Debt Svc: Total Debt Service	\$ 273,405	\$ 273,405	\$ 273,405	\$ 273,405	\$ 273,405	\$ 273,405	\$ 273,405	\$ 273,405	\$ 273,405
Debt Service Coverage Ratio (Bonds only)	1.53	1.55	1.58	1.60	1.62	1.64	1.67	1.69	1.71
Debt Service Coverage Ratio (all loans)	1.21	1.23	1.24	1.26	1.28	1.30	1.32	1.33	1.35
<b>Cash Flow after Debt Service</b>	<b>\$ 56,889</b>	<b>\$ 61,757</b>	<b>\$ 66,637</b>	<b>\$ 71,525</b>	<b>\$ 76,417</b>	<b>\$ 81,308</b>	<b>\$ 86,196</b>	<b>\$ 91,074</b>	<b>\$ 95,939</b>
Interest Accrued on Developer Loan	1,983	1,434	831	173	-	-	-	-	-
Interest Paid on Developer Loan	(1,983)	(1,434)	(831)	(173)	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	(54,906)	(60,323)	(65,806)	(17,282)	-	-	-	-	-
Developer Loan Balance	143,411	83,088	17,282	-	-	-	-	-	-
<b>Net Cash Flow</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 54,070</b>	<b>\$ 76,417</b>	<b>\$ 81,308</b>	<b>\$ 86,196</b>	<b>\$ 91,074</b>	<b>\$ 95,939</b>
Limited Partner Net Cash Flow	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,814</b>	<b>\$ 15,283</b>	<b>\$ 16,262</b>	<b>\$ 17,239</b>	<b>\$ 18,215</b>	<b>\$ 19,188</b>
Replacement Reserves Cumulative Balance	66,045	66,413	66,794	67,188	67,596	68,018	68,455	68,907	69,375
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-	-

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EXHIBIT F - HOUSING PROFO

Revenue inflation factor:	2020	2021	2022	2023	2024	2025	2026	2027	2028
Expense inflation factor:	16	17	18	19	20	21	22	23	24
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ 822,349	\$ 842,908	\$ 863,981	\$ 885,580	\$ 907,720	\$ 930,413	\$ 953,673	\$ 977,515	\$ 1,001,953
Other Revenue, rent up reserves, const. interest	13,093	13,420	13,755	14,099	14,452	14,813	15,183	15,563	15,952
Rental Assistance									
Vacancy and Loss	(41,117)	(42,145)	(43,199)	(44,279)	(45,386)	(46,521)	(47,684)	(48,876)	(50,098)
<b>Total Operating Revenue</b>	<b>\$ 794,325</b>	<b>\$ 814,183</b>	<b>\$ 834,537</b>	<b>\$ 855,401</b>	<b>\$ 876,786</b>	<b>\$ 898,705</b>	<b>\$ 921,173</b>	<b>\$ 944,202</b>	<b>\$ 967,807</b>
<b>Operating Expenses:</b>									
Administrative									
Advertising	\$ 4,188	\$ 4,335	\$ 4,487	\$ 4,644	\$ 4,806	\$ 4,974	\$ 5,149	\$ 5,329	\$ 5,515
Management	68,682	71,086	73,574	77,149	78,814	81,572	84,427	87,382	90,441
Legal/Partnership	12,565	13,005	13,460	13,931	14,419	14,923	15,446	15,986	16,546
Accounting/Audit	18,429	19,074	19,741	20,432	21,148	21,888	22,654	23,447	24,267
Compliance Monitoring Fee	3,016	3,121	3,230	3,343	3,461	3,582	3,707	3,837	3,971
Other partnership	8,377	8,670	8,973	9,287	9,613	9,949	10,297	10,658	11,031
Other resident manager	32,629	33,813	34,996	36,221	37,489	38,801	40,159	41,564	43,019
Other security/misc.	18,513	19,161	19,871	20,525	21,244	21,987	22,757	23,553	24,378
Other Bond Trustee	3,016	3,121	3,230	3,343	3,461	3,582	3,707	3,837	3,971
Operating									
Elevator	-	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-	-
Utilities	108,228	112,015	115,936	119,994	124,194	128,540	133,039	137,696	142,515
Payroll / Payroll Taxes	42,386	43,870	45,405	46,994	48,639	50,342	52,104	53,927	55,815
Insurance	-	-	-	-	-	-	-	-	-
Security	-	-	-	-	-	-	-	-	-
Other elevator	3,351	3,468	3,589	3,715	3,845	3,980	4,119	4,263	4,412
Other fire/alarm/testing	5,864	6,069	6,281	6,501	6,729	6,944	7,208	7,460	7,721
Other custodians	21,444	22,195	22,972	23,776	24,608	25,469	26,361	27,283	28,238
Other contract maintenance	10,772	11,150	11,540	11,944	12,362	12,794	13,242	13,706	14,185
Maintenance									
Decorating & Turnover	4,188	4,335	4,457	4,644	4,806	4,974	5,149	5,329	5,515
Repairs & Maintenance	15,916	16,473	17,049	17,646	18,264	18,903	19,565	20,249	20,958
Landscaping	-	-	-	-	-	-	-	-	-
Other pest control	3,351	3,468	3,589	3,715	3,845	3,980	4,119	4,263	4,412
Other misc.	838	867	897	929	961	995	1,030	1,066	1,103
Other supplies	8,502	8,800	9,108	9,427	9,757	10,098	10,452	10,817	11,196
Real Estate Taxes									
<b>Total Operating Expenses</b>	<b>\$ 394,294</b>	<b>\$ 408,094</b>	<b>\$ 422,378</b>	<b>\$ 437,161</b>	<b>\$ 452,462</b>	<b>\$ 468,298</b>	<b>\$ 484,688</b>	<b>\$ 501,652</b>	<b>\$ 519,210</b>
Replacement Reserves	28,648	29,651	30,689	31,763	32,875	34,025	35,216	36,449	37,725
Operating Reserve	7,162	7,413	7,672	7,941	8,219	8,506	8,804	9,112	9,431
Earnings on Replacement Reserves	2,445	2,463	2,481	2,500	2,519	2,539	2,560	2,582	2,604
Earnings on Debt Service Reserve	7,525	7,525	7,525	7,525	7,525	7,525	7,525	7,525	7,525
<b>Net Operating Income</b>	<b>\$ 374,190</b>	<b>\$ 379,012</b>	<b>\$ 383,804</b>	<b>\$ 388,561</b>	<b>\$ 393,275</b>	<b>\$ 397,940</b>	<b>\$ 402,550</b>	<b>\$ 407,096</b>	<b>\$ 411,571</b>
<b>Annual Operating Expenses per Unit (excl. Trustee Fee)</b>									
Debt Svc: Bonds	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715
Debt Svc: State HTF	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690
Debt Svc: City	-	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ 273,405</b>								
Debt Service Coverage Ratio (Bonds only)	1.73	1.76	1.78	1.80	1.82	1.84	1.87	1.89	1.91
Debt Service Coverage Ratio (all loans)	1.37	1.39	1.40	1.42	1.44	1.46	1.47	1.49	1.51
<b>Cash Flow after Debt Service</b>	<b>\$ 100,785</b>	<b>\$ 105,607</b>	<b>\$ 110,399</b>	<b>\$ 115,156</b>	<b>\$ 119,870</b>	<b>\$ 124,535</b>	<b>\$ 129,145</b>	<b>\$ 133,691</b>	<b>\$ 138,166</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-	-
<b>Net Cash Flow</b>	<b>\$ 100,785</b>	<b>\$ 105,607</b>	<b>\$ 110,399</b>	<b>\$ 115,156</b>	<b>\$ 119,870</b>	<b>\$ 124,535</b>	<b>\$ 129,145</b>	<b>\$ 133,691</b>	<b>\$ 138,166</b>
Limited Partner Net Cash Flow	\$ 20,157	\$ 21,121	\$ 22,080	\$ 23,031	\$ 23,974	\$ 24,907	\$ 25,829	\$ 26,738	\$ 27,633
Replacement Reserves Cumulative Balance	69,859	70,361	70,879	71,417	71,972	72,548	73,143	73,759	74,397
% Spent in Year of Reserve:									

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EXHIBIT F - HOUSING PROFOI

Revenue inflation factor:	2029 25	2030 26	2031 27	2032 28	2033 29	2034 30	2035 31	2036 32
<b>Expense inflation factor:</b>								
<b>Operating Revenues:</b>								
Gross Rental Revenue	\$ 1,027,002	\$ 1,052,677	\$ 1,078,994	\$ 1,105,969	\$ 1,133,618	\$ 1,161,958	\$ 1,191,007	\$ 1,220,782
Other Revenue, rent up reserves, const. interest	16,351	16,760	17,179	17,608	18,048	18,500	18,962	19,436
Rental Assistance								
Vacancy and Loss	(51,350)	(52,634)	(53,950)	(55,298)	(56,681)	(58,098)	(59,550)	(61,039)
<b>Total Operating Revenue</b>	<b>\$ 992,003</b>	<b>\$ 1,016,803</b>	<b>\$ 1,042,223</b>	<b>\$ 1,068,278</b>	<b>\$ 1,094,985</b>	<b>\$ 1,122,360</b>	<b>\$ 1,150,419</b>	<b>\$ 1,179,179</b>
<b>Operating Expenses:</b>								
<b>Administrative</b>								
Advertising	\$ 5,708	\$ 5,908	\$ 6,115	\$ 6,329	\$ 6,550	\$ 6,780	\$ 7,017	\$ 7,263
Management	93,606	96,882	100,273	103,783	107,415	111,175	115,066	119,093
Legal/Partnership	17,125	17,724	18,345	18,987	19,551	20,339	21,051	21,788
Accounting/Audit	25,117	25,996	26,906	27,847	28,822	29,831	30,875	31,955
Compliance Monitoring Fee	4,110	4,254	4,403	4,557	4,716	4,881	5,052	5,229
Other partnership	11,417	11,816	12,230	12,658	13,101	13,559	14,034	14,525
Other resident manager	44,525	46,083	47,696	49,366	51,093	52,882	54,732	56,648
Other security/misc.	25,231	26,114	27,028	27,974	28,953	29,966	31,015	32,1C1
Other Bond Trustee	4,110	4,254	4,403	4,557	4,716	4,881	5,052	5,229
<b>Operating</b>								
Elevator	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-
Utilities	147,503	152,866	158,009	163,539	169,263	175,187	181,319	187,865
Payroll / Payroll Taxes	-	-	-	-	-	-	-	-
Insurance	57,768	59,790	61,883	64,049	66,290	68,611	71,012	73,497
Security	-	-	-	-	-	-	-	-
Other elevator	4,567	4,726	4,892	5,063	5,240	5,424	5,614	5,810
Other fire/alarm/testing	7,992	8,271	8,561	8,860	9,171	9,492	9,822	10,168
Other custodians	29,227	30,250	31,308	32,404	33,538	34,712	35,927	37,184
Other contract maintenance	14,682	15,196	15,728	16,278	16,848	17,437	18,048	18,879
<b>Maintenance</b>								
Decorating & Turnover	5,708	5,908	6,115	6,329	6,550	6,780	7,017	7,263
Repairs & Maintenance	21,692	22,451	23,237	24,050	24,892	25,763	26,665	27,598
Landscaping	-	-	-	-	-	-	-	-
Other pest control	4,567	4,726	4,892	5,063	5,240	5,424	5,614	5,810
Other misc.	1,142	1,182	1,223	1,266	1,310	1,356	1,403	1,453
Other supplies	11,588	11,993	12,413	12,848	13,297	13,763	14,244	14,743
<b>Real Estate Taxes</b>								
<b>Total Operating Expenses</b>	<b>\$ 537,382</b>	<b>\$ 556,191</b>	<b>\$ 575,857</b>	<b>\$ 595,805</b>	<b>\$ 616,659</b>	<b>\$ 638,242</b>	<b>\$ 660,580</b>	<b>\$ 683,700</b>
Replacement Reserves	39,045	40,411	41,826	43,290	44,805	46,373	47,996	49,676
Operating Reserve	9,761	10,103	10,456	10,822	11,201	11,593	11,999	12,419
Earnings on Replacement Reserves	2,627	2,651	2,676	2,701	2,728	2,755	2,784	2,813
Earnings on Debt Service Reserve	7,525	7,525	7,525	7,525	7,525	7,525	7,525	-
<b>Net Operating Income</b>	<b>\$ 415,966</b>	<b>\$ 420,273</b>	<b>\$ 424,484</b>	<b>\$ 428,587</b>	<b>\$ 432,573</b>	<b>\$ 436,432</b>	<b>\$ 440,152</b>	<b>\$ 438,197</b>
<b>Annual Operating Expenses per Unit (excl. Trustee Fr \$</b>	<b>10,113</b>	<b>\$ 10,467</b>	<b>\$ 10,833</b>	<b>\$ 11,212</b>	<b>\$ 11,605</b>	<b>\$ 12,011</b>	<b>\$ 12,431</b>	<b>\$ 12,866</b>
Debt Svc: Bonds	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715
Debt Svc: State HTF	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690
Debt Svc: City	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>
<b>Debt Service Coverage Ratio (Bonds only )</b>	<b>1.93</b>	<b>1.95</b>	<b>1.97</b>	<b>1.99</b>	<b>2.01</b>	<b>2.02</b>	<b>3.16</b>	<b>N/A</b>
<b>Debt Service Coverage Ratio (all loans)</b>	<b>1.52</b>	<b>1.54</b>	<b>1.55</b>	<b>1.57</b>	<b>1.58</b>	<b>1.60</b>	<b>2.23</b>	<b>7.56</b>
<b>Cash Flow after Debt Service</b>	<b>\$ 142,561</b>	<b>\$ 146,869</b>	<b>\$ 151,079</b>	<b>\$ 155,182</b>	<b>\$ 159,168</b>	<b>\$ 163,027</b>	<b>\$ 243,206</b>	<b>\$ 378,507</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-
<b>Net Cash Flow</b>	<b>\$ 142,561</b>	<b>\$ 146,869</b>	<b>\$ 151,079</b>	<b>\$ 155,182</b>	<b>\$ 159,168</b>	<b>\$ 163,027</b>	<b>\$ 243,206</b>	<b>\$ 378,507</b>
<b>Limited Partner Net Cash Flow</b>	<b>\$ 28,512</b>	<b>\$ 29,374</b>	<b>\$ 30,216</b>	<b>\$ 31,036</b>	<b>\$ 31,834</b>	<b>\$ 32,605</b>	<b>\$ 48,641</b>	<b>\$ 75,701</b>
Replacement Reserves Cumulative Balance	75,057	75,741	76,448	77,180	77,937	78,722	79,533	80,373
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-

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EXHIBIT F - HOUSING PROFOI

	2037 33	2038 34	2039 35	2040 36	2041 37	2042 38	2043 39	2044 40
<b>Revenue Inflation factor:</b>								
<b>Expense Inflation factor:</b>								
<b>Operating Revenues:</b>								
Gross Rental Revenue	\$ 1,251,302	\$ 1,282,585	\$ 1,314,649	\$ 1,347,515	\$ 1,381,203	\$ 1,415,733	\$ 1,451,127	\$ 1,487,405
Other Revenue, rent up reserves, const. interest	19,922	20,420	20,931	21,454	21,990	22,540	23,103	23,681
Rental Assistance								
Vacancy and Loss	(62,565)	(64,129)	(65,732)	(67,376)	(69,060)	(70,787)	(72,556)	(74,370)
<b>Total Operating Revenue</b>	<b>\$ 1,208,659</b>	<b>\$ 1,238,875</b>	<b>\$ 1,269,847</b>	<b>\$ 1,301,593</b>	<b>\$ 1,334,133</b>	<b>\$ 1,367,487</b>	<b>\$ 1,401,674</b>	<b>\$ 1,436,716</b>
<b>Operating Expenses:</b>								
<b>Administrative</b>								
Advertising	\$ 7,517	\$ 7,780	\$ 8,052	\$ 8,334	\$ 8,626	\$ 8,928	\$ 9,240	\$ 9,563
Management	123,261	127,575	132,041	136,662	141,445	146,399	151,520	156,823
Legal/Partnership	22,550	23,340	24,156	25,002	25,877	26,783	27,720	28,690
Accounting/Audit	33,074	34,231	35,429	36,669	37,953	39,281	40,656	42,079
Compliance Monitoring Fee	5,412	5,601	5,798	6,000	6,210	6,428	6,653	6,886
Other <u>partnership</u>	15,034	15,560	16,104	16,668	17,251	17,855	18,480	19,127
Other <u>resident manager</u>	58,631	60,683	62,807	65,005	67,280	69,635	72,072	74,595
Other <u>security/misc.</u>	33,224	34,387	35,591	36,836	38,125	39,480	40,841	42,270
Other <u>Brn&amp;T Trustee</u>	5,412	5,601	5,798	6,000	6,210	6,428	6,653	6,886
<b>Operating</b>								
Elevator	-	-	-	-	-	-	-	-
Heat	194,233	201,031	208,068	215,350	222,887	230,688	238,762	247,119
Utilities	-	-	-	-	-	-	-	-
Payroll / Payroll Taxes	76,070	78,732	81,488	84,340	87,292	90,347	93,509	96,782
Insurance	-	-	-	-	-	-	-	-
Security	-	-	-	-	-	-	-	-
Other <u>elevator</u>	6,013	6,224	6,442	6,667	6,901	7,142	7,392	7,651
Other <u>fire/alarm/testing</u>	10,523	10,892	11,273	11,668	12,076	12,499	12,936	13,389
Other <u>custodians</u>	38,486	39,833	41,227	42,670	44,163	45,709	47,309	48,965
Other <u>contract maintenance</u>	19,233	20,010	20,710	21,435	22,185	22,962	23,765	24,597
<b>Maintenance</b>								
Decorating & Turnover	7,517	7,780	8,052	8,334	8,626	8,928	9,240	9,563
Repairs & Maintenance	28,564	29,563	30,598	31,669	32,778	33,925	35,112	36,341
Landscaping	-	-	-	-	-	-	-	-
Other <u>pest control</u>	6,013	6,224	6,442	6,667	6,901	7,142	7,392	7,651
Other <u>misc.</u>	1,503	1,556	1,510	1,667	1,725	1,786	1,848	1,913
Other <u>supplies</u>	15,259	15,793	16,346	16,918	17,510	18,123	18,757	19,414
<b>Real Estate Taxes</b>								
<b>Total Operating Expenses</b>	<b>\$ 707,630</b>	<b>\$ 732,397</b>	<b>\$ 758,031</b>	<b>\$ 784,562</b>	<b>\$ 812,022</b>	<b>\$ 840,442</b>	<b>\$ 869,858</b>	<b>\$ 900,303</b>
Replacement Reserves	51,415	53,214	55,077	57,004	59,000	61,065	63,202	65,414
Operating Reserve	12,854	13,304	13,769	14,251	14,750	15,266	15,800	16,353
Earnings on Replacement Reserves	2,843	2,875	2,908	2,941	2,976	3,012	3,050	3,088
Earnings on Debt Service Reserve	-	-	-	-	-	-	-	-
<b>Net Operating Income</b>	<b>\$ 439,604</b>	<b>\$ 442,836</b>	<b>\$ 445,878</b>	<b>\$ 448,717</b>	<b>\$ 451,338</b>	<b>\$ 453,726</b>	<b>\$ 455,863</b>	<b>\$ 457,734</b>
<b>Annual Operating Expenses per Unit (excl. Trustee F:</b>	<b>\$ 13,317</b>	<b>\$ 13,783</b>	<b>\$ 14,265</b>	<b>\$ 14,764</b>	<b>\$ 15,281</b>	<b>\$ 15,816</b>	<b>\$ 16,369</b>	<b>\$ 16,942</b>
Debt Svc: <u>Bonds</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Svc: <u>State HTF</u>	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690
Debt Svc: <u>City</u>	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-
Debt Svc: <u>SHA</u>	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-
Total Debt Service	\$ 57,690	\$ 57,690	\$ 57,690	\$ 57,690	\$ 57,690	\$ 57,690	\$ 57,690	\$ 57,690
<b>Debt Service Coverage Ratio (Bonds only)</b>	<b>N/A</b>							
<b>Debt Service Coverage Ratio (all loans)</b>	<b>7.62</b>	<b>7.68</b>	<b>7.73</b>	<b>7.78</b>	<b>7.82</b>	<b>7.86</b>	<b>7.90</b>	<b>7.93</b>
<b>Cash Flow after Debt Service</b>	<b>\$ 381,914</b>	<b>\$ 385,145</b>	<b>\$ 388,188</b>	<b>\$ 391,027</b>	<b>\$ 393,648</b>	<b>\$ 396,036</b>	<b>\$ 398,173</b>	<b>\$ 400,044</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-
<b>Net Cash Flow</b>	<b>\$ 381,914</b>	<b>\$ 385,145</b>	<b>\$ 388,188</b>	<b>\$ 391,027</b>	<b>\$ 393,648</b>	<b>\$ 396,036</b>	<b>\$ 398,173</b>	<b>\$ 400,044</b>
<b>Limited Partner Net Cash Flow</b>	<b>\$ 76,383</b>	<b>\$ 77,029</b>	<b>\$ 77,638</b>	<b>\$ 78,205</b>	<b>\$ 78,730</b>	<b>\$ 79,207</b>	<b>\$ 79,635</b>	<b>\$ 80,009</b>
Replacement Reserves Cumulative Balance	81,242	82,142	83,073	84,037	85,035	86,067	87,136	88,242
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-

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EXHIBIT F - HOUSING PROFOI

	2045	2046	2047	2048	2049	2050	2051	2052
	41	42	43	44	45	46	47	48
<b>Revenue inflation factor:</b>								
Expense inflation factor:								
<b>Operating Revenues:</b>								
Gross Rental Revenue	\$ 1,524,590	\$ 1,562,705	\$ 1,601,772	\$ 1,641,817	\$ 1,682,862	\$ 1,724,934	\$ 1,768,057	\$ 1,812,258
Other Revenue, rent up reserves, const. interest	24,273	24,880	25,502	26,139	26,793	27,463	28,149	28,853
Rental Assistance								
Vacancy and Loss	(76,229)	(78,135)	(80,089)	(82,091)	(84,143)	(86,247)	(88,403)	(90,613)
<b>Total Operating Revenue</b>	<b>\$ 1,472,633</b>	<b>\$ 1,509,449</b>	<b>\$ 1,547,186</b>	<b>\$ 1,585,865</b>	<b>\$ 1,625,512</b>	<b>\$ 1,666,150</b>	<b>\$ 1,707,803</b>	<b>\$ 1,750,498</b>
<b>Operating Expenses:</b>								
<b>Administrative</b>								
Advertising	\$ 9,898	\$ 10,245	\$ 10,603	\$ 10,974	\$ 11,358	\$ 11,756	\$ 12,167	\$ 12,593
Management	162,312	167,993	173,872	179,958	186,256	192,775	199,522	206,506
Legal/Partnership	20,694	30,734	31,809	32,923	34,075	35,268	36,502	37,780
Accounting/Audit	43,552	45,076	46,654	48,287	49,977	51,726	53,536	55,410
Compliance Monitoring Fee	7,127	7,376	7,634	7,901	8,178	8,464	8,760	9,067
Other partnership	19,796	20,489	21,206	21,949	22,717	23,512	24,335	25,186
Other resident manager	77,206	79,908	82,705	85,599	88,595	91,696	94,905	98,227
Other security/misc.	43,750	45,281	46,866	48,506	50,204	51,961	53,780	55,662
Other Board Trustee	7,127	7,376	7,634	7,901	8,178	8,464	8,760	9,067
<b>Operating</b>								
Elevator	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-
Utilities	255,768	264,720	273,985	283,575	293,500	303,772	314,404	325,409
Payroll / Payroll Taxes	100,169	103,675	107,304	111,059	114,947	118,970	123,134	127,443
Insurance	-	-	-	-	-	-	-	-
Security	-	-	-	-	-	-	-	-
Other elevator	7,919	8,196	8,483	8,779	9,087	9,405	9,734	10,075
Other fire/alarm/testing	13,857	14,342	14,844	15,364	15,902	16,458	17,034	17,630
Other custodians	50,679	52,452	54,288	56,188	58,155	60,190	62,297	64,477
Other contract maintenance	25,458	26,349	27,271	28,226	29,214	30,236	31,294	32,390
<b>Maintanance</b>								
Decorating & Turnover	9,898	10,245	10,603	10,974	11,358	11,756	12,167	12,593
Repairs & Maintenance	37,613	38,929	40,292	41,702	43,162	44,672	46,236	47,854
Landscaping	-	-	-	-	-	-	-	-
Other pest control	7,919	8,196	8,483	8,779	9,087	9,405	9,734	10,075
Other misc.	1,980	2,049	2,121	2,195	2,272	2,351	2,433	2,519
Other supplies	20,093	20,797	21,524	22,278	23,057	23,864	24,700	25,564
<b>Real Estate Taxes</b>								
<b>Total Operating Expenses</b>	<b>\$ 931,814</b>	<b>\$ 964,427</b>	<b>\$ 998,182</b>	<b>\$ 1,033,118</b>	<b>\$ 1,069,277</b>	<b>\$ 1,106,702</b>	<b>\$ 1,145,437</b>	<b>\$ 1,185,527</b>
Replacement Reserves	67,703	70,073	72,526	75,064	77,691	80,410	83,225	86,138
Operating Reserve	16,926	17,518	18,131	18,766	19,423	20,103	20,806	21,534
Earnings on Replacement Reserves	3,129	3,170	3,213	3,257	3,303	3,351	3,400	3,451
Earnings on Debt Service Reserve	-	-	-	-	-	-	-	-
<b>Net Operating Income</b>	<b>\$ 459,319</b>	<b>\$ 460,601</b>	<b>\$ 461,560</b>	<b>\$ 462,174</b>	<b>\$ 462,424</b>	<b>\$ 462,285</b>	<b>\$ 461,736</b>	<b>\$ 460,751</b>
<b>Annual Operating Expenses per Unit (excl. Trustee F)</b>								
<b>Debt Svc: Bonds</b>	<b>\$ 17,535</b>	<b>\$ 18,149</b>	<b>\$ 18,784</b>	<b>\$ 19,442</b>	<b>\$ 20,122</b>	<b>\$ 20,827</b>	<b>\$ 21,555</b>	<b>\$ 22,310</b>
Debt Svc: State HTF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Svc: City	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ 23,062</b>	<b>\$ -</b>						
<b>Debt Service Coverage Ratio (Bonds only )</b>								
Debt Service Coverage Ratio (all loans)	19.92	N/A						
<b>Cash Flow after Debt Service</b>	<b>\$ 436,257</b>	<b>\$ 460,601</b>	<b>\$ 461,560</b>	<b>\$ 462,174</b>	<b>\$ 462,424</b>	<b>\$ 462,285</b>	<b>\$ 461,736</b>	<b>\$ 460,751</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-
<b>Net Cash Flow</b>	<b>\$ 436,257</b>	<b>\$ 460,601</b>	<b>\$ 461,560</b>	<b>\$ 462,174</b>	<b>\$ 462,424</b>	<b>\$ 462,285</b>	<b>\$ 461,736</b>	<b>\$ 460,751</b>
<b>Limited Partner Net Cash Flow</b>	<b>\$ 87,251</b>	<b>\$ 92,120</b>	<b>\$ 92,312</b>	<b>\$ 92,435</b>	<b>\$ 92,485</b>	<b>\$ 92,457</b>	<b>\$ 92,347</b>	<b>\$ 92,150</b>
Replacement Reserves Cumulative Balance	89,387	90,571	91,798	93,067	94,381	95,740	97,147	98,604
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-

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EXHIBIT F - HOUSING PROFOI

	2053	2054	2055	2056	2057	2058	2059
Revenue Inflation factor:	49	50	51	52	53	54	55
Expense Inflation factor:							
<b>Operating Revenues:</b>							
Gross Rental Revenue	\$ 1,857,565	\$ 1,904,004	\$ 1,951,604	\$ 2,000,394	\$ 2,050,404	\$ 2,101,664	\$ 2,154,206
Other Revenue, rent up reserves, const. interest	29,574	30,314	31,071	31,848	32,644	33,461	34,297
Rental Assistance							
Vacancy and Loss	(92,878)	(95,200)	(97,580)	(100,020)	(102,520)	(105,083)	(107,710)
<b>Total Operating Revenue</b>	<b>\$ 1,794,261</b>	<b>\$ 1,839,117</b>	<b>\$ 1,885,095</b>	<b>\$ 1,932,223</b>	<b>\$ 1,980,528</b>	<b>\$ 2,030,041</b>	<b>\$ 2,080,793</b>
<b>Operating Expenses:</b>							
Administrative	\$ 13,034	\$ 13,490	\$ 13,962	\$ 14,451	\$ 14,957	\$ 15,480	\$ 16,022
Advertising	213,733	221,214	228,957	236,970	245,264	253,848	262,733
Management	39,102	40,470	41,887	43,353	44,870	46,441	48,066
Legal/Partnership	57,349	59,357	61,434	63,584	65,810	68,113	70,497
Accounting/Audit							
Compliance Monitoring Fee	9,384	9,713	10,053	10,405	10,769	11,146	11,536
Other partnership	26,068	26,980	27,925	28,902	29,914	30,961	32,044
Other resident manager	101,665	105,223	108,906	112,718	116,663	120,746	124,972
Other security/misc.	57,610	59,627	61,713	63,873	66,109	68,423	70,818
Other Bond Trustee	9,384	9,713	10,053	10,405	10,769	11,146	11,536
Operating							
Elevator	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-
Utilities	336,798	348,586	360,786	373,414	386,483	400,010	414,011
Payroll / Payroll Taxes							
Insurance	131,904	136,520	141,299	146,244	151,363	156,660	162,143
Security							
Other elevator	10,427	10,792	11,170	11,561	11,965	12,384	12,818
Other fire/alarm/testing	18,248	18,886	19,547	20,231	20,939	21,672	22,431
Other custodians	66,734	69,070	71,487	73,989	76,579	79,259	82,033
Other contract maintenance	33,523	34,697	35,911	37,168	38,469	39,815	41,209
Maintenance							
Decorating & Turnover	13,034	13,490	13,962	14,451	14,957	15,480	16,022
Repairs & Maintenance	49,529	51,263	53,057	54,914	56,836	58,825	60,884
Landscaping							
Other pest control	10,427	10,792	11,170	11,561	11,965	12,384	12,818
Other misc.	2,607	2,698	2,792	2,890	2,991	3,096	3,204
Other supplies	26,459	27,385	28,344	29,336	30,362	31,425	32,525
Real Estate Taxes							
<b>Total Operating Expenses</b>	<b>\$ 1,227,021</b>	<b>\$ 1,269,966</b>	<b>\$ 1,314,415</b>	<b>\$ 1,360,420</b>	<b>\$ 1,408,034</b>	<b>\$ 1,457,315</b>	<b>\$ 1,508,321</b>
Replacement Reserves	89,152	92,273	95,502	98,845	102,304	105,885	109,591
Operating Reserve	22,288	23,068	23,876	24,711	25,576	26,471	27,398
Earnings on Replacement Reserves	3,504	3,558	3,615	3,674	3,734	3,797	3,862
Earnings on Debt Service Reserve							
Net Operating Income	\$ 459,304	\$ 457,369	\$ 454,917	\$ 451,921	\$ 448,348	\$ 444,166	\$ 439,344
<b>Annual Operating Expenses per Unit (excl. Trustee F:</b>							
<b>Debt Svc: Bonds</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Debt Svc: State HTF</b>							
<b>Debt Svc: City</b>			160,556	160,556	160,556	160,556	160,556
<b>Debt Svc: SHA</b>			124,179	124,179	124,179	124,179	124,179
<b>Debt Svc: Total Debt Service</b>	\$ -	\$ -	\$ 284,736	\$ 284,736	\$ 284,736	\$ 284,736	\$ 284,736
<b>Debt Service Coverage Ratio (Bonds only)</b>	N/A						
<b>Debt Service Coverage Ratio (all loans)</b>	N/A	N/A	1.60	1.59	1.57	1.56	1.54
<b>Cash Flow after Debt Service</b>	\$ 459,304	\$ 457,369	\$ 170,182	\$ 167,185	\$ 163,612	\$ 159,431	\$ 154,608
Interest Accrued on Developer Loan	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-
Developer Loan Balance							
<b>Net Cash Flow</b>	\$ 459,304	\$ 457,369	\$ 170,182	\$ 167,185	\$ 163,612	\$ 159,431	\$ 154,608
<b>Limited Partner Net Cash Flow</b>	\$ 91,861	\$ 91,474	\$ 34,036	\$ 33,437	\$ 32,722	\$ 31,886	\$ 30,922
Replacement Reserves Cumulative Balance	100,111	101,671	103,286	104,957	106,687	108,478	110,331
% Spent in Year of Reserve:							

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CLERK

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Exhibit G



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Exhibit G Insurance

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### Exhibit G – Insurance Requirements

**A. General Obligations:** For so long as the Bonds are Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of either Bond Guaranty Agreement (Series A or Series B), whichever is later, the Authority and/or the Company shall, at its own expense, obtain and continuously maintain, or cause to be obtained and continuously maintained, in full force and effect, insurance policy(ies) in conjunction with the following:

- (a) the Bond Payment Guaranty Agreements between the City and the Authority;
- (b) the Company's and/or the Authority's activity on or the use or occupation of the IDVS2 Project property;
- (c) Design, Construction Management, Inspection, Construction, reconstruction, operation, maintenance, use or existence of the IDVS2 Project.
- (d) Deeds of Trust securing the Company's and the Authority's obligations under the Bond Guaranty Agreements; and
- (e) Any and all claims and risks in connection with the activity performed by the Authority and/or the Company under this Agreement.

With respect to all consultants and contractors performing work on behalf of the Authority and/or the Company, the Authority and/or the Company shall:

- (a) Obtain from each consultant and contractor evidence that such contractor or consultant has obtained and maintained a policy or policies of insurance as required herein;
- (b) Submit evidence of insurance as required herein to the City for review and approval;
- (c) Require that all such policies name the City as an additional insured, including completed operations, on all liability policies per ISO form CG20 26 or its equivalent; and
- (d) Include, in all contracts executed by the Authority and/or the Company with respect to the IDVSII Project, provisions which extend to the City construction indemnities and warranties granted to Authority.

**B. Required Insurance.** The following policies shall be obtained and continuously maintained by the Authority and/or the Company:

1. **Bond Payment Guaranty Agreement.** For so long as the Bonds remain Outstanding or until such time that the Authority has satisfied all its obligations to repay the City pursuant to Section 3.3 of either Bond Guaranty Agreement (Series



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Series A

A or Series B), the Authority and/or the Company shall obtain and continuously maintain the following policies of insurance:

(a) A policy of **Commercial General Liability Insurance**, written on an insurance industry standard occurrence form (CG 00 01) including all the usual coverage known as:

- Premises/Operations Liability;
- Products/Completed Operations;
- Personal/Advertising Injury;
- Contractual Liability;
- Explosion, Collapse and Underground Property Damage (XCU);
- Independent Contractors Liability;
- Stop Gap or Employers Contingent Liability; and
- Per Project Coverage (CG2503 ISO), or equivalent.

Such policy(ies) shall provide the following minimum limits:

Bodily Injury and Property Damage:

\$ 1,000,000	General Aggregate
\$ 1,000,000	Products & Completed Operations Aggregate
\$ 1,000,000	Personal & Advertising Injury
\$ 1,000,000	Each Occurrence
\$ 100,000	Fire Damage

(b) A policy of **Business Automobile Liability Insurance**, including coverage for owned, non-owned, leased or hired vehicles written on an insurance industry standard form (CA 00 01) or equivalent, and as specified by Insurance Services Office Symbol 1 (any auto). If "pollutants" as defined in exclusion 11 of the commercial auto policy are to be transported, endorsement CA9948 & MCS 90 are required.

Such policy(ies) must provide the following minimum limit:

Bodily Injury and Property Damage  
\$ 1,000,000 per accident

(c) A policy of **Excess Liability Insurance** above the primary general liability and auto liability policies that will provide a total limit of insurance of \$5,000,000 per Occurrence/Aggregate/per Claim. The excess policy shall be, at a minimum, as broad as the primary policies.

(d) A policy of **Worker's Compensation**: As respects Workers' Compensation insurance in the state of Washington, the Authority and/or the Company shall secure its liability for industrial injury to its employees in accordance with the provisions of Title 51 of the Revised Code of Washington. The Authority and/or the Company shall be responsible for Workers' Compensation Insurance for any and all contractors and subcontractors who provide services with respect to the IDVS2 Project. Additionally, if the any contractor or subcontractor is required to work on

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or around a navigable waterway, the Authority and/or the Company shall provide evidence of United States Longshoremen's and Harbor Workers' (USL&H) coverage and contingent coverage for Jones Act (Marine Employers Liability) in compliance with federal statutes. If the Authority is qualified as a self-insurer in accordance with Chapter 51.14 of the Revised Code of Washington, Authority shall so certify to the Owner by submitting a letter signed by a corporate officer, indicating that it is a qualified self-insurer, and setting forth the limits of any policy of excess insurance covering its employees; or any similar coverage required.

2. **Design, Construction Management or Inspection:** In addition to standard insurance requirements in this Exhibit G, the Authority and/or the Company shall obtain or cause to be obtained the following additional insurance coverage:

(a) **Errors and Omissions Liability Insurance:** A policy of Errors and Omissions Liability Insurance appropriate to each consultant's profession. Coverage should be for a professional error, act or omission arising out of the scope of services shown in the contract. The policy shall not exclude any of the following:

- Claims arising out of pollution for environmental work<sup>†</sup>
- Construction Administration Services<sup>†</sup>
- Laboratory analysis<sup>†</sup>

<sup>†</sup>Only required when services are to be performed under this agreement.

The minimum limit of coverage shall be \$1,000,000 per Claim/Aggregate

3. **Construction, Reconstruction, Operations:** In addition to the standard insurance requirements as identified in this Exhibit G, the Authority and/or the Company shall secure or cause to be secured, the following additional insurance coverage:

(a) **Builder's Risk Insurance:** The Authority and/or the Company shall purchase and maintain builders insurance on an "All Risk" basis, in an amount equal to 100% replacement cost thereof, against loss from the perils of fire and other risks of direct physical loss, including earthquake and flood damage. The Authority and/or the Company or the/Contractor shall be responsible for the policy deductible. The policy shall **include as Loss Payee the City**. The Authority and/or the Company shall provide the City with a duplicate original of said Policy.

Coverage shall include all materials, supplies, and equipment intended for specific installation in the IDVS2 Project while such materials, supplies and/or equipment are located at the project site, in transit or while temporarily located away from the project site. Coverage shall also include the value of

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site preparation work, the value of underground property, the cost of debris removal, and the cost of pollutant cleanup as well as removal.

In addition, the following coverage extensions shall be included: Delayed Opening – Loss of Earnings coverage and Operation of Building Codes coverage – demolition, contingent liability and increased cost of construction.

The policy shall not contain any coinsurance penalty provision or any occupancy clauses.

With respect to the Builder's Risk Policy described herein, the City Authority and the Company waive all subrogation rights against each other, any Subcontractors, Architect, Architect's sub-consultants, separate contractors, if any, and any of their subcontractors, for damages caused by fire or other perils to the extent covered by property insurance obtained pursuant to this section or other property insurance applicable to the Work, except such rights as they have to proceeds of such insurance held by Owner as fiduciary. This waiver of subrogation shall be effective to a person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, whether or not the person or entity paid the insurance premium directly or indirectly, and whether or not the person or entity had and insurance interest in the property damaged.

The City reserves the right to purchase this policy for the IDVS2 Project, adding the Authority and/or the Company and/or the Contractor as an additional insured to any such policy. If the City does purchase such a policy, the Authority and/or the Company shall reimburse the City for all of its costs for such coverage.

**Warranty, Repair or Remedy of Defects:** The Authority and/or the Company shall obtain a bond from a surety company, acceptable to the City, which for a period of one year after substantial completion of the IDVS2 Project shall provide for payment for the repair or remedy of defects in the IDVS2 Project which are due to faulty materials or workmanship and for damage to other work resulting from such faulty material and workmanship.

**4. Deed of Trust:** In addition to the standard insurance requirements as identified in this Exhibit G, the Authority and/or the Company shall secure or cause to be secured, the following additional insurance coverage with respect to the Deeds of Trust executed for the benefit of the City with respect to the IDVS2 Project

(1) A policy of **Property Insurance** on the building, its furniture, fixtures, equipment, inventory, and all other improvements which it makes to the premises, on an "All Risk" basis, in an amount equal to 100% replacement cost thereof, against (i) Loss from the perils of fire and other risks of direct



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physical loss, (including earthquake and flood damage, and not less broad than provided by the insurance industry standard "Causes of Loss - Special Form (CP 10 30)"; (ii) Loss or damage from water damage, or sprinkler systems now or hereafter installed in any building on the premises; (iii) Loss or damage by explosion of steam boilers, pressure vessels, oil, or gasoline storage tanks; machinery, heating or air conditions, elevator and escalator equipment or similar apparatus, provided the Property contains equipment of such nature if required by Beneficiary; (iv) Business Interruption or Extra Expense, with sufficient coverage to provide for the loss of rent or income and other fixed costs during any interruption of Grantor's business, loss of occupancy, or use because of fire or other cause in such amounts as are satisfactory to Beneficiary. Grantor shall name the City as a Loss Payee. In the event the Authority and/or the Company is unable because of market conditions to renew such policy on the terms described, then the Authority and/or the Company shall notify the City's Director of Finance prior to the expiration of the policy. Upon such notice, the City may, in its reasonable discretion, alter the requirements described herein.

The Property Insurance policies required for the deeds of trust are subject to approval by the City in its sole discretion as to amount, form, deductibles and insurer, and must cover all risks the City requires. The City agrees to respond to the Authority and/or the Company within two (2) weeks of its receipt of such request for approval submitted to the City's Director of Finance.

With respect to its obligations under the deeds of trust securing the Authority's and the Company's obligations under the Bond Guaranty Agreements, the Authority and/or the Company agree as follows:

**Completion, Repair and Restoration.** The Authority and/or the Company shall promptly complete or cause to be promptly completed, shall promptly repair or cause to be promptly repaired, and shall promptly restore or cause to be promptly restored, in good workmanlike manner any building or improvement of the IDVS2 Project or on the Property which may be partially constructed, damaged or destroyed and shall pay all costs incurred therefor, provided that (i) the repair and restoration shall be subject to the approval of mortgagees as set forth in any senior mortgage and in any Priority Agreement or Subordination Agreement executed by City; and (ii) if the Authority and/or the Company maintains insurance as required by this Agreement and described in Exhibit G, then the obligation to repair and restore in case of casualty shall be limited to the insurance proceeds available therefor and any reserves maintained for the Project. Prior to commencement of any restoration costing in excess of \$10,000, the Authority and/or the Company shall submit the plans and specifications for the City's approval and furnish evidence of sufficient funds to complete the work.

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**C. Deductibles:** If any of the above required insurance contains a deductible (or self-insured retention amount) the Authority/Company/Consultant/Contractor shall:

1. Disclose such amount; and
2. Be responsible for payment of any claim equal to or less than the deductible (or self-insured retention amount).

The City reserves the right to reject insurance policies with a deductible (or self-insured retention amount) in excess of \$25,000 for which adequate financial strength of the Insured cannot be demonstrated to the satisfaction of the City.

**D. Conditions:** The insurance policy or policies, endorsements thereto, and subsequent renewals shall:

1. Be subject to approval by the City as to company, form and coverage. The insurance company shall be:
  - a. Rated A-VII or higher in the A.M. Best's Key Rating Guide; and
  - b. Licensed to do business in the State of Washington or be filed as surplus lines by a Washington broker.
2. Be primary as respects the City, and any other insurance maintained by the City shall be excess insurance and not contributing insurance with the Authority and/or Company, and/or its consultants, contractors, inspectors, or other contractors of any kind;
3. Be maintained in full force and effect through the Agreement;
4. Protect the City within the policy limits from any and all losses, claims, actions, damages, and expenses arising out or resulting from the Authority's and/or the Company's, and/or their consultants, contractors, inspectors, or other contractors of any kind, performance or lack of performance;
5. Name the City as an additional insured pursuant to the requirements of Section Titled "Evidence of Insurance"; and
6. Include a provision (whether by endorsement or otherwise) indicating that, except with respect to the limits of insurance and any rights or duties specifically assigned to the first named insured, the insurance shall apply:
  - a. As if each party insured thereunder (whether as a named insured, additional named insured, or additional insured) were the only party insured by such policy; and
  - b. Separately to each insured against whom a claim is made or a suit is brought.

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**E. Evidence of Insurance:** In many cases, evidence of insurance may be demonstrated by submitting a copy (photocopy or facsimile acceptable) of the declarations pages of the policy and the additional insured endorsement. The declaration pages shall clearly show the policy effective dates, limits and schedule of forms and endorsements. Any reference to premiums may be blacked out. However at the option of the City, the Authority and/or the Company and/or its designated Contractors, Consultants and Inspectors, as outlined above, may be required to submit a copy of the insurance policy, all referenced endorsements, or both. Certificates of Insurance (ACORD forms) will not be accepted as evidence of insurance. Evidence of insurance for each policy shall:

1. Comply with one of the following requirements regarding naming the City as an additional insured, including Completed Operations:
  - (a) Insurance Services Office (ISO) Standard Endorsement: An additional insured endorsement issued on an ISO form CG 20 26 or its equivalent, shall name "The City of Seattle, its officers, elected officials, employees, agents, and volunteers" as an additional insured. The endorsement shall:
    - (i) Be signed by an authorized representative of the insurance company; and
    - (ii) Include the policy number and name of the insured on the endorsement.
  - (b) Non-ISO Endorsements: For Non-ISO endorsements, any of the following options are acceptable:
    - (i) A blanket clause (in the policy or endorsement) adding, without undue restriction of coverage, as additional insured anyone for whom the Authority, and/or its consultants, contractors, inspectors, or other contractors of any kind, are required to provide insurance under a contract or permit;
    - (ii) An additional insured endorsement on a non-ISO endorsement form containing the following provision:

"The City of Seattle, its officers, elected officials, employees, agents, volunteers, are an additional insured for all coverage provided by this policy and shall be fully and completely protected to the extent provided in said policy for any and every injury, death, damage and loss of any sort sustained by any person, organization or corporation in connection with any activity performed by the Authority, and/or its consultants, contractors, inspectors, or other contractors of any kind, as outlined above by virtue of the provisions of this Agreement between The City of Seattle and the Authority.

The coverage provided by this policy to The City of Seattle shall not be terminated, reduced or otherwise materially changed

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without providing at least forty-five (45) days prior written notice to The City of Seattle.;" or

(iii) Any other additional insured endorsement form or clause approved by the City.

**F. Consultants, Contractors, Inspectors or other Contractors of any Kind Performing Work, or Other Agreements – Additional Insured Provision**

**Requirement of Authority:** The Authority and/or the Company shall require that any and all of its consultants, contractors, inspectors, or other contractors of any kind, performing work, or other agreements with respect to the IDVSII Project, shall name the City as an additional insured, including Completed Operations, on all Liability policies as indicated herein, on ISO Form 20 26 or equivalent. The Authority and/or the Company shall further require in all contracts with respect to the IDVSII Project, a provision which extends to the City, construction indemnities and warranties granted to the Authority.

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BOND PAYMENT GUARANTY AGREEMENT

between

THE CITY OF SEATTLE

and

THE SEATTLE CHINATOWN-INTERNATIONAL DISTRICT  
PRESERVATION AND DEVELOPMENT AUTHORITY

SPECIAL OBLIGATION BONDS,  
2002 SERIES B (COMMUNITY FACILITIES)  
Not to Exceed \$2,900,000

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Exhibits:

- Exhibit A—Legal Description of Community Facilities Condominium
- Exhibit B—Community Facilities Description
- Exhibit C—Form of Deed of Trust
- Exhibit D—Project Budget
- Exhibit E—Construction Schedule
- Exhibit F—Proforma Budget
- Exhibit G-- Insurance

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BOND PAYMENT GUARANTY AGREEMENT  
BETWEEN  
THE CITY OF SEATTLE  
AND  
SEATTLE CHINATOWN-INTERNATIONAL DISTRICT  
PRESERVATION AND DEVELOPMENT AUTHORITY  
SPECIAL OBLIGATION BONDS,  
2002 SERIES B (COMMUNITY FACILITIES)  
\$ \_\_\_\_\_

THIS BOND PAYMENT GUARANTY AGREEMENT is effective as of the \_\_\_\_\_ day of \_\_\_\_\_ 2002, between THE CITY OF SEATTLE (the "City"), a Washington municipal corporation, and the SEATTLE CHINATOWN-INTERNATIONAL DISTRICT PRESERVATION AND DEVELOPMENT AUTHORITY (the "Authority"), a public corporation chartered by the City, to provide for the City's guaranty of payment on bonds issued by the Authority to finance a portion of the Authority's costs to develop and construct community facilities as part of a project to be known as "International District Village Square Phase 2."

I. RECITALS

These facts and principles form the background of this Agreement:

1.1 The Authority was chartered by the City pursuant to the Revised Code of Washington (RCW), Chapter 35 (RCW 35.21.730, *et seq.*) and Seattle Municipal Code (SMC), Chapter 3.110 (Ordinance 103387, as amended) to "work for the conservation and renewal of the unique cultural and ethnic integrities characteristic of the area historically known as the Chinatown-International District," and "to expand and preserve the residential community, especially for low-income people."

1.2 The Authority has undertaken to develop the International District Village Square 2 (IDVSI) Project, a mixed-use project containing low-income family housing, parking, a community recreation center, a branch library and other uses (the "Project") located in the City of Seattle's Chinatown-International District. Condominium

1.3 In addition to providing low income housing and a community recreation center, the Project will further the purposes of the Authority and serve the public interest by providing a library and parking, as described in Exhibit B hereto which is incorporated herein by this reference (the "Community Facilities").

1.4 The City of Seattle and the United States Government have provided the Authority with crucial financial assistance for the development of this Project, which will provide significant public benefit to the community.

1.5 By Resolution No. \_\_\_\_\_, adopted \_\_\_\_\_, 2002, (the "Bond Resolution"), the Authority has approved the issuance and sale of its Special Obligation Bonds,

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Series 2002 Series B (Community Facilities), in an aggregate principal amount of not-to-exceed \_\_\_\_\_ Million Dollars (\$ \_\_\_\_\_) (the "Bonds") to finance a portion of the costs for development and construction of the Community Facilities.

1.6 The City and the Authority have negotiated this Agreement pursuant to which the City will provide credit enhancement to the Bonds by guaranteeing their payment.

1.7 The City Council by Ordinance No. \_\_\_\_\_ passed on \_\_\_\_\_, 2002, has authorized the Mayor to execute this Agreement on behalf of the City.

1.8 By the Bond Resolution the Authority has authorized the execution of this Agreement on behalf of the Authority.

1.9 This Agreement is the culmination of negotiations and discussions between the City and the Authority regarding the terms and conditions under which the City will provide its unconditional payment obligation with respect to the Bonds as set forth herein and other duties and functions of each of the parties.

## II. DEFINITIONS

The words hereinafter defined shall throughout this Agreement have the meanings set forth in this Section:

2.1 "Agreement" means this Bond Payment Guaranty Agreement between the City and the Authority with respect to the Bonds.

2.2 "Arbitrage and Tax Certification" means the certificate executed by the Authority pertaining to, among other things, the calculation and payment of any Rebate Amount with respect to the Bonds.

2.3 "Authority" means Seattle Chinatown-International District Preservation and Development Authority or its successors, established by the City pursuant to RCW Ch. 35.21 and SMC Ch. 3.110, and chartered to transact business and exercise its powers.

2.4 "Authority Council" means the Council of the Authority established pursuant to its Charter and Bylaws.

2.5 "Bond Counsel" means the counsel selected by the Authority to act as its bond counsel for issuance of the Bonds.

2.6 "Bond Resolution" means the resolution of the Authority authorizing the issuance and sale of the Bonds.

2.7 "Bonds" means the Authority's Special Obligation Bonds, 2002 Series B Bond (Community Facilities) to be issued by the Authority pursuant to the Bond Resolution, the

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Ordinance and this Agreement in an aggregate principle amount of not to exceed Two Million Nine Hundred Thousand Dollars (\$2,900,000).

2.8 "Business Day" means any day other than: (a) a Saturday or Sunday, (b) a day on which the Depository or commercial banks in Seattle are authorized or obligated to close, or (c) a day on which the offices of the City are closed.

2.9 "Capital Cost" means costs for the replacement of the building systems or components of the Community Facilities which have a projected useful life less than the remaining life of the Community Facilities, and include, without limitation, the roof, the heating, ventilation and air conditioning system, the water heating system, floor coverings, appliances, exterior finishes, and landscaping features, allocable to the Community Facilities.

2.10 "Capital Reserve Account" means the special account of the Authority with respect to the Community Facilities established pursuant to this Agreement and the Bond Resolution.

2.11 "City" means The City of Seattle, Washington.

2.12 "Code" means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

2.13 "Committee" means the oversight committee established pursuant to Section IV of this Agreement.

2.14 "Community Facilities" means the completed Community Facilities of the Project, as described in Exhibit B hereto and incorporated herein by this reference.

2.15 "Condominium" means the condominium comprising the Community Facilities, as more fully described in Exhibit A hereto which is incorporated herein by this reference.

2.16 "Debt Service Payment Date" means any date on which the principal of and/or interest on the Bonds is due and payable as provided in the Bond Resolution.

2.17 "Debt Service Reserve Subaccount" means the subaccount of that name established within the Bond Account of the Authority with respect to the Bonds pursuant to this Agreement and the Bond Resolution.

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2.18 "Debt Service Reserve Requirement" means the amount established at closing on the Bonds equal to (a) one hundred and twelve thousand dollars (\$112,000) plus (b) the least of:

(i) ten percent (10%) of the issue price of the Bonds; (ii) maximum annual debt service on the Bonds; and (iii) one hundred twenty-five percent (125%) of the average annual debt service on the Bonds.

Upon the optional or mandatory redemption, open market purchase or defeasance of a portion of the outstanding principal amount of the Bonds, the Debt Service Reserve Requirement shall be reduced on a pro rata basis.

2.19 "Deed of Trust" means the Deed of Trust to be executed by the Authority in favor of the City and recorded with respect to the real property described in Exhibit A, which is attached hereto and incorporated herein by this reference in substantially the form attached hereto as Exhibit C which is attached hereto and incorporated herein by this reference, with such changes thereto as are approved by the City.

2.20 "Depository" means a national banking association or trust company selected by the Authority with the City's approval to act as depository under the Depository Agreement.

2.21 "Depository Agreement" means the depository agreement with respect to the Bonds among the Depository, the City, and the Authority.

2.22 "Department of Finance" means the Department of Finance of the City, or its functional successor.

2.23 "Fiscal Year" means the fiscal year of the Authority.

2.24 "Interest Subaccount" means the subaccount of that name established within the Bond Account of the Authority with respect to the Bonds pursuant to this Agreement and the Bond Resolution.

2.25 "Lease" means the lease or leases for the use of the Community Facilities between the Authority and its tenants.

2.26 "Legislative Authority" means the Mayor and the City Council of the City.

2.27 "Operating Reserve Account" means the special account of the Authority with respect to the Community Facilities established pursuant to this Agreement.

2.28 "Operations and Maintenance Expenses" means all reasonable and necessary expenses incurred by the Authority in causing the Community Facilities to be operated and maintained in good repair, working order and condition. Operation and Maintenance Expenses shall include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs to the extent not properly classifiable as Capital Costs, and a properly allocated share of charges for insurance (including reasonable contributions for self-

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insurance reserves, if any) consulting, technical and professional services, and all other expenses incidental to the operation of the Community Facilities, including pro rata charges of the Authority's administration expense where such charges represent a reasonable distribution and share of actual costs, but shall exclude depreciation, transfer of money to any other funds of the Authority, expenses subject to reimbursement by tenants and payments into the Bond Account's constituent subaccounts hereinafter provided for.

2.29 "Ordinance" means Ordinance No. \_\_\_\_\_ of the City, passed \_\_\_\_\_, 2002, authorizing the Mayor of the City to execute this Agreement and authorizing the City's unconditional payment obligation with respect to the Bonds as set forth herein.

2.30 "Outstanding" means, with respect to the Bonds, an obligation that has not yet been paid or redeemed.

2.31 "Plans and Specifications" is defined in Section 4.2 of this Agreement.

2.32 "Principal Subaccount" means the subaccount of that name established within the Bond Account of the Authority with respect to the Bonds pursuant to this Agreement and the Bond Resolution.

2.33 "Project" means the work and undertaking by the Authority known as International District Village Square 2 (IDVSII), including planning, financing, design, purchase, acquisition, development, construction, and equipping of a mixed use project, and all work or undertakings related thereto, a part of which is the Community Facilities.

2.34 "Project Account" means the special account of the Authority established pursuant to this Agreement and the Bond Resolution into which a portion of the proceeds from the Bonds shall be deposited.

2.35 "Project Revenues" means: (1) all earnings and revenues received by the Authority from operation of the Community Facilities and includes without limitation all parking revenues and all rents, income, receipts, revenues, issues, profits and other income of the Community Facilities from all Leases of the Community Facilities including minimum rents, additional rents, percentage rents, parking or common area maintenance contributions, tax and insurance contributions, deficiency rents, liquidated damages following default in any Lease, and all proceeds payable under any policy of insurance covering loss of rents resulting from untenantability caused by destruction or damage to the Community Facilities.

2.36 "Rebate Amount" means the amount, if any, determined to be payable with respect to the Bonds by the Authority in accordance with Section 148(f) of the Code.

2.37 "Revenue Account" means the special account established by the Authority with respect to the Community Facilities pursuant to this Agreement and the Bond Resolution into which Project Revenues shall be deposited.

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III. GUARANTY PAYMENT OBLIGATIONS OF THE CITY  
AND REPAYMENT BY THE AUTHORITY

3.1 Payment Obligations. The City unconditionally obligates itself to make payments to the Depository for deposit into the Interest Subaccount, Principal Subaccount and/or Debt Service Reserve Subaccount with respect to the Bonds as provided in Section 3.2 below, in amounts sufficient, together with other funds available therefor, to make scheduled payments of principal of and interest on the Bonds when due. The City covenants and agrees, and for so long as any Bonds are Outstanding, that each year it will include in its budget and levy an *ad valorem* tax within and as a part of the tax levy permitted to cities without a vote of the people, upon all the property within the City subject to taxation, which will be sufficient, together with all other money of the City that may legally be used and that the City may apply for such purposes, to satisfy its guaranty obligation to make payments with respect to the Bonds as provided herein. Registered owners of the Bonds are the express beneficiaries of the City's payment obligation set forth in this paragraph.

3.2 Procedure in Event of Insufficient Funds.

(a) In the event that the amount of funds in the Debt Service Reserve Subaccount (taking into account earnings accrued thereon) falls below one-half (1/2) the Debt Service Reserve Requirement, the City shall, upon notice provided pursuant to the Depository Agreement given no later than the first Business Day of the second month preceding the next Debt Service Payment Date, cause to be deposited into the Debt Service Reserve Subaccount no later than seven (7) days prior to such Debt Service Payment Date, the amount of money necessary to restore the amount of funds in the Debt Service Reserve Subaccount to one-half the Debt Service Reserve Requirement. The City shall deposit such funds directly with the Depository in accordance with the Depository Agreement.

(b) If, for any reason by 10:00 a.m. on the second Business Day preceding a Debt Service Payment Date the amount on hand in the Interest Subaccount, Principal Subaccount and the Debt Service Reserve Subaccount (taking into account earnings accrued thereon) is inadequate to make scheduled payments of principal of and interest on the Bonds on such Debt Service Payment Date, the Authority shall and the Depository (pursuant to the Depository Agreement) will immediately so notify the City. Upon such notice the City shall pay to the Depository the amount necessary to make up such deficiency no later than 10:00 a.m. on the Business Day preceding the scheduled Debt Service Payment Date.

(c) Notwithstanding any failure by the Authority or the Depository to provide notice required under this section 3.2, the City shall not be relieved of its payment obligations under this Section III, and shall make such payments upon receiving actual (and not merely constructive) notice of all facts set forth in this Section III that trigger the City's payments hereunder.

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3.3 Authority's Obligation to Repay the City.

(a) Any amounts expended by the City pursuant to this Agreement shall be deemed a loan from the City to the Authority. The Authority shall be obligated to repay such amounts from Revenues in accordance with Section 5.4 below, and, if the City so requires at the City's sole discretion, from all other property, assets, or funds of the Authority for such purpose including revenues, money and assets of the Authority from sources or activities other than the Project, with interest payable at an interest rate equal to the cost of funds to the City at the time of such expenditure or the annualized earnings rate of the City's general fund, whichever is greater, calculated on the basis of a 360 day year composed of twelve 30-day months from the date of such expenditure.

(b) The Authority shall repay the City any and all amounts expended by the City pursuant to this Agreement, together with interest as set forth above, within six (6) months after the City has expended such funds. The Authority's failure to repay the City within such time shall be an Event of Default under this Agreement.

3.4 Tax Exemption.

(a) Arbitrage Bonds. The City covenants that it will not make any use of the proceeds from the sale of the Bonds or any other money or obligations of the Authority or the City which may be deemed to be proceeds of such Bonds pursuant to Section 148(a) of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said Section and said regulations. The City will comply with the applicable requirements of Section 148(a) of the Code throughout the term of the Bonds. The City covenants that it will not act or fail to act in a manner which will cause the Bonds to be considered obligations not described in Section 103(a) of the Code.

(b) Private Activity Bonds. The City will take no actions and will make no use of the proceeds of the Bonds, or any other funds, that would cause any of the Bonds to be treated as a "private activity bond" (as defined in Section 141(b) of the Code) subject to treatment under said Section 141(b) as an obligation not described in subsection (a) of said Section 103, [other than a "qualified 501(c) (3) bond" within the meaning of Section 145 of the Code,] unless the tax exemption thereof is not affected.

3.5 Non-Impairment. The Authority is relying on this Agreement, and in particular, on the unconditional obligations of the City provided for herein, to issue the Bonds. The City shall not take any action which impairs the Authority's authority to issue and sell the Bonds pursuant to this Agreement. To the extent legally required to prevent impairment of the City's obligations hereunder, the City shall reserve and designate for purposes of providing for the unconditional obligation of the City specified herein a portion of its general obligation debt capacity permitted to cities without a vote in accordance with Chapter 39.36 RCW, equal to the maximum principal amount of the Bonds, and, upon issuance thereof, such reservation may be reduced to equal the outstanding principal amount thereof.

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Upon the maturity, optional or mandatory redemption, open market purchase or defeasance of a portion of the Bonds, the City may further reduce such reservation to an amount equal to the principal amount of Bonds then outstanding.

3.6 Undertaking to Provide Continuing Disclosure.

(a) **Disclosure.** This Section 3.6 constitutes the City's written undertaking (the "Undertaking") for the benefit of the holders of the Bonds as required by paragraph (b)(5) of the United States Securities and Exchange Commission (the "SEC") Rule 15c2 - 12, as it may be amended and administratively and judicially interpreted (the "Rule"). For purposes of this Undertaking, the term "holders of the Bonds" shall have the meaning intended for such term under the Rule. The City as an "obligated person" within the meaning of the Rule undertakes to provide or cause to be provided, either directly or through a designated agent:

(1) to each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule (each "NRMSIR") and to a state information depository, if one is established in the State of Washington and recognized by the SEC (the "SID"), annual financial information and operating data regarding the City of the type included in the Official Statement for the Bonds as follows: (i) annual financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by State law, which statements will not be audited, except that if and when audited financial statements are otherwise prepared and available to the City they will be provided; (ii) a statement of authorized, issued and outstanding general obligation bond debt of the City; (iii) the assessed value of the property within the City subject to ad valorem taxation; and (iv) ad valorem tax levy rates and amounts and percentage of taxes collected.

Annual financial information, as described above, will be provided to each NRMSIR and the SID, not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as permitted or required by State law, commencing with the City's fiscal year ending December 31, 2002. The annual financial information may be provided in a single or in multiple documents, and may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an obligated person as defined by the Rule, which documents have been filed with each NRMSIR and the SID. If the document incorporated by reference is a "final official statement" (as defined by the Rule) with respect to which the City is an obligated person, it must be available from the Municipal Securities Rulemaking Board ("MSRB"). The City will clearly identify each such other document so incorporated by reference.

(2) to each NRMSIR or to the MSRB and to the SID timely notice of a failure by the City to provide required annual financial information on or before the date specified in paragraph (a)(1) above.

(b) **Amendment.** The Undertaking may be amended without the consent of any owner of any Bond, any broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner

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permitted by the Rule. The City will give notice to each NRMSIR or the MSRB, and the SID of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information being provided.

(c) Compliance. If the City fails to comply with this Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the City learns of that failure. No failure by the City or other obligated person to comply with this Undertaking shall constitute a default with respect to the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary and appropriate to compel the City or other obligated person to comply with this Undertaking.

(d) Beneficiaries. This Undertaking shall inure to the benefit of the City, the Authority and any holder of the Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination. The City's obligations under the Undertaking described in this Section 3.6 shall terminate upon the legal defeasance of all of the Bonds or any refunding bonds guaranteed pursuant to this Agreement. In addition, the City's obligations under the Undertaking shall terminate if those provisions of the Rule which require the City to comply with the Undertaking become legally inapplicable with respect to the Bonds, or such refunding bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the SID and either the MSRB or each NRMSIR.

#### IV. OBLIGATIONS OF THE COMMITTEE

4.1 Purpose and Composition. The Committee shall be established for the purpose of determining substantial progress of the Project, approving disbursements from the Community Facilities portion of the Project Account pursuant to Section 5.10 below, and reporting to the Legislative Authority on the progress of the Community Facilities portion of the Project as provided herein. The Committee will consist of the Mayor, the City Council Finance Committee Chair and the Director of Parks and Recreation, or their respective designees. The City shall provide such support staff for the Committee as it deems reasonable in its discretion. The Committee may, as it deems useful, permit or cause persons with specialized expertise to consult with members of the Committee and to attend all or any of the proceedings, meetings or activities of the Committee, to advise the Committee and its members regarding its functions under this Agreement; provided, however, that such consulting persons shall act solely in an advisory capacity and shall have no authority hereunder to act on behalf of the Committee.

4.2 Monitor Progress. The Committee shall, upon receipt of staff reports, determine: (1) whether the Authority has provided the Committee with evidence satisfactory to the Committee that, prior to beginning work on the Community Facilities portion of the Project, the Authority has obtained sufficient financing to complete the Community Facilities; and (2)

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whether the Authority is making substantial progress on the Community Facilities using the Project Budget attached hereto as Exhibit D and incorporated herein by this reference, and the Construction Schedule attached hereto as Exhibit E and incorporated herein by this reference as the standards against which to measure progress (as such Project Budget and Construction Schedule may be amended with the City's review and approval) ; and (3) whether the Community Facilities are being constructed in substantial accordance with the plans and specifications designated and/or incorporated into the general contract for construction of the Community Facilities (hereinafter, the "Plans and Specifications").

4.3 Approval of Disbursements from Project Account. The Committee shall review and approve requests for disbursement from the Project Account as provided in Section 5.10, below.

4.4 Recommendations. Upon request of the Director of the Department of Finance, the Committee shall recommend to the Legislative Authority such actions as it deems advisable or warranted to further the purposes of this Agreement if: (1) the Committee finds that the Authority has not demonstrated to the Committee's satisfaction that it has obtained sufficient financing to complete the Community Facilities; or (2) that substantial progress on the Community Facilities is not being made; or (3) that the Community Facilities are not being constructed in accordance with the Plans and Specifications. Upon request of the Director of the Department of Finance, the Committee shall recommend to the Authority and the Legislative Authority any adjustments to the Community Facilities or amendments to this Agreement that would improve the Community Facilities, further its purposes or objectives, or reduce any problems or difficulties encountered in completing the Community Facilities.

4.5 Reviews. The Committee shall review or cause to be reviewed monthly reports from the Authority and any additional information the Committee may reasonably request on the cost, design and progress of the Community Facilities.

4.6 Access. The Committee shall have access, at reasonable times and conditions, and subject to reasonable notice, to all records and files with respect to the Community Facilities, personnel involved in management of the Community Facilities and the Community Facilities.

4.7 Dissolution of Committee. The Committee shall be dissolved and shall have no further authority or responsibility without any action on the part of the City or the Committee immediately following filing of the Certificate of Completion of the Community Facilities with the Depository pursuant to the Depository Agreement.

#### V. OBLIGATIONS OF THE AUTHORITY

5.1 Issue Bonds. The Authority shall issue its Bonds in accordance with the Bond Resolution and this Agreement. The Authority shall issue Bonds in an amount not to exceed the amount necessary to finance the Community Facilities in accordance with the Project Budget which is attached hereto as Exhibit D and incorporated herein by this reference, but in no event in an amount exceeding \$2,900,000 without express written authorization of the City. Principal of payments on the Bonds may commence no later than forty-eight (48) months after issuance of



the Bonds. Prior to the issuance and sale of the Bonds, the Authority will review the proposed date, terms, conditions, interest rates and other features of the Bonds with the Director of the City's Department of Finance or his/her designee, and the Authority shall be obligated to make any changes in the terms and conditions thereof reasonably requested by the City.

5.2 Tax Exemption.

(a) Arbitrage Bonds. The Authority covenants that it will not make any use of the proceeds from the sale of the Bonds or any other money or obligations of the Authority or the City which may be deemed to be proceeds of the Bonds pursuant to Section 148(a) of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said Section and said regulations. The Authority will comply with the applicable requirements of Section 148 (a) of the Code throughout the term of the Bonds, including arbitrage and arbitrage rebate requirements. The Authority covenants that it will not act or fail to act in a manner which will cause the Bonds to be considered obligations not described in Section 103 (a) of the Code.

(b) Private Activity Bonds. The Authority shall take no actions and shall make no use of the proceeds of the Bonds, or any other funds, that would cause the Bonds to be treated as a "private activity bond" (within the meaning of Section 141(b) of the Code) subject to treatment under said Section 141 (b) as an obligation not described in subsection (a) of said Section 103, [other than a "qualified 501(c) (3) bond" (as defined in Section 145 of the Code)] unless the tax exemption thereof is not adversely affected.

5.3 Creation of Project Fund and Accounts. The Authority shall create and establish the Village Square Community Facilities Fund (the "Project Fund") with the Depository pursuant to this Agreement, the Bond Resolution and the Depository Agreement. Within the Project Fund the Authority shall create and establish the following accounts and subaccounts:

- (a) the Revenue Account;
- (b) the Bond Account, which shall consist of the Interest Subaccount, the Principal Subaccount and the Debt Service Reserve Subaccount;
- (c) the Capital Reserve Account;
- (d) the Operating Reserve Account; and
- (e) the Project Account.

The Project Fund and each of its constituent accounts and subaccounts shall be held by the Depository pursuant to the Depository Agreement separate and apart from all other funds and accounts of the Authority, and shall be established, managed, invested, disbursed and administered as provided in this Agreement.

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5.4 Revenue Account and Application of Project Revenues.

(a) For so long as the Bonds remain Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, and unless otherwise specifically provided herein, the Authority shall deposit all Project Revenues into the Revenue Account. In particular, payments under the Leases shall be deposited by the Authority into the Revenue Account upon receipt.

(b) For so long as the Bonds are Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, the money in the Revenue Account shall be used only for the following purposes and in the following order of priority:

First, to make all payments required by this Agreement to be made into the Interest Subaccount to pay the interest on the Bonds;

Second, to make all payments required by this Agreement to be made into the Principal Subaccount to pay the principal of the Bonds (including mandatory sinking fund payments with, respect to term bonds);

Third, to make all payments required by this Agreement to be made into the Debt Service Reserve Subaccount;

Fourth, to pay Operation and Maintenance Expenses;

Fifth, to make all payments required by this Agreement to be made to reimburse the City, including interest thereon, for the City's payments made pursuant to the City's guaranty obligations set forth in Section III of this Agreement;

Sixth, to make all payments required by this Agreement to be made into the Capital Reserve Account and Operating Reserve Account;

Seventh, to make all payments required to reimburse the Authority for advances made in support of the Community Facilities; and

Eighth, to retire by redemption or purchase in the open market any Outstanding Bonds, or for any other lawful Authority purpose.

5.5 Bond Account. For so long as the Bonds are Outstanding the Authority shall establish and maintain the Bond Account within the Project Fund. Within the Bond Account the Authority shall authorize and establish the "Interest Subaccount", the "Principal Subaccount," and the "Debt Service Reserve Subaccount".

(a) Interest Subaccount. Upon the issuance of the Bonds the Authority shall deposit into the Interest Subaccount all accrued interest on the Bonds, if any, paid by the purchaser thereof and a portion of the proceeds of the Bonds or other funds in an amount equal to interest

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on the Bonds through \_\_\_\_\_. For so long as the Bonds remain Outstanding, the Authority shall deposit (or cause the Depository to deposit) into the interest Subaccount on or before the twentieth (20th) day of each month, from the Revenue Account or from any other revenues, funds and assets of the Authority, one-sixth (1/6th) of the interest on the Bonds due and payable on the next Debt Service Payment Date (adjusted for capitalized interest, interest earnings and other money on deposit in the Interest Subaccount) The Authority shall also deposit money into the Interest Subaccount from the Revenue Account to the extent necessary to make up any deficiency in such Subaccount resulting from the failure to pay all or any portion of any prior monthly payment since the last Debt Service Payment Date. If there are insufficient funds in the Revenue Account to make up any such deficiency, the Authority shall make up such deficiency from any and all other revenues, money and assets of the Authority from all sources including sources other than the Community Facilities. The Authority shall authorize the Depository under the Depository Agreement to draw upon funds in the Interest Subaccount to make payments of the interest on the Bonds due on each Debt Service Debt, and the Authority shall not draw upon funds in the Interest Subaccount for any other purpose until the principal of and interest on the Bonds is paid in full.

(b) Principal Subaccount. Upon the issuance of the Bonds and for so long as the Bonds remain Outstanding, the Authority shall deposit (or cause the Depository to deposit) into the Principal Subaccount on or before the twentieth (20th) day of each month, from the Revenue Account or from any other revenues, funds and assets of the Authority, and taking into account investment earnings on money in the Principal Subaccount (if any), one-twelfth (1/12th) of the principal of the Bonds due and payable on the next Debt Service Payment Date (whether such principal is due upon maturity of serial bonds or upon mandatory sinking fund redemptions of term bonds) (provided, however, that if the first Debt Service Payment Date on which principal is due and payable on the Bonds is more than twelve (12) months after issuance of the Bonds, then monthly payments of principal hereunder shall commence on the 20<sup>th</sup> day of the twelfth (12th) month preceding the first Debt Service Payment Date on which principal on the Bonds is due and payable). The Authority shall also deposit money into the Principal Subaccount from the Revenue Account to the extent necessary to make up any deficiency in such Subaccount resulting from the failure to pay all or any portion of any prior monthly payment since the last Debt Service Payment Date. If there are not sufficient funds in the Revenue Account to make up any such deficiency, the Authority shall make up such deficiency from any and all other revenues, money and assets of the Authority from all sources including sources other than the Community Facilities. The Authority shall authorize the Depository under the Depository Agreement to draw upon funds in the Principal Subaccount to make payments of the principal of the Bonds due on each Debt Service Payment Date, and the Authority shall not draw upon funds in the Principal Subaccount for any other purpose until the principal of and interest on the Bonds is paid in full.

(c) Debt Service Reserve Subaccount.

(i) Establishment and Replenishment of Account. Upon the issuance of the Bonds the Authority shall deposit into the Debt Service Reserve Subaccount a portion of the proceeds of the Bonds in an amount equal to the Debt Service Reserve Requirement. For so long as the Bonds remain Outstanding, the Authority shall deposit (or cause the

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Depository to deposit) into the Debt Service Reserve Subaccount, on or before the twentieth (20th) day of each month, money from the Revenue Account or from any other revenues, funds and assets of the Authority, in an amount sufficient, together with other funds in the Debt Service Reserve Subaccount and the interest earnings thereon, to maintain the balance in the Debt Service Reserve Subaccount in an amount equal to the Debt Service Reserve Requirement.

(ii) Use of Funds. In the event that funds in the Interest Subaccount and/or Principal Subaccount are insufficient to make any payment of the principal of or interest on the Bonds then due and payable, the Authority shall authorize the Depository under the Depository Agreement to withdraw funds from the Debt Service Reserve Subaccount to make such payment. The Authority shall not draw upon funds in the Debt Service Reserve Subaccount for any other purpose until the principal of and interest on the Bonds is paid in full without the consent of the City, except that earnings from the investment of money in the Debt Service Reserve Subaccount in excess of the amount needed to maintain the Debt Service Reserve Subaccount at the Debt Service Reserve Requirement shall be transferred to the Interest Subaccount and used to pay interest on the Bonds.

(iii) Final Disposition of Funds. When the total remaining debt service on the Bonds is equal to, or less than the amount in the Debt Service Reserve Subaccount, and if at that time the City has been fully reimbursed for money expended, if any, under its guarantee obligations under this Agreement, then the money in the Debt Service Reserve Subaccount shall be transferred to the Interest Subaccount and Principal Subaccount at such times and in such amounts as is necessary to make the final debt service payment(s) (or portion of such final debt service payment(s), as applicable) on the Bonds. If the City has not previously been fully reimbursed for any money expended to satisfy its guarantee obligations hereunder, then when no Bonds remain Outstanding, the balance in the Debt Service Reserve Subaccount shall be used to repay the City for such expenditures; provided, however, that this sentence, and the existence of funds in the Debt Service Reserve Subaccount which may be used pursuant hereto to repay the City when no Bonds remain Outstanding, shall not abrogate or in any way affect or alter the Authority's obligation under Section 3.3, above, to repay the City within the time set forth therein, and making failure to do so an Event of Default under this Agreement. If any funds remain after repaying the City, then when no Bonds remain Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, such remaining funds shall be remitted to the Authority by the Depository.

(iv) Notification to City of Withdrawal. The Authority shall notify the City within 2 working days of any withdrawal from the Debt Service Reserve Subaccount (other than the transfer of investment earnings into the Revenue Account as required under this Agreement)

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5.6 Capital Reserve Account.

(a) Funding of Account. For so long as the Bonds remain Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, the Authority shall deposit (or cause the Depository to deposit) into the Capital Reserve Account on or before the twentieth (20th) day of each month money from the Revenue Account or from any other revenues, assets and funds of the Authority in an amount at least equal to one-twelfth (1/12th) of the amount budgeted for Capital Reserves for that year in the Pro Forma Budget for the Community Facilities which is attached hereto as Exhibit F and incorporated herein by this reference.

(b) Use of Money in Capital Reserve Account. The Authority may withdraw and use any and all funds in the Capital Reserve Account to pay for Capital Costs of the Community Facilities. In the event that the expenditure of funds on a Capital Cost is necessary to operate the Community Facilities consistently with prudent management practices, the Authority shall either spend money in the Capital Reserve Account for such Capital Cost or pay for such Capital Cost from funds available to it from sources other than the Community Facilities. In addition the Authority may withdraw and use money in the Capital Reserve Account, if any, for the following purposes: (i) to repay the City, if the City so requests, for any money expended to satisfy its guaranty obligations under this Agreement; (ii) to replenish the Debt Service Reserve Subaccount, if the City so requests, up to the amount of the Debt Service Reserve Requirement; and (iii) to redeem the Bonds or pay debt service on refunding bonds or other refinancing pursuant to Section 5.19 below ("Refinancing"). When no Bonds remain Outstanding, any amounts remaining in the Capital Reserve Account shall be remitted to the Authority by the Depository.

5.7 Operating Reserve Account.

(a) Account Activity. Upon closing of the Bonds, the Authority shall deposit Fifty-One Thousand Dollars (\$51,000) into the Operating Reserve Account. For so long as the Bonds remain Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, the Authority shall deposit into the Operating Reserve Account on or before the twentieth (20th) day of each month, from moneys in the Revenue Account or from any other revenues and assets of the Authority, a minimum of one-twelfth (1/12th) of the amount budgeted for operating reserves for that year in the Pro Forma Budget for the Community Facilities attached to this Agreement as Exhibit F and incorporated herein by this reference to maintain the Operating Reserve at no less than Fifty-One Thousand Dollars (\$51,000).

(b) Use of Money in Operating Reserve Account. The Authority may use any and all money in the Operating Reserve Account for: (1) Operations and Maintenance Expenses; (2) for the reasonable and necessary expenses incurred by the Authority to own and operate the Community Facilities until the parking garage is fully operational; and (3) for twenty-four (24) months after the Bonds are issued, to make payments into the Principal Subaccount or Interest Subaccount to pay debt service on the Bonds where Project Revenues are insufficient to pay such debt service and the Authority has taken reasonable and appropriate measures to maximize

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Project Revenues. The Authority may withdraw and use money in the Operating Reserve Account in excess of the minimum set forth in (a) above, if any, for the following purposes: (i) to repay the City, if the City so requests, for any money expended to satisfy its guaranty obligations under this Agreement; (ii) to replenish the Debt Service Reserve Subaccount, if the City so requests, up to the amount of the Debt Service Reserve Requirement; (iii) to repay the Authority for advances made in support of the Community Facilities; and (iv) to redeem the Bonds or pay debt service on refunding bonds or other refinancing pursuant to Section 5.19 below ("Refinancing")

5.8 Investments and Earnings. The Authority may invest funds in the accounts and subaccounts established pursuant to this Agreement in such investments as the Authority is legally authorized to make, provided no such investment may adversely affect the exemption from federal income taxation under the Code of the interest on the Bonds. The investment earnings on the Debt Service Reserve Subaccount in excess of the amount needed to maintain the Debt Service Reserve Subaccount at the Debt Service Reserve Requirement shall be deposited into the Interest Subaccount. Investment earnings on money in all other accounts and subaccounts shall accrue to such accounts and subaccounts.

5.9 Corrective Action Plan.

(a) Use of Corrective Action Plan. Upon the following events, the Authority shall propose and the City may impose, in the manner and at such times as set forth below, a Corrective Action Plan upon the Authority's management and operation of the Community Facilities or Project:

(1) any withdrawal from the Debt Service Reserve Subaccount (other than the transfer of investment earnings into the Interest Subaccount as required under this Agreement);

(2) the Community Facilities' actual Net Rental Income, Total Income, Net Operating Income, Total Expenses or Net Cash flow in any Fiscal Year varies by more than five percent (5%) from the projections for such items on the Pro Forma Budget for the Community Facilities attached hereto as Exhibit F as such budget may be amended with City review and written approval;

(3) the City or the Authority reasonably determine, based upon actual expenditures to date and any other information available concerning the Community Facilities, that there is a significant possibility that the total actual cost of the Community Facilities or the sources expected to be available for payment of such costs will vary by more than two percent (2%) from the projections thereof in the Project Budget attached hereto as Exhibit D and incorporated herein by this reference; or

(4) any withdrawal from the Operating Reserve Account which is not replenished within fifteen (15) days.

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(b) Corrective Action Plan - When Proposed and Imposed. The Authority shall notify the City upon the occurrence of any of the events set forth in subsection (a) immediately above, and provide the City with such information as the City may request concerning such occurrence. The Authority shall propose a Corrective Action Plan within forty-five (45) days after the occurrence of any of the events set forth in subsection (a), above, and the City may impose a Corrective Action Plan at any time after the occurrence of any such event. In no case shall the City's guaranty obligations under this Agreement be waived and no action required under this Section may in any manner whatsoever adversely affect the exemption from federal income taxation of interest on the Bonds. Taking action under this Section shall not be a condition to the City's exercise of its rights and remedies set forth in Section VI, "Events of Default and Remedies," and any action the City may take pursuant to this Paragraph shall not diminish or abrogate the City's rights and remedies under said Section VI.

(c) Corrective Action Plan—Elements. A Corrective Action Plan may consist of such terms and conditions as the City may impose in its reasonable discretion (provided that no requirement hereunder shall be imposed which would affect the tax exempt status of the Authority or the Bonds), including without limitation:

- (i) Requiring the Authority to enforce any rights or options it has under the Leases, including without limitation leasing all or portions of the Community Facilities to tenants who demonstrate an ability to pay rents, or collecting unpaid rents from the Community Facilities' tenants;
- (ii) Requiring the Authority to raise or contribute additional funds from other sources, under such terms as the City may require in its reasonable discretion, to replenish the Debt Service Reserve Subaccount or any other accounts described herein;
- (iii) Imposing reasonable time limits for the performance of the above conditions;
- (iv) requiring the Authority to change the scope and frequency of reporting required under this Agreement;
- (v) Such further conditions as may be added by the mutual agreement of the City and the Authority.

A Corrective Action Plan imposed by the City may differ in any or all respects from any Corrective Action Plan proposed or implemented by the Authority, and the City may, in its discretion, at any time, change any element of a Corrective Action Plan previously implemented hereunder.

#### 5.10 Project Account.

(a) Establishment. The Authority shall establish and maintain a special account within the Project Fund of the Authority entitled the "Project Account" ("Project Account"). The Project Account shall, pursuant to the Depository Agreement, be held by the Depository.

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separate and apart from all other funds and accounts of the Authority. All principal proceeds of the Bonds after making deposits to the Interest Subaccount and, the Debt Service Reserve Subaccount as required by paragraph (a) and (c) of Section 5.5, shall be deposited in the Project Account, and no other money from any other source shall be deposited into the Project Account.

(b) Use of Project Account. The Bond proceeds deposited in the Project Account and any investment earnings thereon shall be used solely to pay the costs and expenses of the Community Facilities, to pay the cost of issuance and sale of the Bonds, and to pay the Rebate Amount, if any, to the extent that the Rebate Amount is attributable to earnings on moneys in the Project Account. Except as may be otherwise approved by the City in writing, all money in the Project Account used to pay the costs and expenses of the Community Facilities shall be spent on the Community Facilities before any money available to the Authority for the Community Facilities from any other source is spent on the Community Facilities. When the Community Facilities are completed, any funds remaining in the Project Account shall be applied to the payment of the principal of the Bonds or to the redemption of the Bonds, upon approval of the City. Any disbursements from the Project Account shall be made only with the prior written approval of the Committee, upon request of the Authority, which approval shall not be unreasonably withheld. The Authority shall submit its disbursement schedules for the Project Account to the Committee for advance approval. The Committee shall approve such disbursement schedules in writing based upon the City's satisfaction that there is substantial progress being made on the Community Facilities, using the Project Budget attached hereto as Exhibit D and the Construction Schedule attached hereto as Exhibit E and incorporated herein by this reference, as the standards against which to measure progress, and that the Community Facilities are being constructed in substantial accordance with the Plans and Specifications for the Community Facilities. The City's notice of approval or disapproval shall be given no later than eight (8) Business Days after the first Business Day of the month after the City receives the Authority's request. The Authority may disburse (or request the Depository to disburse) amounts from the Project Account in accordance with the disbursement schedule approved by the Committee.

(c) Demonstration of Financing Prior to Disbursement from Project Account. Before funds may be disbursed from the Project Account, and before any money available to the Authority for the Community Facilities from any other source is spent on the Community Facilities, the Authority shall provide the Committee with evidence satisfactory to the Committee that the Authority has obtained sufficient financing to complete the Community Facilities.

5.11 Accounting. The Authority shall establish accounting procedures and systems and maintain its accounting books and records in a manner satisfactory to the Auditor of the State of Washington, the City Auditor, and such additional person as the Mayor of the City shall designate, and shall allow each of them access thereto for audit purposes. Promptly upon the City's request for information (whether oral or written), the Authority shall provide the City with all information concerning the Project and all funds and accounts established pursuant to this Agreement. Until the Bonds are redeemed or otherwise retired or until the Authority has satisfied all of its obligations to the City pursuant to this Agreement, whichever is later, the Authority shall file (or cause to be filed) with the Department of Finance, monthly written

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financial reports (in a form reasonably acceptable to the City) disclosing the balances and account activities of the Operations Reserve Account, Capital Reserve Account and the Bond Account (and the subaccounts therein).

5.12 Rebate of Arbitrage Earnings. The Authority shall calculate the Rebate Amount, and pay the Rebate Amount to the United States of America in the manner and at the times and in the amounts necessary to meet the requirements of the Code to maintain the federal income tax exemption for interest on the Bonds, in accordance with the Arbitrage and Tax Certification.

5.13 Project Conditions, Progress and Monitoring.

(a) Substantial Delay and Cost Increase. The Authority shall immediately notify the Committee in the event that there is any significant risk that there will be substantial delay in the completion of the Community Facilities or an increase of more than two percent (2%) in the total budgeted cost of the Community Facilities as set forth in the Project Budget attached as Exhibit D.

(b) Progress. The Authority shall proceed with diligence to cause to be constructed the Community Facilities in accordance with the description as set forth in Exhibit B hereto, as amended only with City review and approval, and as substantially described and for the purposes and benefits provided herein and in the Ordinance.

(c) Construction Contract. The Authority shall enter into a contract for the construction of the Community Facilities, and shall ensure that the contractor is selected pursuant to a competitive process which satisfies applicable state and local law for the solicitation of proposals or bids by contractors who are qualified to undertake development or construction of the Community Facilities. The Authority shall have obligations, among other things, to purchase insurance associated with the construction phase of the Community Facilities as described more fully in Exhibit G which is attached hereto and incorporated herein by this reference.

(d) Inspection and Bond. The Authority shall, before construction of the Community Facilities begins, enter into a contract with an inspector acceptable to the Committee who shall issue a certification on a monthly basis during the construction of the Community Facilities and also upon completion of the Community Facilities that the Community Facilities has been constructed in substantial accordance with the construction schedule and plans and specifications for the Community Facilities. The City shall be an express third party beneficiary of said inspection contract. The acts or omissions of the Community Facilities architect or inspector shall not waive or impair the rights of the City under this Agreement. The Authority shall obtain a bond from a surety company, acceptable to the City in its reasonable discretion, which for a period of not less than one year after substantial completion of the Community Facilities shall provide for payment for the repair or remedy of defects in the Community Facilities which are due to faulty materials or workmanship and for damage to other work resulting from such faulty material and workmanship. The Authority shall have obligations to purchase insurance associated with the Community Facilities as described more fully in Exhibit G.

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(e) Changes. Except to the extent otherwise provided in any agreement between the Authority and the City in connection with the City's contribution of funds to support the design and construction of the Community Center and other aspects of the Project that could significantly affect the Community Center, the Authority shall have sole discretion, consistent with the Ordinance and this Agreement, to make changes with respect to unit costs, design elements, selection of contractor, change orders, and all other matters relating to the Community Facilities, without approval of the City; provided, that such changes are consistent with the description of the Community Facilities set forth in Exhibit B and with the Project Budget set forth in Exhibit D.

(f) Ownership The Authority shall be the owner of the Community Facilities.

(g) Compliance. Each contract related to the construction of the Project, including the design and general construction contracts, will be awarded by the Authority or the Company pursuant to processes that: (a) satisfy all state and local laws for the solicitation of proposals or bids by contractors who are qualified to undertake development or construction of the Project, and (b) fully comply with all other state and local requirements applicable to this public works project, including those requirements related to the inclusion of required terms and conditions applicable to this Project in all such contracts. Among other state and local requirements, any contract with respect to the Project shall meet the following requirement for City public works projects utilizing City funding: (a) fair contracting practices (Chapter 14.10 SMC); (b) nondiscrimination in contracting (Chapter 20.44 SMC); (c) nondiscrimination in benefits (Chapter 20.45 SMC); (d) women's and minority business enterprise utilization (Chapter 20.46A RCW); and (e) the City's "Boost" program (Chapter 20.49 SMC).

(h) American with Disabilities Act. The Authority shall comply, and require its consultants and contractors to comply, with all applicable provisions of the Americans with Disabilities Act ("ADA") in performing its obligations under this Agreement. Failure to comply with the provisions of the ADA shall be a material breach of this Agreement.

(i) Monthly Reports. Until the Community Facilities are completed, the Authority shall file with the Committee a monthly written report in a form reasonably acceptable to the Department of Finance as to the progress of the Project, including:

(1) Certification that the Authority is making substantial progress with the construction of the Community Facilities, indicating the extent to which the Community Facilities are in compliance with the Description of the Community Facilities (Exhibit B), the Project Budget (Exhibit D), the Construction Schedule (Exhibit C) and the Pro Forma Budget attached hereto as Exhibit F and incorporated herein by this reference; and that the Community Facilities are being constructed in substantial accordance with plans and specifications for the Community Facilities;

(2) A description of significant events during the preceding month and planned activities for the next month, such significant events to include, without limitation, change orders, any changes in the cost of the Community Facilities associated



with such change orders, and any lawsuits relating to the Community Facilities that have been filed or that the Authority has reasonable cause to believe may be filed;

(3) An estimate of the disbursements which will be requested from the Project Fund for the next month; and

(4) A financial statement certified by the Authority, describing funds disbursed from the Project Account and any outstanding liabilities.

(j) The Authority and the City acknowledge that the City, by and through its Department of Parks and Recreation, will be contributing funds in support of the design and construction of the Community Center and entering into separate agreements therefor. Nothing in this Agreement shall be construed as altering or limiting the terms or conditions of any agreements between the City and the Authority for the use of such funds for such purposes.

5.14 Management of Community Facilities and Condominium.

(a) The Authority shall be responsible for the management and operation of the Community Facilities, including:

(1) Developing a lease structure which is adequate to meet the payments required by the Bonds;

(2) Operating the Community Facilities consistently with prudent management practices, in a manner that will allow the Authority to maximize the Community Facilities' operating surpluses;

(3) Providing to the Department of Finance (or its successor charged with responsibility for monitoring the Community Facilities) quarterly reports on the financial and operating aspects of the Community Facilities;

(4) Submitting to the Department of Finance (or its successor charged with responsibility for monitoring the Community Facilities), by January 15th of each year of the term of this Agreement following completion of the Community Facilities, an operating budget for the Community Facilities for review and approval or disapproval by the City. If disapproved, the City and the Authority shall cooperate in the development of a budget acceptable to the City.

(b) In the event that the Net Cash Flow from operation of the Community Facilities exceeds the amount projected for such item in the Pro Forma Budget attached as Exhibit F hereto, the Authority may request the City to permit some portion of Project Revenues to be used for purposes other than those permitted under this Agreement, which request the City may accept or reject in its sole discretion.

(c) The Authority may enter into a management contract for all or any portion of the Community Facilities, on such terms as are acceptable to the City in its reasonable discretion, if

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in the written opinion of Bond Counsel such contract will not adversely affect the exemption from federal income tax of the interest on the Bonds.

5.15 Leasing.

(a) Form; Requirements. All Leases for the Community Facilities shall be in writing. Before the Authority issues the Bonds, the Authority shall enter into leases for all of the non-residential portions of the Community Facilities to be rented out, except the retail/commercial space. All Leases shall be on such terms and conditions as are acceptable to the City in its reasonable discretion. The Leases for the Community Facilities shall, in the aggregate, provide for lease payments in amounts and at such times as are sufficient for the timely payment of debt service on the Bonds. The form of all non-residential Leases shall include:

(1) Obligation of the tenants for payment of their proportionate share of the Community Facilities' maintenance and utilities costs;

(2) Restrictions on use of the Community Facilities for 501(c) (3) purposes, as defined in the Code and its amendments, or for governmental purposes, as necessary, and providing for the immediate termination of the Lease and immediate removal of the tenant from the Community Facilities should the tenant lose its status as an entity that fits within the definitions of 501(c) (3) of the Code;

(3) Obligation of the tenants to quit and surrender possession in a timely manner should utility or maintenance costs, or other Lease payments go unpaid;

(4) Requirement that non-residential non-retail tenants charge service fees to the public that are reasonable (while remaining consistent with such tenants obligations to pay rent to the Authority), to ensure that indigent persons being served by tenants may be served at the Community Facilities;

(b) Termination. In the event of termination of any Lease, the Authority shall:

(1) Immediately notify the City of termination of the Lease;

(2) Act to remove tenants whose lease has been terminated;

(3) Lease the vacant space of the Community Facilities in a timely manner to ensure payments required by the Bonds;

(c) Consistency with Agreement and Consent to City as Lessor. Any Lease for the Community Facilities shall not conflict with any provision of this Agreement, shall specifically reference this Agreement, and shall provide that the tenant agrees to the substitution of the City as Lessor under such lease pursuant to the terms of this Agreement.

5.16 PDA Report. The Authority shall include in its annual PDA report to the City required under Seattle Municipal Code Ch. 3.110, as amended, on April 15th of each year, a

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report on the planned and actual operations of the Community Facilities, which report shall include: (i) all receipts and payments related to the Community Facilities by budget category; (ii) whether and to what extent the Authority's actual Net Rental Income, Total Income, Net Operating Income, Total Expenses or Net Cashflow varies from the projections for such items on the Pro Forma Budget attached hereto as Exhibit F as amended with the City's review and approval; and (iii) and a three-year financial projection for costs and receipts for the Community Facilities.

5.17 Sale or Redevelopment. Any property constituting: (i) a part of the Community Facilities developed, constructed, or acquired with money from the Project Fund; or (ii) any real property or improvements thereto defined as Collateral in the Deed of Trust may not be sold or otherwise transferred, assigned, encumbered, disposed of, or redeveloped to change its intended use by the Authority without the express written permission of the City.

5.18 Security. Upon the issuance of the Bonds, the Authority shall execute and record a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing in favor of the City (the "City Deed of Trust") in substantial conformance with Exhibit C and Exhibit G hereto, and immediately deliver the City Deed of Trust to the City. There shall be no liens or encumbrances on the Condominium comprising the Community Facilities except the following encumbrances in the following order of priority:

- (1) the Deed of Trust securing this Agreement;
- (2) one or more commercial leases in form and content acceptable to the City (or memoranda thereof) provided that the lessees shall have executed subordination, non-disturbance, attornment and estoppel agreements with the City in form acceptable to the City; and
- (3) any other encumbrances that the City may hereafter specifically approve in writing in its discretion.

The City and the Authority shall execute, deliver and/or record (and the Authority shall cause all other necessary parties to execute deliver and/or record) such subordination agreements or such other documents, in form and content acceptable to the City, as are reasonable or necessary to effect the orders of priority set forth in this Paragraph. The City may, in its sole discretion, at any time, change the priorities among the deed of trust from the Authority to the City identified in subparagraph (1) above.

5.19 Refinancing. From and after the first date upon which the Bonds may be redeemed at par, the City may request the Authority to:

- (a) redeem the Bonds if the City reasonably determines that in order to provide funds with which to redeem the Bonds, the Authority is able to issue and sell refunding bonds or to obtain other refinancing, in either case without the unconditional guaranty of the City, and is financially able to pay the debt service on such refunding bonds or other refinancing; or



(b) redeem the Bonds with the proceeds of refunding bonds if the interest rate at which refunding bonds would likely be issued is less than the rate on the Bonds, and the Authority is financially able to pay debt service on such refunding bonds with the unconditional guaranty of the City.

If the City makes such request, the Authority shall use its best efforts to obtain a contract for the purchase of such bonds or obtain other refinancing bearing an effective net interest rate that is not more than the effective net interest rate on the Bonds. The Authority shall not issue refunding bonds to redeem the Bonds unless the Authority has consulted with the City and the City has approved the terms and conditions of the issuance of such refunding bonds.

5.20 Authority's Continuing Disclosure. In the Bond Resolution the Authority shall undertake to provide the continuing disclosure to the extent required by SEC Rule 15c2-12, and shall provide to the City copies of any filings or disclosures relating to "material events" within the meaning of such SEC Rule.

5.21 Title insurance. The Authority, at its own expense, shall obtain a lender's title insurance policy, on a form acceptable to the City, with respect to the condominium, naming the City as the named insured. Such policy shall be issued in an amount equal to the total amount of the Bonds, insuring that title to the condominium is vested in the Authority and that the lien of the deed of trust is a valid lien, subject only to certain permitted encumbrances as described in Section 5.02 of this Agreement. The title policy shall include such endorsements as the City shall request; shall expressly insure the City against the rights and liens of mechanics and other statutory lien claimants; and shall contain no exceptions for matters not shown by survey or rights of parties in possession.

5.22 Condominium Declaration. Prior to closing, the Authority shall provide the City with the condominium declaration and all related documents, which shall be subject to the approval of the City, in its sole and reasonable discretion.

## VI. EVENTS OF DEFAULT AND REMEDIES

6.1 Events of Default. The following shall be Events of Default, without notice or demand by the City except as expressly provided herein:

(a) Any failure by the Authority to make a payment of money to any person or entity as required by this Agreement or to make a deposit or transfer of money as required under this Agreement from or to any of the Accounts established hereunder, including, without limitation the Authority's failure to timely pay interest or principal on the Bonds, the Authority's failure to repay the City any and all amounts expended by the City pursuant to this, Agreement within the time limit in Section 3.3 above, and the failure to replenish the Debt Service Reserve Subaccount as provided in Section 5.5(c) or the Operating Reserve Account as provided in Section 5.7;

(b) Any breach or nonperformance, whether voluntary or involuntary, of Section 5.17 of this Agreement ("Sale or Redevelopment"), without the advance written consent of the City;

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(c) Any breach or nonperformance of any provision of this Agreement not included within Subsections (a) and (b) above that is not cured within thirty (30) days after notice to the Authority of such breach or nonperformance;

(d) The filing of a voluntary petition for bankruptcy or reorganization by the Authority; the filing against the Authority of any complaint for receivership or trusteeship for any of the Authority's property, the filing of an involuntary petition for bankruptcy or for reorganization (unless such complaint or petition be dismissed within forty-five (45) days of such filing); if the Authority shall become insolvent, or make a general assignment for the benefit of creditors, or consent to the appointment of a receiver of all or any of its assets; if the Condominium, the Project or the Community Facilities shall become subject to any encumbrance or lien or attachment except as provided in this Agreement; or, the Authority suspends or is unable to conduct its usual business; or

(e) Any default under, breach of, failure to comply with, or failure to satisfy any condition of any other contracts or instruments relating to the financing of the Project or secured by the Condominium unless such default, breach or failure is waived in writing by all interested parties or is cured within an applicable cure period permitted by the documents in question, in either case before any party has the right to exercise any remedy or to be excused from any performance as a result of such breach, default or failure.

6.2 Author's Remedies. The Authority shall have all remedies provided at law or in equity, including the remedy of being able to specifically enforce the terms and provisions of this Agreement.

6.3 City's Remedies.

Upon an Event of Default, the City shall be entitled, but not obligated, to any or all of the following remedies:

(a) Requiring the Authority to immediately pay to the City an amount of money that is sufficient to defease and refund the Bonds in accordance with their terms, or, at the City's election, an amount of money that is sufficient to redeem the Bonds if the Bonds are then subject to voluntary redemption, provided, that the City shall be obligated to use such moneys to defease or redeem the Bonds;

(b) Exercising any and all of its rights under the City Deed of Trust including without limitation foreclosure, appointment of a receiver or acting as mortgagee in possession;

(c) Take over in whole or in part management of the Project; and

(d) Exercise any other remedy provided at law or in equity, including without limitation appointment of a receiver for the Condominium, the Project or the Community Facilities.



6.4 Unconditional Obligation. The City obligations to make payments to the Depository pursuant to the Depository Agreement and in accordance with this Agreement is unconditional notwithstanding an Event of Default hereunder.

## VII. TERM AND MISCELLANEOUS

### 7.1 Term and Termination.

(a) This Agreement shall be binding on the City and the Authority until none of the Bonds are Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later. Either the City or the Authority may terminate this Agreement upon thirty (30) days prior written notice to the other in the event that:

(i) A final judicial determination, including exhaustion of all appeals, has been rendered that this Agreement violates the law in any material respect, or amendments to or changes in law shall deprive either party of the ability to render further performance as contemplated by the Agreement, and the parties cannot agree within sixty (60) days upon amendments to bring the Agreement into compliance with the decision of the court or the amendments to the law (provided, however, that no such amendments shall impair, and no such termination shall be effective which impairs the security of any financing undertaken by the Authority which is secured by the City's obligations pursuant to Section III); or

(ii) The other party agrees or assents thereto;

(b) Termination by the City under this Paragraph may be authorized only by ordinance. Termination by the Authority under this Paragraph may be authorized only by resolution duly adopted by the Authority.

7.2 Assignment. No party shall assign any of its rights or delegate any of its duties under this Agreement without the express written approval of the other party; provided, however, that the City's guaranty obligations under Article III shall not be assigned.

7.3 Obligation to Third Parties. The owners of the Bonds shall be the express beneficiaries of the City's obligations under this Agreement to the extent the performance of such obligations is necessary to pay and redeem the Bonds in accordance with their terms and as is necessary to maintain the exemption from federal income taxation of the interest on the Bonds. Except as provided in the previous sentence, neither the City nor the Authority shall be obligated or liable hereunder to any other third party, and the City and the Authority may amend this Agreement by mutual agreement without the consent of any other party or the owners of the Bonds, provided that no amendment shall impair or diminish the City's payment guaranty obligations hereunder.

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7.4 Actions Contesting Agreement.

(a) Obligation to Appear and Defend. Each party shall appear and defend any action or legal proceeding brought to determine or contest:

- (1) The validity of this Agreement;
- (2) The establishment of any fund or account pursuant to this Agreement; and
- (3) The legal authority of the City and/or the Authority to undertake the activities contemplated by this Agreement.

(b) Notice and Costs. If both parties to this Agreement are not named as parties to the action, the party named shall give the other party prompt notice of the action and provide the other an opportunity to intervene. Each party shall bear any costs and expenses taxed by the court against it; any costs and expenses assessed by a court against both parties jointly shall be shared equally.

7.5 Indemnification.

(a) To the maximum extent permitted by law, the Authority covenants and agrees, at the Authority's own expense, to pay and to indemnify and hold the City and its officers, agents and employees harmless of, from and against any and all claims, damages, demands, expenses, liabilities of any character or nature whatsoever relating to the Community Facilities or the Project, including, but not limited to, claims for loss or damage to any property or injury to or death of any person, asserted by or on behalf of any person arising out of, resulting from, or in any way connected to the Community Facilities or the Project, or the conditions, occupancy, use, possession, conduct or management of or any work done in or about the Community Facilities or the Project, or from the planning, design, acquisition or construction, rehabilitation, improvement and financing of the Property, or any part thereof; or any untrue statement or alleged untrue statement of any material fact or the omission or alleged omission to state a material fact necessary to make the statements made in any statement, information or material furnished by or on behalf of the Authority to the City, including, but not limited to, any information for use in any official statement used by the Authority in connection with the sale of the Bonds, not misleading; provided that this covenant shall be subject to the provisions of Section 7.5(c); provided further that the Authority shall not be liable in any manner for information provided by the City in the official statement for bonds issued by the City of Seattle dated September 17, 2002. The Authority specifically waives its immunity under RCW Title 51 for any claim the City may assert against the Authority with respect to any claims brought by the Authority's employees against the City. This waiver has been mutually negotiated by the parties.

(b) To the maximum extent permitted by law, the Authority further covenants and agrees, at the Authority's own expense, to pay and to indemnify and hold the City, its officers, agents, and employees harmless of, from and against all fees, costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim or demand described in section 7.5(a). In the event any action or proceeding is brought against the

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City or any of its officers, agents or employees by reason of any such claim or demand, the Authority, upon notice from the City, covenants and agrees to resist and defend such action or proceeding on behalf of the City or its officers, agents or employees; provided that this covenant shall be subject to the provisions of 7.5(c).

(c) The Authority shall not be obligated to pay, defend, indemnify, or hold harmless the City or its officers, agents or employees in the circumstances described in Section 7.5(a) and 7.5(b) against liability for damages arising out of the City's negligence or the willful and malicious acts of the City.

(d) To the extent permitted by law, the provisions of this Section 7.5 survive termination of this Agreement.

7.6 Environmental Liability and Indemnification.

(a) Condition of the Condominium. The Authority warrants and covenants that: (i) except as expressly and specifically permitted by the Purchase and Sale Agreement for the Authority's acquisition of the real property comprising the Condominium from King County dated March 30, 1995 ("Purchase and Sale Agreement") and by the Consent Decree between Metro and the Washington State Department of Ecology referenced in the Purchase and Sale Agreement ("Consent Decree"), no Hazardous Substance is located on or under, or is currently being generated, processed, stored, transported, handled or disposed of at the Condominium; (ii) the Authority shall take no action inconsistent with the Consent Decree; (iii) no Hazardous Substance shall be used in connection with the Project or the operation of the Community Facilities except in full compliance with all applicable laws, regulations, and prudent construction practices; and (iv) the Authority shall not allow or cause, and shall prohibit, the following at the Condominium or the Housing Facilities: the generation, manufacture, refining, transportation, treatment, storage, handling, disposal, transfer, production, processing or release of Hazardous Substances, except in compliance with all applicable Federal, State and local laws or regulations.

(b) Definition. As used herein, the term "Hazardous Substance" means any hazardous, toxic or dangerous substance, waste or material or pollutant or contaminant which is regulated under any federal, state or local statute, ordinance, rule, regulation or other law pertaining to environmental protection, contamination or cleanup, including without limitation any substance, waste or material which is designated as a "Hazardous Substance" or as hazardous, toxic, or dangerous, or as a pollutant or contaminant under the Federal Resource Conservation and Recovery Act, as amended, the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1257 *et seq.*, the Clean Air Act, as amended, 42 U.S.C. Section 2001 *et seq.*, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. 9601, the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 *et seq.*, or the Washington Model Toxics Control Act, as amended, RCW Chapter 70.105D, or Washington Hazardous Waste Management Act, as amended, RCW chapter 70.105, including all regulations promulgated thereunder, as amended or supplemented. Hazardous Substances also shall include any substance which after being

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released into the environment and upon exposure will or may reasonably be anticipated to cause death, disease, behavior abnormalities, cancer and/or genetic abnormalities.

(c) Indemnity. The Authority shall defend, hold harmless and indemnify the City from and against any and all claims, causes of actions, judgments, settlements, costs, penalties, fees, liens, and damages resulting from (i) any breach of the foregoing representations and warranties, including all reasonable attorney's fees and costs incurred by the City; (ii) any and all costs, expenses, penalties and damages incurred as a result of Hazardous Substances being located on, found on or being remediated at, cleaned up from or removed from any other properties where such Hazardous Substances came from activities on or contamination from the Condominium or the real property upon which the Project is located; and (iii) any and all costs, expenses, penalties, damages, and remediation, and cleanup costs, incurred as a result of Hazardous Substances being located on, in, at or under, or being found within the Condominium.

(d) Notification and Cleanup. The Authority shall immediately notify the City in writing if the Authority (i) becomes aware that the Condominium or any adjacent property is being or has been contaminated with Hazardous Substances, (ii) receives any notice of or becomes aware of any actual or alleged violation with respect to the Condominium of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances or any of the obligations set forth in Section 7.6(a)(ii-iv) of this Agreement, or (iii) becomes aware of any lien or action with respect to any of the foregoing. The Authority shall, at its sole expense, promptly take all necessary and reasonable actions to comply with all laws, and with all orders, decrees or judgments of governmental authorities or courts that have jurisdiction over Hazardous Substances, and shall further pay or cause to be paid all cleanup, administrative, enforcement and other costs of governmental agencies if obligated to do so by contract or by law.

(e) Delivery of Property. In the event the City Deed of Trust is foreclosed or the Authority tenders a deed in lieu of foreclosure, the Authority shall deliver its interest in the Condominium to City free of any and all Hazardous Substances or with such substances appropriately mitigated so that the condition of the Property shall comply with all applicable laws.

(f) Survival of Environmental Provisions. This Paragraph 7.6 shall survive the expiration of this Agreement or the City's exercise of any of its rights, including foreclosure, under the City Deed of Trust.

#### 7.7 Insurance.

(a) Required Insurance. At all times during the term of this Agreement and for so long as the Bonds shall remain Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of this Agreement, whichever is later, the Authority shall, obtain and continuously maintain at their own expense, all policies of insurance as fully described in Exhibit G hereto. The City shall be entitled to review and approve such all such insurance policies. The terms of any insurance policy required under this section shall provide that the insurer shall notify the City at least forty-five (45) before any reduction or

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cancellation of any of the required insurance. No such insurance shall be reduced or canceled without the City's prior written agreement. Unless the City authorizes a different application of insurance proceeds, such proceeds shall be applied to repair or replace damaged property.

(b) Completion, Repair and Restoration. The Authority shall promptly complete or cause to be promptly completed, shall promptly repair or cause to be promptly repaired, and shall promptly restore or cause to be promptly restored, in good workmanlike manner any building or improvement of the IDVS2 Project or on the Property which may be partially constructed, damaged or destroyed and shall pay all costs incurred therefor, provided that (i) the repair and restoration shall be subject to the approval of mortgagees as set forth in any senior mortgage and in any Priority Agreement or Subordination Agreement executed by the City; and (ii) if the Authority maintains insurance as required by this Agreement and described in Exhibit G, then the Authority's obligation to repair and restore in case of casualty shall be limited to the insurance proceeds available therefor and any reserves maintained for the Project. Prior to commencement of any restoration costing in excess of \$10,000, the Authority shall submit the plans and specifications for the City's approval and shall furnish evidence of sufficient funds to complete the work.

7.8 Entire Agreement, Amendments and Waiver. This Agreement, the Depository Agreement and Deed of Trust (collectively, the "Bond Guarantee Documents"), the Tax Credit Agreement and the Loan Agreement, together with all exhibits and attachments thereto contains the entire agreement and understanding of the City and Authority with respect to the subject matter hereof, and supersedes all prior or contemporaneous oral or written understandings, agreements, promises, or other undertakings between the parties, except as provided in the Charter of the Authority and SMC Chapter 3.110. The Bond Guarantee Documents may not be modified or amended other than by a written instrument executed by both parties, nor shall any waiver of any right or remedy of the City be valid unless in writing and signed by the City. No document shall be binding upon the City unless signed by the Mayor of the City or the Director of Department of Finance. No course of dealing between the parties or any delay in exercising any rights hereunder shall operate as a waiver of any rights of any party. Any rating agency providing a rating on the Bonds shall be notified in writing prior to the execution of any amendment to the Bond Guarantee Documents.

7.9 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. The venue of any suit or arbitration arising under this Agreement shall be in King County, Washington, and if a suit, in King County Superior Court.

7.10 Captions. The section and paragraph captions used in this Agreement are for convenience only and shall not control and affect the meaning or construction of any of the provisions of this Agreement.

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7.11 Notices. Any notice, demand, document, or other communication which is required by this Agreement to be given shall be in writing and shall be deemed to have been given when hand-delivered to the person to whom it is addressed or three days after mailing by registered or certified mail, return receipt requested, addressed as follows:

(a) If to the City:

City of Seattle PDA Coordinator  
Attn: Aaron Bert  
300 Municipal Building  
600 Fourth Avenue  
Seattle, Washington 98104;

City of Seattle  
Debt Manager  
Attn: Michael Van Dyck  
700 Fifth Avenue, Suite 4212  
Seattle, Washington 98104;

City of Seattle  
Department of Parks and Recreation  
Attn: Director  
100 Dexter Avenue N.  
Seattle, Washington 98109; and

City of Seattle Public Library  
Attn: Chief Librarian  
800 Pike Street  
Seattle, Washington 98101

(b) If to the Authority:

Attn: Ms. Sue Taoka  
Executive Director  
Seattle Chinatown-International District Preservation and Development Authority

Authority mailing address:  
P.O. Box 3302  
Seattle, Washington 98114

Authority street address:  
409 Maynard Avenue South  
Seattle, Washington 98104

Such names and addresses may be changed by written notice pursuant to this provision.

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7.12 Joint Notice to City Under Depository Agreement. The Depository Agreement shall provide that the Depository shall give the City duplicate notice of all notices it provides to the Authority thereunder.

7.13 Force Majeure. Other than the Authority's unconditional obligation to issue the Bonds, to pay the principal of and interest on the Bonds, and to apply and to deposit Project Revenues into the Revenue Account and the Bond Accounts, and the City's unconditional obligation to guarantee payment of principal of and interest on the Bonds pursuant to this Agreement, if any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, that party shall give to the other parties prompt notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement, contrary to the wishes of the party involved, of strikes, lockouts, or other labor difficulty and any such difficulty shall be handled entirely within the discretion of the party concerned. The term "force majeure" as here employed shall mean any act of God, strike, lockout, or other labor relations disturbance, act of the public enemy, war, blockade, public riot, fire, flood, explosion, failure to timely receive necessary governmental approvals, governmental restraint, and any other cause, whether of the kind specifically enumerated above or otherwise, that is not reasonably within the control of the party claiming suspension. Notwithstanding the forgoing, the Authority shall purchase required insurance as more fully described in Exhibit G hereto.

7.14 City Approval. Unless specifically otherwise provided for herein, all decisions of the City hereunder shall be deemed to be made by the Director of the Department of Finance or his successor.

7.15 Approval Pursuant to the Code. Execution of this Agreement by the Mayor of the City shall be deemed to be approval of the Bonds pursuant to Section 147(f) of the Code.

7.16 Amendments to Other Documents. The Authority may not amend or agree to any amendment of this Agreement, the Depository Agreement or the Bond Resolution, and any documents appended to or incorporated into such documents, or any other documents or agreements relating to the issuance of the Bonds, without the written consent of the City, which consent shall not be unreasonably withheld.

7.17 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without affecting or invalidating the remainder of this Agreement.



7.18 Counterparts. This Agreement may be executed in counterparts, and each such counterpart shall be deemed to be an original instrument. All such counterparts together will constitute one and the same Agreement.

7.19 Statutory Notice. The Authority is a public corporation organized pursuant to Seattle Municipal Code (SMC) 3.110 and RCW 35.21.660, 35.21.670, and 35.21.730 - .755. RCW 35.21.750 provides as follows:

All liabilities incurred by such public corporation, commission or authority shall be satisfied exclusively from the assets and properties of such public corporation, commission or authority and no creditor or such person shall have any right of action against the city, town or county creating such public corporation, commission or authority on account of any debts, obligations or liabilities of such public corporation, commission or authority.

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IN WITNESS WHEREOF, the City and the Authority have executed this Agreement this  
\_\_\_\_ day of \_\_\_\_\_, 2002.

SEATTLE CHINATOWN-INTERNATIONAL  
DISTRICT PRESERVATION AND  
DEVELOPMENT AUTHORITY

By \_\_\_\_\_  
Executive Director

THE CITY OF SEATTLE

BY \_\_\_\_\_  
Mayor

ATTEST:

By \_\_\_\_\_

Pursuant to the authority of  
Ordinance \_\_\_\_\_

List of Exhibits:

- A—Legal Description of Community Facilities Condominium
- B—Community Facilities Description
- C—Form of Deed of Trust
- D—Project Budget
- E—Construction Schedule
- F—Pro Forma Budget
- G—Insurance

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Exhibit A

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Exhibit A Legal Description of Community Facilities Condominium

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**EXHIBIT A**

Legal Description of Community Facilities Condominium

Community Facility Unit of International District Village Square Phase 2 per Condominium  
Declaration for International District Village Square Phase 2 Condominium recorded under King  
County Recording No \_\_\_\_\_

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Exhibit B

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Exhibit B Community Facilities Description

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**EXHIBIT B**

The Community Facilities component of the International District Village Square Phase 2 Project (Project) is comprised solely of (1) approximately 4,500 square feet to be leased to the Seattle Public Library for a branch library and (2) approximately 29,000 square feet for a parking garage to be managed by the Seattle Chinatown International District Preservation and Development Authority (Authority).

These uses together with other Project elements, including 57 units of family housing, a community center with a gymnasium, and retail/commercial space, will provide a holistic development meeting long term needs of the International District.

The International District Village Square Family Housing, LLC will own the housing component of the Project, pursuant to a property management agreement with the Authority. The housing will be financed through the issuance by the Authority of tax-exempt bonds, as well as through funding from the City's Office of Housing, the Washington State Housing Trust Fund, and private sources.

The Community Center component of the Project will be owned by the City, through its Department of Parks and Recreation, pursuant to a condominium agreement between the City and the Authority. The Community Center will receive funding from a 1999 City Community Center Levy, other City sources, the Authority, and private sources.

The retail of the portion of the Project will be financed exclusively through private sources.

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Exhibit C

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ALD  
SMLJY

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Exhibit C Deed of Trust

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Exhibit D



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Exhibit D Project Budget

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**EXHIBIT D- COMMUNITY FACILITIES PROJECT BUDGET**

	<b>Library</b>	<b>Parking Facility</b>	<b>Total Costs</b>
<b>Acquisition Costs:</b>			
Alley vacation	\$1,333	\$8,597	\$9,931
Land	63,996	412,671	476,667
Closing, Title & Recording Costs	171	1,102	1,273
<b>SUBTOTAL</b>	<b>\$65,500</b>	<b">\$422,371</b">	<b">\$487,871</b">
<b>Construction:</b>			
Basic Construction Contract	\$505,494	\$2,641,629	\$3,147,123
Escalation/extended construction	11,761	61,459	73,219
Bond Premium	0	0	0
Infrastructure Improvements	2,709	14,156	16,865
Hazardous Waste & Monitoring	722	3,775	4,497
Construction Contingency ( 10%)	50,549	264,163	314,712
Sales Taxes(8.8%)	50,545	264,138	314,683
Other Const. Costs: Inspection and testing	3,136	16,387	19,523
<b>SUBTOTAL</b>	<b>\$624,916</b>	<b>\$3,265,708</b>	<b>\$3,890,623</b>
<b>Development Costs: Professional</b>			
Appraisal	\$325	\$1,699	\$2,024
Architect/Engineer(9% of basic constr \$)	45,494	237,747	283,241
Geotechnical Study	90	472	562
Boundary & Topographic Survey	90	472	562
Legal	10,836	56,625	67,461
Developer Fee	28,895	151,000	179,895
Technical Assistance	0	0	0
Other Consultants: financial advisor	1,264	6,606	7,870
Other: Waterproof Consultant	1,878	9,815	11,693
Other: Garbage Management	181	944	1,124
Commissioning	2,167	11,325	13,492
Other consultant: high tech & security	361	1,888	2,249
Other Traffic consultant	108	566	675
Professional Fees Contingency @2.5%	1,562	8,161	9,723
<b>SUBTOTAL</b>	<b>\$93,252</b>	<b>\$487,320</b>	<b">\$580,572</b">
<b>Other Development Costs</b>			
Parking Relocation	\$54	\$283	\$337
Bidding Costs	722	3,775	4,497
Sewer Charge	2,048	10,702	12,750
Permits, Fees & Hookups	7,224	37,750	44,974
Impact/Mitigation Fees	361	1,888	2,249
Bridge Loan Interest	0	0	0
Construction & Permanent Loan Fees	3,183	23,491	26,674
Construction Interest& principle	40,397	283,578	323,975
Other Loan Fees (WCDLF, State HTF, etc.)	434	6,910	7,344
LIHTC Fees	0	0	0
Accounting/Audit	156	2,487	2,643
Marketing/Leasing Expenses	87	1,382	1,469
Facility Turn Over to Prop. Mgmtnt	87	1,382	1,469
Carrying Costs at Rent up	867	13,819	14,687
Operating Reserves	750	4,719	5,469
Exterior Signage & Directions	1,050	6,606	7,656
Equipment & Furnishings	68,000	115,122	183,122
Debt service Reserve	0	112,000	112,000
Park Department costs, Parking Reserve	\$125,420	\$677,283	\$802,703
<b>SUBTOTAL</b>	<b">\$909,088</b">	<b>\$4,852,681</b>	<b">\$5,761,769</b">
<b>Total Development Cost:</b>			
<b>Sources of Funds</b>			
Misc. Income (Predevelopment)	\$20,250	\$200,659	\$220,909
SCIDPDA contribution		\$1,060,912	\$1,060,912
Grants/Fundraising		\$1,689,948	\$1,689,948
Tax Exempt Bond	\$888,838	\$1,901,162	\$2,790,000
Conventional financing			
<b>Total Funds</b>	<b>\$909,088</b>	<b>\$4,852,681</b>	<b>\$5,761,769</b>

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Exhibit E



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Exhibit E Construction Schedule

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EXHIBIT E

International District Village Square Phase 2  
Construction Schedule

<b>Permits</b>	
Master Use Permit submitted to DCLU	Apr-2001
Master Use Permit corrections submitted to DCLU	Apr-2002
Shoring permit submitted to DCLU	May-2002
Building permit submitted to DCLU	Jul-2002
International Special Review Board approval	Aug-2002
Master Use Permit issued	Nov-2002
Shoring permit issued	Nov-2002
Building permit issued	Jan-2003
<b>Construction</b>	
Shoring bids received	Sep-2002
Building bids received	Oct-2002
Shoring work begins	Nov-2002
Shoring work completed	Jan-2003
Building construction begins	Jan-2003
Building construction completed	May-2004
Building commissioning	Jun-2004
<b>Occupancy</b>	
Marketing	May-2004
Building Opens	Jun-2004

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Exhibit F

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Exhibit F Pro Forma Budget

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EXHIBIT F- COMMUNITY FACILITY PROFORMA BUDGET

	2.5%	Average Per Unit	2005 1	2006 2	2007 3	2008 4	2009 5	2010 6	2011 7
Revenue inflation factor:	2.5%								
Expense inflation factor:	3.5%								
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$0	\$ -	\$0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue	\$291,233	\$ 145,617	\$291,233	\$ 305,977	\$ 313,626	\$ 321,467	\$ 329,503	\$ 337,741	\$ 346,185
Vacancy and Loss	(\$17,474)	(\$8,737)	(\$17,474)	(\$18,359)	(\$18,818)	(\$19,288)	(\$19,770)	(\$20,264)	(\$20,771)
<b>Total Operating Revenue</b>	<b>\$ 273,759</b>	<b>\$ 136,880</b>	<b>\$ 273,759</b>	<b>\$ 287,918</b>	<b>\$ 294,809</b>	<b>\$ 302,179</b>	<b>\$ 309,733</b>	<b>\$ 317,477</b>	<b>\$ 325,413</b>
<b>Operating Expenses:</b>									
Administrative									
Advertising	\$ 630	\$ 315	\$ 630	\$ 652	\$ 675	\$ 698	\$ 723	\$ 748	\$ 774
Management	3,596	1,798	3,596	3,722	3,852	3,987	4,126	4,271	4,420
Legal/Partnership	1,560	780	1,560	1,615	1,671	1,730	1,790	1,853	1,918
Accounting/Audit	3,565	1,783	3,565	3,690	3,819	3,953	4,091	4,234	4,382
Compliance Monitoring Fee									
Other on site	20,000	10,000	20,000	20,700	21,425	22,174	22,950	23,754	24,585
Other operating reserve	2,970	1,485	2,970	3,074	3,182	3,293	3,408	3,527	3,651
Other security/misc.	3,900	1,950	3,900	4,037	4,178	4,324	4,475	4,632	4,794
Other supplies	1,354	677	1,354	1,401	1,450	1,501	1,554	1,608	1,664
Operating									
Elevator									
Heat									
Utilities	14,124	7,062	14,124	14,618	15,130	15,660	16,208	16,775	17,362
Payroll/Payroll Taxes									
Insurance	11,975	5,988	11,975	12,394	12,828	13,277	13,742	14,223	14,720
Security									
Other elevator	1,223	612	1,223	1,266	1,310	1,356	1,403	1,453	1,503
Other fire/alarm/testing	2,994	1,497	2,994	3,099	-	-	-	-	-
Other custodians	2,201	1,101	2,201	2,278	2,358	2,440	2,526	2,614	2,706
Other contract maintenance	2,835	1,418	2,835	2,934	3,037	3,143	3,253	3,367	3,485
Maintenance									
Decorating & Turnover									
Repairs & Maintenance	2,835	1,418	2,835	2,934	3,037	3,143	3,253	3,367	3,485
Landscaping									
Other pest control	832	416	832	861	891	922	955	988	1,023
Other misc.	401	201	401	415	430	445	460	476	493
Other supplies	201	101	201	208	215	223	231	239	247
Real Estate Taxes	1,660	830	1,660	1,718	1,778	1,840	1,905	1,972	2,041
<b>Total Operating Expenses</b>	<b>\$ 78,856</b>	<b>\$ 39,428</b>	<b>\$ 78,856</b>	<b>\$ 81,616</b>	<b>\$ 81,265</b>	<b>\$ 84,110</b>	<b>\$ 87,053</b>	<b>\$ 90,100</b>	<b>\$ 93,254</b>
Replacement Reserves	7,045	3,523	7,045	7,292	7,547	7,811	8,084	8,367	8,660
Trustee Fee	1,000	500	1,000	1,035	1,071	1,109	1,148	1,188	1,229
Earnings on Replacement & Operating Reserves	3.5%		1,922	1,926	1,931	1,935	1,940	1,945	1,950
Earnings on Debt Service Reserve	3.5%		11,445	11,445	11,445	11,445	11,445	11,445	11,445
<b>Net Operating Income</b>			<b>\$ 200,225</b>	<b>\$ 211,047</b>	<b>\$ 218,301</b>	<b>\$ 222,530</b>	<b>\$ 226,833</b>	<b>\$ 231,211</b>	<b>\$ 235,665</b>
Annual Operating Expenses per Unit (excl. Trustee Fee)	\$ 42,951		\$ 42,951	\$ 44,454	\$ 44,406	\$ 45,960	\$ 47,569	\$ 49,234	\$ 50,957
Debt Svc: Bonds			\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800
Debt Svc: Conventional Debt									
Debt Svc: City									
Debt Svc:									
Debt Svc: SHA									
Debt Svc:									
Total Debt Service			\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800
Debt Service Coverage Ratio (Bonds only)			1.09	1.15	1.19	1.21	1.23	1.26	1.28
Debt Service Coverage Ratio (all loans)			1.09	1.15	1.19	1.21	1.23	1.26	1.28
<b>Cash Flow after Debt Service</b>	<b>\$ 16,425</b>	<b>\$ 27,247</b>	<b>\$ 34,501</b>	<b>\$ 38,730</b>	<b>\$ 43,033</b>	<b>\$ 47,411</b>	<b>\$ 51,865</b>		
Interest Accrued on Developer Loan	1.00%		2,803	2,667	2,421	2,100	1,734	1,321	860
Interest Paid on Developer Loan			(2,803)	(2,667)	(2,421)	(2,100)	(1,734)	(1,321)	(860)
Principal Paid or Accrued on Developer Loan			(13,622)	(24,580)	(32,080)	(36,630)	(41,299)	(46,091)	(51,006)
Developer Loan Balance	\$ 160,000		266,650	242,070	209,990	173,360	132,060	85,970	34,964
<b>Net Cash Flow</b>			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Limited Partner Net Cash Flow	99.90%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replacement Reserves Cumulative Balance			54,912	55,035	55,162	55,294	55,431	55,573	55,719
% Spent in Year of Reserve:	50%								

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EXHIBIT F- COMMUNITY F/

Revenue inflation factor:	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expense inflation factor:	8	9	10	11	12	13	14	15	16
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue	354,839	363,710	372,803	382,123	391,676	401,468	411,505	421,702	432,337
Vacancy and Loss	(\$21,290)	(\$21,823)	(\$22,368)	(\$22,927)	(\$23,501)	(\$24,088)	(\$24,690)	(\$25,308)	(\$25,940)
<b>Total Operating Revenue</b>	<b>\$ 333,549</b>	<b>\$ 341,888</b>	<b>\$ 350,435</b>	<b>\$ 359,196</b>	<b>\$ 368,175</b>	<b>\$ 377,380</b>	<b>\$ 386,814</b>	<b>\$ 396,485</b>	<b>\$ 406,397</b>
<b>Operating Expenses:</b>									
<b>Administrative</b>									
Advertising	\$ 802	\$ 830	\$ 859	\$ 889	\$ 920	\$ 952	\$ 985	\$ 1,020	\$ 1,055
Management	4,575	4,735	4,901	5,073	5,250	5,434	5,624	5,821	6,025
Legal/Partnership	1,985	2,054	2,126	2,201	2,278	2,357	2,440	2,525	2,614
Accounting/Audit	4,536	4,694	4,859	5,029	5,205	5,387	5,576	5,771	5,973
Compliance Monitoring Fee	-	-	-	-	-	-	-	-	-
Other on site	25,446	26,336	27,258	28,212	29,199	30,221	31,279	32,374	33,507
Other operating reserve	3,779	3,911	4,048	4,189	4,336	4,488	4,645	4,808	4,976
Other security/mis.	4,962	5,136	5,315	5,501	5,694	5,893	6,099	6,313	6,534
Other supplies	1,723	1,783	1,845	1,910	1,977	2,046	2,118	2,192	2,268
<b>Operating</b>									
Elevator	-	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-	-
Utilities	17,970	18,599	19,250	19,923	20,621	21,342	22,089	22,862	23,663
Payroll/Payroll Taxes	-	-	-	-	-	-	-	-	-
Insurance	15,236	15,769	16,321	16,892	17,483	18,095	18,728	19,384	20,062
Security	-	-	-	-	-	-	-	-	-
Other elevator	1,556	1,610	1,667	1,725	1,786	1,848	1,913	1,980	2,049
Other fire/alarm/testing	-	-	-	-	-	-	-	-	-
Other custodians	2,800	2,898	3,000	3,105	3,213	3,326	3,442	3,563	3,687
Other contract maintenance	3,607	3,733	3,864	3,999	4,139	4,284	4,434	4,589	4,750
<b>Maintenance</b>									
Decorating & Turnover	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	3,607	3,733	3,864	3,999	4,139	4,284	4,434	4,589	4,750
Landscaping	-	-	-	-	-	-	-	-	-
Other pest control	1,059	1,098	1,134	1,174	1,215	1,257	1,301	1,347	1,394
Other misc.	510	528	547	566	585	606	627	649	672
Other supplies	256	265	274	284	293	304	314	325	337
<b>Real Estate Taxes</b>	<b>2,112</b>	<b>2,188</b>	<b>2,212</b>	<b>2,342</b>	<b>2,424</b>	<b>2,508</b>	<b>2,598</b>	<b>2,687</b>	<b>2,781</b>
<b>Total Operating Expenses</b>	<b>\$ 96,518</b>	<b>\$ 99,896</b>	<b>\$ 103,392</b>	<b>\$ 107,011</b>	<b>\$ 110,756</b>	<b>\$ 114,633</b>	<b>\$ 118,645</b>	<b>\$ 122,797</b>	<b>\$ 127,095</b>
Replacement Reserves	8,963	9,277	9,602	9,938	10,285	10,645	11,018	11,404	11,803
Trustee Fee	1,272	1,317	1,363	1,411	1,460	1,511	1,564	1,619	1,675
Earnings on Replacement & Operating Reserves	1,955	1,961	1,967	1,973	1,979	1,985	1,991	1,998	2,005
Earnings on Debt Service Reserve	11,445	11,445	11,445	11,445	11,445	11,445	11,445	11,445	11,445
<b>Net Operating Income</b>	<b>\$ 240,198</b>	<b>\$ 244,804</b>	<b>\$ 249,490</b>	<b>\$ 254,254</b>	<b>\$ 259,097</b>	<b>\$ 264,021</b>	<b>\$ 269,024</b>	<b>\$ 274,108</b>	<b>\$ 279,273</b>
<b>Annual Operating Expenses per Unit (excl. Trust)</b>									
Debt Svc: Bonds	\$ 52,740	\$ 54,586	\$ 56,497	\$ 58,474	\$ 60,521	\$ 62,639	\$ 64,831	\$ 67,101	\$ 69,449
Debt Svc: Conventional Debt	183,800	183,800	183,800	183,800	183,800	183,800	183,800	183,800	183,800
Debt Svc: City	-	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-	-
Total Debt Service	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800
Debt Service Coverage Ratio (Bonds only)	1.31	1.33	1.36	1.38	1.41	1.44	1.46	1.49	1.52
Debt Service Coverage Ratio (all loans)	1.31	1.33	1.36	1.38	1.41	1.44	1.46	1.49	1.52
<b>Cash Flow after Debt Service</b>	<b>\$ 56,396</b>	<b>\$ 61,004</b>	<b>\$ 65,690</b>	<b>\$ 70,454</b>	<b>\$ 75,297</b>	<b>\$ 80,221</b>	<b>\$ 85,224</b>	<b>\$ 90,308</b>	<b>\$ 95,473</b>
Interest Accrued on Developer Loan	350	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	(350)	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	(34,964)	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-	-
<b>Net Cash Flow</b>	<b>\$ 21,083</b>	<b>\$ 61,004</b>	<b>\$ 65,690</b>	<b>\$ 70,454</b>	<b>\$ 75,297</b>	<b>\$ 80,221</b>	<b>\$ 85,224</b>	<b>\$ 90,308</b>	<b>\$ 95,473</b>
<b>Limited Partner Net Cash Flow</b>	<b>\$ 21,062</b>	<b>\$ 60,943</b>	<b>\$ 65,624</b>	<b>\$ 70,384</b>	<b>\$ 75,222</b>	<b>\$ 80,140</b>	<b>\$ 85,139</b>	<b>\$ 90,218</b>	<b>\$ 95,378</b>
Replacement Reserves Cumulative Balance	55,871	56,027	56,190	56,358	56,532	56,712	56,898	57,091	57,290
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-	-

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EXHIBIT F- COMMUNITY F/

	2021 17	2022 18	2023 19	2024 20	2025 21	2026 22	2027 23	2028 24	2029 25
Revenue Inflation factor:									
Expense Inflation factor:									
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ 443,145	\$ 454,224	\$ 465,580	\$ 477,219	\$ 489,150	\$ 501,378	\$ 513,913	\$ 526,761	\$ 539,930
Other Revenue	(\$26,589)	(\$27,253)	(\$27,935)	(\$28,633)	(\$29,349)	(\$30,083)	(\$30,835)	(\$31,606)	(\$32,396)
Total Operating Revenue	\$ 416,557	\$ 426,971	\$ 437,645	\$ 448,586	\$ 459,801	\$ 471,296	\$ 483,078	\$ 495,155	\$ 507,534
<b>Operating Expenses:</b>									
<b>Administrative</b>									
Advertising	\$ 1,092	\$ 1,131	\$ 1,170	\$ 1,211	\$ 1,254	\$ 1,297	\$ 1,343	\$ 1,390	\$ 1,438
Management	6,235	6,454	6,680	6,913	7,155	7,406	7,665	7,933	8,211
Legal/Partnership	2,705	2,800	2,898	2,999	3,104	3,213	3,325	3,442	3,562
Accounting/Audit	6,162	6,398	6,622	6,854	7,094	7,342	7,599	7,865	8,140
Compliance Monitoring Fee	-	-	-	-	-	-	-	-	-
Other on site	34,680	35,894	37,150	38,450	39,796	41,189	42,630	44,122	45,667
Other operating reserve	5,150	5,330	5,517	5,710	5,910	6,117	6,331	6,552	6,781
Other security/misc.	6,763	6,999	7,244	7,498	7,760	8,032	8,313	8,604	8,905
Other supplies	2,348	2,430	2,515	2,603	2,694	2,788	2,886	2,987	3,095
<b>Operating</b>									
Elevator	-	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-	-
Utilities	24,491	25,348	26,235	27,153	28,104	29,087	30,105	31,159	32,250
Payroll/Payroll Taxes	-	-	-	-	-	-	-	-	-
Insurance	20,764	21,491	22,243	23,022	23,828	24,662	25,525	26,418	27,343
Security	-	-	-	-	-	-	-	-	-
Other elevator	2,121	2,195	2,272	2,351	2,434	2,519	2,607	2,698	2,793
Other fire/alarm/testing	-	-	-	-	-	-	-	-	-
Other custodians	3,817	3,950	4,088	4,231	4,380	4,533	4,691	4,856	5,026
Other contract maintenance	4,916	5,088	5,266	5,450	5,641	5,838	6,043	6,254	6,473
<b>Maintenance</b>									
Decorating & Turnover	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	4,916	5,088	5,266	5,450	5,641	5,838	6,043	6,254	6,473
Landscaping	-	-	-	-	-	-	-	-	-
Other pest control	1,443	1,493	1,545	1,600	1,656	1,713	1,773	1,835	1,900
Other misc.	695	720	745	771	798	826	855	885	916
Other supplies	349	361	373	386	400	414	428	443	459
Real Estate Taxes	2,878	2,979	3,083	3,191	3,303	3,419	3,538	3,662	3,790
Total Operating Expenses	\$ 131,544	\$ 136,148	\$ 140,913	\$ 145,845	\$ 150,949	\$ 156,233	\$ 161,701	\$ 167,380	\$ 173,218
Replacement Reserves	12,216	12,643	13,086	13,544	14,018	14,509	15,016	15,542	16,086
Trustee Fee	1,734	1,795	1,857	1,923	1,990	2,059	2,132	2,206	2,283
Earnings on Replacement & Operating Reserves	2,012	2,020	2,028	2,036	2,044	2,053	2,061	2,071	2,080
Earnings on Debt Service Reserve	11,445	11,445	11,445	11,445	11,445	11,445	11,445	11,445	11,445
Net Operating Income	\$ 284,521	\$ 289,850	\$ 295,261	\$ 300,755	\$ 306,332	\$ 311,992	\$ 317,736	\$ 323,562	\$ 329,472
<b>Annual Operating Expenses per Unit (excl. Trust)</b>	\$ 71,880	\$ 74,396	\$ 76,999	\$ 79,694	\$ 82,484	\$ 85,371	\$ 88,359	\$ 91,451	\$ 94,652
Debt Svc: Bonds	183,800	183,800	183,800	183,800	183,800	183,800	183,800	183,800	183,800
Debt Svc: Conventional Debt	-	-	-	-	-	-	-	-	-
Debt Svc: City	-	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-	-
Total Debt Service	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800	\$ 183,800
Debt Service Coverage Ratio (Bonds only)	1.55	1.58	1.61	1.64	1.67	1.70	1.73	1.76	1.79
Debt Service Coverage Ratio (all loans)	1.55	1.58	1.61	1.64	1.67	1.70	1.73	1.76	1.79
Cash Flow after Debt Service	\$ 100,721	\$ 106,050	\$ 111,461	\$ 116,955	\$ 122,532	\$ 128,192	\$ 133,936	\$ 139,762	\$ 145,672
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-	-
Net Cash Flow	\$ 100,721	\$ 106,050	\$ 111,461	\$ 116,955	\$ 122,532	\$ 128,192	\$ 133,936	\$ 139,762	\$ 145,672
Limited Partner Net Cash Flow	\$ 100,620	\$ 105,944	\$ 111,350	\$ 116,838	\$ 122,410	\$ 128,064	\$ 133,802	\$ 139,622	\$ 145,526
Replacement Reserves Cumulative Balance	57,497	57,711	57,932	58,161	58,398	58,643	58,897	59,160	59,432
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-	-

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EXHIBIT F- COMMUNITY F/

	2030 26	2031 27	2032 28	2033 29	2034 30	2035 31	2036 32	2037 33	2038 34
<b>Revenue Inflation factor:</b>									
<b>Expense Inflation factor:</b>									
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ 553,428	\$ 567,284	\$ 581,445	\$ 595,981	\$ 610,881	\$ 626,153	\$ 641,807	\$ 657,852	\$ 674,298
Other Revenue									
Vacancy and Loss	(\$33,206)	(\$34,036)	(\$34,887)	(\$35,759)	(\$36,653)	(\$37,569)	(\$38,508)	(\$39,471)	(\$40,458)
<b>Total Operating Revenue</b>	<b>\$ 520,222</b>	<b>\$ 533,228</b>	<b>\$ 546,559</b>	<b>\$ 560,222</b>	<b>\$ 574,228</b>	<b>\$ 588,584</b>	<b>\$ 603,298</b>	<b>\$ 618,381</b>	<b>\$ 633,840</b>
<b>Operating Expenses:</b>									
<b>Administrative</b>									
Advertising	\$ 1,489	\$ 1,541	\$ 1,595	\$ 1,651	\$ 1,708	\$ 1,768	\$ 1,830	\$ 1,894	\$ 1,961
Management	8,498	8,796	9,104	9,422	9,752	10,093	10,446	10,812	11,191
Legal/Partnership	3,687	3,816	3,949	4,087	4,231	4,379	4,532	4,690	4,855
Accounting/Audit	8,425	8,720	9,025	9,341	9,668	10,006	10,356	10,719	11,094
Compliance Monitoring Fee	-	-	-	-	-	-	-	-	-
Other <u>on site</u>	47,265	48,919	50,631	52,403	54,238	56,136	58,101	60,134	62,239
Other <u>operating reserve</u>	7,019	7,264	7,519	7,782	8,054	8,336	8,628	8,930	9,242
Other <u>security, misc.</u>	9,217	9,539	9,873	10,219	10,576	10,946	11,330	11,726	12,137
Other <u>supplies</u>	3,200	3,312	3,428	3,548	3,672	3,800	3,933	4,071	4,214
<b>Operating</b>									
Elevator	-	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-	-
Utilities	33,378	34,547	35,756	37,007	38,303	39,643	41,031	42,467	43,953
Payroll/Payroll Taxes									
Insurance	28,300	29,290	30,316	31,377	32,475	33,611	34,788	36,005	37,266
Security									
Other <u>elevator</u>	2,890	2,991	3,096	3,204	3,317	3,433	3,553	3,677	3,806
Other <u>fire/alarm/testing</u>	-	-	-	-	-	-	-	-	-
Other <u>custodians</u>	5,202	5,384	5,572	5,767	5,969	6,178	6,394	6,618	6,849
Other <u>contract maintenance</u>	6,700	6,934	7,177	7,428	7,688	7,957	8,236	8,524	8,822
<b>Maintenance</b>									
Decorating & Turnover	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	6,700	6,934	7,177	7,428	7,688	7,957	8,236	8,524	8,822
Landscaping	-	-	-	-	-	-	-	-	-
Other <u>pest control</u>	1,986	2,035	2,106	2,180	2,256	2,335	2,417	2,502	2,589
Other <u>misc.</u>	948	981	1,015	1,051	1,087	1,126	1,165	1,206	1,248
Other <u>supplies</u>	475	492	509	527	545	564	584	604	626
<b>Real Estate Taxes</b>	<b>3,923</b>	<b>4,060</b>	<b>4,202</b>	<b>4,349</b>	<b>4,502</b>	<b>4,659</b>	<b>4,822</b>	<b>4,991</b>	<b>5,166</b>
<b>Total Operating Expenses</b>	<b>\$ 179,280</b>	<b>\$ 185,555</b>	<b>\$ 192,050</b>	<b>\$ 198,771</b>	<b>\$ 205,722</b>	<b>\$ 212,929</b>	<b>\$ 220,381</b>	<b>\$ 228,095</b>	<b>\$ 236,078</b>
Replacement Reserves	16,649	17,232	17,835	18,459	19,105	19,774	20,466	21,182	21,924
Trustee Fee	2,363	2,446	2,532	2,620	2,712	2,807	2,905	3,007	3,112
Earnings on Replacement & Operating Reserves	2,090	2,100	2,111	2,122	2,133	2,145	2,157	2,169	2,182
Earnings on Debt Service Reserve	11,445	11,445	11,445	3,920	3,920	3,920	3,920	3,920	3,920
<b>Net Operating Income</b>	<b>\$ 335,464</b>	<b>\$ 341,540</b>	<b>\$ 347,988</b>	<b>\$ 346,413</b>	<b>\$ 352,735</b>	<b>\$ 359,139</b>	<b>\$ 365,623</b>	<b>\$ 372,186</b>	<b>\$ 378,829</b>
<b>Annual Operating Expenses per Unit (excl. Trust</b>	<b>\$ 97,965</b>	<b>\$ 101,394</b>	<b>\$ 104,942</b>	<b>\$ 108,615</b>	<b>\$ 112,417</b>	<b>\$ 116,351</b>	<b>\$ 120,424</b>	<b>\$ 124,639</b>	<b>\$ 129,001</b>
Debt Svc: Bonds	183,800	183,800	183,800	-	-	-	-	-	-
Debt Svc: Conventional Debt	-	-	-	-	-	-	-	-	-
Debt Svc: City	-	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-	-
Total Debt Service	\$ 183,800	\$ 183,800	\$ 183,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Debt Service Coverage Ratio (Bonds only)</b>	<b>1.83</b>	<b>1.86</b>	<b>1.89</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Debt Service Coverage Ratio (all loans)</b>	<b>1.83</b>	<b>1.86</b>	<b>1.89</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Cash Flow after Debt Service</b>	<b>\$ 151,664</b>	<b>\$ 157,740</b>	<b>\$ 163,898</b>	<b>\$ 346,413</b>	<b>\$ 352,735</b>	<b>\$ 359,139</b>	<b>\$ 365,623</b>	<b>\$ 372,186</b>	<b>\$ 378,829</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-	-
<b>Net Cash Flow</b>	<b>\$ 151,664</b>	<b>\$ 157,740</b>	<b>\$ 163,898</b>	<b>\$ 346,413</b>	<b>\$ 352,735</b>	<b>\$ 359,139</b>	<b>\$ 365,623</b>	<b>\$ 372,186</b>	<b>\$ 378,829</b>
<b>Limited Partner Net Cash Flow</b>	<b>\$ 151,513</b>	<b>\$ 157,582</b>	<b>\$ 163,734</b>	<b>\$ 346,067</b>	<b>\$ 352,383</b>	<b>\$ 358,780</b>	<b>\$ 365,257</b>	<b>\$ 371,814</b>	<b>\$ 378,450</b>
Replacement Reserves Cumulative Balance	59,714	60,005	60,306	60,619	60,942	61,276	61,622	61,980	62,351
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-	-

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EXHIBIT F- COMMUNITY F/

	2039 35	2040 36	2041 37	2042 38	2043 39	2044 40	2045 41	2046 42	2047 43
Revenue Inflation factor:									
Expense Inflation factor:									
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ 691,156	\$ 708,435	\$ 726,145	\$ 744,299	\$ 762,907	\$ 781,979	\$ 801,529	\$ 821,567	\$ 842,106
Other Revenue	(\$41,669)	(\$42,506)	(\$43,569)	(\$44,658)	(\$45,774)	(\$46,919)	(\$48,092)	(\$49,294)	(\$50,526)
<b>Total Operating Revenue</b>	<b>\$ 649,686</b>	<b>\$ 665,928</b>	<b>\$ 682,577</b>	<b>\$ 699,641</b>	<b>\$ 717,132</b>	<b>\$ 735,060</b>	<b>\$ 753,437</b>	<b>\$ 772,273</b>	<b>\$ 791,580</b>
<b>Operating Expenses:</b>									
<b>Administrative:</b>									
Advertising	\$ 2,029	\$ 2,100	\$ 2,174	\$ 2,250	\$ 2,328	\$ 2,410	\$ 2,494	\$ 2,582	\$ 2,672
Management	11,582	11,988	12,407	12,841	13,291	13,756	14,237	14,736	15,252
Legal/Partnership	5,025	5,200	5,382	5,571	5,766	5,968	6,176	6,393	6,616
Accounting/Audit	11,482	11,884	12,300	12,731	13,176	13,637	14,115	14,609	15,120
Compliance Monitoring Fee									
Other <u>on site</u>	64,417	66,672	69,005	71,421	73,920	76,507	79,185	81,957	84,825
Other <u>operating reserve</u>	9,566	9,901	10,247	10,606	10,977	11,361	11,759	12,171	12,597
Other <u>security, misc.</u>	12,561	13,001	13,456	13,927	14,414	14,919	15,441	15,982	16,541
Other <u>supplies</u>	4,361	4,514	4,672	4,835	5,004	5,180	5,361	5,548	5,743
<b>Operating:</b>									
Elevator	-	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-	-
Utilities	45,491	47,084	48,732	50,437	52,202	54,030	55,921	57,878	59,904
Payroll/Payroll Taxes									
Insurance	38,570	39,920	41,317	42,763	44,260	45,809	47,412	49,072	50,789
Security	-	-	-	-	-	-	-	-	-
Other <u>elevator</u>	3,939	4,077	4,220	4,367	4,520	4,678	4,842	5,012	5,187
Other <u>fire/alarm/testing</u>	-	-	-	-	-	-	-	-	-
Other <u>custodians</u>	7,089	7,337	7,594	7,860	8,135	8,420	8,714	9,019	9,335
Other <u>contract maintenance</u>	9,131	9,451	9,782	10,124	10,478	10,845	11,225	11,617	12,024
<b>Maintenance:</b>									
Decorating & Turnover	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	9,131	9,451	9,782	10,124	10,478	10,845	11,225	11,617	12,024
Landscaping	-	-	-	-	-	-	-	-	-
Other <u>pest control</u>	2,680	2,774	2,871	2,971	3,075	3,183	3,294	3,409	3,529
Other <u>misc.</u>	1,292	1,337	1,384	1,432	1,482	1,534	1,588	1,643	1,701
Other <u>supplies</u>	647	670	694	718	743	769	796	824	852
<b>Real Estate Taxes</b>	<b>5,347</b>	<b>5,534</b>	<b>5,727</b>	<b>5,928</b>	<b>6,135</b>	<b>6,350</b>	<b>6,572</b>	<b>6,802</b>	<b>7,040</b>
<b>Total Operating Expenses</b>	<b>\$ 244,341</b>	<b>\$ 252,893</b>	<b>\$ 261,744</b>	<b>\$ 270,905</b>	<b>\$ 280,387</b>	<b>\$ 290,200</b>	<b>\$ 300,357</b>	<b>\$ 310,870</b>	<b>\$ 321,750</b>
Replacement Reserves	22,691	23,485	24,307	25,158	26,038	26,950	27,893	28,869	29,880
Trustee Fee	3,221	3,334	3,450	3,571	3,696	3,825	3,959	4,098	4,241
Earnings on Replacement & Operating Reserves	2,196	2,210	2,224	2,239	2,254	2,270	2,287	2,304	2,322
Earnings on Debt Service Reserve	3,920	3,920	3,920	3,920	3,920	3,920	3,920	3,920	3,920
<b>Net Operating Income</b>	<b>\$ 385,549</b>	<b>\$ 392,347</b>	<b>\$ 399,219</b>	<b>\$ 406,166</b>	<b>\$ 413,185</b>	<b>\$ 420,275</b>	<b>\$ 427,434</b>	<b>\$ 434,660</b>	<b>\$ 441,950</b>
<b>Annual Operating Expenses per Unit (excl. Trust)</b>	<b>\$ 133,516</b>	<b>\$ 138,189</b>	<b>\$ 143,026</b>	<b>\$ 148,032</b>	<b>\$ 153,213</b>	<b>\$ 158,575</b>	<b>\$ 164,125</b>	<b>\$ 169,870</b>	<b>\$ 175,815</b>
Debt Svc: Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Svc: Conventional Debt									
Debt Svc: City									
Debt Svc: SHA									
Debt Svc:									
<b>Total Debt Service</b>	<b>\$ -</b>								
Debt Service Coverage Ratio (Bonds only)	N/A								
Debt Service Coverage Ratio (all loans)	N/A								
<b>Cash Flow after Debt Service</b>	<b>\$ 385,549</b>	<b>\$ 392,347</b>	<b>\$ 399,219</b>	<b>\$ 406,166</b>	<b>\$ 413,185</b>	<b>\$ 420,275</b>	<b>\$ 427,434</b>	<b>\$ 434,660</b>	<b>\$ 441,950</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Developer Loan Balance									
<b>Net Cash Flow</b>	<b>\$ 385,549</b>	<b>\$ 392,347</b>	<b>\$ 399,219</b>	<b>\$ 406,166</b>	<b>\$ 413,185</b>	<b>\$ 420,275</b>	<b>\$ 427,434</b>	<b>\$ 434,660</b>	<b>\$ 441,950</b>
Limited Partner Net Cash Flow	\$ 385,164	\$ 391,954	\$ 396,820	\$ 405,760	\$ 412,772	\$ 419,855	\$ 427,007	\$ 434,225	\$ 441,508
Replacement Reserves Cumulative Balance	62,734	63,132	63,543	63,968	64,408	64,864	65,335	65,824	66,329
% Spent in Year of Reserve:									

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EXHIBIT F- COMMUNITY F/

Revenue Inflation factor:	2048	2049	2050	2051	2052	2053	2054	2055	2056
Expense Inflation factor:	44	45	46	47	48	49	50	51	52
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue	863,159	884,738	906,856	929,528	952,766	978,585	1,000,999	1,026,024	1,051,675
Vacancy and Loss	(\$51,790)	(\$53,084)	(\$54,111)	(\$55,772)	(\$57,166)	(\$58,595)	(\$60,060)	(\$61,561)	(\$63,101)
<b>Total Operating Revenue</b>	<b>\$ 811,369</b>	<b>\$ 831,653</b>	<b>\$ 852,445</b>	<b>\$ 873,756</b>	<b>\$ 895,600</b>	<b>\$ 917,990</b>	<b>\$ 940,940</b>	<b>\$ 964,463</b>	<b>\$ 988,575</b>
<b>Operating Expenses:</b>									
<b>Administrative</b>									
Advertising	\$ 2,766	\$ 2,862	\$ 2,962	\$ 3,066	\$ 3,173	\$ 3,285	\$ 3,400	\$ 3,519	\$ 3,642
Management	15,785	16,338	16,910	17,502	18,114	18,748	19,404	20,083	20,766
Legal/Partnership	6,848	7,088	7,336	7,592	7,858	8,133	8,418	8,712	9,017
Accounting/Audit	15,649	16,197	16,764	17,351	17,958	18,586	19,237	19,910	20,607
Compliance Monitoring Fee	-	-	-	-	-	-	-	-	-
Other on site	87,794	90,867	94,047	97,339	100,746	104,272	107,921	111,699	115,608
Other operating reserve	13,037	13,494	13,966	14,455	14,961	15,484	16,026	16,587	17,168
Other security/misc.	17,120	17,719	18,339	18,981	19,645	20,333	21,045	21,781	22,544
Other supplies	5,944	6,152	6,367	6,590	6,820	7,059	7,306	7,562	7,827
<b>Operating</b>									
Elevator	-	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-	-
Utilities	62,000	64,170	66,416	68,741	71,147	73,637	76,214	78,882	81,642
Payroll/Payroll Taxes	-	-	-	-	-	-	-	-	-
Insurance	52,567	54,407	56,311	58,282	60,321	62,433	64,618	66,879	69,220
Security	-	-	-	-	-	-	-	-	-
Other elevator	5,369	5,557	5,751	5,952	6,161	6,376	6,599	6,830	7,069
Other fire/alarm/testing	-	-	-	-	-	-	-	-	-
Other custodians	9,662	10,000	10,350	10,712	11,087	11,475	11,877	12,292	12,723
Other contract maintenance	12,445	12,880	13,331	13,798	14,281	14,781	15,293	15,833	16,387
<b>Maintenance</b>									
Decorating & Turnover	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	12,445	12,880	13,331	13,798	14,281	14,781	15,298	15,833	16,387
Landscaping	-	-	-	-	-	-	-	-	-
Other pest control	3,652	3,780	3,912	4,049	4,191	4,338	4,490	4,647	4,809
Other misc.	1,760	1,822	1,886	1,952	2,020	2,091	2,164	2,240	2,318
Other supplies	882	913	945	978	1,012	1,048	1,085	1,123	1,152
<b>Real Estate Taxes</b>	<b>\$ 7,287</b>	<b>\$ 7,542</b>	<b>\$ 7,806</b>	<b>\$ 8,079</b>	<b>\$ 8,362</b>	<b>\$ 8,655</b>	<b>\$ 8,957</b>	<b>\$ 9,271</b>	<b>\$ 9,595</b>
<b>Total Operating Expenses</b>	<b>\$ 333,012</b>	<b>\$ 344,667</b>	<b>\$ 356,730</b>	<b>\$ 369,216</b>	<b>\$ 382,138</b>	<b>\$ 385,513</b>	<b>\$ 409,356</b>	<b>\$ 423,684</b>	<b>\$ 438,813</b>
Replacement Reserves	30,925	32,008	33,128	34,288	35,488	36,730	38,015	39,346	40,723
Trustee Fee	4,390	4,543	4,702	4,867	5,037	5,214	5,396	5,585	5,780
Earnings on Replacement & Operating Reserves	2,340	2,359	2,378	2,399	2,420	2,441	2,464	2,487	2,511
Earnings on Debt Service Reserve	3,920	3,920	3,920	3,920	3,920	3,920	3,920	3,920	3,920
<b>Net Operating Income</b>	<b>\$ 449,302</b>	<b>\$ 456,714</b>	<b>\$ 464,182</b>	<b>\$ 471,704</b>	<b>\$ 479,276</b>	<b>\$ 486,895</b>	<b>\$ 494,556</b>	<b>\$ 502,256</b>	<b>\$ 509,990</b>
<b>Annual Operating Expenses per Unit (excl. Trust):</b>									
\$ 181,969	\$ 188,337	\$ 194,929	\$ 201,752	\$ 208,813	\$ 216,122	\$ 223,686	\$ 231,515	\$ 239,618	
Debt Svc: Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Debt Svc: Conventional Debt	-	-	-	-	-	-	-	-	
Debt Svc: City	-	-	-	-	-	-	-	-	
Debt Svc:	-	-	-	-	-	-	-	-	
Debt Svc: SHA	-	-	-	-	-	-	124,179	124,179	124,179
Debt Svc:	-	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ -</b>	<b>\$ 124,179</b>	<b>\$ 124,179</b>	<b>\$ 124,179</b>					
Debt Service Coverage Ratio (Bonds only)	N/A								
Debt Service Coverage Ratio (all loans)	N/A	N/A	N/A	N/A	N/A	N/A	3.88	4.04	4.11
<b>Cash Flow after Debt Service</b>	<b>\$ 449,302</b>	<b>\$ 456,714</b>	<b>\$ 464,182</b>	<b>\$ 471,704</b>	<b>\$ 479,276</b>	<b>\$ 486,895</b>	<b>\$ 370,376</b>	<b>\$ 378,076</b>	<b>\$ 385,810</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-	-
<b>Net Cash Flow</b>	<b>\$ 449,302</b>	<b>\$ 456,714</b>	<b>\$ 464,182</b>	<b>\$ 471,704</b>	<b>\$ 479,276</b>	<b>\$ 486,895</b>	<b>\$ 370,376</b>	<b>\$ 378,076</b>	<b>\$ 385,810</b>
<b>Limited Partner Net Cash Flow</b>	<b>\$ 448,853</b>	<b>\$ 456,257</b>	<b>\$ 463,718</b>	<b>\$ 471,232</b>	<b>\$ 478,797</b>	<b>\$ 486,408</b>	<b>\$ 370,006</b>	<b>\$ 377,698</b>	<b>\$ 385,425</b>
Replacement Reserves Cumulative Balance	66,852	67,393	67,953	68,533	69,133	69,754	70,397	71,062	71,750
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-	-



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EXHIBIT F- COMMUNITY F/

	2057	2058
<b>Revenue Inflation factor:</b>		
Expense Inflation factor:	53	54
<b>Operating Revenues:</b>		
Gross Rental Revenue	\$ 1,077,957	\$ 1,104,916
Other Revenue	(\$64,678)	(\$66,295)
Vacancy and Loss		
<b>Total Operating Revenue</b>	<b>\$ 1,013,289</b>	<b>\$ 1,038,621</b>
<b>Operating Expenses:</b>		
<b>Administrative</b>		
Advertising	\$ 3,769	\$ 3,901
Management	21,514	22,267
Legal/Partnership	9,333	9,660
Accounting/Audit	21,328	22,075
Compliance Monitoring Fee	119,654	123,842
Other <u>on site</u>	17,769	18,391
Other <u>operating reserve</u>	23,333	24,149
Other <u>security/misc.</u>	8,101	8,384
<b>Operating</b>		
Elevator	-	-
Heat	84,500	87,457
Utilities	-	-
Payroll/Payroll Taxes	71,643	74,150
Insurance	-	-
Security	-	-
Other <u>elevator</u>	7,317	7,573
Other <u>fire/alarm/testing</u>	-	-
Other <u>custodians</u>	13,168	13,629
Other <u>contract maintenance</u>	16,961	17,555
<b>Maintenance</b>		
Decorating & Turnover	-	-
Repair & Maintenance	16,961	17,555
Landscaping	-	-
Other <u>pest control</u>	4,978	5,152
Other <u>misc</u>	2,399	2,483
Other <u>supplies</u>	1,203	1,245
<b>Real Estate Taxes</b>	<b>\$ 9,931</b>	<b>\$ 10,279</b>
<b>Total Operating Expenses</b>	<b>\$ 453,861</b>	<b>\$ 469,746</b>
Replacement Reserves	42,148	43,623
Trustee Fee	5,983	6,192
Earnings on Replacement & Operating Reserves	2,536	2,562
Earnings on Debt Service Reserve	3,920	3,920
<b>Net Operating Income</b>	<b>\$ 517,754</b>	<b>\$ 525,542</b>
<b>Annual Operating Expenses per Unit (excl. Trust)</b>	<b>\$ 248,004</b>	<b>\$ 256,685</b>
Debt Svc: Bonds	\$ -	\$ -
Debt Svc: Conventional Debt	-	-
Debt Svc: City	-	-
Debt Svc:	-	-
Debt Svc: SHA	124,179	124,179
Debt Svc:	-	-
<b>Total Debt Service</b>	<b>\$ 124,179</b>	<b>\$ 124,179</b>
<b>Debt Service Coverage Ratio (Bonds only)</b>	<b>N/A</b>	<b>N/A</b>
<b>Debt Service Coverage Ratio (all loans)</b>	<b>4.17</b>	<b>4.23</b>
<b>Cash Flow after Debt Service</b>	<b>\$ 393,574</b>	<b>\$ 401,363</b>
Interest Accrued on Developer Loan	-	-
Interest Paid on Developer Loan	-	-
Principal Paid or Accrued on Developer Loan	-	-
Developer Loan Balance	-	-
<b>Net Cash Flow</b>	<b>\$ 393,574</b>	<b>\$ 401,363</b>
<b>Limited Partner Net Cash Flow</b>	<b>\$ 393,181</b>	<b>\$ 400,961</b>
Replacement Reserves Cumulative Balance	72,463	73,201
% Spent in Year of Reserve:		



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Exhibit G

RETO  
ALD  
9/11/01

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Exhibit G Insurance

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### Exhibit G – Insurance Requirements

**A. General Obligations:** For so long as the Bonds are Outstanding or until such time that the Authority has satisfied its obligations to repay the City pursuant to Section 3.3 of either Bond Guaranty Agreement (Series A or Series B), whichever is later, the Authority shall, at its own expense, obtain and continuously maintain, or cause to be obtained and continuously maintained, in full force and effect, insurance policy(ies) in conjunction with the following:

- (a) the Bond Payment Guaranty Agreements between the City and the Authority;
- (b) the Authority's activity on or the use or occupation of the IDVS2 Project property;
- (c) Design, Construction Management, Inspection, Construction, reconstruction, operation, maintenance, use or existence of the IDVS2 Project.
- (d) Deeds of Trust securing the Authority's obligations under the Bond Guaranty Agreements; and
- (e) Any and all claims and risks in connection with the activity performed by the Authority under this Agreement;

With respect to all consultants and contractors performing work on behalf of the Authority, the Authority shall:

- (a) Obtain from each consultant and contractor evidence that such contractor or consultant has obtained and maintained a policy or policies of insurance as required herein;
- (b) Submit evidence of insurance as required herein to the City for review and approval;
- (c) Require that all such policies name the City as an additional insured, including completed operations, on all liability policies per ISO form CG2026 or its equivalent; and
- (d) Include, in all contracts executed by the Authority with respect to the Project, provisions which extend to the City construction indemnities and warranties granted to Authority.

**B. Required Insurance:** The following policies shall be obtained and continuously maintained by the Authority:

1. **Bond Payment Guaranty Agreement.** For so long as the Bonds remain Outstanding or until such time that the Authority has satisfied all its obligations to repay the City pursuant to Section 3.3 of either Bond Guaranty Agreement (Series



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Series B

A or Series B), the Authority shall obtain and continuously maintain the following policies of insurance:

(a) A policy of **Commercial General Liability Insurance**, written on an insurance industry standard occurrence form (CG 00 01) including all the usual coverage known as:

- Premises/Operations Liability;
- Products/Completed Operations;
- Personal/Advertising Injury;
- Contractual Liability;
- Explosion, Collapse and Underground Property Damage (XCU);
- Independent Contractors Liability;
- Stop Gap or Employers Contingent Liability; and
- Per Project Coverage (CG2503 ISO), or equivalent.

Such policy(ies) shall provide the following minimum limits:

Bodily Injury and Property Damage:

\$ 1,000,000	General Aggregate
\$ 1,000,000	Products & Completed Operations Aggregate
\$ 1,000,000	Personal & Advertising Injury
\$ 1,000,000	Each Occurrence
\$ 100,000	Fire Damage

(b) A policy of **Business Automobile Liability Insurance**, including coverage for owned, non-owned, leased or hired vehicles written on an insurance industry standard form (CA 00 01) or equivalent, and as specified by Insurance Services Office Symbol 1 (any auto). If "pollutants" as defined in exclusion 11 of the commercial auto policy are to be transported, endorsement CA9948 & MCS 90 are required.

Such policy(ies) must provide the following minimum limit:

Bodily Injury and Property Damage  
\$ 1,000,000 per accident

(c) A policy of **Excess Liability Insurance** above the primary general liability and auto liability policies that will provide a total limit of insurance of \$5,000,000 per Occurrence/Aggregate/per Claim. The excess policy shall be, at a minimum, as broad as the primary policies.

(d) A policy of **Worker's Compensation**: As respects Workers' Compensation insurance in the state of Washington, the Authority shall secure its liability for industrial injury to its employees in accordance with the provisions of Title 51 of the Revised Code of Washington. The Authority shall be responsible for Workers' Compensation Insurance for any and all contractors and subcontractors who provide services with respect to the IDVS2 Project. Additionally, if the any contractor or subcontractor is required to work on or around a navigable w

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Authority shall provide evidence of United States Longshoremen's and Harbor Workers' (USL&H) coverage and contingent coverage for Jones Act (Marine Employers Liability) in compliance with federal statutes. If the Authority is qualified as a self-insurer in accordance with Chapter 51.14 of the Revised Code of Washington, Authority shall so certify to the Owner by submitting a letter signed by a corporate officer, indicating that it is a qualified self-Insurer, and setting forth the limits of any policy of excess insurance covering its employees; or any similar coverage required.

2. **Design, Construction Management or Inspection:** In addition to standard insurance requirements in this Exhibit G, the Authority shall obtain or cause to be obtained the following additional insurance coverage:

(a) **Errors and Omissions Liability Insurance:** A policy of Errors and Omissions Liability Insurance appropriate to each consultant's profession. Coverage should be for a professional error, act or omission arising out of the scope of services shown in the contract. The policy shall not exclude any of the following:

- Claims arising out of pollution for environmental work<sup>†</sup>
- Construction Administration Services<sup>†</sup>
- Laboratory analysis<sup>†</sup>

<sup>†</sup>Only required when services are to be performed under this agreement.

The minimum limit of coverage shall be \$1,000,000 per Claim/Aggregate

3. **Construction, Reconstruction, Operations:** In addition to the standard insurance requirements as identified in this Exhibit G, the Authority shall secure or cause to be secured, the following additional insurance coverage:

(a) **Builder's Risk Insurance:** The Authority shall purchase and maintain builders insurance on an "All Risk" basis, in an amount equal to 100% replacement cost thereof, against loss from the perils of fire and other risks of direct physical loss, including earthquake and flood damage. The Authority/Contractor shall be responsible for the policy deductible. The policy shall include as **Loss Payee the City**. The Authority shall provide the City with a duplicate original of said Policy.

Coverage shall include all materials, supplies, and equipment intended for specific installation in the IDVS2 Project while such materials, supplies and/or equipment are located at the project site, in transit or while temporarily located away from the project site. Coverage shall also include the value of site preparation work, the value of underground property, the cost of debris removal, and the cost of pollutant cleanup as well as removal.



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Series B

In addition, the following coverage extensions shall be included: Delayed Opening – Loss of Earnings coverage and Operation of Building Codes coverage – demolition, contingent liability and increased cost of construction.

The policy shall not contain any coinsurance penalty provision or any occupancy clauses.

With respect to the Builder's Risk Policy described herein, the City and the Authority waive all subrogation rights against each other, any Subcontractors, Architect, Architect's sub-consultants, separate contractors, if any, and any of their subcontractors, for damages caused by fire or other perils to the extent covered by property insurance obtained pursuant to this section or other property insurance applicable to the Work, except such rights as they have to proceeds of such insurance held by Owner as fiduciary. This waiver of subrogation shall be effective to a person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, whether or not the person or entity paid the insurance premium directly or indirectly, and whether or not the person or entity had and insurance interest in the property damaged.

The City reserves the right to purchase this policy for the IDVS2 Project, adding the Authority/Contractor as an additional insured to any such policy. If the City does purchase such a policy, the Authority shall reimburse the City for all of its costs for such coverage.

**Warranty, Repair or Remedy of Defects:** The Authority shall obtain a bond from a surety company, acceptable to the City, which for a period of one year after substantial completion of the IDVS2 Project shall provide for payment for the repair or remedy of defects in the IDVS2 Project which are due to faulty materials or workmanship and for damage to other work resulting from such faulty material and workmanship.

4. **Deed of Trust:** In addition to the standard insurance requirements as identified in this Exhibit G, the Authority shall secure or cause to be secured, the following additional insurance coverage with respect to the Deeds of Trust executed for the benefit of the City with respect to the IDVS2 Project

(1) A policy of **Property Insurance** on the building, its furniture, fixtures, equipment, inventory, and all other improvements which it makes to the premises, on an "All Risk" basis, in an amount equal to 100% replacement cost thereof, against (i) Loss from the perils of fire and other risks of direct physical loss, (including earthquake and flood damage, and not less broad than provided by the insurance industry standard "Causes of Loss - Special Form (CP 10 30)"; (ii) Loss or damage from water damage, or sprinkler systems now or hereafter installed in any building on the premises; (iii) Loss or damage by explosion of steam boilers, pressure vessels, oil, or gasoline storage tanks; machinery, heating or air conditions, elevator and escalator equipment or similar apparatus, provided the Property contains equipment of

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such nature if required by Beneficiary; (iv) Business Interruption or Extra Expense, with sufficient coverage to provide for the loss of rent or income and other fixed costs during any interruption of Grantor's business, loss of occupancy, or use because of fire or other cause in such amounts as are satisfactory to Beneficiary. Grantor shall name the City as a Loss Payee. In the event the Authority is unable because of market conditions to renew such policy on the terms described, then the Authority shall notify the City's Director of Finance prior to the expiration of the policy. Upon such notice, the City may, in its reasonable discretion, alter the requirements described herein.

The Property Insurance policies required for the deeds of trust are subject to approval by the City in its sole discretion as to amount, form, deductibles and insurer, and must cover all risks the City requires. The City agrees to respond to the Authority within two (2) weeks of its receipt of the Authority's request for approval submitted to the City's Director of Finance.

With respect to its obligations under the deeds of trust securing the Authority's and the Company's obligations under the Bond Guaranty Agreements, the Authority agrees as follows:

Completion, Repair and Restoration. The Authority shall promptly complete or cause to be promptly completed, shall promptly repair or cause to be promptly repaired, and shall promptly restore or cause to be promptly restored, in good workmanlike manner any building or improvement of the IDVS2 Project or on the Property which may be partially constructed, damaged or destroyed and shall pay all costs incurred therefor, provided that (i) the repair and restoration shall be subject to the approval of mortgagees as set forth in any senior mortgage and in any Priority Agreement or Subordination Agreement executed by City; and (ii) if the Authority maintains insurance as required by this Agreement and described in Exhibit G, then the Authority's obligation to repair and restore in case of casualty shall be limited to the insurance proceeds available therefor and any reserves maintained for the Project. Prior to commencement of any restoration costing in excess of \$10,000, the Authority shall submit the plans and specifications for the City's approval and furnish evidence of sufficient funds to complete the work.

**C. Deductibles:** If any of the above required insurance contains a deductible (or self-insured retention amount) the Authority/Consultant/Contractor shall:

1. Disclose such amount; and
2. Be responsible for payment of any claim equal to or less than the deductible (or self-insured retention amount).

The City reserves the right to reject insurance policies with a deductible (or self-insured retention amount) in excess of \$25,000 for which adequate financial strength of the Insured cannot be demonstrated to the satisfaction of the City.

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**D. Conditions:** The insurance policy or policies, endorsements thereto, and subsequent renewals shall:

1. Be subject to approval by the City as to company, form and coverage. The insurance company shall be:
  - a. Rated A-VII or higher in the A.M. Best's Key Rating Guide; and
  - b. Licensed to do business in the State of Washington or be filed as surplus lines by a Washington broker.
2. Be primary as respects the City, and any other insurance maintained by the City shall be excess insurance and not contributing insurance with the Authority, and/or its consultants, contractors, inspectors, or other contractors of any kind;
3. Be maintained in full force and effect through the Agreement;
4. Protect the City within the policy limits from any and all losses, claims, actions, damages, and expenses arising out or resulting from the Authority's and/or any of its consultant's, contractor's, inspector's, or other contractor's performance or lack of performance;
5. Name the City as an additional insured pursuant to the requirements of Section Titled "Evidence of Insurance"; and
6. Include a provision (whether by endorsement or otherwise) indicating that, except with respect to the limits of insurance and any rights or duties specifically assigned to the first named insured, the insurance shall apply:
  - a. As if each party insured thereunder (whether as a named insured, additional named insured, or additional insured) were the only party insured by such policy; and
  - b. Separately to each insured against whom a claim is made or a suit is brought.

**E. Evidence of Insurance:** In many cases, evidence of insurance may be demonstrated by submitting a copy (photocopy or facsimile acceptable) of the declarations pages of the policy and the additional insured endorsement. The declaration pages shall clearly show the policy effective dates, limits and schedule of forms and endorsements. Any reference to premiums may be blacked out. However at the option of the City, the Authority and/or its designated Contractors, Consultants and Inspectors, as outlined above, may be required to submit a copy of the insurance policy, all referenced endorsements, or both. Certificates of Insurance (ACORD forms) will not be accepted as evidence of insurance. Evidence of insurance for each policy shall:

1. Comply with one of the following requirements regarding naming the City as an additional insured, including Completed Operations:
  - (a) Insurance Services Office (ISO) Standard Endorsement: An additional insured endorsement issued on an ISO form CG 20 26 or its equivalent, shall name "The City of Seattle, its officers, elected

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Series B

officials, employees, agents, and volunteers" as an additional insured. The endorsement shall:

- (i) Be signed by an authorized representative of the insurance company; and
- (ii) Include the policy number and name of the insured on the endorsement.

(b) Non-ISO Endorsements: For Non-ISO endorsements, any of the following options are acceptable:

- (i) A blanket clause (in the policy or endorsement) adding, without undue restriction of coverage, as additional insured anyone for whom the Authority, and/or its consultants, contractors, inspectors, or other contractors of any kind, are required to provide insurance under a contract or permit;
- (ii) An additional insured endorsement on a non-ISO endorsement form containing the following provision:

"The City of Seattle, its officers, elected officials, employees, agents, volunteers, are an additional insured for all coverage provided by this policy and shall be fully and completely protected to the extent provided in said policy for any and every injury, death, damage and loss of any sort sustained by any person, organization or corporation in connection with any activity performed by the Authority, and/or its consultants, contractors, inspectors, or other contractors of any kind, as outlined above by virtue of the provisions of this Agreement between The City of Seattle and the Authority.

The coverage provided by this policy to The City of Seattle shall not be terminated, reduced or otherwise materially changed without providing at least forty-five (45) days prior written notice to The City of Seattle.;" or

- (iii) Any other additional insured endorsement form or clause approved by the City.

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**F. Consultants, Contractors, Inspectors or other Contractors of any Kind  
Performing Work, or Other Agreements – Additional Insured Provision**

**Requirement of Authority:** The Authority shall require that any and all of its consultants, contractors, inspectors, or other contractors of any kind, performing work, or other agreements with respect to the IDVSII Project, shall name the City as an additional insured, including Completed Operations, on all Liability policies as indicated herein, on ISO Form 20 26 or equivalent. The Authority shall further require in all contracts with respect to the IDVSII Project, a provision which extends to the City, construction indemnities and warranties granted to the Authority.

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Reconveyance Deed



AFTER RECORDING RETURN TO:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*PARTIAL RECONVEYANCE*

GRANTOR: \_\_\_\_\_

GRANTEE/BENEFICIARY: \_\_\_\_\_

LEGAL DESCRIPTION:  
Abbreviated Form: \_\_\_\_\_

Additional legal on Exhibit A to document

Assessor's Tax Parcel ID#(s): \_\_\_\_\_

Reference No(s). of Related Document(s): \_\_\_\_\_

The undersigned as trustee under that certain Deed of Trust, \_\_\_\_\_, in which \_\_\_\_\_ is grantor and \_\_\_\_\_ is beneficiary, recorded on \_\_\_\_\_ as Auditor's File No. \_\_\_\_\_ in Volume \_\_\_\_\_ of Mortgages, at page \_\_\_\_\_, records of \_\_\_\_\_ County, Washington, having received from the beneficiary under said Deed of Trust a written request to reconvey a portion of the real property described in said Deed of Trust, which request was approved by said grantor, does hereby reconvey, without warranty, to the person(s) entitled thereto the right, title and interest now held by said trustee in and to that portion of the real property described in said Deed of Trust, situated in \_\_\_\_\_ County, Washington, as follows:

SEE EXHIBIT A ATTACHED HERETO.

Dated: \_\_\_\_\_, 199\_\_.

WASHINGTON ADMINISTRATIVE SERVICES, INC.  
(Trustee)

By \_\_\_\_\_  
\_\_\_\_\_  
(Name-Title)

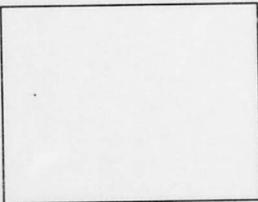
STATE OF WASHINGTON )  
COUNTY OF \_\_\_\_\_ )  
 ) ss



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I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of Washington Administrative Services, Inc. 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 \_\_\_\_\_

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Michael van Dyck  
August 20, 2002  
Bond Guaranty Agreements  
Version #1

**Fiscal Note**

Each piece of legislation that appropriates funds, creates position authority, or will create a financial impact through policy direction or otherwise, requires a fiscal note. The fiscal note should be drafted by department staff and should include all relevant financial information. After preparation by departmental staff, the Department of Finance will review and make necessary revisions before transmittal to Council.

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Finance	Michael van Dyck 4-8347	Jan Oscherwitz 4-8510

**Legislation Title:**

AN ORDINANCE relating to the Seattle Chinatown-International District Preservation and Development Authority's International District Village Square Project; authorizing the City to execute two separate guaranty agreements guaranteeing tax exempt bonds to be issued by the Authority for the support of the International District Village Square Two Project ("IDVSI Project"); establishing the terms and conditions under which the City will provide each such guaranty; and authorizing guaranty agreements, depository agreements, a reconveyance to the Authority of the City's interest in the real property which was the City's security for the City's guaranty of the Village Square One Bond Issue, and such related documents and agreements as are necessary between the City, the Authority and other parties with regard to the Authority's issuance of the bonds and the City's guaranties.

**Summary of the Legislation:**

The attached legislation:

- 1) Authorizes the City to guaranty up to \$10,800,000 of limited tax general obligation bonds to be issued by the Seattle Chinatown International District PDA for the Village Square II project.
- 2) Authorizes the City to release approximately \$1.9 million of land from the City's security on the guaranty of the 1996 Village Square I bonds, a requirement for securing a tax credit partner.

Please see the attached detailed analysis of this project.

**Appropriations (in \$1,000's):**

Fund Name and Number	Department	Budget Control Level*	2002 Appropriation	2003 Anticipated Appropriation
<b>TOTAL</b>				

\* This is line of business for operating budgets, and program or project for capital improvements

**Notes:**

**Expenditures (in \$1,000's):**

Revised August 6, 2002

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August 20, 2002  
Bond Guaranty Agreements  
Version #1

Fund Name and Number	Department	Budget Control Level*	2002 Expenditures	2003 Anticipated Expenditures
<b>TOTAL</b>				

\* This is line of business for operating budgets, and program or project for capital improvements

Notes:

Anticipated Revenue/Reimbursement (in \$1,000's):

Fund Name and Number	Department	Revenue Source	2002 Revenue	2003 Revenue
<b>TOTAL</b>				

Notes:

Total Permanent Positions Created Or Abrogated Through Legislation, Including FTE Impact;  
Estimated FTE Impact for Temporary Positions:

Fund Name and Number	Department	Position Title*	2002 FTE	2003 FTE
<b>TOTAL</b>				

\* List each position separately

Do positions sunset in the future? (If yes, identify sunset date):

**Background** (Include brief description which states the purpose and context of legislation and include record of previous legislation and funding history, if applicable):

The PDA intends to pay debt service on these bonds from project revenues and the City would only be called upon to cover those costs if PDA revenues fall short of expectations. Since the PDA debt is guaranteed by the City, it reduces the City's legal debt capacity. Please see the attached detailed analysis of this project.

**The financial cost of not implementing the legislation** (Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented):

**Possible alternatives to the legislation which could achieve the same or similar objectives** (Include any potential alternatives to the proposed legislation, including using an existing facility to fulfill the uses envisioned by the proposed project, adding components to or subtracting components from the total proposed project, contracting with an outside organization to provide the services the proposed project would fill, or other alternatives):



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**Is the legislation subject to public hearing requirements** (If yes, what public hearings have been held to date):  
No.

**Other Issues** (including long-term implications of the legislation):  
Please see the attached detailed analysis of this project, which outlines the financial risks of this legislation.

**FOR CAPITAL PROJECTS ONLY**

**Background** (Include brief description that states the purpose and context of legislation, the expected useful life, anticipated customers/users, assumed level of LEED or other sustainable design elements. Also include record of previous legislation and funding history, if applicable):

Project Name: Project Location: Start Date: End Date:

**Spending Plan and Future Appropriations for Capital Projects** (Estimate cost of legislation over time; list timing of anticipated appropriation authority requests and expected spending plan. Please identify your cost estimate methodology including inflation assumptions and key assumptions related to the timing of appropriation requests and expected expenditures. In addition, include the projected costs of meeting the LEED Silver standard in all facilities and buildings with over 5,000 gross square feet of occupied space. Also, be sure to include percent for art and percent for design as appropriate):

Spending Plan and Budget	2002	2003	2004	2005	2006	2007	Total
Spending Plan							
Current Year Appropriation							
Future Appropriations							

Key Assumptions:

**Funding source** (Identify funding sources including revenue generated from the project and the expected level of funding from each source):

Funding Source	2002	2003	2004	2005	2006	2007	Total
<b>TOTAL</b>							



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Bond Guaranty Agreements  
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**Bond Financing Required** (If the project or program requires financing, please list type of financing, amount, interest rate, term and annual debt service or payment amount. Please include issuance costs of 3% in listed amount):

Type	Amount	Assumed Interest Rate	Term	Timing	Expected Annual Debt Service/Payment
<b>TOTAL</b>					

**Uses and Sources for Operation and Maintenance Costs for the Project** (Estimate cost of one-time startup, operating and maintaining the project over a six year period and identify each fund source available. Estimate the annual savings of implementing the LEED Silver standard. Identify key assumptions such as staffing required, assumed utility usage and rates and other potential drivers of the facility's cost):

O&M	2002	2003	2004	2005	2006	2007	Total
Uses							
Start Up							
On-going							
<b>Sources (itemize)</b>							

Key Assumptions:

**Periodic Major Maintenance costs for the project** (Estimate capital cost of performing periodic maintenance over life of facility. Please identify major work items, frequency):

Major Maintenance Item	Frequency	Cost	Likely Funding Source
<b>TOTAL</b>			

**Funding sources for replacement of project** (Identify possible and/or recommended method of financing the project replacement costs):



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Attachment to Fiscal Note

**City of Seattle**

International District Village Square II Project

Credit Review Considerations for  
Bond Guaranty

Final as of 9/15/02

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## International District Village Square II

### Background

The Seattle Chinatown International District Preservation and Development Authority (PDA) is preparing to issue bonds to fund a portion of the development costs of Village Square Phase 2 ("IDVSI"). IDVSI is a mixed-use facility that includes affordable housing, a branch library, community center, retail space and underground parking and is located at Eighth and Dearborn Streets. The total project cost is estimated to be \$24.9 million of which \$5.98 million is expected to be financed through long-term bonds and approximately \$4.4 million is expected to be financed with short-term bonds. The PDA has asked the City to sign agreements to guarantee the repayment of debt service and thus enhance the credit quality of the proposed tax-exempt bonds (Series A and Series B) it intends to issue to finance the project, similar to the guaranty provided in 1996 for the financing of Village Square Phase 1 ("IDVSI"). IDVSI is a mixed-use facility containing low-income elderly housing, and social and health service agency offices located across the street from the proposed IDVSI. IDVSI was financed through special obligation bonds credit-enhanced by a pledge of the City which guaranteed the repayment of \$9 million of debt.

In addition to the two projects financed with bond proceeds (housing project and non-housing project), there also will be a community center financed with various grants and contributions, \$2.1 million of which is from the 1999 Seattle Center and Community Centers levy and a commercial/retail component of the project that is anticipated to be financed through a commercial bank loan from Washington Mutual. The Washington Mutual loan is not anticipated to have any recourse to the rest of the project, nor is it expected to have any covenants that are applicable to other components of the project. The PDA intends to have the commercial loan in place prior to issuing the bonds.

The project is located on land currently owned by the PDA and which is currently pledged as collateral to the City pursuant to the 1996 Bond Guaranty agreement. Under the proposed guaranties for IDVSI, the land will be transferred to IDVSI and used as collateral for the new project, thus reducing the collateral of the first project. The land has an estimated value of \$1.9 million.

The purpose of this report is to review the IDVSI's sources and uses of funds and cash flow projections, to analyze the proposed security for the two series of bonds, to assess the City's risk in providing guaranties for repayment, and to evaluate the PDA's potential remedies in the event of cost overages or revenue shortfalls.

### The City's Guaranty: An Overview

The PDA is proposing to issue two series of bonds (Series A and Series B) to fund two discrete components of the project. The Series A Bonds will fund the low-income housing units ("Housing Project") while the Series B Bonds will fund the library and parking facilities ("Non-Housing Project"). Each set of bonds will be secured by revenues from its particular facilities and by a guaranty from the City. The City's guaranty will contain its own set of pledges by the PDA, which includes removing the land as collateral from IDVSI and transferring it as collateral to IDVSI. The Series A Bonds (Housing Project) are being issued pursuant to State volume cap and are subject to the alternative minimum tax (AMT). The Series B Bonds (Non-Housing Project) are traditional tax-exempt, governmental-purpose project revenue bonds. The City's guaranty will result in a lower interest rate for the PDA's bonds, similar to the interest rate on the City's limited tax general obligation bonds. The Series A Bonds will have a short-term and long-term component, described more fully below.



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## HOUSING PROJECT

The Series A Bonds will be issued to finance the Housing Project. The Housing Project is estimated to cost a total of \$13.8 million (see Table 1); construction is estimated to be completed in May 2004 and be available for occupancy in June 2004. The PDA intends to issue a total of \$7.6 million of bonds for this project, the balance of which will be funded from a variety of other sources including grants, other loans, tax credits and fundraising proceeds (see Table 2). Funds from the Housing Trust Fund ("HTF"), the Seattle Office of Housing and the Seattle Housing Authority ("SHA") will be available on a reimbursement basis. The tax-credit money will not be available until occupancy begins. The FHLB Loan proceeds (estimated to total \$256,000) are currently being held by the PDA.

The bond proceeds will be received at the time of issuance. The tax credit money will not be received until several conditions are met, including the certificate of occupancy has been received, tenants have been certified as tax-credit eligible, among other requirements, and at a minimum, not prior to March 2004. The other sources of funds (loans from the HTF, Seattle Office of Housing and SHA) are expected to be received in monthly installments on a reimbursement basis.

A chart showing projected "Monthly Cash Flows" during construction has been prepared by the PDA and is attached as Appendix A-1. Also included in Appendix A (A-2) is the PDA's estimate of when the various units will be rented ("Rent-up"). Appendix A-1 shows rental income beginning in July 2004, with full rental taking place by November 2004. Appendix A-3 is the PDA's projections of the uses of funds during construction which includes spending \$1.1 on land acquisition from the PDA in the first quarter. The expenditure schedule found in Appendix A-3 is based on the general contractor's and the design consultant's estimates and show twenty percent (20%) of the project costs being expended upfront.

**Sufficiency of funds (i.e. minimal cost overruns and/or all anticipated funding received) and liquidity during construction will be key factors for project success. The PDA's ability to maintain liquidity will be dependent upon the i) timely receipt of reimbursements from HTF, City of Seattle and SHA; ii) realization of projected interest earnings on the bond proceeds, iii) sufficient capitalized interest, iv) accurate estimate of timing of receipt of tax credit dollars; v) timely completion of the project; and, vi) and completion of the project within budget.**

The construction contract will be bid later this fall (2002) after the issuance of the bonds. A contingency cost cushion of 10% has been built into the project costs (IDVSI experienced a cost overrun). The PDA has identified a list of "deductive alternates" which would allow for small reductions in costs if needed (see Appendix B). Two-hundred thousand (\$200,000) of reductions are listed which would require no design changes; additional reductions of \$600,000 have also been identified, but would require design changes and would create possible schedule delays, thus reducing the cost savings. However, the deductive alternates have not been agreed to by some of the tenants and therefore are subject to lease negotiations with prospective tenants. Based on its experience with cost overruns with IDVSI, the PDA has revised its approach to preparing cost estimates.

The short-term and long-term components of the bond issue each rely on a different source of funds for repayment. The short-term portion of the Series A Bonds will be repaid from the tax-credit proceeds. The long-term portion is expected to be amortized over 30 years (after completion of construction) and is to be repaid by net rental income from the housing units.

### Timing



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The timing of project completion, project occupancy, the length of the capitalized interest period and the timing of the repayment of the principal component of the bonds are all key elements of the financing plan. The receipt of the tax-credit dollars are conditioned upon certain events being completed. Therefore, a sufficient cushion must be provided to allow for any delays which could postpone receipt of the tax-credit dollars. The following schedule was provided by the PDA:

**International District Village Square Phase 2  
Construction Schedule**

<b>Permits</b>	
Master Use Permit submitted to DCLU	Apr-2001
Master Use Permit corrections submitted to DCLU	Apr-2002
Shoring permit submitted to DCLU	May-2002
Building permit submitted to DCLU	Jul-2002
International Special Review Board approval	Aug-2002
Master Use Permit issued	Nov-2002
Shoring permit issued	Nov-2002
Building permit issued	Jan-2003

<b>Construction</b>	
Shoring bids received	Sep-2002
Building bids received	Oct-2002
Shoring work begins	Nov-2002
Shoring work completed	Jan-2003
Building construction begins	Jan-2003
Building construction completed	May-2004
Building commissioning	Jun-2004

<b>Occupancy</b>	
Marketing	May-2004
Building Opens	Jun-2004

Capitalized interest for the bonds will be funded through March 2005; full rent-up is expected to occur by November 2004 therefore allowing for a cushion of three months in the event the project is delayed.

**Short-Term Portion of Series A Bonds**

More than half of the Series A Bonds (\$4,370,000) will be structured as short-term debt that is repaid from the tax credit contribution (estimated to be received in November 2004, simultaneously with full rent-up). The estimated sources and uses of bond proceeds are provided in Table 3 and include capitalized interest through March 1, 2005. The capitalized interest account will be net funded with interest earnings remaining in that account. There is no DSRF for the short-term portion of the bonds.

The PDA will apply the tax credit proceeds to repayment of the short-term bonds when received. Because all of the interest will be capitalized during construction; the short-term bonds are not dependent upon any project revenues for repayment.



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*Tax Credit Partner.* As conditioned by the Partnership Agreement, the tax-credit partner (Washington Mutual Bank) pays the project a negotiated sum of money. In return, the tax credit partner receives tax credits for the next ten years on the project (and continues to own the project for five years after that). In order to receive the credits, the housing units must be rented/managed pursuant to federal government low-income housing requirements for fifteen years. The tax-credit partner may pay a small percentage of the amount upfront with the balance being paid after the project has been placed-in-service (subject to a variety of terms and conditions being met, but in no event prior to March 2004). The total tax credit payment is estimated to be \$4.5 million. The Partnership Agreement is expected to be executed prior to issuance of the Bonds. The PDA has requested the Partner to provide an additional \$130,000 on an up-front basis.

*Potential Risks.* The short-term bonds pose a lesser risk than that of the long-term bonds because interest is fully capitalized and the principal is repaid from the tax credit dollars. These bonds do not rely on revenues of the project for repayment. Receipt of the tax credit dollars is conditioned upon the certificate of occupancy having been received, the project tenants being certified as income-eligible, among other items. In order to minimize the risk associated with this portion of the bonds, the following factors should be considered:

*Considerations/Risks:*

• **Cost overruns/Shortfall in funds to complete project**

Cost overruns or shortfalls in anticipated funds will create both liquidity problems and project completion problems. If the PDA is forced to draw down operating and other reserves to pay construction costs, then its operating margin becomes even thinner before revenue has been received. If project completion is delayed, then revenues are delayed resulting in insufficient funds to pay debt service on the long-term bonds.

• **Delay in receiving tax credit money/Bonds due prior to receiving payment**

Payments by the tax credit provider is dependent upon when the project is placed-in-service (i.e. it is not a date-certain). Therefore, the bonds should be structured to allow for a sufficient cushion of time between anticipated receipt of tax credit money and repayment of the short-term bonds to assure that funds will be available when the bonds are due. *This will require an increase in the amount of capitalized interest.*

• **Tax credit money is insufficient to pay off principal of bonds**

It is anticipated that the tax credit payment will be approximately equal to the par amount of short-term bonds. No material amount of revenue is likely to have been earned by the time these bonds are due. Therefore, in order to reduce potential liquidity concerns and minimize reliance on uncommitted funds, the par amount of short-term bonds should not exceed the amount of tax credit dollars anticipated to be received.

• **Non performance by tax-credit partner**

Tax credit partners have a strong history of performing on their obligations. However, should bankruptcy or some other event occur that would cause non-performance by the tax credit partner, a new tax-credit partner would need to be found and negotiations would begin. There is no guarantee that the same dollar amount of tax credits would be agreed upon. Additionally, loss of the tax credit partner would likely delay the project.

• **A third-party has a prior claim on tax credit money**



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The City should consider requiring the Partnership Agreement (or some other appropriate form of documentation) to contain an explicit pledge that the tax credit money will be pledged to repayment of the short-term bonds to avoid any potential future claims on those funds by third parties.

- **Project not operated in such a manner that permits tax credits to be realized**  
If the tax credit money is not available until some period after the project has been placed-in-service, there is a risk that the project would fail to meet requirements if it is not managed in accordance with low-income, housing guidelines. Under these circumstances, the tax credit partner would likely be permitted to avoid payment or the PDA would be required to make payments, senior to the payments to the tax credit partner that are senior to the obligations to the City. However, given the demand for low-income housing, the PDA should not have any difficulty renting the units to income-qualified tenants.

**Long-term Portion.** The long-term portion of the Series A Bonds (\$3,187,000) will be secured by annual net rental income from the 57-unit, low-income Housing Project over the next 30 years. Therefore, rents are the primary source of repayment for the bonds, after payment of operating and maintenance expenses.

**Section 8 Units.** Thirty-one (31) units are Section 8 units in which a rental subsidy is provided by the federal Department of Housing and Urban Development ("HUD") through the Seattle Housing Authority ("SHA"). These units typically have a long waiting list and therefore are not likely to be vacant for any period of time. SHA will provide a rental subsidy for these units for a period of five years, renewable up to 40 years. Although it is possible that SHA could choose not to renew, it would be unusual for SHA to take such action. Pursuant to Section 8 funding, a tenant pays 30% of his income towards rent; SHA makes up the balance at market rates (above the rates being charged on the non-Section 8 units). The Section 8 subsidy is subject to annual appropriation by Congress. SHA provides a 30-day grace period on a paying rent on a unit between tenants. Because the PDA anticipates only needing ten days to rent a vacated unit, it is unlikely that rental income would be lost on the Section 8 units.

The Section 8 rental amounts are determined annually by SHA based on average median income. Therefore, the rents may increase or decrease depending on the economic factors which influence average median income. In preparing its projections beginning in 2004, the PDA has assumed the 2002 rental-year rate per unit. The rate in 2004 and beyond is a function of prevailing median income, at that time, and is not known today.

**Non Section 8 Units.** The remainder of the units (26 units) will be leased to low-income tenants at below-market rents. The units will be leased to tenants whose income is at or below 50% of the median income. The PDA is hoping to lease the units to tenants whose income falls in the 35% to 40% of median income range. The PDA intends to charge rent of \$650 per unit (for a two-bedroom unit), which is below the low-income qualification ceiling. The PDA could raise rents by \$128 per month per unit and still meet the low-income tax-credit qualifications. This represents \$40,000 in additional potential rent per year to the project. The PDA is not able to adjust the rents on the Section 8 units.

A vacancy rate of 5.0%, and thus a reduction to income, has been assumed on all of the housing units, which also includes an allowance for defaulting renters beginning January 2005. A small amount of additional project revenue (less than 2% of total income) will be generated from laundry and vending facilities and from late fees on rent.

**Assumptions.** The PDA has prepared annual operating cash flow projections (attached as Appendix C). Included in the cash flows is a 5% vacancy rate, an increase in annual rental income of

2.5% and an annual increase in operating expenses of 3.5%. The projections include an annual amount to be set aside into operating and replacement reserves for on-going building maintenance costs calculated at \$75 per unit annually for the operating reserves and \$300 per unit annually for the replacement reserves, which equates to approximately \$21,375 in 2004. The cashflows also include a small amount for interest earnings on reserves and the debt service reserve funds at a rate of 3.50%.

After payment of operating and maintenance expenses and deposits to reserves, bond debt service is paid. Debt service coverage on the bonds is estimated to be 1.42x in 2005 and increasing annually, thereafter. After payment of the bonds and other loan payments (including, HTF, City, FHLB and SHA) debt service coverage is estimated to be 1.12x in 2004.

*PDA Proposed Remedies.* In the event that project revenues are insufficient to pay debt service, the PDA has proposed the following remedies:

- Increase rent on the non-Section 8 rents while still maintaining low-income housing status (up to a total of \$40,000 annually). This option would generate an additional 7.0% of revenue.
- Adjust rents to reflect increases in utility costs (applies to Section 8 units). This is subject to review by HUD.
- Tap into the \$9,000 annual repair budget. However, these funds could become restricted and would only be available on a limited basis because repairs would have to be maintained.
- Utilize the \$17,000 annual replacement reserve. However, these funds could become restricted and would only be available on a limited basis because repairs would have to be maintained.
- Convert tax-credit units to Section 8 units (subject to RFP process in 2003). The conversion of the units would generate additional rent of \$49,000 annually. The PDA intends to apply for additional Section 8 funding in 2003.

*Potential Risks.* The long-term bonds rely on a thin margin of annual revenues over a 30-year period. Any number of factors could negatively impact projected revenues or cause operating and maintenance costs to increase. Given the current demand for Section 8 housing and other affordable housing options, however, a lack of qualified tenants or competition from alternative affordable housing options are unlikely to pose a considerable risk. In order to minimize the repayment risk for this portion of the bonds, the following factors should be considered:

*Considerations/Risks:*

• **Income is delayed due to project completion delays**

A variety of events could contribute to a delay in the completion of the project. Because the long-term bonds are dependent upon project income for their repayment, an adequate cushion should be established for both capitalized interest and the repayment of the first principal maturity.

• **Construction budget shortfall**

A shortfall in the construction budget could occur due to cost overruns or loss of funding, among other factors. This would likely require the PDA to utilize available reserves to complete construction. Therefore, an additional burden is placed on early-year cash flows in order to replenish reserve levels. In the event of more significant shortfalls, additional borrowing would be required to



complete the project. In order to minimize this risk, an appropriate amount of cushion should be built into cost projections as well as a margin for unrealized funds, for any funds that are not fully committed at the time of issuance of the bonds.

- **Net rental income is lower than projected  
Annual costs are higher than expected**

Any of the following events could occur which would reduce net income available to pay debt service, thus reducing the available margin to repay the bonds. The PDA has limited ability to raise rents or lower operating costs.

- Section 8 reimbursements are lowered (function of median income)
- Section 8 reimbursements are not renewed at end of five year period
- Congress does not appropriate Section 8 funding
- Rental income does not increase at projected annual levels
- Vacancies and defaults are higher than anticipated
- O&M costs are higher than anticipated
- PDA is required to make payments to tax credit partner
- Inflation factors differ from projections

The project will be operating with a projected margin of less than \$35,000 (before payments on Developer Loan) in the first year. Any of the above factors could reduce or eliminate the projected margin. *This is the biggest potential risk to the repayment of the bonds.* In order to minimize this risk, the following could be considered:

- Require a higher debt service coverage margin which includes the junior loans and an operating cushion. In the event the target coverage is not met, this would trigger a mandatory reduction in costs or an increase in rents.
- Apply to convert all units to Section 8 units
- Amortize bonds over 40 years instead of 30 years to reduce annual payments
- Explicit pledge that DSRF earnings are used to pay debt service
- Require a secondary DSRF
- Require operating reserves/Set funding levels

- **Project is not operated pursuant to Housing Commission low-income guidelines**

The tax credit partner relies on the project manager to operate the property in such a way that the tax credits are available every year. In the event that income guidelines of tenants do not meet guidelines or if other requirements are not met, tax credits are forfeited and must be repaid to the tax credit partner. Payments to the tax credit partner are senior to payments to the City. Although this is a minimal risk, it could be easily monitored by requiring timely notification if violations occur.

#### **Additional Developments**

A number of items have changed since the City first began studying the project. Attached as Appendix J is a memorandum from the PDA that briefly outlines some of the changes. Key changes affect the Non-Housing Project to a greater degree than the Housing Project.

**Additional Volume Cap.** The additional volume cap of \$1.1 million (included in these numbers) has been granted by the State.

**Reserves.** The PDA expects to fund the following reserves:

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- Debt Service Reserve Fund: The PDA plans to fund a debt service reserve fund on the long-term portion of the bonds, only.
- Partnership Operating Reserve: The PDA will fund, up-front, an amount equal to three months of operating expenses (estimated to be \$55,535 and interest earnings thereon) which shall be replenished as needed from operating revenues to maintain the targeted amount. Withdrawals require the consent of the tax credit partner.
- Replacement Reserves: The PDA will also be required by the Partnership Agreement to fund Replacement Reserves in the annual amount of \$300 per unit per year from project revenues. Withdrawals require the consent of the tax credit partner.
- Operating Reserve. The PDA also intends to fund an operating reserve of \$75 per unit annually out of project revenues.

**Replacement of PDA as Project Manager.** The tax credit partner has the right to replace the PDA as manager of the project. Currently, the City does not have any rights to approve or disapprove of the tax credit partner's choice or decision.

**Release of Property.** As mentioned earlier, the land for the project is currently pledged to the City as part of its 1996 guaranty of IDVSI. Under the new agreements, the land will be released from this obligation and pledged as collateral for IDVSI. Although the City's guaranty exposure will have increased, the amount of assets being pledged to the City has not increased. This results in a dilution of the security for these projects.

#### NON-HOUSING PROJECT

The Series B Bonds will be issued to finance a portion of the Non-Housing Project including a portion of the parking structure and the library. The Non-Housing Project is estimated to cost \$11.1 million, with \$4.9 million allocated to the parking garage, \$0.9 million for the Library, \$3.9 million for the community center and \$1.5 million allocated to the retail portion (see Table 5). The retail portion of the Non-Housing Project will be financed primarily with the proceeds of a commercial loan from Washington Mutual. The PDA expects to have the commercial loan in place prior to selling the bonds. The Community Center portion of the project will be funded by \$2.1 million from the 1999 Seattle Center and Community Centers levy, \$250,000 from the 2000 Parks Levy, \$199,000 from the Neighborhood Matching Fund, \$175,000 from CDBG, \$400,000 from the Office of Housing, \$534,784 from SCIDPDA and \$250,000 from fund raising. The total cost of the Community Center portion is \$3.9 million. Only the parking garage and the library will receive funding from tax-exempt bond proceeds. The PDA intends to issue a total of \$2.79 million of bonds for this project; the balance of project costs will be funded from a variety of other sources (see Table 6), of which 96% is fully committed.

The estimated sources and uses for the Series B Bonds are provided in Table 7. Capitalized interest is funded through April 1, 2005. The Bonds will have a debt service reserve fund approximately equal to annual debt service.

*Potential Risks.* The potential risks during construction are as follows:

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- **Cost overruns/Shortfall in funds to complete project**

Cost overruns or shortfalls in anticipated funds will create both liquidity problems and project completion problems. In the event of cost overruns, the PDA would be forced to utilize planned operating reserves to pay construction costs or find additional financing. Both of these alternatives would stress the projected cash flows.

It should be noted that any potential remedies designed to increase project revenues in order to avoid drawing on the City's guaranty, are likely to have an impact on the participating City departments. For example, if rents are raised in order to avoid drawing on the guaranty, lessees (such as the Library) will likely have to pay increased rent, creating competing financial interests. Further, any deduct alternatives proposed to keep the project within budget could compromise the Library's ability to program the space.

#### **Series B Bonds**

The Series B Bonds (\$2,790,000) will be amortized over thirty years and paid from net income derived from the parking garage and from lease payments paid by the Library. Average annual debt service is estimated to be approximately \$186,000.

**Library.** The Library component is estimated to cost approximately \$909,000 and will be funded with bond proceeds (\$888,838), and predevelopment income of \$20,250. The Library's share of the debt service is currently estimated to be approximately \$60,000 annually. Annual operating projections for the library and parking garage were prepared by the PDA and are attached as Appendix D. Monthly cashflows during construction are provided in Appendix E. The Library and the PDA have signed a non-binding expression of mutual understand and intent (see Appendix F).

The PDA will build the shell-space for the library. The Library will be responsible for the build-out of its space (estimated to cost about \$300,000). Build-out is expected to be completed at the same time that the rest of the project is completed and ready for occupancy. The lease payments from the Library are expected to equal debt service on the portion of the bonds attributable to the Library as well as joint operating and maintenance costs up to a maximum of \$75,000 and are scheduled to begin when either the shell space is completed or upon occupancy, subject to the lease, which is currently under discussion between the two parties. The timing for executing the lease is not currently known. *There seem to be outstanding issues regarding the funding of the build-out of the library space and the rent to be charged.* Lease negotiations are currently being initiated.

Pursuant to the letter of intent, the Library will have the right to sublease portions of the shell space to third parties. Due to the tax requirements of the bonds, the prospective sub-lessees will be limited to public-use tenants, and cannot be private-use tenants until the bonds are repaid. Thus far, the Library has not requested use of any parking spaces at the Project.

**Potential Risks.** Once the lease is executed with the Library, this portion of the project will pose minimal risk to the City. Therefore, if the lease can be executed by this fall (2002), the riskiness of the project will be reduced accordingly. The Library's commitment to parking spaces will impact the parking credit and therefore should be considered in the Library lease negotiations.

➤ **Library lease has not been negotiated**

If the Library lease could be negotiated prior to issuance of the bonds, the repayment risk for this portion would be substantially reduced. The term of the lease should not be shorter than the term of the bonds, and if possible, the Library's commitment to parking should be included.

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➤ **Library may not want parking spaces for employees**

The credit of the parking portion of the bonds would be enhanced if parking spaces were covered in the lease. However, the Library may not want or commit to the number of parking spaces included in the PDA's projections. Therefore, this should be considered in the lease negotiations. If parking utilization is less than currently projected, parking revenues will be reduced (this possibility should be factored into parking assumptions).

➤ **Library may have limited hours and therefore reduced use of patron parking**

Although not a risk to the Library portion of the bonds, if the library is open for limited evening hours or weekend hours as compared to those included in the cash flow projections for parking, the parking revenues will be less than projected. Because the parking project is expected to have a narrow operating margin, this would erode the repayment ability on that portion of the Series B Bonds.

**Parking.** The parking facility will include 75 stalls of underground parking and will have an attendant on duty. The parking garage is estimated to cost \$4.85 million and will be funded through a combination of grants and fundraising (\$1.7 million), existing PDA land (pledged to IDVSI) (\$1.1 million), bond proceeds (\$1.9 million) and miscellaneous income (\$201,000). Annual debt service is estimated to be \$127,000. See Table 6 for detailed sources of funds. Of the targeted fundraising amount, 85% has been committed (88% of which is in-hand). A list of anticipated fundraising contributions for the entire project is included as Appendix G.

The PDA has prepared cash flow projections for the parking project. The parking prices were determined in order to generate 1.10x debt service coverage on the bonds, which results in an operating cushion of approximately 10% of revenues (or \$22,000 in the first year).

*Parking Assumptions and Heffron Feasibility Analysis.* Bonds secured by parking revenues are considered to be a riskier credit than most public purpose projects. Revenues are susceptible to wide fluctuations in demand and there is generally competition and a variety of alternatives (such as public transportation, car pooling, street parking, etc.). The PDA engaged the services of *heffron transportation, inc.* to conduct a parking feasibility analysis in August 2001 (see Appendix H). Based on these assumptions, the PDA has prepared a parking revenue generation profile attached as Appendix I. Some areas which pose risk include:

- **Pricing of monthly daytime stalls.** Heffron had indicated that \$150 per month was high; the cash flows assume \$160 per month on certain stalls;
- **Pricing of monthly evening stalls.** Heffron indicated that weekday evening users may not pay \$150 per month; the cash flows assume \$160 per month;
- **Space utilization by tenants.** Utilization has not been confirmed by tenants. Solicitations of indications of interest should be sought to verify projected usage levels. For example, the anticipated demand by the Library may not materialize in that they encourage their employees to use public transportation. Also, the Library may have limited evening hours, thus reducing the number of hours library patrons would park vehicles. Parks has indicated that it is contemplating using up to seven spaces for its vehicles, the actual amount will be determined by its lease.
- **Thin margins.** Debt service coverage is projected at 1.10x, a thin margin for a parking credit.



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- **Relative rates as compared to IDVSI parking.** Cost of parking is higher than at IDVSI parking facility, which currently charges \$90 per stall.

*Potential Risks. The risks associated with the parking garage provide the greatest credit risk of all the projects.* ACRS has agreed to a long-term lease for 23 parking spaces at \$165 per stall (to be executed within the next 30 days) and negotiations are underway for ICHS to lease 24 parking stalls. The Library and Community Center employees and patrons are also heavily relied upon to provide parking revenue. Parks intends to lease seven spaces, but the rate has not been determined. The parking garage will be operated with a very thin margin and therefore has the least ability to tolerate reductions in revenues or increases in costs.

- **Project construction is delayed**

If project construction is delayed for any reason, then there will not be sufficient revenues to make debt service payments on the long-term bonds. Therefore, there needs to be a sufficient cushion for capitalized interest as well as delaying the first principal payment to ensure adequate revenue collection has occurred. This will increase the amount of capitalized interest and (potentially) shorten the available period for amortizing principal payments. Although both of these will result in higher costs, they will provide additional security. Liquidity at the end of the construction period and in the early years of operation is critical for continued project success.

- **Cost overruns/Shortfall in funds to complete project**

Cost overruns or shortfalls in anticipated funds will create both liquidity problems and project completion problems. In the event of cost overruns, the PDA would be forced to utilize planned operating reserves to pay construction costs or find additional financing. Both of these alternatives would stress the projected cash flows.

One way to minimize the credit exposure on anticipated funds is to create a reserve (i.e. discount them) in order to avoid being caught short. For example, funds in hand would be credited at 100%; anticipated funds would be credited at 80% or some other appropriate percentage in order to take into account the potential uncertainty.

- **Shortfall in revenues**

A shortfall in revenues creates the biggest risk to creditors. Any number of factors could contribute to reduced revenues, some of which are listed below. There is a very slim operating margin for parking; this margin could quickly disappear with slight changes in the assumptions. Therefore, the parking project presents the biggest risk to the City's guaranty:

- Project tenants do not lease projected number of spaces
- Project patrons use fewer spaces than anticipated due to cheaper alternatives or reduced hours of projects (i.e. if library is closed evenings)
- Housing tenants do not utilize spaces
- Rates are reduced due to lack of demand

Attached as Exhibit I is Standard & Poor's "Public Finance Criteria for Parking Revenue Bonds." The cash flows were run based on projected 1.10x coverage. Standard & Poor's indicates that 1.25x to 1.50x is a more typical range for debt service coverage. S&P also indicates that a fully funded debt service reserve fund creates a stronger credit. Further strengthening would occur by pledging the DSRF earnings to pay debt service.



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Furthermore, if the PDA could obtain signed commitments for parking spaces today, the project would be a much stronger credit with a committed revenue base.

#### Risk Assessment and Potential Remedies

The Project poses a variety of credit risks of varying magnitudes. The analysis contemplates that each component (Housing Project and the Non-Housing Project) are separate credits. The projects can be broken down further into four distinct repayment sources:

Project	Pledged Revenues	Repayment Exposure
i) Long-term housing	Section 8/other rental income	\$216,000 annually
ii) Short-term housing	Tax credit receipts	\$4,370,000 lump sum
iii) Long-term Library	Library lease payments	\$860,000 annually
iv) Long-term parking garage	Parking revenues	\$127,000 annually

**Short-term Bonds.** The short-term project (ii) is the least likely components to require liquidity or credit support from the City. These bonds would be payable within a short-timeframe (two to three years) and are to be repaid from cash received from a third party. With the interest fully capitalized, this component is not dependent upon project revenues. The greatest risk associated with these bonds is with respect to timing. It will be important that the bonds do not come due prior to receiving the third party payments (which are likely to be a function of placed-in-service date) and that capitalized interest is sufficient to accommodate any delays in project completion. Therefore, careful consideration should be given to the amount of capitalized interest cushion that is funded and the repayment date for the principal payment.

**Library Lease Bonds.** Once a lease is executed with the Library, this component of the project (iii, above) will pose little repayment risk, as well. Assuming that the lease with the Library is tied to corresponding debt service payments, allows for a sufficient level of operating and maintenance costs to be recovered and has a term that is as long as the term of the bonds, there is little risk of default. Because interest will be capitalized through completion of construction, once again, a sufficient cushion for project delay should be included in the capitalized interest amount.

**Long-Term Housing Bonds.** The first component (i, above) the long-term housing bonds contain some credit risk in that there is a thin operating margin for this component of the project and rental income is subject to prevailing median income levels. However, there is high demand for low-income housing and more than half of the units will receive Section 8 subsidies from SHA/HUD. Even though the Section 8 reimbursements are subject to renewal every five years and Congressional appropriation annually, there is little precedent to suggest that the contract would not be renewed or Congress would not appropriate. The PDA intends to fund a variety of reserves to maintain the project in good working order and to provide some financial liquidity if net revenues are insufficient to meet debt service payments.

In order to reduce the credit exposure on the housing bonds, the City could request that the project consider the following:

- Convert all units to Section 8 units thereby securing more federal tax dollars;
- Require that debt service reserve fund earnings be pledged to pay debt service
- Require a targeted debt service coverage level which includes coverage on the subordinated loans and which requires specific remedies if coverage is not met
- Require a sufficient cushion for capitalized interest



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Annual debt service on the long-term housing bonds is estimated to be \$216,000. The PDA has limited ability to increase revenues. However, given that the PDA has budgeted to fully fund reserves each year, liquidity is more likely to be a problem than an outright default on the project, which suggests that if the City guaranty is drawn upon, the PDA still may be able to repay the City at a future date. This suggests that if the PDA does draw on the City's guarantee, if the City charged a level of interest on drawn funds approximately equal to the earnings rate of the City investment pool, then there would be little net cost to the City over time.

**Parking Revenue Bonds.** The majority of the parking facility will be paid for with various sources of cash; approximately 39% is being funded with debt. The weakest component of the project is the parking revenue bonds. Parking garage credits are viewed as weaker sources of repayment by the investment community due to the unpredictability of revenues and the availability of alternatives (such as street parking, car pooling, public transportation, etc.). The PDA has firm commitments for only 23 spaces, the assumptions used regarding space utilization and rates may be considered aggressive. It would be prudent to review a sensitivity analysis which allows for a conservative and worst case scenario. By studying these potential outcomes, the PDA can be well prepared to address shortfalls in revenues if they occur.

#### Additional Developments

A number of items have changed since the City first began studying the project. Attached as Appendix J is a memorandum from the PDA that briefly outlines some of the changes. Key changes include: a reduction in the commercial loan by approximately \$500,000; a reallocation of the land so that more cash is available for the retail project; an increase in the construction costs allocated to the Library's portion of the Non-Housing Project.

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## Exhibits and Appendices

### Exhibits:

Exhibit 1: Standard & Poor's Public Finance Criteria,  
Parking Revenue Bonds

Exhibit 2: Status of Village I Project

### Appendices:

(materials provided by PDA)

Appendix A: Monthly Housing Project Cash Flows (A-1)  
Rent-Up Period (A-2)  
Sources and Uses During Construction (A-3)

Appendix B: List of Potential Deductive Alternates

Appendix C: Housing Proforma Budget/  
Operating Cash Flow Projections

Appendix D: Library and Parking Operating Proforma

Appendix E: Monthly Cashflows During Construction  
(Non-Housing Project)

Appendix F: Letter of Mutual Understanding and Intent  
Branch Library at IDVSI

Appendix G: Fundraising Plan for IDVS 2

Appendix H: Heffron Parking Feasibility Analysis Update

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Appendix J: IDVS 2 Funding Changes

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Exhibit 2

**Status of Village I Project**

In 1996, the City provided a guaranty for bonds issued to finance International District Village Square I Project ("IDVS-I"). The project was not completed within its estimated budget; in addition to utilizing the 10% cushion, another 3.0% was needed. Additionally, the PDA was in litigation with the contractor that finally resulted in additional payments for additional work performed. As a result, the contractor now receives the interest earnings on the debt service reserve fund.

All of the project reserves currently are fully funded. Neither the guaranty nor the debt service reserve fund has been used to make debt service payments.

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Attachment to

**City of Seattle**

International District Village Square II Project

Credit Review Considerations for  
Bond Guaranty

September 9, 2002



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International District Village Square Phase 2

SCIDPDA Cashflows final.xls

Non-Housing Project

Project Costs

Table 5

	Public Use				Total	
	Total	Library	Comm Center	Parking	Retail	Commercial Project
Acquisition Costs	713,569	65,500	225,698	422,371	90,469	804,038
Construction Costs	6,852,006	624,916	2,961,383	3,265,707	863,136	7,715,142
Development Costs (Prof)	1,022,480	93,252	441,908	487,320	128,800	1,151,280
Other Development Costs	1,082,499	125,420	279,796	677,283	365,896	1,448,395
Other	0	0	0	0	0	0
<b>Total</b>	<b>9,670,554</b>	<b>909,088</b>	<b>3,908,785</b>	<b>4,852,681</b>	<b>1,448,301</b>	<b>11,116,855</b>

Non-Housing Project

Sources of Funds

Table 6

	Public Use				Total		Status of Funds:
	Total	Library	Comm Center	Parking	Retail	Commercial Project	
Net Community Center Funding	2,100,000		2,100,000				2,100,000 Reimbursement basis.
CDBG	175,000		175,000				175,000 Reimbursement basis.
Parks Opp Fund	250,000		250,000				250,000 Reimbursement basis.
Long Term Bonds	2,790,000	888,838		1,901,162			2,790,000
WA MU Bank Loan	0	0	0	0	1,000,000	1,000,000	
Seattle Office of Housing	400,000		400,000				400,000 Fully committed
SCIDPDA Contribution (land)	1,595,696	0	534,784	1,060,912	370,331	1,966,027	
Grants/Fundraising	1,939,948		250,000	1,689,948	50,000	1,989,948	\$366,000 is pending
Neighborhood Matching Funds	199,000		199,000				199,000 Reimbursement basis.
Misc Income (Predevelopment)	220,909	20,250		200,659	27,969	248,878	
Other	0					0	
Other	0					0	
<b>Total</b>	<b>9,670,553</b>	<b>909,088</b>	<b>3,908,784</b>	<b>4,852,681</b>	<b>1,448,300</b>	<b>11,118,853</b>	

Non-Housing Project

Uses of Bond Proceeds

Table 7

Total Series B Bonds	2,790,000	Uses	
Sources			
Series B Bonds (Long-term)	2,790,000	Community Center	
Other		Library Project	888,838
Other		Parking Project	1,901,162
Other		Debt Service Reserve	0
Other		Capitalized Interest	(where is this funded?)
Other		Other	0
Total	2,790,000	Costs of Issuance	0 (where is this funded?)
		Total	2,790,000

Est. ann. D/S, long-term bonds: 186,698 5.25%  
 Library Portion of D/S: 59,478  
 Parking Portion of D/S: 127,220

Non Housing

SNWSC



International District Village Square Phase 2  
Housing Project  
Project Costs (updated 9/3/02)

Table 1

Acquisition Costs	1,117,561	(includes land, alley vacation and recording)
Construction Costs	9,586,571	(updated in August 2002)
Development Costs (Prof)	1,506,436	(includes architect fee and developer fee, among others)
Other Development Costs	1,608,987	(includes DSRF, COI and a portion of Cap I, among other costs)
Other	0	
<b>Total</b>	<b>13,819,555</b>	

Housing Project  
Sources of Funds  
Table 2

Net Low Inc Housing Tax Credit	4,500,676
Long-Term Bonds	3,187,000
Housing Trust Fund	1,900,000
Seattle Office of Housing	2,150,000
Seattle Housing Authority	1,662,878
Grants/Fundraising	163,000
FHLB Sea	256,000
Miscellaneous	0
<b>Total</b>	<b>13,819,554</b>

Status of Funds:

Available upon certification of tenants as income-eligible; short-term bonds to be used in interim.
Available at closing
Awarded April 30, 2002
This amount is committed and is expected to be received on a reimbursement basis
Grant; fully committed
\$143,558 is committed; \$14,442 is pending

Housing Project  
Uses of Bond Proceeds  
Table 3

Total Housing Bonds (AMT)	3,187,000
<b>Sources</b>	
Series A Bonds (Short-term)	4,370,000
Series A Bonds (Long-term)	3,187,000
Other	0
<b>Total</b>	<b>7,557,000</b>
<b>Uses</b>	
Project Costs	6,645,000
Debt Service Reserve	211,222 (On LT portion, only)
Capitalized interest (1)	589,525
Other	0
Costs of Issuance	110,181
Rounding	1,072
<b>Total</b>	<b>7,557,000</b>

(1) Interest is capitalized through and including the April 1, 2005, interest remains in capi account.



9/8/02

Housing

SNWSC

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(Non-Housing Project) [to come]

Appendix F: Letter of Mutual Understanding and Intent  
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Exhibit 1

Standard & Poor's Public Finance Criteria,  
Parking Revenue Bonds

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Exhibit 1



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sales and the throughput capacity of a waste to energy plant.

#### *Regulatory Environment*

An assessment of the impact of the external pressures brought on by regulation and environmental mandates, whether at the federal, state, or local level. The section will consider how complying with the regulatory environment will impact a system or project's ability to compete. The impact can be felt through increased costs or changes in the business environment. The U.S. Supreme Court decision in *Carbone v. Clarkstown, N.Y.*, which invalidated flow control, drastically changed the environment for the solid waste industry. This has prompted proposed legislation and other actions at all levels of government. This section specifically addresses the impact of any such initiatives.

#### *Finances and Costs*

In evaluating finances, the concern is quality of coverage. As with Standard & Poor's focus on the legal structure, a review of different operating and nonoperating scenarios that demonstrate sufficient debt service coverage in all cases is required. Costs are viewed relative to the capacity to pay. As the cost of disposal is generally rising, the comparison of future costs with historical costs has less meaning, but the control and management over future cost increases are weighed against the risks. Also, the effectiveness of the chosen disposal options is measured against the cost of future alternatives. By operating a solid waste system, a community generally has more cost control. It also assumes more risk in ownership and/or operation than if a private enterprise provides disposal. Landfill closure costs, for example, can be substantial and should be amortized over the life of the landfill in order to match revenue generation with costs.

Costs are reviewed in terms of tip fees per ton and household costs. The former is a relevant measure for systems that rely, for their major cash flow component, on tipping fees paid by franchised and private haulers. Clearly, the competitive position of the tipping fee impacts financial performance. However, total household costs also provide an important basis for evaluating the costs of the system. Household costs should include not only disposal cost, but also the cost of collection and transportation to the disposal site; individuals are concerned with their total bill for garbage service, not the various components. Household cost increases are reviewed for acceptability and affordability.

Costs under different scenarios are reviewed and measured for variance. Large variances raise

concern. How attendant increases and risks are mitigated is factored into the analysis. For example, if the revenue stream depends heavily on a secondary revenue stream, such as energy revenues, the risk of lower energy sales and the impact on household cost are evaluated. The more risks that are mitigated to lessen the impact on household cost, the stronger the situation.

#### **PARKING REVENUE BONDS**

Although the Tax Reform Act of 1986 severely curbed the issuance of municipal parking revenue debt, many bond issues from prior years are still outstanding. Also, several new issues have come to market since the enactment of the reform bill. The level of demand for a public parking facility is the key factor in evaluating its credit strength. A well-focused, cohesive public policy by local government toward parking can go a long way in establishing strong demand. Those communities with a sound master plan that coordinates public parking projects with those of private systems generally have more financially successful operations. Governmental limitations on competing private parking have been achieved in some cases by zoning ordinances or by limiting permits to construct new private parking facilities. Unfortunately, too few municipalities take a comprehensive planning approach. Often, the result is a patchwork of competing facilities that may not efficiently serve the dynamic needs of a flourishing central business district or provide adequate security to the bondholders.

Frequently, new parking projects are viewed by local government as an economic development tool—one that might attract a large retailer or hotelier to the community. Because of the speculative nature of a single-site, start-up venture, it is extremely difficult for it to attain an investment-grade rating on its own merits. However, if the project succeeds and, as it develops a history of consistent profitability, the facility could serve as a linchpin for securing financing of additional projects. A parking system, consisting of several off-street garages or lots, supplemented by metered curbside parking, is generally viewed as stronger than one comprising a single site or a few facilities. The closing of a major retailer, or an urban renewal program that dislocates a previously thriving neighborhood, can have a profound impact on revenues generated by a single garage, or a small network, since the service area of a garage or lot typically



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Documentation Requirements	
<b>Basic documents</b>	
• Official statement	• First indenture
• Bonds resulting	
• Five years financials	
• Consultant's feasibility study	
• Capital program	
• Current budget	
<b>Operational data</b>	
• Description of existing facilities	
• Service area	
• Occupancy rates	
• Description of type of use (monthly, daily, or hourly)	
• History of rates and rate increases	
• Proposed rate schedule	
• Rate setting procedure	
• Competing facilities (location, number of spaces, and rates)	
• Collection and enforcement procedures	
<b>Economic data</b>	
• Description of area economy, including:	
• Leading employers	
• Employment and labor force trends	
• Wealth and income indicators	
• Retail sales activity	
• Building activity	

extends only a few blocks.

An extensive network of metered parking can serve as a solid financial anchor for a system. Because O&M costs are relatively low, metered parking represents the high-profit margin end of the business. There are no minimum coverage levels for a particular rating. All other things being equal, higher coverage of debt service by net revenues leads to a higher rating. However, the capability to raise parking rates, plus system size and diversity, may outweigh coverage considerations if the rate covenant provides adequate time for increases. In such a case, the history of rate adjustments is important.

#### Demand

Because demand for parking is paramount, Standard & Poor's rating approach focuses heavily on the underlying economic growth and employment base of the locale. Historical population, employment, and wealth levels are examined. Trends in new office and retail building activity, as well as diversity of new growth, may be indicative of future demand. While comparable statistics on municipalities are readily available, parking demand for the immediate service area of an individual garage is difficult to obtain. If a garage or system relies on projected demand for a facility not yet constructed, a thorough demand study is needed.

Standard & Poor's considers start-up systems highly speculative except in unusual situations, such as a garage being built on the site of a previous garage that had demonstrated strong parking demand. Existing parking systems can obtain ratings of 'BBB' or better, depending on the historical level of parking revenues and other sources of security that may be pledged. In some cases, local companies have leased or guaranteed revenues on a certain number of parking spaces. If this occurs in a start-up garage, or one in which almost all of the parking spaces were leased, Standard & Poor's looks to the creditworthiness of the sponsoring company.

Standard & Poor's rating policy emphasizes existing parking demand. Projected office building construction is of less importance to a rating, since these estimates can be highly unreliable. Projected growth may never occur. If a garage is being expanded, the historical occupancy rate, or the number of people on waiting lists for monthly parking, should be available. Cyclical fluctuations in meter collections are examined, particularly if the primary use is for tourist or recreational purposes. The current status of urban renewal plans or trends in business relocations that could adversely affect parking is also important.

#### Competition

Competition may severely restrict a community's ability to raise parking rates. Standard & Poor's studies the number and occupancy levels of competing garages, their proximity and rates, and other anticipated new garages. Some cities' systems enjoy a significant competitive edge over private parking because of the lower-cost, tax-exempt financing available to them. A municipality retains great rate-setting flexibility if it owns almost all of the downtown parking, and there is no available mass transit; such situations are considered the most creditworthy, and related bonds can be rated in the 'A' category, depending on the current level of rates, financial performance, and the willingness of the governing board to increase charges as necessary.

#### Management

Management is assessed primarily by the feasibility of its expansion plans, the extent of annual maintenance, and its track record of rate adjustments. Substantial bond-financed expansion beyond the system's existing parking spaces may be considered imprudent and a speculative factor, because of the uncertainty of attracting the level of demand needed to meet higher debt service. The willingness to raise rates is also very important, as demonstrated by timely historical increases. In this respect, insulation from normal political



processes is considered a strength. If only one or two garages support debt service, regular ongoing maintenance is essential, especially in northern cities where salt corrosion can reduce a structure's estimated useful life. A structural failure for a small system could be disastrous.

Insurance is helpful and sometimes essential for small systems. Standard & Poor's has engaged consultants to assess the risk of eight natural hazards, such as earthquakes, for each county in the nation. For California, seismic evaluations of each zip code have been performed. If a garage is located in an area with a greater than 5% risk of 50% or more destruction before final bond maturity, special natural hazard insurance or building procedures are required for a 'BBB' or higher rating.

#### *Legal Provisions*

Legal provisions vary in importance with the unique characteristics of each bond issue. A covenant to increase rates to levels at least sufficient to allow debt service coverage by net revenues is vital. Most rate covenants range from 1.25x-1.50x debt service requirements. As is true of all types of revenue bonds, additional bonds tests that include only historical revenues are notably stronger than any test that allows consideration of projected revenues. A debt service reserve fully funded from bond proceeds is a positive factor that can, in many situations, make a difference in the rating determination. Such reserves are especially important for start-up projects because of the lead time required for new facilities to attain a self-supporting status. Covenants prohibiting the elimination of more than a certain percentage of total system spaces provide a measure of security. For example, several years ago, Gary, Ind. removed some parking meters for street widening as part of an urban renewal program. The consequent financial impact on the system resulted in a noninvestment-grade rating.

#### *Summary*

Because obtaining investment-grade ratings on start-up parking systems is difficult, there are few revenue bonds backed solely by parking revenues. Ongoing systems may be rated only as high as 'A', based on the competitive risks and other vulnerabilities beyond a system's control. The strongest situations are large, broadly diverse systems where the municipality has a near rate monopoly. A single facility may be highly rated if it has excellent historical operations and is adequately shielded from coverage dilution.

## TRANSPORTATION BONDS

#### Airports

Standard & Poor's approach to rating airport revenue bonds has evolved to reflect the growing maturity of the national and international airport network. In addition to the traditional focus on local passenger demand, the analysis puts greater emphasis on an airport's relative importance within the nation's overall system. Standard & Poor's historically has treated airport bonds as a special type of utility debt, instead of as lease obligations of various carriers. After deregulation, discretionary travel and business demands stressing mobility and time make air travel and trends, and passenger traffic growth and airports essential to, and almost a barometer of, the nation's economy. With some interruptions, passenger traffic has demonstrated steady growth, imposing significant capital requirements. Still, despite a return to profitability, with alliances, bilateral agreements and development of regional jet fleets, uncertainties and instability continue in the airline industry.

Some of the most important components of the U.S. airport system are a small group of large, stable connecting hubs strategically located and designed to redirect passengers from surrounding cities to farther destinations. At some of these airports, such as Chicago's O'Hare International Airport, passenger traffic owes as much to connecting activity as to locally generated demand. These facilities are so well matched to their purpose that they are likely to play an important future role regardless of the viability or routing decisions of any particular carrier. However, Standard & Poor's has seen the rationalization of airline hubs with some clear winners and losers, particularly those smaller, less strategically important, or money-losing hubs have been reduced in size or eliminated. In some instances, low-cost carriers have filled the void, while generating substantial numbers of discretionary passengers and some competition for the major carriers.

Additionally, while a high percentage of connecting traffic is still perceived as a significant vulnerability, Standard & Poor's increasingly recognizes the importance of mitigating factors in assessing the strength of passenger activity at major connecting hubs.

#### *Service Area Characteristics*

The first step in assessing airport credit characteristics remains an evaluation of the local service area. The definition of a service area varies,

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Exhibit 2

Status of Village I Project

Exhibit 2

2



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Exhibit 2

**Status of Village I Project**

In 1996, the City provided a guaranty for bonds issued to finance International District Village Square I Project ("IDVS-I"). The project was not completed within its estimated budget; in addition to utilizing the 10% cushion, another 3.0% was needed. Additionally, the PDA was in litigation with the contractor that finally resulted in additional payments for additional work performed. As a result, the contractor now receives the interest earnings on the debt service reserve fund.

All of the project reserves currently are fully funded. Neither the guaranty nor the debt service reserve fund has been used to make debt service payments.

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**Appendix A**

Monthly Housing Project Cash Flows During Construction (A-1)  
Rent-Up Period (A-2)  
Sources and Uses During Construction (A-3)

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Appendix A

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## Appendix A-1

Monthly Project Cash Flow Schedule (through 12/1/05)-Housing

Month Number	1	2	3	4	5	6	7	8	9	10
	10/01/2002	11/01/2002	12/01/2002	01/01/2003	02/01/2003	03/01/2003	04/01/2003	05/01/2003	06/01/2003	07/01/2003
Rental Income	19,801	19,801	19,801	19,801	19,801	19,801	19,801	19,801	19,801	19,801
Capitalized Interest										
Rent-Up Reserve										
Interest Earnings	1,186	1,160	1,133	1,107	1,080	1,054	1,028	1,001	975	948
Operating Expenses:										
Replacement Reserves										
Operating Reserves										
Debt Service:										
Short Term Bonds	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919
Long Term Bonds	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732
HTF Loan										
Net Project Income	\$1,055	\$1,028	\$1,002	\$975	\$949	\$913	\$896	\$870	\$843	\$7,746
Fund Balances										
Debt Service Reserve	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000
Interest Reserve	594,044	574,243	554,441	534,640	514,838	495,037	475,235	455,434	435,632	415,831
Operating Reserve	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535
Rent Up Reserve	24,880	24,880	24,880	24,880	24,880	24,880	24,880	24,880	24,880	24,880

Annual



09/16/2002

1 of 4

monthly1.xls

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## Appendix A-1



Month Number	11 08/01/2003	12 09/01/2003	13 10/01/2003	14 11/01/2003	15 12/01/2003	16 01/01/2004	17 02/01/2004	18 03/01/2004	19 04/01/2004	20 05/01/2004
Rental Income	19,801	19,801	19,801	19,801	19,801	19,801	19,801	19,801	19,801	19,801
Capitalized Interest										
Rent-Up Reserve										
Interest Earnings	922	896	869	843	816	790	764	737	711	684
Operating Expenses:										
Replacement Reserves										
Operating Reserves										
Debt Service:										
Short Term Bonds	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919	\$6,919
Long Term Bonds	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732	\$12,732
HTF Loan										
Net Project Income	\$14,649	\$21,552	\$26,092	\$28,899	\$28,873	\$27,234	\$27,208	\$27,181	\$27,155	\$27,128
Fund Balances										
Debt Service Reserve	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000
Interest Reserve	396,029	376,228	356,426	336,625	316,823	297,022	277,221	257,419	237,618	217,816
Operating Reserve	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535
Rent Up Reserve	24,880	24,880	24,880	24,880	24,880	24,880	24,880	24,880	24,880	24,880

Appendix A-1

Construction Completion Rent Up Complete  
Tax Credit Proceeds Available

Month Number	Construction Completion										Rent Up Complete Tax Credit Proceeds Available				
	21 06/01/2004	22 07/01/2004	23 08/01/2004	24 09/01/2004	25 10/01/2004	26 11/01/2004	27 12/01/2004	28 01/01/2005	29 02/01/2005	30 03/01/2005	21 06/01/2004	22 07/01/2004	23 08/01/2004	24 09/01/2004	25 10/01/2004
Rental Income	11,292	22,584	33,876	41,799	47,317	47,317	\$ 45,704	\$ 45,704	\$ 45,704	\$ 45,704					
Capitalized Interest	19,801	19,801	19,801	19,801	19,801	19,801	19,801	19,801	19,801	19,801					
Rent-Up Reserve															
Interest Earnings	658	632	605	579	552	526	499	473	447	420					
Operating Expenses:															
Replacement Reserves	\$ 4,363	\$ 8,726	\$ 13,088	\$ 16,444	\$ 19,129	\$ 19,129	\$ 19,129	\$ 19,129	\$ 19,129	\$ 19,129					
Operating Reserves															
Debt Service:															
Short Term Bonds	\$ 6,919	\$ 6,919	\$ 6,919	\$ 6,919	\$ 6,919	\$ 6,919	\$ 6,919	\$ 6,919	\$ 6,919	\$ 6,919					
Long Term Bonds	\$ 12,732	\$ 12,732	\$ 12,732	\$ 12,732	\$ 12,732	\$ 12,732	\$ 12,732	\$ 12,732	\$ 12,732	\$ 12,732					
HTF Loan					\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808					
Net Project Income	\$ 27,102	\$ 27,076	\$ 27,049	\$ 27,023	\$ 22,189	\$ 22,162	\$ 22,136	\$ 15,366	\$ 15,339	\$ 15,313					
Fund Balances															
Debt Service Reserve	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000					
Interest Reserve	198,015	178,213	158,412	138,610	118,809	99,007	79,206	59,404	39,603	19,801					
Operating Reserve	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535					
Rent Up Reserve	24,880	24,880	24,880	24,880	24,880	24,880	24,880	24,880	24,880	24,880					

## Appendix A-1

ACTING  
CITY  
CLERK

## Capitalized Interest Runs Out

Month Number	31	32	33	34	35	36	37	38	39
	04/01/2005	05/01/2005	06/01/2005	07/01/2005	08/01/2005	09/01/2005	10/01/2005	11/01/2005	12/01/2005
Rental Income	\$ 45,704	\$ 45,704	\$ 45,704	\$ 45,704	\$ 45,704	\$ 45,704	\$ 45,704	\$ 45,704	\$ 45,704
Capitalized Interest									
Rent-Up Reserve	19,801								
Interest Earnings	394	394	394	394	394	394	394	394	394
Operating Expenses:	\$ 19,129	\$ 19,129	\$ 19,129	\$ 19,129	\$ 19,129	\$ 19,129	\$ 19,129	\$ 19,129	\$ 19,129
Replacement Reserves	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425
Operating Reserves	\$ 356	\$ 356	\$ 356	\$ 356	\$ 356	\$ 356	\$ 356	\$ 356	\$ 356
Debt Service:									
Short Term Bonds	\$ 6,919								
Long Term Bonds	\$ 18,167	\$ 18,167	\$ 18,167	\$ 18,167	\$ 18,167	\$ 18,167	\$ 18,167	\$ 18,167	\$ 18,167
HTF Loan	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808	\$ 4,808
Net Project Income	\$ 15,286	\$ 2,404	\$ 2,404	\$ 2,404	\$ 2,404	\$ 2,404	\$ 2,404	\$ 2,404	\$ 2,404
Fund Balances									
Debt Service Reserve	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000	\$ 215,000
Interest Reserve	0	0							
Operating Reserve	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535	\$ 55,535
Rent Up Reserve	24,880	24,880	24,880	24,880	24,880	24,880	24,880	24,880	24,880

## CHP Appendix A-2

## SCIDPDA - Village Square - 4% Tax Credits

Tax Credit Analysis  
RENTUP PERIOD

Unit Type	Total Available		Total Rented		1	2	3	4	5	6	7	8	9	10	11	12	
	Low	Market	Low	Market	4/04	5/04	6/04	7/04	8/04	9/04	10/04	11/04	12/04	Low	Low	Low	
<b>Units Rented</b>																	
two bedroom	14	14						3	3	3	3	.2					
two bedroom	26	26						5	5	5	5	6					
three bedroom	17	17						5	5	5	2						
<b>Total:</b>	<b>57</b>	<b>57</b>						<b>13</b>	<b>13</b>	<b>13</b>	<b>10</b>	<b>.8</b>					
Total Units Rented by Month:								13	13	13	13	10	.8				
Cumulative Units / % Units Rented:								13	23%	26	46%	39	68%	49	86%	57	100%

<b>Additional Monthly Rental Revenue</b>					2,427	2,427	2,427	2,427	1,618							
two bedroom					3,250	3,250	3,250	3,250	3,900							
two bedroom					5,615	5,615	5,615	5,615	2,246							
three bedroom																
<b>Total:</b>					<b>11,292</b>	<b>11,292</b>	<b>11,292</b>	<b>11,292</b>	<b>5,518</b>							
Total Additional Monthly Rental Revenue					11,292	11,292	11,292	11,292	5,518							
<b>Total Monthly Rental Revenue:</b>					<b>11,292</b>	<b>22,684</b>	<b>33,876</b>	<b>41,799</b>	<b>47,317</b>							

Monthly Other Revenue:					172	343	516	647	753							
Rental Revenue Shortfall:	45,704	45,704	45,704	34,240	22,777	11,313	3,258									
Allocation of Rentup Reserves:																
Rentup Reserves Balance:																
Monthly Management Fee:	<b>7.500%</b>				860	1,720	2,579	3,183	3,605							



Project Name: Village Square Phase 2

Sources and Uses of Funds During Construction- Housing Project

SOURCES AND AMOUNT OF REVENUE:

Month Number  
*Short-term Financing*  
*Short Term Tax Exempt Bonds*

	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03	May-02	Jun-02	Jul-03	Aug-03	Sep-03
\$662,894	\$214,296			\$58,126	\$120,000	\$264,239	\$19,081	\$92,155	\$19,081	\$100,000	\$331,060	\$200,000
<b>SUBTOTAL</b>	<b>\$662,894</b>	<b>\$214,296</b>	<b>\$0</b>	<b>\$58,126</b>	<b>\$120,000</b>	<b>\$264,239</b>	<b>\$19,081</b>	<b>\$92,155</b>	<b>\$19,081</b>	<b>\$100,000</b>	<b>\$331,060</b>	<b>\$200,000</b>

*Permanent Financing*

*Tax Exempt Bonds*  
*HTF Loan*  
*City of Seattle Loan +SHA Loan*  
*FHLB Loan, PDA Contribution*  
*Tax Credit Proceeds*

	\$19,081	\$19,081	\$19,081	\$200,000		\$186,298	\$150,000	\$100,000	\$200,000	\$200,000	\$200,000	
\$1,581,276						\$228,000						
\$298,497	\$130,862	\$551,236	\$211,910	\$243,337	\$100,000	\$129,958	\$150,000	\$177,015	\$131,060	\$100,000	\$112,238	
\$ 130,000												
<b>SUBTOTAL</b>	<b>\$2,009,773</b>	<b>\$149,943</b>	<b>\$570,317</b>	<b>\$230,991</b>	<b>\$443,337</b>	<b>\$100,000</b>	<b>\$544,256</b>	<b>\$300,000</b>	<b>\$277,015</b>	<b>\$331,060</b>	<b>\$300,000</b>	<b>\$334,275</b>

*Total Revenue By Quarter*

\$2,672,667	\$364,239	\$570,317	\$289,117	\$563,337	\$364,239	\$563,337	\$392,155	\$296,096	\$631,060	\$631,060	\$534,275
1	2	3	4	5	6	7	8	9	10	11	12

EXPENSES:

*Acquisition Costs*  
*Construction Costs*  
*Dev. Costs: Professional*  
*Other Development Costs*  
*Repayment of Short term Bonds*

1	2	3	4	5	6	7	8	9	10	11	12
Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03	May-02	Jun-02	Jul-03	Aug-03	Sep-03
\$1,117,561											
\$192,119	\$288,179	\$480,298	\$192,119	\$480,298	\$288,179	\$480,298	\$288,179	\$192,119	\$480,298	\$480,298	\$480,298
\$ 467,828	\$56,979	\$70,937	\$77,916	\$61,958	\$56,979	\$61,958	\$84,896	\$84,896	\$131,681	\$131,681	\$34,896
\$ 89,158	\$19,081	\$19,081	\$19,081	\$19,081	\$19,081	\$19,081	\$19,081	\$19,081	\$19,081	\$19,081	\$19,081
<b>\$2,672,667</b>	<b>\$364,239</b>	<b>\$570,317</b>	<b>\$289,117</b>	<b>\$563,337</b>	<b>\$364,239</b>	<b>\$563,337</b>	<b>\$392,155</b>	<b>\$296,096</b>	<b>\$631,060</b>	<b>\$631,060</b>	<b>\$534,275</b>

REMAINDER BY QUARTER:

(Revenue less Cost)

(\$0)	(\$0)	\$0	\$0	(\$0)	(\$0)	(\$0)	(\$0)	\$0	\$0	\$0	\$0
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Notes on potential cash flow problems:

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 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_



9/8/02

3343109

## Project Name: Village Square Phase 2

## SOURCES AND AMOUNT OF REVE

Month Number	Quarter 3		
	13 Oct-03	14 Nov-03	15 Dec-03
<i>Short-term Financing</i>			
<i>Short Term Tax Exempt Bonds</i>		\$149,640	
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$149,640</b>	<b>\$0</b>

*Permanent Financing*

<i>Tax Exempt Bonds</i>	\$566,316	\$300,000	\$300,000
<i>HTF Loan</i>			
<i>City of Seattle Loan +SHA Loan</i>	\$139,141	\$248,838	\$309,397
<i>FHLB Loan, PDA Contribution</i>			
<i>Tax Credit Proceeds</i>			
<b>SUBTOTAL</b>	<b>\$705,457</b>	<b>\$548,838</b>	<b>\$609,397</b>

*Total Revenue By Quarter*

	13 Oct-03	14 Nov-03	15 Dec-03
<b>Total Revenue By Quarter</b>	<b>\$705,457</b>	<b>\$698,478</b>	<b>\$609,397</b>

## EXPENSES:

<i>Acquisition Costs</i>			
<i>Construction Costs</i>	\$672,417	\$672,417	\$576,358
<i>Dev. Costs: Professional</i>	\$13,958	\$6,979	\$13,958
<i>Other Development Costs</i>	\$19,081	\$19,081	\$19,081
<i>Repayment of Short term Bonds</i>			
<b>Total Cost By Quarter</b>	<b>\$705,457</b>	<b>\$698,478</b>	<b>\$609,397</b>

REMAINDER BY QUARTER:  
(Revenue less Cost)

\$0	\$0	(\$0)
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Notes on potential cash flow  
problems:

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Project Name: Village Square Phase 2

**REMAINDER BY QUARTER:**  
**(Revenue less Cost)**

#### Notes on potential cash flow problems:

Project Name: Village Square Phase 2

SOURCES AND AMOUNT OF REVENUE

Month Number	28	Totals
	Jan-05	Nov-04
<i>Short-term Financing</i>		
<i>Short Term Tax Exempt Bonds</i>		\$4,370,000
		\$0
		\$0
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$4,370,000</b>
<i>Permanent Financing</i>		
<i>Tax Exempt Bonds</i>		\$3,183,082
<i>HIF Loan</i>		\$1,831,313
<i>City of Seattle Loan + SHA Loan</i>	\$19,081	\$3,793,749
<i>FHLB Loan, FDI Contribution</i>		\$419,000
<i>Tax Credit Proceeds</i>		\$4,370,000
<b>SUBTOTAL</b>	<b>\$19,081</b>	<b>\$13,597,144</b>

Total Revenue By Quarter		
	\$19,081	\$17,967,144
		<b>Totals</b>

EXPENSES:

<i>Acquisition Costs</i>	\$1,117,561
<i>Construction Costs</i>	\$9,605,964
<i>Dev. Costs: Professional</i>	\$1,501,436
<i>Other Development Costs</i>	\$1,372,183
<i>Repayment of Short term Bonds</i>	\$4,370,000
	\$0
<b>Total Cost By Quarter</b>	<b>\$19,081</b>

\$17,967,144  
\$17,967,144  
cross-check

REMAINDER BY QUARTER:  
(Revenue less Cost)

**\$0**

Notes on potential cash flow  
problems:

\$57,243



Appendix B

List of Potential Deductive Alternates

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Appendix B

B



Appendix B

**IDVS II**  
**List of Potential Deductive Alternates**

The following provides two lists of potential deductive alternates that would be enacted if necessary to keep the project within budget. The first list contains alternates that would not require any extensive redesign. The second list will entail redesign efforts.

**Deductive Alternates with no redesign:**

1. Change custom parapet vending detail to a standard detail.
2. Reduce height of parapet.
3. Delete/simplify cornices.
4. Delete soffit for venting in housing units.
5. Use less expensive carpet in housing units.
6. Use strand oak doors in lieu of birch doors in housing units.
7. Use strand oak casing in lieu of hemlock in housing units.
8. Eliminate grids/mullions in the aluminum storefronts.
9. Reduce quantity of masonry veneer in housing areas.
10. Simplify windows in housing units.
11. Delete all canopies at south face of community center—make these an alternate bid.
12. Reduce height of upper kitchen cabinets in housing units.
13. Use painted MDF in lieu of GWB for vent covers in housing units.
14. Leave housing unit kitchen exhaust venting exposed and paint the duct.
15. Delete doors to upper kitchen cabinets in housing units.
16. Delete alcoves at each housing unit floor—make this an alternate bid.
17. Reduce quantity of wad pads in gymnasium.
18. Use plastic laminate in lieu of tile for wainscot in gym restrooms.
19. Use sheet vinyl in lieu of tile flooring in gym restrooms.
20. Simplify entry archway to housing from circular to rectangular.
21. Delete columns in housing lobby.
22. Use wall-hung lavatory in housing unit bathrooms.

**Estimated cost savings of above changes--\$200,000(includes sst)**

**Deductive Alternates with redesign:**

23. Delete ID Pedestrian Lights.
24. Remove 50% or more of the roof pavers on housing deck.
25. Delete 100% planters and irrigation at housing deck.
26. Eliminate Art Piece.
27. Change from metal exterior siding at gym to vinyl siding.
28. At north building, change from masonry facing at retail & commercial to metal siding.
29. Shorten the storefront windows at commercial & library.
30. Roofing substitute to lower grade.
31. Lower WP membrane to 170 grade from 300.
32. Change from plywood sheathing to OSB at housing.
33. Eliminate 1 residential elevator.
34. Make remaining residential elevator a smaller ADA model.
35. Make Community Center/Parking a smaller ADA model.
36. Use  $\frac{1}{2}$  inch gwb at ceilings in lieu of  $\frac{5}{8}$ ".
37. Eliminate alley garbage room doors and leave open. Consider deleting roof over commercial dumpster location.
38. Delete garbage chute at residential.



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Appendix B

39. Eliminate bathroom & kitchen at community room in the housing area.
40. Reduce kitchen exhaust fan quality in the housing units. Use lower grade or smaller appliances.
41. Use lower grade vinyl siding at lower elevations below 30' elevation.
42. Increase amount of concrete finish floors at 1st floor areas.
43. Make housing lobby smaller and gain commercial lease space.
44. Delete overhead living and bedroom lights in housing units. Look at lower grade fixtures.
45. Delete half-baths in 3 bedroom housing units.
46. Reduce housing unit windows to minimum size.
47. Delete plantings at library entrance and replace with concrete.

**Estimated savings from the above changes—(\$600,000 less redesign costs and cost of schedule delays)**

Paul Mar  
August 2, 2002

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**Appendix C:**

**Housing Proforma Budget/  
Operating Cash Flow Projections**

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Appendix C

C



## APPENDIX C

## EXHIBIT F - HOUSING PROFORMA BUDGET

	2.5%	Average Per Unit	2005 1	2006 2	2007 3	2008 4	2009 5	2010 6
Revenue Inflation factor:								
Expense Inflation factor:	3.5%							
<b>Operating Revenues:</b>								
Gross Rental Revenue	\$ 567,804	\$ 9,961	\$ 567,804	\$ 581,999	\$ 596,549	\$ 611,463	\$ 626,749	\$ 642,418
Other Revenue, rent up reserves, const. interest	9,040	159	9,040	9,266	9,498	9,735	9,978	10,228
Rental Assistance								
Vacancy and Loss	(28,390)	(498)	(28,390)	(29,100)	(29,827)	(30,573)	(31,337)	(32,121)
<b>Total Operating Revenue</b>	<b>\$ 548,454</b>	<b>\$ 9,822</b>	<b>\$ 548,454</b>	<b>\$ 562,165</b>	<b>\$ 576,219</b>	<b>\$ 590,625</b>	<b>\$ 605,390</b>	<b>\$ 620,525</b>
<b>Operating Expenses:</b>								
Administrative								
Advertising	\$ 2,500	\$ 44	\$ 2,500	\$ 2,588	\$ 2,678	\$ 2,772	\$ 2,869	\$ 2,969
Management	40,995	719	40,995	42,430	43,915	45,452	47,043	48,690
Legal/Partnership	7,500	132	7,500	7,763	8,034	8,315	8,605	8,908
Accounting/Audit	11,000	193	11,000	11,385	11,783	12,196	12,623	13,065
Compliance Monitoring Fee	1,800	32	1,800	1,863	1,928	1,994	2,066	2,138
Other partnership	5,000	88	5,000	5,175	5,356	5,544	5,738	5,938
Other resident manager	19,500	342	19,500	20,183	20,889	21,620	22,377	23,160
Other security/misc.	11,050	194	11,050	11,437	11,837	12,251	12,680	13,124
Other Bond Trustee	1,800	32	1,800	1,863	1,928	1,996	2,066	2,138
Operating								
Elevator			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Heat			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	64,600	1,133	64,600	66,861	69,201	71,623	74,130	76,725
Payroll / Payroll Taxes			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	19,500	342	19,500	20,183	20,889	21,620	22,377	23,160
Security			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other elevator	2,000	35	2,000	2,070	2,142	2,217	2,295	2,375
Other fire/alarm/testing	3,500	61	3,500	3,623	3,749	3,881	4,016	4,157
Other custodians	12,800	225	12,800	13,248	13,712	14,192	14,688	15,202
Other contract maintenance	6,430	113	6,430	6,855	6,888	7,129	7,379	7,637
Maintenance			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Decorating & Turnover	2,500	44	2,500	2,588	2,678	2,772	2,869	2,969
Repairs & Maintenance	9,300	167	9,300	9,833	10,177	10,533	10,901	11,283
Landscape			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other pest control	2,000	35	2,000	2,070	2,142	2,217	2,295	2,375
Other misc.	500	9	500	518	536	554	574	594
Other supplies	5,075	89	5,075	5,253	5,436	5,627	5,824	6,028
Real Estate Taxes			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Operating Expenses</b>	<b>\$ 229,550</b>	<b>\$ 4,027</b>	<b>\$ 229,550</b>	<b>\$ 237,585</b>	<b>\$ 245,900</b>	<b>\$ 254,507</b>	<b>\$ 263,414</b>	<b>\$ 272,634</b>
Replacement Reserves	17,100	300	17,100	17,699	18,318	18,959	19,623	20,309
Operating Reserve	4,275	75	4,275	4,425	4,579	4,740	4,906	5,077
Earnings on Replacement Reserves	3.5%		2,243	2,253	2,264	2,276	2,287	2,299
Earnings on Debt Service Reserve	3.5%		7,525	7,525	7,525	7,525	7,525	7,525
<b>Net Operating Income</b>			<b>\$ 307,296</b>	<b>\$ 312,236</b>	<b>\$ 317,211</b>	<b>\$ 322,224</b>	<b>\$ 327,260</b>	<b>\$ 332,329</b>
<b>Annual Operating Expenses per Unit (excl. Trustee Fee)</b>			<b>\$ 4,327</b>	<b>\$ 4,479</b>	<b>\$ 4,635</b>	<b>\$ 4,798</b>	<b>\$ 4,966</b>	<b>\$ 5,139</b>
Debt Svc: Bonds			\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715
Debt Svc: State HTF			57,690	57,690	57,690	57,690	57,690	57,690
Debt Svc: City			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Svc:			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Svc: SHA			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Svc:			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Debt Service			\$ 273,405	\$ 273,405	\$ 273,405	\$ 273,405	\$ 273,405	\$ 273,405
Debt Service Coverage Ratio (Bonds only)			1.42	1.45	1.47	1.49	1.52	1.54
Debt Service Coverage Ratio (all loans)			1.12	1.14	1.16	1.18	1.20	1.22
Cash Flow after Debt Service			\$ 33,891	\$ 38,831	\$ 43,806	\$ 48,815	\$ 53,855	\$ 58,924
Interest Accrued on Developer Loan	1.00%		3,143	3,883	3,533	3,130	2,673	2,162
Interest Paid on Developer Loan			(3,143)	(3,883)	(3,533)	(3,130)	(2,673)	(2,162)
Principal Paid or Accrued on Developer Loan			(30,749)	(34,948)	(40,273)	(45,684)	(51,181)	(56,762)
Developer Loan Balance	\$ 419,000		388,251	353,303	313,030	267,345	216,164	159,402
Deferred Developer Fee Loan Balance			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Limited Partner Net Cash Flow	20.00%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replacement Reserves Cumulative Balance			64,085	64,384	64,694	65,015	65,346	65,690
% Spent in Year of Reserve:	50%							

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## APPENDIX C

## EXHIBIT F - HOUSING PROFOI

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	7	8	9	10	11	12	13	14	15
<b>Revenue Inflation factor:</b>									
<b>Expense Inflation factor:</b>									
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ 658,479	\$ 674,941	\$ 691,814	\$ 709,109	\$ 726,837	\$ 745,008	\$ 763,633	\$ 782,724	\$ 802,292
Other Revenue, rent up reserves, const. interest	10,484	10,746	11,014	11,290	11,572	11,861	12,158	12,462	12,773
Rental Assistance									
Vacancy and Loss	(32,924)	(35,747)	(34,591)	(35,455)	(36,342)	(37,250)	(38,182)	(39,136)	(40,115)
<b>Total Operating Revenue</b>	<b>\$ 636,038</b>	<b>\$ 651,939</b>	<b>\$ 668,238</b>	<b>\$ 684,944</b>	<b>\$ 702,067</b>	<b>\$ 719,619</b>	<b>\$ 737,609</b>	<b>\$ 756,050</b>	<b>\$ 774,951</b>
<b>Operating Expenses:</b>									
Administrative									
Advertising	\$ 3,073	\$ 3,181	\$ 3,292	\$ 3,407	\$ 3,526	\$ 3,650	\$ 3,778	\$ 3,910	\$ 4,047
Management	50,394	52,158	53,983	55,873	57,828	59,852	61,947	64,115	66,359
Legal/Partnership	9,219	9,542	9,876	10,222	10,579	10,950	11,333	11,730	12,140
Accounting/Audit	13,522	13,995	14,485	14,992	15,517	16,060	16,622	17,204	17,806
Compliance Monitoring Fee	2,213	2,290	2,370	2,453	2,539	2,628	2,720	2,815	2,914
Other partnership	6,146	6,381	6,584	6,814	7,053	7,300	7,555	7,820	8,093
Other resident manager	23,970	24,809	25,678	26,576	27,507	28,469	29,466	30,497	31,565
Other security/msc.	13,583	14,059	14,551	15,060	15,587	16,133	16,697	17,282	17,887
Other Bond Trustee	2,213	2,290	2,370	2,453	2,539	2,628	2,720	2,815	2,914
Operating									
Elevator									
Heat	79,410	82,189	85,066	88,043	91,125	94,314	97,615	101,032	104,568
Utilities									
Payroll / Payroll Taxes	-	-	-	-	-	-	-	-	-
Insurance	23,970	24,809	25,678	26,576	27,507	28,469	29,466	30,497	31,565
Security									
Other elevator	2,459	2,545	2,634	2,725	2,821	2,920	3,022	3,128	3,237
Other fire/alarm/testing	4,302	4,453	4,609	4,770	4,937	5,110	5,289	5,474	5,665
Other custodians	15,734	16,285	16,855	17,445	18,056	18,688	19,342	20,019	20,719
Other contract maintenance	7,904	8,181	8,467	8,763	9,070	9,388	9,716	10,056	10,408
Maintenance									
Decorating & Tumver	3,073	3,181	3,292	3,407	3,526	3,650	3,778	3,910	4,047
Repairs & Maintenance	11,578	12,087	12,510	12,948	13,401	13,870	14,355	14,858	15,378
Landscaping									
Other pest control	2,459	2,545	2,634	2,725	2,821	2,920	3,022	3,128	3,237
Other msc.	615	636	658	681	705	730	756	782	809
Other supplies	6,238	6,457	6,683	6,917	7,159	7,409	7,669	7,937	8,215
Real Estate Taxes									
Total Operating Expenses	<b>\$ 282,176</b>	<b>\$ 292,052</b>	<b>\$ 302,274</b>	<b>\$ 312,854</b>	<b>\$ 323,804</b>	<b>\$ 335,137</b>	<b>\$ 348,866</b>	<b>\$ 359,007</b>	<b>\$ 371,572</b>
Replacement Reserves	21,020	21,756	22,517	23,306	24,121	24,965	25,839	26,744	27,680
Operating Reserve	5,255	5,439	5,629	5,826	6,030	6,241	6,460	6,686	6,920
Earnings on Replacement Reserves	2,312	2,324	2,338	2,352	2,368	2,381	2,396	2,412	2,428
Earnings on Debt Service Reserve	7,525	7,525	7,525	7,525	7,525	7,525	7,525	7,525	7,525
<b>Net Operating Income</b>	<b>\$ 337,423</b>	<b>\$ 342,541</b>	<b>\$ 347,680</b>	<b>\$ 352,835</b>	<b>\$ 358,003</b>	<b>\$ 363,181</b>	<b>\$ 368,365</b>	<b>\$ 373,550</b>	<b>\$ 378,732</b>
<b>Annual Operating Expenses per Unit (excl. Trustee Fr \$)</b>	<b>\$ 5,319</b>	<b>\$ 5,505</b>	<b>\$ 5,898</b>	<b>\$ 5,898</b>	<b>\$ 6,104</b>	<b>\$ 6,318</b>	<b>\$ 6,539</b>	<b>\$ 6,768</b>	<b>\$ 7,004</b>
Debt Svc: Bonds	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715
Debt Svc: State HTF	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690
Debt Svc: City									
Debt Svc: SHA									
Debt Svc:									
Total Debt Service	<b>\$ 273,405</b>								
Debt Service Coverage Ratio (Bonds only)	1.56	1.59	1.61	1.64	1.66	1.68	1.71	1.73	1.76
Debt Service Coverage Ratio (all loans)	1.23	1.25	1.27	1.29	1.31	1.33	1.35	1.37	1.39
Cash Flow after Debt Service	\$ 64,018	\$ 69,136	\$ 74,275	\$ 79,430	\$ 84,598	\$ 89,776	\$ 94,960	\$ 100,145	\$ 105,327
Interest Accrued on Developer Loan	1,594	970	288	-	-	-	-	-	-
Interest Paid on Developer Loan	(1,594)	(970)	(288)	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	(52,424)	(68,167)	(28,811)	-	-	-	-	-	-
Developer Loan Balance	96,978	28,811	-	-	-	-	-	-	-
Deferred Developer Fee Loan Balance	\$ -	\$ -	\$ 45,176	\$ 79,430	\$ 84,598	\$ 89,776	\$ 94,960	\$ 100,145	\$ 105,327
Limited Partner Net Cash Flow	\$ -	\$ -	\$ 9,035	\$ 15,886	\$ 16,920	\$ 17,955	\$ 18,992	\$ 20,029	\$ 21,065
Replacement Reserves Cumulative Balance	66,045	66,413	66,794	67,188	67,596	68,018	68,455	68,907	69,375
% Spent in Year of Reserve:									



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## APPENDIX C

## EXHIBIT F - HOUSING PROFOI

Revenue inflation factor:	2020	2021	2022	2023	2024	2025	2026	2027	2028
Expense inflation factor:	16	17	18	19	20	21	22	23	24
<b>Operating Revenues:</b>									
Gross Rental Revenue									
Gross Rental Revenue	\$ 822,349	\$ 842,908	\$ 863,981	\$ 885,580	\$ 907,720	\$ 930,413	\$ 953,673	\$ 977,515	\$ 1,001,953
Other Revenue, rent up reserves, const. interest	13,093	13,420	13,755	14,099	14,452	14,813	15,183	15,563	15,952
Rental Assistance	(41,117)	(42,145)	(43,199)	(44,279)	(45,386)	(46,521)	(47,664)	(48,875)	(50,098)
Vacancy and Loss									
<b>Total Operating Revenue</b>	<b>\$ 794,325</b>	<b>\$ 814,183</b>	<b>\$ 834,537</b>	<b>\$ 855,401</b>	<b>\$ 876,786</b>	<b>\$ 898,705</b>	<b>\$ 921,173</b>	<b>\$ 944,202</b>	<b>\$ 967,807</b>
<b>Operating Expenses:</b>									
Administrative									
Advertising	\$ 4,188	\$ 4,335	\$ 4,487	\$ 4,644	\$ 4,806	\$ 4,964	\$ 5,149	\$ 5,329	\$ 5,515
Management	68,682	71,086	73,574	76,149	78,814	81,572	84,427	87,382	90,441
Legal/Partnership	12,565	13,005	13,460	13,931	14,419	14,923	15,446	15,986	16,546
Accounting/Audit	18,429	19,074	19,741	20,432	21,148	21,888	22,654	23,447	24,267
Compliance Monitoring Fee	3,016	3,121	3,230	3,343	3,461	3,582	3,707	3,837	3,971
Other partnership	8,377	8,670	8,973	9,287	9,613	9,949	10,297	10,658	11,031
Other resident manager	32,669	33,813	34,996	36,221	37,489	38,801	40,159	41,564	43,019
Other security/misc.	18,513	19,161	19,831	20,525	21,244	21,987	22,757	23,553	24,378
Other Bond Trustee	3,016	3,121	3,230	3,343	3,461	3,582	3,707	3,837	3,971
Operating									
Elevator									
Heat									
Utilities	108,228	112,015	115,936	119,994	124,194	128,540	133,039	137,696	142,515
Payroll / Payroll Taxes	-	-	-	-	-	-	-	-	-
Insurance	32,669	33,813	34,996	36,221	37,489	38,801	40,159	41,564	43,019
Security	-	-	-	-	-	-	-	-	-
Other elevator	3,351	3,468	3,589	3,715	3,845	3,980	4,119	4,253	4,412
Other fire/alarm/testing	5,864	6,069	6,281	6,501	6,729	6,964	7,208	7,460	7,721
Other custodians	21,444	22,195	22,972	23,776	24,508	25,469	26,361	27,283	28,238
Other contract maintenance	10,772	11,150	11,540	11,944	12,362	12,794	13,242	13,706	14,185
Maintenance									
Decorating & Turnover	4,188	4,335	4,487	4,644	4,806	4,974	5,149	5,329	5,515
Repairs & Maintenance	15,916	16,473	17,049	17,646	18,264	18,903	19,565	20,249	20,958
Landscaping	-	-	-	-	-	-	-	-	-
Other pest control	3,351	3,468	3,589	3,715	3,845	3,980	4,119	4,263	4,412
Other misc.	838	867	897	929	961	995	1,030	1,066	1,103
Other supplies	8,502	8,800	9,108	9,427	9,757	10,098	10,452	10,817	11,196
Real Estate Taxes									
<b>Total Operating Expenses</b>	<b>\$ 384,577</b>	<b>\$ 398,037</b>	<b>\$ 411,969</b>	<b>\$ 426,387</b>	<b>\$ 441,311</b>	<b>\$ 456,757</b>	<b>\$ 472,743</b>	<b>\$ 489,289</b>	<b>\$ 506,415</b>
Replacement Reserves	28,648	29,651	30,689	31,763	32,875	34,025	35,216	36,449	37,725
Operating Reserve	7,162	7,413	7,672	7,941	8,219	8,506	8,804	9,112	9,431
Earnings on Replacement Reserves	2,445	2,463	2,481	2,500	2,519	2,539	2,560	2,582	2,604
Earnings on Debt Service Reserve	7,525	7,525	7,525	7,525	7,525	7,525	7,525	7,525	7,525
<b>Net Operating Income</b>	<b>\$ 383,907</b>	<b>\$ 389,069</b>	<b>\$ 394,213</b>	<b>\$ 399,334</b>	<b>\$ 404,425</b>	<b>\$ 409,481</b>	<b>\$ 414,494</b>	<b>\$ 419,458</b>	<b>\$ 424,366</b>
<b>Annual Operating Expenses per Unit (excl. Trustee Fr)</b>									
Debt Svc: Bonds	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715
Debt Svc: State HTF	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690
Debt Svc: City	-	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-	-
Debt Svc: -	-	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ 273,405</b>								
Debt Service Coverage Ratio (Bonds only)	1.78	1.80	1.83	1.85	1.87	1.90	1.92	1.94	1.97
Debt Service Coverage Ratio (all loans)	1.40	1.42	1.44	1.46	1.48	1.50	1.52	1.53	1.55
<b>Cash Flow after Debt Service</b>	<b>\$ 110,502</b>	<b>\$ 115,664</b>	<b>\$ 120,808</b>	<b>\$ 125,929</b>	<b>\$ 131,020</b>	<b>\$ 136,076</b>	<b>\$ 141,089</b>	<b>\$ 146,053</b>	<b>\$ 150,961</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-	-
Deferred Developer Fee Loan Balance	\$ 110,502	\$ 115,664	\$ 120,808	\$ 125,929	\$ 131,020	\$ 136,076	\$ 141,089	\$ 146,053	\$ 150,961
Limited Partner Net Cash Flow	\$ 22,100	\$ 23,133	\$ 24,162	\$ 25,186	\$ 26,214	\$ 27,245	\$ 28,218	\$ 29,211	\$ 30,192
Replacement Reserves Cumulative Balance	69,859	70,361	70,879	71,417	71,972	72,548	73,143	73,759	74,397
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-	-



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## APPENDIX C

## EXHIBIT F - HOUSING PROFOI

Revenue inflation, .actor:	2029	2030	2031	2032	2033	2034	2035	2036
Expense inflation factor:	25	26	27	28	29	30	31	32
<b>Operating Revenues:</b>								
Gross Rental Revenue								
Gross Rental Revenue	\$ 1,027,002	\$ 1,052,677	\$ 1,078,994	\$ 1,105,969	\$ 1,133,618	\$ 1,161,958	\$ 1,191,007	\$ 1,220,782
Other Revenue, rent up reserves, const. interest	16,351	16,760	17,179	17,608	18,048	18,500	18,962	19,436
Rental Assistance								
Vacancy and Loss	(51,350)	(52,634)	(53,950)	(55,298)	(56,881)	(58,098)	(59,550)	(61,039)
<b>Total Operating Revenue</b>	<b>\$ 992,003</b>	<b>\$ 1,016,803</b>	<b>\$ 1,042,223</b>	<b>\$ 1,068,278</b>	<b>\$ 1,094,985</b>	<b>\$ 1,122,360</b>	<b>\$ 1,150,419</b>	<b>\$ 1,179,179</b>
<b>Operating Expenses:</b>								
Administrative								
Advertising	\$ 5,708	\$ 5,908	\$ 6,115	\$ 6,329	\$ 6,550	\$ 6,780	\$ 7,017	\$ 7,263
Management	93,806	96,882	100,273	103,783	107,415	111,175	115,066	119,093
Legal/Partnership	17,125	17,724	18,345	18,987	19,651	20,339	21,051	21,788
Accounting/Audit	25,117	25,996	26,906	27,847	28,822	29,831	30,875	31,955
Compliance Monitoring Fee	4,110	4,254	4,403	4,557	4,716	4,881	5,052	5,229
Other partnership	11,417	11,816	12,230	12,658	13,101	13,559	14,034	14,525
Other resident manager	44,525	46,083	47,696	49,366	51,093	52,882	54,732	56,648
Other security,msc.	25,231	26,114	27,028	27,974	28,953	29,966	31,015	32,101
Other Bond Trustee	4,110	4,254	4,403	4,557	4,716	4,881	5,052	5,229
Operating								
Elevator	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-
Utilities	147,503	152,666	158,009	163,539	169,263	175,187	181,319	187,665
Payroll / Payroll Taxes	-	-	-	-	-	-	-	-
Insurance	44,525	46,083	47,696	49,366	51,093	52,882	54,732	56,648
Security	-	-	-	-	-	-	-	-
Other elevator	4,567	4,726	4,892	5,063	5,240	5,424	5,614	5,810
Other firealarm/testing	7,992	8,271	8,561	8,860	9,171	9,492	9,824	10,168
Other custodians	29,227	30,250	31,308	32,404	33,538	34,712	35,927	37,184
Other contract maintenance	14,682	15,196	15,728	16,278	16,848	17,437	18,048	18,679
Maintenance								
Decorating & Turnover	5,708	5,908	6,115	6,329	6,550	6,780	7,017	7,263
Repairs & Maintenance	21,692	22,451	23,237	24,050	24,892	25,763	26,665	27,598
Landscaping	-	-	-	-	-	-	-	-
Other pest control	4,567	4,726	4,892	5,063	5,240	5,424	5,614	5,810
Other misc.	1,142	1,182	1,223	1,266	1,310	1,356	1,403	1,453
Other supplies	11,588	11,993	12,413	12,848	13,297	13,763	14,244	14,743
Real Estate Taxes								
<b>Total Operating Expenses</b>	<b>\$ 524,139</b>	<b>\$ 542,484</b>	<b>\$ 561,471</b>	<b>\$ 581,123</b>	<b>\$ 601,462</b>	<b>\$ 622,513</b>	<b>\$ 644,301</b>	<b>\$ 666,851</b>
Replacement Reserves	39,045	40,411	41,826	43,290	44,805	46,373	47,996	49,676
Operating Reserve	9,761	10,103	10,456	10,822	11,201	11,593	11,999	12,419
Earnings on Replacement Reserves	2,627	2,851	2,676	2,701	2,728	2,755	2,784	2,813
Earnings on Debt Service Reserve	7,525	7,525	7,525	7,525	7,525	7,525	7,525	-
<b>Net Operating Income</b>	<b>\$ 429,209</b>	<b>\$ 433,980</b>	<b>\$ 438,670</b>	<b>\$ 443,270</b>	<b>\$ 447,770</b>	<b>\$ 452,161</b>	<b>\$ 456,432</b>	<b>\$ 453,046</b>
<b>Annual Operating Expenses per Unit (excl. Trustee F)</b>								
Debt Svc: Bonds	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715	\$ 215,715
Debt Svc: State HTF	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690
Debt Svc: City	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>	<b>\$ 273,405</b>	<b>\$ 196,947</b>	<b>\$ 57,690</b>
<b>Debt Service Coverage Ratio (Bonds only)</b>	<b>1.99</b>	<b>2.01</b>	<b>2.03</b>	<b>2.05</b>	<b>2.08</b>	<b>2.10</b>	<b>3.28</b>	<b>N/A</b>
<b>Debt Service Coverage Ratio (all loans)</b>	<b>1.57</b>	<b>1.59</b>	<b>1.60</b>	<b>1.62</b>	<b>1.64</b>	<b>1.65</b>	<b>2.32</b>	<b>7.85</b>
<b>Cash Flow after Debt Service</b>	<b>\$ 155,804</b>	<b>\$ 160,575</b>	<b>\$ 165,265</b>	<b>\$ 169,865</b>	<b>\$ 174,365</b>	<b>\$ 178,756</b>	<b>\$ 259,485</b>	<b>\$ 395,356</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-
Deferred Developer Fee Loan Balance	\$ 155,804	\$ 160,575	\$ 165,265	\$ 169,865	\$ 174,365	\$ 178,756	\$ 259,485	\$ 395,356
Limited Partner Net Cash Flow	\$ 31,161	\$ 32,115	\$ 33,053	\$ 33,973	\$ 34,873	\$ 35,751	\$ 51,897	\$ 79,071
Replacement Reserves Cumulative Balance	75,057	75,741	76,448	77,180	77,937	78,722	79,533	80,373
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-



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## APPENDIX C

## EXHIBIT F - HOUSING PROFOI

	2037 33	2038 34	2039 35	2040 36	2041 37	2042 38	2043 39	2044 40
<b>Revenue inflation factor:</b>								
<b>Expense inflation factor:</b>								
<b>Operating Revenues:</b>								
Gross Rental Revenue	\$ 1,251,302	\$ 1,282,585	\$ 1,314,649	\$ 1,347,515	\$ 1,381,203	\$ 1,415,733	\$ 1,451,127	\$ 1,487,405
Other Revenue, rent up reserves, const. interest	19,922	20,420	20,931	21,454	21,990	22,540	23,103	23,681
Rental Assistance	-	-	-	-	-	-	-	-
Vacancy and Loss	<u>(62,565)</u>	<u>(64,129)</u>	<u>(65,732)</u>	<u>(67,376)</u>	<u>(69,060)</u>	<u>(70,787)</u>	<u>(72,556)</u>	<u>(74,370)</u>
<b>Total Operating Revenue</b>	<b>\$ 1,208,659</b>	<b>\$ 1,238,875</b>	<b>\$ 1,269,847</b>	<b>\$ 1,301,593</b>	<b>\$ 1,334,133</b>	<b>\$ 1,367,487</b>	<b>\$ 1,401,874</b>	<b>\$ 1,436,716</b>
<b>Operating Expenses:</b>								
<b>Administrative</b>								
Advertising	\$ 7,517	\$ 7,780	\$ 8,052	\$ 8,334	\$ 8,626	\$ 8,928	\$ 9,240	\$ 9,563
Management	123,261	127,575	132,041	136,562	141,445	146,396	151,520	156,823
Legal/Partnership	22,550	23,340	24,156	25,002	25,877	26,783	27,720	28,690
Accounting/Audit	33,074	34,231	35,429	36,669	37,953	39,281	40,656	42,079
Compliance Monitoring Fee	5,412	5,601	5,798	6,000	6,210	6,428	6,653	6,886
Other partnership	15,034	15,560	16,104	16,668	17,251	17,855	18,480	19,127
Other resident manager	58,631	60,683	62,807	65,005	67,280	69,635	72,072	74,595
Other security/msc	33,224	34,387	35,591	36,836	38,125	39,460	40,841	42,270
Other Bond Trustee	5,412	5,601	5,798	6,000	6,210	6,428	6,653	6,886
<b>Operating</b>								
Elevator	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-
Utilities	194,233	201,031	208,068	215,350	222,887	230,688	238,762	247,119
Payroll / Payroll Taxes	-	-	-	-	-	-	-	-
Insurance	58,631	60,683	62,807	65,005	67,280	69,635	72,072	74,595
Security	-	-	-	-	-	-	-	-
Other elevator	6,013	6,224	6,442	6,667	6,901	7,142	7,392	7,651
Other fire/alarm/testing	10,523	10,892	11,273	11,668	12,076	12,499	12,938	13,389
Other custodians	38,486	39,833	41,227	42,670	44,163	45,709	47,309	48,965
Other contract maintenance	19,333	20,010	20,710	21,435	22,185	22,962	23,765	24,597
<b>Maintenance</b>								
Decorating & Turnover	7,517	7,780	8,052	8,334	8,626	8,928	9,240	9,563
Repairs & Maintenance	28,564	29,563	30,598	31,669	32,778	33,925	35,112	36,341
Landscape	-	-	-	-	-	-	-	-
Other pest control	6,013	6,224	6,442	6,667	6,901	7,142	7,392	7,651
Other msc	1,503	1,556	1,610	1,667	1,725	1,786	1,848	1,913
Other supplies	15,259	15,793	16,346	16,918	17,510	18,123	18,757	19,414
<b>Real Estate Taxes</b>								
<b>Total Operating Expenses</b>	<b>\$ 690,191</b>	<b>\$ 714,348</b>	<b>\$ 739,350</b>	<b>\$ 765,227</b>	<b>\$ 792,010</b>	<b>\$ 819,730</b>	<b>\$ 848,421</b>	<b>\$ 878,116</b>
Replacement Reserves	51,415	53,214	55,077	57,004	59,000	61,065	63,202	65,414
Operating Reserve	12,854	13,304	13,769	14,251	14,750	15,266	15,800	16,353
Earnings on Replacement Reserves	2,843	2,875	2,908	2,941	2,978	3,012	3,050	3,088
Earnings on Debt Service Reserve	-	-	-	-	-	-	-	-
<b>Net Operating Income</b>	<b>\$ 457,043</b>	<b>\$ 460,885</b>	<b>\$ 464,559</b>	<b>\$ 468,052</b>	<b>\$ 471,350</b>	<b>\$ 474,438</b>	<b>\$ 477,300</b>	<b>\$ 479,921</b>
<b>Annual Operating Expenses per Unit (excl. Trustee F:</b>	<b>\$ 13,011</b>	<b>\$ 13,466</b>	<b>\$ 13,937</b>	<b>\$ 14,425</b>	<b>\$ 14,930</b>	<b>\$ 15,453</b>	<b>\$ 15,993</b>	<b>\$ 16,553</b>
Debt Svc: Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Svc: State HTF	57,690	57,690	57,690	57,690	57,690	57,690	57,690	57,690
Debt Svc: City	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ 57,690</b>							
Debt Service Coverage Ratio (Bonds only)	N/A							
Debt Service Coverage Ratio (all loans)	7.92	7.99	8.05	8.11	8.17	8.22	8.27	8.32
<b>Cash Flow after Debt Service</b>	<b>\$ 399,353</b>	<b>\$ 403,195</b>	<b>\$ 406,869</b>	<b>\$ 410,362</b>	<b>\$ 413,660</b>	<b>\$ 416,748</b>	<b>\$ 419,610</b>	<b>\$ 422,231</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-
Developer Loan Balance	\$ 399,353	\$ 403,195	\$ 406,869	\$ 410,362	\$ 413,660	\$ 416,748	\$ 419,610	\$ 422,231
Deferred Developer Fee Loan Balance	\$ 79,871	\$ 80,639	\$ 81,374	\$ 82,072	\$ 82,732	\$ 83,350	\$ 83,922	\$ 84,446
Limited Partner Net Cash Flow	81,242	82,142	83,073	84,037	85,035	86,067	87,136	88,242
Replacement Reserves Cumulative Balance	-	-	-	-	-	-	-	-
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-



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APPENDIX C

EXHIBIT F - HOUSING PROFOI

	2045	2046	2047	2048	2049	2050	2051	2052
Revenue inflation factor:	41	42	43	44	45	46	47	48
Expense inflation factor:								
<b>Operating Revenues:</b>								
Gross Rental Revenue	\$ 1,524,590	\$ 1,562,705	\$ 1,601,772	\$ 1,641,817	\$ 1,682,862	\$ 1,724,934	\$ 1,768,057	\$ 1,812,258
Other Revenue, rent up reserves, const. interest	24,273	24,880	25,502	26,139	26,793	27,463	28,149	28,853
Rental Assistance								
Vacancy and Loss	(76,229)	(78,135)	(80,089)	(82,091)	(84,143)	(86,247)	(88,403)	(90,513)
<b>Total Operating Revenue</b>	<b>\$ 1,472,533</b>	<b>\$ 1,509,449</b>	<b>\$ 1,547,186</b>	<b>\$ 1,585,865</b>	<b>\$ 1,625,512</b>	<b>\$ 1,666,150</b>	<b>\$ 1,707,803</b>	<b>\$ 1,750,498</b>
<b>Operating Expenses:</b>								
<b>Administrative</b>								
Advertising	\$ 9,898	\$ 10,245	\$ 10,603	\$ 10,974	\$ 11,358	\$ 11,756	\$ 12,167	\$ 12,593
Management	162,312	167,993	173,872	179,958	186,256	192,775	199,522	206,506
Legal/Partnership	29,694	30,734	31,809	32,923	34,075	35,268	36,502	37,780
Accounting/Audit	43,552	45,076	46,654	48,287	49,977	51,726	53,536	55,410
Compliance Monitoring Fee	7,127	7,376	7,634	7,901	8,178	8,464	8,750	9,067
Other partnership	19,796	20,489	21,206	21,949	22,717	23,512	24,335	25,186
Other resident manager	77,206	79,908	82,705	85,599	88,595	91,696	94,905	98,227
Other security, misc.	43,750	45,281	46,866	48,506	50,204	51,961	53,780	55,562
Other Bond Trustee	7,127	7,376	7,634	7,901	8,178	8,464	8,750	9,067
<b>Operating</b>								
Elevator	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-
Utilities	255,768	264,720	273,985	283,575	293,500	303,772	314,404	325,409
Payroll / Payroll Taxes								
Insurance	77,206	79,908	82,705	85,599	88,595	91,696	94,905	98,227
Security								
Other elevator	7,919	8,196	8,482	8,779	9,087	9,405	9,734	10,075
Other fire/alarm/testing	13,857	14,342	14,844	15,364	15,902	16,458	17,034	17,630
Other custodians	50,879	52,452	54,288	56,188	58,155	60,190	62,297	64,477
Other contract maintenance	25,458	26,349	27,271	28,226	29,214	30,236	31,294	32,390
<b>Maintenance</b>								
Decorating & Turnover	9,898	10,245	10,603	10,974	11,358	11,756	12,167	12,593
Repairs & Maintenance	37,613	38,929	40,292	41,702	43,162	44,672	46,236	47,854
Landscaping								
Other pest control	7,919	8,196	8,483	8,779	9,087	9,405	9,734	10,075
Other misc.	1,980	2,049	2,121	2,195	2,272	2,351	2,433	2,519
Other supplies	20,093	20,797	21,524	22,278	23,057	23,864	24,700	25,564
<b>Real Estate Taxes</b>								
<b>Total Operating Expenses</b>	<b>\$ 908,850</b>	<b>\$ 940,660</b>	<b>\$ 973,583</b>	<b>\$ 1,007,658</b>	<b>\$ 1,042,926</b>	<b>\$ 1,079,429</b>	<b>\$ 1,117,209</b>	<b>\$ 1,156,311</b>
Replacement Reserves	67,703	70,073	72,526	75,064	77,891	80,410	83,225	86,138
Operating Reserve	16,926	17,518	18,131	18,766	19,423	20,103	20,806	21,534
Earnings on Replacement Reserves	3,129	3,170	3,213	3,257	3,303	3,351	3,400	3,451
Earnings on Debt Service Reserve								
<b>Net Operating Income</b>	<b>\$ 482,283</b>	<b>\$ 484,369</b>	<b>\$ 486,159</b>	<b>\$ 487,635</b>	<b>\$ 488,775</b>	<b>\$ 489,559</b>	<b>\$ 489,964</b>	<b>\$ 489,967</b>
<b>Annual Operating Expenses per Unit (excl. Trustee Fr \$)</b>	<b>\$ 17,133</b>	<b>\$ 17,732</b>	<b>\$ 18,353</b>	<b>\$ 18,995</b>	<b>\$ 19,660</b>	<b>\$ 20,348</b>	<b>\$ 21,060</b>	<b>\$ 21,797</b>
Debt Svc: Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Svc: State HTF		23,062						
Debt Svc: City	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-
Debt Svc:	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ 23,062</b>	<b>\$ -</b>						
Debt Service Coverage Ratio (Bonds only)	N/A							
Debt Service Coverage Ratio (all loans)	20.91	N/A						
<b>Cash Flow after Debt Service</b>	<b>\$ 459,221</b>	<b>\$ 484,369</b>	<b>\$ 486,159</b>	<b>\$ 487,635</b>	<b>\$ 488,775</b>	<b>\$ 489,559</b>	<b>\$ 489,964</b>	<b>\$ 489,967</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-
Deferred Developer Fee Loan Balance	\$ 459,221	\$ 484,369	\$ 486,159	\$ 487,635	\$ 488,775	\$ 489,559	\$ 489,964	\$ 489,967
Limited Partner Net Cash Flow	\$ 91,844	\$ 96,874	\$ 97,232	\$ 97,527	\$ 97,755	\$ 97,912	\$ 97,993	\$ 97,993
Replacement Reserves Cumulative Balance	89,387	90,571	91,798	93,067	94,381	95,740	97,147	98,604
% Spent in Year of Reserve:								



## APPENDIX C

## EXHIBIT F - HOUSING PROFOI

	2053	2054	2055	2056	2057	2058	2059
Revenue inflation factor:	49	50	51	52	53	54	55
Expense inflation factor:							
<b>Operating Revenues:</b>							
Gross Rental Revenue	\$ 1,857,565	\$ 1,904,004	\$ 1,951,604	\$ 2,000,394	\$ 2,050,404	\$ 2,101,664	\$ 2,154,206
Other Revenue, rent up reserves, const. interest	29,574	30,314	31,071	31,848	32,644	33,461	34,297
Rental Assistance							
Vacancy and Loss	(92,878)	(95,200)	(97,580)	(100,020)	(102,520)	(105,083)	(107,710)
<b>Total Operating Revenue</b>	<b>\$ 1,794,261</b>	<b>\$ 1,839,117</b>	<b>\$ 1,885,095</b>	<b>\$ 1,932,223</b>	<b>\$ 1,980,528</b>	<b>\$ 2,030,041</b>	<b>\$ 2,080,793</b>
<b>Operating Expenses:</b>							
Administrative	\$ 13,034	\$ 13,490	\$ 13,962	\$ 14,451	\$ 14,957	\$ 15,480	\$ 16,022
Management	213,733	221,214	228,957	236,970	245,264	253,848	262,733
Legal/Partnership	39,102	40,470	41,887	43,353	44,870	46,441	48,066
Accounting/Audit	57,349	59,357	61,434	63,584	65,810	68,113	70,497
Compliance Monitoring Fee	9,384	9,713	10,053	10,405	10,769	11,146	11,536
Other partnership	26,068	26,980	27,925	28,902	29,914	30,961	32,044
Other resident manager	101,665	105,223	108,906	112,718	116,663	120,746	124,972
Other security/misc.	57,610	59,627	61,713	63,873	66,109	68,423	70,818
Other Bond Trustee	9,384	9,713	10,053	10,405	10,769	11,146	11,536
<b>Operating</b>							
Elevator	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-
Utilities	336,798	348,566	360,786	373,414	386,483	400,010	414,011
Payroll / Payroll Taxes	-	-	-	-	-	-	-
Insurance	101,665	105,223	108,906	112,718	116,663	120,746	124,972
Security	-	-	-	-	-	-	-
Other elevator	10,427	10,792	11,170	11,561	11,965	12,384	12,818
Other fire/alarm/testing	18,248	18,886	19,547	20,231	20,939	21,672	22,431
Other custodians	66,734	69,070	71,487	73,989	76,579	79,256	82,033
Other contract maintenance	33,523	34,697	35,911	37,168	38,469	39,815	41,209
<b>Maintenance</b>							
Decorating & Turnover	13,034	11,490	13,962	14,451	14,957	15,480	16,022
Repairs & Maintenance	49,529	51,253	53,057	54,914	56,836	58,825	60,884
Landscaping	-	-	-	-	-	-	-
Other pest control	10,427	10,792	11,170	11,561	11,965	12,384	12,818
Other misc.	2,607	2,698	2,792	2,890	2,991	3,096	3,204
Other supplies	26,459	27,385	28,344	29,336	30,362	31,425	32,525
<b>Real Estate Taxes</b>							
<b>Total Operating Expenses</b>	<b>\$ 1,196,782</b>	<b>\$ 1,238,569</b>	<b>\$ 1,282,022</b>	<b>\$ 1,326,893</b>	<b>\$ 1,373,335</b>	<b>\$ 1,421,401</b>	<b>\$ 1,471,150</b>
Replacement Reserves	89,152	92,273	95,502	98,845	102,304	105,885	109,591
Operating Reserve	22,288	23,068	23,876	24,711	25,576	26,471	27,398
Earnings on Replacement Reserves	3,504	3,558	3,615	3,674	3,734	3,797	3,862
Earnings on Debt Service Reserve	-	-	-	-	-	-	-
<b>Net Operating Income</b>	<b>\$ 489,543</b>	<b>\$ 488,666</b>	<b>\$ 487,310</b>	<b>\$ 485,447</b>	<b>\$ 483,047</b>	<b>\$ 480,081</b>	<b>\$ 476,515</b>
<b>Annual Operating Expenses per Unit (excl. Trustee F)</b>	<b>\$ 22,560</b>	<b>\$ 23,350</b>	<b>\$ 24,167</b>	<b>\$ 25,013</b>	<b>\$ 25,888</b>	<b>\$ 26,794</b>	<b>\$ 27,732</b>
Debt Svc: Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Svc: State HTF	-	-	-	-	-	-	-
Debt Svc: City	-	-	160,556	160,556	160,556	160,556	160,556
Debt Svc:	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	124,179	124,179	124,179	124,179	124,179
Debt Svc:	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 284,736</b>				
Debt Service Coverage Ratio (Bonds only)	N/A						
Debt Service Coverage Ratio (all loans)	N/A	N/A	1.71	1.70	1.70	1.69	1.67
<b>Cash Flow after Debt Service</b>	<b>\$ 489,543</b>	<b>\$ 488,666</b>	<b>\$ 202,574</b>	<b>\$ 200,711</b>	<b>\$ 198,312</b>	<b>\$ 195,345</b>	<b>\$ 191,779</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-
Deferred Developer Fee Loan Balance	\$ 489,543	\$ 488,666	\$ 202,574	\$ 200,711	\$ 198,312	\$ 195,345	\$ 191,779
Limited Partner Net Cash Flow	\$ 97,909	\$ 97,733	\$ 40,515	\$ 40,142	\$ 39,769	\$ 39,069	\$ 38,356
Replacement Reserves Cumulative Balance	100,111	101,671	103,286	104,957	106,478	110,331	-
% Spent in Year of Reserve:	-	-	-	-	-	-	-



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**Appendix D:**

Library and Parking Operating Proforma

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Appendix D

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## APPENDIX D

## SCIDPDA - Village Square - Commercial Operating Proforma

## EXHIBIT F - COMMUNITY FACILITY PRO. DRMA BUDGET

	2.5%	Average Per Unit	2005 1	2006 2	2007 3	2008 4	2009 5	2010 6	2011 7
Revenue inflation factor:	\$0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expense inflation factor:	3.5%	\$ 145,617	\$ 291,233	\$ 305,977	\$ 313,626	\$ 321,467	\$ 329,503	\$ 337,741	\$ 346,185
Operating Revenues:									
Gross Rental Revenue	\$291,233								
Other Revenue	(17,474)								
Vacancy and Loss	(8,737)								
Total Operating Revenue	\$ 273,759	\$ 136,880	\$ 273,759	\$ 207,618	\$ 294,809	\$ 302,179	\$ 309,733	\$ 317,477	\$ 325,413
Operating Expenses:									
Administrative	\$ 630	\$ 315	\$ 630	\$ 652	\$ 675	\$ 698	\$ 723	\$ 748	\$ 774
Advertising	3,596	1,798	3,596	3,722	3,852	3,987	4,126	4,271	4,420
Management	1,560	780	1,560	1,615	1,671	1,730	1,790	1,853	1,918
Legal/Partnership	3,565	1,783	3,565	3,690	3,819	3,953	4,091	4,234	4,382
Accounting/Audit									
Compliance Monitoring Fee									
Other on site	20,000	10,000	20,000	20,700	21,425	22,174	22,950	23,754	24,585
Other operating reserve	2,970	1,485	2,970	3,074	3,182	3,293	3,408	3,527	3,651
Other security/misc.	3,900	1,950	3,900	4,037	4,178	4,324	4,475	4,632	4,794
Other supplies	1,354	677	1,354	1,401	1,450	1,501	1,554	1,608	1,664
Operating									
Elevator									
Heat									
Utilities	14,124	7,062	14,124	14,618	15,130	15,660	16,208	16,775	17,362
Payroll/Payroll Taxes									
Insurance	8,955	4,478	8,955	9,268	9,593	9,929	10,275	10,636	11,008
Security									
Other elevator	1,223	612	1,223	1,266	1,310	1,356	1,403	1,453	1,503
Other fire/alarm/testing	2,994	1,497	2,994	3,099	-	-	-	-	-
Other custodians	2,201	1,101	2,201	2,278	2,358	2,440	2,526	2,614	2,706
Other contract maintenance	2,835	1,418	2,835	2,934	3,037	3,143	3,253	3,367	3,485
Maintenance									
Decorating & Turnover									
Repairs & Maintenance	2,835	1,418	2,835	2,934	3,037	3,143	3,253	3,367	3,485
Landscaping									
Other pest control	832	416	832	861	891	922	955	988	1,023
Other misc.	401	201	401	415	430	445	460	476	493
Other supplies	201	101	201	208	215	223	231	239	247
Real Estate Taxes	1,660	830	1,660	1,718	1,778	1,840	1,905	1,972	2,041
Total Operating Expenses	\$ 75,836	\$ 37,918	\$ 75,836	\$ 78,490	\$ 78,030	\$ 80,761	\$ 83,588	\$ 86,513	\$ 89,541
Replacement Reserves	7,045	3,523	7,045	7,292	7,547	7,811	8,084	8,367	8,660
Trustee Fee	1,000	500	1,000	1,035	1,071	1,109	1,148	1,188	1,229
Earnings on Replacement & Operating Reserves	3.5%								
Earnings on Debt Service Reserve	3.5%								
Net Operating Income									
Annual Operating Expenses per Unit (excl. Trustee Fee)	\$ 41,441	\$ 41,441	\$ 42,891	\$ 42,788	\$ 44,286	\$ 45,838	\$ 47,440	\$ 49,101	
Debt Svc: Bonds									
Debt Svc: Conventional Debt									
Debt Svc: City									
Debt Svc:									
Debt Svc: SHA									
Debt Svc:									
Total Debt Service									
Debt Service Coverage Ratio (Bonds only)									
Debt Service Coverage Ratio (all loans)									
Cash Flow after Debt Service									
Interest Accrued on Developer Loan	1.00%								
Interest Paid on Developer Loan									
Principal Paid or Accrued on Developer Loan									
Developer Loan Balance	\$ 160,000								
Net Cash Flow									
Limited Partner Net Cash Flow	99.90%								
Replacement Reserves Cumulative Balance									
% Spent in Year of Reserve:	50%								

Sound Finance Group, Inc.

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## APPENDIX D

## SCIDPDA - Village Square - Commercial Operating Proforma

## EXHIBIT F- COMMUNITY FACILITY

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue inflation factor:	8	9	10	11	12	13	14	15	16
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ 354,839	\$ 363,710	\$ 372,803	\$ 382,123	\$ 391,676	\$ 401,468	\$ 411,505	\$ 421,792	\$ 432,337
Other Revenue	(\$21,290)	(\$21,823)	(\$22,368)	(\$22,927)	(\$23,501)	(\$24,088)	(\$24,690)	(\$25,308)	(\$25,940)
Total Operating Revenue	\$ 333,549	\$ 341,888	\$ 350,435	\$ 359,196	\$ 368,175	\$ 377,380	\$ 386,814	\$ 396,485	\$ 406,397
<b>Operating Expenses:</b>									
Administrative	\$ 802	\$ 830	\$ 859	\$ 888	\$ 920	\$ 952	\$ 985	\$ 1,020	\$ 1,055
Advertising	4,575	4,735	4,901	5,073	5,750	5,434	5,624	5,821	6,025
Management	1,985	2,054	2,126	2,201	2,278	2,357	2,440	2,525	2,614
Legal/Partnership	4,536	4,694	4,859	5,029	5,205	5,387	5,576	5,771	5,973
Accounting/Audit									
Compliance Monitoring Fee	25,446	26,336	27,258	28,212	29,199	30,221	31,279	32,374	33,507
Other on site	3,779	3,911	4,048	4,189	4,336	4,488	4,645	4,808	4,976
Other operating reserve	4,962	5,136	5,315	5,501	5,694	5,893	6,099	6,313	6,534
Other security/misc.	1,723	1,783	1,845	1,910	1,977	2,046	2,118	2,192	2,268
Operating									
Elevator	-	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-	-
Utilities	17,970	18,599	19,250	19,923	20,621	21,342	22,089	22,862	23,663
Payroll/Payroll Taxes									
insurance	11,393	11,792	12,205	12,632	13,074	13,532	14,005	14,495	15,003
Security									
Other elevator	1,556	1,610	1,667	1,725	1,786	1,848	1,913	1,980	2,049
Other fire/alarm/testing									
Other custodians	2,800	2,898	3,000	3,105	3,213	3,328	3,442	3,563	3,687
Other contract maintenance	3,607	3,733	3,864	3,999	4,139	4,284	4,434	4,589	4,750
Maintenance									
Decorating & Turnover									
Repairs & Maintenance	3,607	3,733	3,864	3,999	4,139	4,284	4,434	4,589	4,750
Landscaping									
Other pest control	1,059	1,096	1,134	1,174	1,215	1,257	1,301	1,347	1,394
Other misc.	510	528	547	566	585	606	627	649	672
Other supplies	256	265	274	284	293	304	314	325	337
Real Estate Taxes	2,112	2,186	2,262	2,342	2,424	2,508	2,596	2,687	2,781
Total Operating Expenses	\$ 92,675	\$ 95,919	\$ 99,276	\$ 102,751	\$ 106,347	\$ 110,069	\$ 113,922	\$ 117,909	\$ 122,036
Replacement Reserves	8,963	9,277	9,602	9,938	10,285	10,645	11,018	11,404	11,803
Trustee Fee	1,272	1,317	1,363	1,411	1,460	1,511	1,564	1,619	1,675
Earnings on Replacement & Operating Reserves	1,955	1,961	1,967	1,973	1,979	1,985	1,991	1,998	2,005
Earnings on Debt Service Reserve	11,445	11,445	11,445	11,445	11,445	11,445	11,445	11,445	11,445
Net Operating Income	\$ 244,038	\$ 248,781	\$ 253,606	\$ 258,514	\$ 263,506	\$ 268,584	\$ 273,747	\$ 278,997	\$ 284,333
Annual Operating Expenses per Unit (excl. Trust: \$ 50,819)	\$ 52,598	\$ 54,439	\$ 56,344	\$ 58,316	\$ 60,357	\$ 62,470	\$ 64,656	\$ 66,919	
Debt Svc: Bonds	186,000	186,000	186,000	186,000	186,000	186,000	186,000	186,000	186,000
Debt Svc: Conventional Debt									
Debt Svc: City	-	-	-	-	-	-	-	-	-
Debt Svc: SHA									
Debt Svc:									
Total Debt Service	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000
Debt Service Coverage Ratio (Bonds only)	1.31	1.34	1.36	1.39	1.42	1.44	1.47	1.50	1.53
Debt Service Coverage Ratio (all loans)	1.31	1.34	1.36	1.39	1.42	1.44	1.47	1.50	1.53
Cash Flow after Debt Service	\$ 58,038	\$ 62,781	\$ 67,606	\$ 72,514	\$ 77,506	\$ 82,584	\$ 87,747	\$ 92,997	\$ 98,333
Interest Accrued on Developer Loan	234	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	(234)	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	(23,418)	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-	-
Net Cash Flow	\$ 34,386	\$ 62,781	\$ 67,606	\$ 72,514	\$ 77,506	\$ 82,584	\$ 87,747	\$ 92,997	\$ 98,333
Limited Partner Net Cash Flow	\$ 34,352	\$ 62,718	\$ 67,538	\$ 72,441	\$ 77,429	\$ 82,501	\$ 87,659	\$ 92,904	\$ 98,235
Replacement Reserves Cumulative Balance	55,871	56,027	56,190	56,358	56,532	56,712	56,898	57,091	57,290
% Spent in Year of Reserve:									

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APPENDIX D SCIDPDA - Village Square - Commercial Operating Proforma  
EXHIBIT F - COMMUNITY FACILITY

	2021	2022	2023	2024	2025	2026	2027	2028	2029
	17	18	19	20	21	22	23	24	25
<b>Revenue inflation factor:</b>									
Expense inflation factor:									
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ 443,145	\$ 454,224	\$ 465,580	\$ 477,219	\$ 489,150	\$ 501,378	\$ 513,913	\$ 526,761	\$ 539,930
Other Revenue	(\$26,589)	(\$27,253)	(\$27,935)	(\$28,633)	(\$29,349)	(\$30,083)	(\$30,835)	(\$31,606)	(\$32,396)
Vacancy and Loss									
<b>Total Operating Revenue</b>	<b>\$ 416,557</b>	<b>\$ 426,971</b>	<b>\$ 437,645</b>	<b>\$ 448,586</b>	<b>\$ 459,801</b>	<b>\$ 471,296</b>	<b>\$ 483,078</b>	<b>\$ 495,155</b>	<b>\$ 507,534</b>
<b>Operating Expenses:</b>									
Administrative	\$ 1,092	\$ 1,131	\$ 1,170	\$ 1,211	\$ 1,254	\$ 1,297	\$ 1,343	\$ 1,390	\$ 1,438
Advertising	6,235	6,454	6,680	6,913	7,155	7,406	7,665	7,933	8,211
Management	2,705	2,800	2,898	2,999	3,104	3,213	3,325	3,442	3,562
Legal/Partnership	6,182	6,398	6,622	6,854	7,094	7,342	7,599	7,865	8,140
Accounting/Audit									
Compliance Monitoring Fee	34,680	35,894	37,150	38,450	39,796	41,189	42,630	44,122	45,667
Other <u>on site</u>	5,150	5,330	5,517	5,710	5,910	6,117	6,331	6,552	6,781
Other <u>operating reserve</u>	6,763	6,999	7,244	7,498	7,760	8,032	8,313	8,604	8,905
Other <u>security/misc.</u>	2,348	2,430	2,515	2,603	2,694	2,788	2,866	2,987	3,092
Operating									
Elevator									
Heat									
Utilities	24,491	25,348	26,235	27,153	28,104	29,087	30,105	31,159	32,250
Payroll/Payroll Taxes									
Insurance	15,528	16,071	16,534	17,216	17,819	18,442	19,088	19,756	20,447
Security									
Other <u>elevator</u>	2,121	2,195	2,272	2,351	2,434	2,519	2,607	2,698	2,793
Other <u>fire/alarm/testing</u>									
Other <u>custodians</u>	3,817	3,950	4,088	4,231	4,380	4,533	4,691	4,856	5,026
Other <u>contract maintenance</u>	4,916	5,088	5,266	5,450	5,641	5,838	6,043	6,254	6,473
Maintenance									
Decorating & Turnover									
Repairs & Maintenance	4,916	5,088	5,266	5,450	5,641	5,838	6,043	6,254	6,473
Landscape									
Other <u>pest control</u>	1,443	1,493	1,545	1,600	1,656	1,713	1,773	1,835	1,900
Other <u>misc.</u>	695	720	745	771	798	825	855	885	916
Other <u>supplies</u>	349	361	373	386	400	414	428	443	459
Real Estate Taxes	2,878	2,979	3,083	3,191	3,303	3,419	3,538	3,662	3,790
<b>Total Operating Expenses</b>	<b>\$ 126,307</b>	<b>\$ 130,728</b>	<b>\$ 135,303</b>	<b>\$ 140,039</b>	<b>\$ 144,940</b>	<b>\$ 150,013</b>	<b>\$ 155,264</b>	<b>\$ 160,698</b>	<b>\$ 166,322</b>
Replacement Reserves	12,216	12,643	13,086	13,544	14,018	14,509	15,016	15,542	16,086
Trustee Fee	1,734	1,795	1,857	1,923	1,990	2,059	2,132	2,206	2,283
Earnings on Replacement & Operating Reserves	2,012	2,020	2,028	2,036	2,044	2,053	2,061	2,071	2,080
Earnings on Debt Service Reserve	11,445	11,445	11,445	11,445	11,445	11,445	11,445	11,445	11,445
<b>Net Operating Income</b>	<b>\$ 289,757</b>	<b>\$ 295,270</b>	<b>\$ 300,871</b>	<b>\$ 306,561</b>	<b>\$ 312,342</b>	<b>\$ 318,212</b>	<b>\$ 324,173</b>	<b>\$ 330,225</b>	<b>\$ 336,367</b>
<b>Annual Operating Expenses per Unit (excl. Trust):</b>									
Debt Svc: Bonds	69,261	\$ 71,868	\$ 74,195	\$ 76,791	\$ 79,479	\$ 82,261	\$ 85,140	\$ 88,120	\$ 91,204
Debt Svc: Conventional Debt	186,000	186,000	186,000	186,000	186,000	186,000	186,000	186,000	186,000
Debt Svc: City									
Debt Svc: SHA									
Debt Svc:									
<b>Total Debt Service</b>	<b>\$ 186,000</b>								
Debt Service Coverage Ratio (Bonds only)	1.56	1.59	1.62	1.65	1.68	1.71	1.74	1.78	1.81
Debt Service Coverage Ratio (all loans)	1.56	1.59	1.62	1.65	1.68	1.71	1.74	1.78	1.81
Cash Flow after Debt Service	\$ 103,757	\$ 109,270	\$ 114,871	\$ 120,561	\$ 126,342	\$ 132,212	\$ 138,173	\$ 144,225	\$ 150,367
Interest Accrued on Developer Loan									
Interest Paid on Developer Loan									
Principal Paid or Accrued on Developer Loan									
Developer Loan Balance									
Net Cash Flow	\$ 103,757	\$ 109,270	\$ 114,871	\$ 120,561	\$ 126,342	\$ 132,212	\$ 138,173	\$ 144,225	\$ 150,367
Limited Partner Net Cash Flow	\$ 103,653	\$ 109,160	\$ 114,756	\$ 120,441	\$ 126,215	\$ 132,080	\$ 138,035	\$ 144,080	\$ 150,217
Replacement Reserves Cumulative Balance	57,497	57,711	57,932	58,161	58,398	58,643	58,897	59,160	59,432
% Spent in Year of Reserve:									



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APPENDIX D  
SCIDPDA - Village Square - Commercial Operating Proforma  
EXHIBIT F- COMMUNITY FACILITY

	2030	2031	2032	2033	2034	2035	2036	2037	2038
Revenue Inflation factor:	26	27	28	29	30	31	32	33	34
Expense Inflation factor:									
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ 553,428	\$ 567,264	\$ 581,445	\$ 595,981	\$ 610,881	\$ 626,153	\$ 641,807	\$ 657,852	\$ 674,298
Other Revenue	(\$33,206)	(\$34,036)	(\$34,887)	(\$35,759)	(\$36,653)	(\$37,569)	(\$38,508)	(\$39,471)	(\$40,458)
Total Operating Revenue	\$ 520,222	\$ 533,228	\$ 546,559	\$ 560,222	\$ 574,228	\$ 588,584	\$ 603,298	\$ 618,381	\$ 633,840
<b>Operating Expenses:</b>									
<b>Administrative</b>									
Advertising	\$ 1,489	\$ 1,541	\$ 1,595	\$ 1,651	\$ 1,708	\$ 1,768	\$ 1,830	\$ 1,894	\$ 1,961
Management	8,498	8,796	9,104	9,422	9,752	10,093	10,446	10,812	11,191
Legal/Partnership	3,687	3,816	3,949	4,087	4,231	4,379	4,532	4,690	4,855
Accounting/Audit	8,425	8,720	9,025	9,341	9,668	10,006	10,356	10,719	11,094
Compliance Monitoring Fee									
Other on site	47,265	48,919	50,631	52,403	54,238	56,136	58,101	60,134	62,239
Other operating reserve	7,019	7,264	7,519	7,782	8,054	8,336	8,628	8,930	9,242
Other security/misc.	9,217	9,539	9,873	10,219	10,576	10,946	11,330	11,726	12,137
Other supplies	3,200	3,312	3,428	3,548	3,672	3,800	3,933	4,071	4,214
<b>Operating</b>									
Elevator	-	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-	-
Utilities	33,378	34,547	35,756	37,007	38,303	39,643	41,031	42,467	43,953
Payroll/Payroll Taxes									
Insurance	21,163	21,904	22,670	23,464	24,285	25,135	26,015	26,925	27,867
Security	-	-	-	-	-	-	-	-	-
Other elevator	2,890	2,991	3,096	3,204	3,317	3,433	3,553	3,677	3,806
Other fire/alarm/testing	-	-	-	-	-	-	-	-	-
Other custodians	5,202	5,384	5,572	5,767	5,969	6,178	6,394	6,618	6,849
Other contract maintenance	6,700	6,934	7,177	7,428	7,688	7,957	8,236	8,524	8,822
<b>Maintenance</b>									
Decorating & Turnover	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	6,700	6,934	7,177	7,428	7,688	7,957	8,236	8,524	8,822
Landscaping	-	-	-	-	-	-	-	-	-
Other pest control	1,966	2,035	2,106	2,180	2,256	2,335	2,417	2,502	2,589
Other misc.	948	981	1,015	1,051	1,087	1,126	1,165	1,206	1,248
Other supplies	475	492	509	527	545	564	584	604	626
Real Estate Taxes	3,923	4,060	4,202	4,349	4,502	4,659	4,822	4,991	5,166
Total Operating Expenses	\$ 172,143	\$ 178,169	\$ 184,404	\$ 190,859	\$ 197,539	\$ 204,452	\$ 211,508	\$ 219,015	\$ 226,680
Replacement Reserves	16,649	17,232	17,835	18,459	19,105	19,774	20,466	21,182	21,924
Trustee Fee	2,363	2,446	2,532	2,620	2,712	2,807	2,905	3,007	3,112
Earnings on Replacement & Operating Reserves	2,090	2,100	2,111	2,122	2,133	2,145	2,157	2,169	2,182
Earnings on Debt Service Reserve	11,445	11,445	11,445	11,445	11,445	11,445	11,445	11,445	11,445
Net Operating Income	\$ 342,601	\$ 348,927	\$ 355,343	\$ 354,326	\$ 360,925	\$ 367,615	\$ 374,396	\$ 381,267	\$ 388,227
Annual Operating Expenses per Unit (excl. Trust)	\$ 94,396	\$ 97,700	\$ 101,120	\$ 104,659	\$ 108,322	\$ 112,113	\$ 116,037	\$ 120,098	\$ 124,302
Debt Svc: Bonds	186,000	186,000	186,000						
Debt Svc: Conventional Debt									
Debt Svc: City									
Debt Svc:									
Debt Svc: SHA									
Debt Svc:									
Total Debt Service	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000	\$ 186,000
Debt Service Coverage Ratio (Bonds only)	1.84	1.88	1.91	N/A	N/A	N/A	N/A	N/A	N/A
Debt Service Coverage Ratio (all loans)	1.84	1.88	1.91	N/A	N/A	N/A	N/A	N/A	N/A
Cash Flow after Debt Service	\$ 156,601	\$ 162,927	\$ 169,343	\$ 354,326	\$ 360,925	\$ 367,615	\$ 374,396	\$ 381,267	\$ 388,227
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-	-
Net Cash Flow	\$ 156,601	\$ 162,927	\$ 169,343	\$ 354,326	\$ 360,925	\$ 367,615	\$ 374,396	\$ 381,267	\$ 388,227
Limited Partner Net Cash Flow	\$ 156,445	\$ 162,764	\$ 169,174	\$ 353,972	\$ 360,564	\$ 367,248	\$ 374,021	\$ 380,885	\$ 387,839
Replacement Reserves Cumulative Balance	59,714	60,005	60,306	60,619	60,942	61,276	61,622	61,980	62,351
% Spent in Year of Reserve:									



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## APPENDIX D SCIDPDA - Village Square - Commercial Operating Proforma

## EXHIBIT F- COMMUNITY FACILITY

	2039	2040	2041	2042	2043	2044	2045	2046	2047
Revenue Inflation factor:	35	36	37	38	39	40	41	42	43
Expense Inflation factor:									
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue	\$ 691,156	\$ 708,435	\$ 726,145	\$ 744,299	\$ 762,907	\$ 781,979	\$ 801,529	\$ 821,567	\$ 842,106
Vacancy and Loss	(\$41,469)	(\$42,506)	(\$43,569)	(\$44,658)	(\$45,774)	(\$46,919)	(\$48,092)	(\$49,294)	(\$50,526)
<b>Total Operating Revenue</b>	<b>\$ 649,686</b>	<b>\$ 665,928</b>	<b>\$ 682,577</b>	<b>\$ 699,641</b>	<b>\$ 717,132</b>	<b>\$ 735,060</b>	<b>\$ 753,437</b>	<b>\$ 772,273</b>	<b>\$ 791,580</b>
<b>Operating Expenses:</b>									
<b>Administrative</b>									
Advertising	\$ 2,029	\$ 2,100	\$ 2,174	\$ 2,250	\$ 2,328	\$ 2,410	\$ 2,494	\$ 2,582	\$ 2,672
Management	11,582	11,988	12,407	12,841	13,291	13,756	14,237	14,736	15,252
Legal/Partnership	5,025	5,200	5,382	5,571	5,766	5,968	6,176	6,393	6,616
Accounting/Audit	11,482	11,884	12,300	12,731	13,176	13,637	14,115	14,609	15,120
Compliance Monitoring Fee	-	-	-	-	-	-	-	-	-
Other on site	64,417	66,672	69,005	71,421	73,920	76,507	79,185	81,957	84,825
Other operating reserve	9,566	9,901	10,247	10,606	10,977	11,361	11,759	12,171	12,597
Other security/misc.	12,561	13,001	13,456	13,927	14,414	14,919	15,441	15,982	16,541
Other supplies	4,361	4,514	4,672	4,835	5,004	5,180	5,361	5,548	5,743
<b>Operating</b>									
Elevator	-	-	-	-	-	-	-	-	-
Heat	-	-	-	-	-	-	-	-	-
Utilities	45,491	47,084	48,732	50,437	52,202	54,030	55,921	57,878	59,904
Payroll/Payroll Taxes									
Insurance	28,843	29,852	30,897	31,979	33,098	34,256	35,455	36,696	37,980
Security	-	-	-	-	-	-	-	-	-
Other elevator	3,939	4,077	4,220	4,367	4,520	4,678	4,842	5,012	5,187
Other fire/alarm/testing	-	-	-	-	-	-	-	-	-
Other custodians	7,089	7,337	7,594	7,860	8,135	8,420	8,714	9,019	9,335
Other contract maintenance	9,131	9,451	9,782	10,124	10,478	10,845	11,225	11,617	12,024
<b>Maintenance</b>									
Decorating & Turnover	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	9,131	9,451	9,782	10,124	10,478	10,845	11,225	11,617	12,024
Landscape	-	-	-	-	-	-	-	-	-
Other pest control	2,680	2,774	2,871	2,971	3,075	3,183	3,294	3,409	3,529
Other misc.	1,292	1,337	1,384	1,432	1,482	1,534	1,588	1,643	1,701
Other supplies	647	670	694	718	743	769	796	824	852
<b>Real Estate Taxes</b>	<b>\$ 5,347</b>	<b>\$ 5,534</b>	<b>\$ 5,727</b>	<b>\$ 5,928</b>	<b>\$ 6,135</b>	<b>\$ 6,350</b>	<b>\$ 6,572</b>	<b>\$ 6,802</b>	<b>\$ 7,040</b>
<b>Total Operating Expenses</b>	<b>\$ 234,614</b>	<b>\$ 242,825</b>	<b>\$ 251,324</b>	<b>\$ 260,121</b>	<b>\$ 269,225</b>	<b>\$ 278,648</b>	<b>\$ 288,400</b>	<b>\$ 298,494</b>	<b>\$ 308,942</b>
Replacement Reserves	22,691	23,485	24,307	25,158	26,038	26,950	27,893	28,869	29,880
Trustee Fee	3,221	3,334	3,450	3,571	3,696	3,825	3,959	4,098	4,241
Earnings on Replacement & Operations Reserves	2,196	2,210	2,224	2,239	2,254	2,270	2,287	2,304	2,322
Earnings on Debt Service Reserve	3,920	3,920	3,920	3,920	3,920	3,920	3,920	3,920	3,920
<b>Net Operating Income</b>	<b>\$ 395,276</b>	<b>\$ 402,414</b>	<b>\$ 409,639</b>	<b>\$ 416,950</b>	<b>\$ 424,347</b>	<b>\$ 431,828</b>	<b>\$ 439,391</b>	<b>\$ 447,035</b>	<b>\$ 454,759</b>
<b>Annual Operating Expenses per Unit (excl. Trust)</b>	<b>\$ 128,652</b>	<b>\$ 133,155</b>	<b>\$ 137,816</b>	<b>\$ 142,639</b>	<b>\$ 147,632</b>	<b>\$ 152,799</b>	<b>\$ 158,147</b>	<b>\$ 163,682</b>	<b>\$ 169,411</b>
Debt Svc: Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Svc: Conventional Debt	-	-	-	-	-	-	-	-	-
Debt Svc: C-1	-	-	-	-	-	-	-	-	-
Debt Svc: SHA	-	-	-	-	-	-	-	-	-
Debt Svc: -	-	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ -</b>								
Debt Service Coverage Ratio (Bonds only)	N/A								
Debt Service Coverage Ratio (all loans)	N/A								
<b>Cash Flow after Debt Service</b>	<b>\$ 395,276</b>	<b>\$ 402,414</b>	<b>\$ 409,639</b>	<b>\$ 416,950</b>	<b>\$ 424,347</b>	<b>\$ 431,828</b>	<b>\$ 439,391</b>	<b>\$ 447,035</b>	<b>\$ 454,759</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Developer Loan Balance	-	-	-	-	-	-	-	-	-
<b>Net Cash Flow</b>	<b>\$ 395,276</b>	<b>\$ 402,414</b>	<b>\$ 409,639</b>	<b>\$ 416,950</b>	<b>\$ 424,347</b>	<b>\$ 431,828</b>	<b>\$ 439,391</b>	<b>\$ 447,035</b>	<b>\$ 454,759</b>
Limited Partner Net Cash Flow	\$ 394,681	\$ 402,012	\$ 409,229	\$ 416,534	\$ 423,923	\$ 431,396	\$ 438,952	\$ 446,588	\$ 454,304
Replacement Reserves Cumulative Balance	62,734	63,132	63,543	63,968	64,408	64,864	65,335	65,824	66,329
% Spent in Year of Reserve:	-	-	-	-	-	-	-	-	-



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## APPENDIX D

## SCIDPDA - Village Square - Commercial Operating Proforma

## EXHIBIT F- COMMUNITY FACILITY

	2048	2049	2050	2051	2052	2053	2054	2055	2056
	44	45	46	47	48	49	50	51	52
<b>Revenue Inflation factor:</b>									
Expense inflation factor:									
<b>Operating Revenues:</b>									
Gross Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue	863,159	884,738	906,856	929,528	952,766	976,585	1,000,999	1,026,024	1,051,675
Vacancy and Loss	(\$51,790)	(\$53,084)	(\$54,411)	(\$55,772)	(\$57,166)	(\$58,595)	(\$60,060)	(\$61,561)	(\$63,101)
<b>Total Operating Revenue</b>	<b>\$ 811,369</b>	<b>\$ 831,653</b>	<b>\$ 852,445</b>	<b>\$ 873,756</b>	<b>\$ 895,600</b>	<b>\$ 917,990</b>	<b>\$ 940,940</b>	<b>\$ 964,463</b>	<b>\$ 988,575</b>
<b>Operating Expenses:</b>									
Administrative	\$ 2,766	\$ 2,862	\$ 2,962	\$ 3,066	\$ 3,173	\$ 3,285	\$ 3,400	\$ 3,519	\$ 3,642
Advertising	15,785	16,338	16,910	17,502	18,114	18,748	19,404	20,083	20,786
Management	6,848	7,088	7,336	7,592	7,858	8,133	8,418	8,712	9,017
Legal/Partnership	15,649	16,197	16,764	17,351	17,958	18,586	19,237	19,910	20,607
Accounting/Audit									
Compliance Monitoring Fee	87,794	90,867	94,047	97,339	100,746	104,272	107,921	111,599	115,608
Other on site	13,037	13,494	13,966	14,455	14,961	15,484	16,026	16,587	17,168
Other operating reserve	17,120	17,719	18,339	18,981	19,645	20,333	21,045	21,781	22,544
Other security,msc.	5,944	6,152	6,367	6,590	6,820	7,059	7,306	7,562	7,827
Other supplies									
<b>Operating</b>									
Elevator	-	-	-	-	-	-	-	-	-
Heat	62,000	64,170	66,416	68,741	71,147	73,637	76,214	78,882	81,642
Utilities									
Payroll/Payroll Taxes	39,310	40,686	42,110	43,583	45,109	46,688	48,322	50,013	51,763
Insurance									
Security	5,369	5,557	5,751	5,952	6,161	6,376	6,599	6,830	7,069
Other elevator	1,760	1,822	1,886	1,952	2,020	2,091	2,164	2,240	2,318
Other fire/alarm/testing	882	913	945	978	1,012	1,048	1,085	1,123	1,162
Other custodians									
Other contract maintenance	12,445	12,880	13,331	13,798	14,281	14,781	15,298	15,833	16,387
<b>Maintenance</b>									
Decorating & Turnover	-	-	-	-	-	-	-	-	-
Repair & Maintenance	12,445	12,880	13,331	13,798	14,281	14,781	15,298	15,833	16,387
Landscaping									
Other pest control	3,652	3,780	3,912	4,049	4,191	4,338	4,490	4,647	4,809
Other msc	1,760	1,822	1,886	1,952	2,020	2,091	2,164	2,240	2,318
Other supplies	882	913	945	978	1,012	1,048	1,085	1,123	1,162
Real Estate Taxes	7,287	7,542	7,805	8,079	8,362	8,655	8,957	9,271	9,595
<b>Total Operating Expenses</b>	<b>\$ 319,755</b>	<b>\$ 330,946</b>	<b>\$ 342,529</b>	<b>\$ 354,518</b>	<b>\$ 368,926</b>	<b>\$ 379,768</b>	<b>\$ 393,060</b>	<b>\$ 406,817</b>	<b>\$ 421,056</b>
Replacement Reserves	30,925	32,008	33,128	34,288	35,488	36,730	38,015	39,346	40,723
Trustee Fee	4,390	4,543	4,702	4,867	5,037	5,214	5,396	5,585	5,780
Earnings on Replacement & Operating Reserves	2,340	2,359	2,378	2,399	2,420	2,441	2,464	2,487	2,511
Earnings on Debt Service Reserve	3,920	3,920	3,920	3,920	3,920	3,920	3,920	3,920	3,920
<b>Net Operating Income</b>	<b>\$ 462,559</b>	<b>\$ 470,435</b>	<b>\$ 478,383</b>	<b>\$ 486,402</b>	<b>\$ 494,489</b>	<b>\$ 502,640</b>	<b>\$ 510,852</b>	<b>\$ 519,122</b>	<b>\$ 527,447</b>
<b>Annual Operating Expenses per Unit (exc. Trust Fund)</b>									
Debt Svc: Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Svc: Conventional Debt									
Debt Svc: City									
Debt Svc: SHA									
Debt Svc:									
<b>Total Debt Service</b>	<b>\$ -</b>								
Debt Service Coverage Ratio (Bonds only)	N/A								
Debt Service Coverage Ratio (all loans)	N/A	N/A	N/A	N/A	N/A	N/A	4.11	4.18	4.25
<b>Cash Flow after Debt Service</b>	<b>\$ 462,559</b>	<b>\$ 470,435</b>	<b>\$ 478,383</b>	<b>\$ 486,402</b>	<b>\$ 494,489</b>	<b>\$ 502,640</b>	<b>\$ 386,673</b>	<b>\$ 394,943</b>	<b>\$ 403,267</b>
Interest Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Interest Paid on Developer Loan	-	-	-	-	-	-	-	-	-
Principal Paid or Accrued on Developer Loan	-	-	-	-	-	-	-	-	-
Developer Loan Balance									
Net Cash Flow	\$ 462,559	\$ 470,435	\$ 478,383	\$ 486,402	\$ 494,489	\$ 502,640	\$ 386,673	\$ 394,943	\$ 403,267
Limited Partner Net Cash Flow	\$ 462,097	\$ 469,964	\$ 477,905	\$ 485,916	\$ 493,934	\$ 502,137	\$ 386,286	\$ 394,548	\$ 402,864
Replacement Reserves Cumulative Balance	66,852	67,393	67,053	68,533	69,133	69,754	70,397	71,062	71,750
% Spent in Year of Reserve:									



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## APPENDIX D

## SCIDPDA - Village Square - Commercial Operating Performance

## EXHIBIT F- COMMUNITY FACILITY

Revenue inflation factor:	<b>2057</b>	<b>2058</b>
Expense inflation factor:	<b>53</b>	<b>54</b>
<b>Operating Revenues:</b>		
Gross Rental Revenue	\$ -	\$ -
Other Revenue	1,077,967	1,104,916
Vacancy and Loss	(\$64,578)	(\$66,295)
<b>Total Operating Revenue</b>	<b>\$ 1,013,289</b>	<b>\$ 1,038,621</b>
<b>Operating Expenses:</b>		
Administrative	\$ 3,769	\$ 3,901
Advertising	21,514	22,267
Management	9,333	9,660
Legal/Partnership	21,326	22,075
Accounting/Audit		
Compliance Monitoring Fee		
Other <u>on site</u>	119,654	123,842
Other <u>operating reserve</u>	17,769	18,391
Other <u>security, misc.</u>	23,333	24,149
Other <u>supplies</u>	8,101	8,364
Operating		
Elevator		
Heat		
Utilities	84,500	87,457
Payroll/Payroll Taxes		
Insurance	53,575	55,450
Security		
Other <u>elevator</u>	7,317	7,573
Other <u>fire/alarm/testing</u>		
Other <u>custodians</u>	13,168	13,829
Other <u>contract maintenance</u>	16,961	17,555
Maintenance		
Decorating & Turnover		
Repairs & Maintenance	16,961	17,555
Landscaping		
Other <u>pest control</u>	4,978	5,152
Other <u>misc.</u>	2,399	2,483
Other <u>supplies</u>	1,203	1,245
Real Estate Taxes	9,931	10,279
<b>Total Operating Expenses</b>	<b>\$ 435,793</b>	<b>\$ 451,046</b>
Replacement Reserves	42,148	43,623
Trustee Fee	5,983	6,192
Earnings on Replacement & Operating Reserves	2,536	2,562
Earnings on Debt Service Reserve	3,920	3,920
<b>Net Operating Income</b>	<b>\$ 535,821</b>	<b>\$ 544,242</b>
<b>Annual Operating Expenses per Unit (excl. Trust):</b>		
\$ 238,971	\$ 247,334	
Debt Svc: Bonds	\$ -	\$ -
Debt Svc: Conventional Debt		
Debt Svc: City		
Debt Svc:		
Debt Svc: SHA	124,179	124,179
Debt Svc:		
<b>Total Debt Service</b>	<b>\$ 124,179</b>	<b>\$ 124,179</b>
Debt Service Coverage Ratio (Bonds only)	N/A	N/A
Debt Service Coverage Ratio (all loans)	4.31	4.38
<b>Cash Flow after Debt Service</b>	<b>\$ 411,642</b>	<b>\$ 420,063</b>
Interest Accrued on Developer Loan		
Interest Paid on Developer Loan		
Principal Paid or Accrued on Developer Loan		
Developer Loan Balance		
Net Cash Flow	\$ 411,642	\$ 420,063
Limited Partner Net Cash Flow	\$ 411,230	\$ 419,643
Replacement Reserves Cumulative Balance	72,463	73,201
% Spent in Year of Reserve:		

Sound Finance Group, Inc.

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09/16/2002

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**Appendix E:**

**Cashflows During Construction (Non-Housing Project)**

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Appendix E

Monthly Project Cash Flow Schedule (through 12/1/05)-Parking and Library

Month Number	1 10/01/2002	2 11/01/2002	3 12/01/2002	4 01/01/2003	5 02/01/2003	6 03/01/2003	7 04/01/2003	8 05/01/2003	9 06/01/2003	10 07/01/2003
Library Income										
Triple Net										
Parking Income	10,604	10,604	10,604	10,604	10,604	10,604	10,604	10,604	10,604	10,604
Capitalized Interest										
Rent-Up Reserve										
Interest Earnings	825	811	797	783	769	755	741	726	712	698
Operating Expenses:										
Replacement Reserves										
Operating Reserves										
Debt Service:										
Short Term Bonds										
Long Term Bonds	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604
Net Project Income	825	811	797	783	769	755	741	726	712	698
Fund Balances										
Debt Service Reserve	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122
Interest Reserve	323,975	313,371	302,767	292,163	281,558	270,954	260,350	249,746	239,142	228,538
Operating Reserve	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389
Rent Up Reserve	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687



Appendix E

Month Number	11 08/01/2003	12 09/01/2003	13 10/01/2003	14 11/01/2003	15 12/01/2003	16 01/01/2004	17 02/01/2004	18 03/01/2004	19 04/01/2004	20 05/01/2004
Library Income										
Triple Net										
Parking Income										
Capitalized Interest	10,604	10,604	10,604	10,604	10,604	10,604	10,604	10,604	10,604	10,604
Rent-Up Reserve										
Interest Earnings	684	670	656	642	628	613	599	585	571	557
Operating Expenses:										
Replacement Reserves										
Operating Reserves										
Debt Service:										
Short Term Bonds										
Long Term Bonds	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604	\$10,604
Net Project Income	684	670	656	642	628	613	599	585	571	557
Fund Balances										
Debt Service Reserve	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122
Interest Reserve	217,933	207,329	196,725	186,121	175,517	164,913	154,308	143,704	133,100	122,496
Operating Reserve	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389
Rent Up Reserve	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687



Appendix E

**Construction Completion** **Rent Up Complete**

Month Number	21 06/01/2004	22 07/01/2004	23 08/01/2004	24 09/01/2004	25 10/01/2004	26 11/01/2004	27 12/01/2004	28 01/01/2005	29 02/01/2005	30 03/01/2005
Library Income		5,028	5,028	5,028	5,028	5,028	5,028	5,028	5,028	5,028
Trip Net		1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241
Parking Income		10,955	12,359	13,061	14,465	15,167	15,869	17,975	17,975	17,975
Capitalized Interest	10,604	10,604	10,604	10,604	10,604	11,580	11,580	11,580	11,580	11,580
Rent-Up Reserve										
Interest Earnings	543	529	514	500	486	471	455	440	424	409
Operating Expenses:		\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072
Replacement Reserves								587	587	587
Operating Reserves								\$ 248	\$ 248	\$ 248
Debt Service:										
Short Term Bonds										
Long Term Bonds	\$ 10,604	\$ 10,604	\$ 10,604	\$ 10,604	\$ 10,604	\$ 15,188	\$ 15,188	\$ 15,188	\$ 15,188	\$ 15,188
Net Project Income	543	11,681	13,071	13,759	15,148	12,227	12,914	14,170	14,154	14,139
Fund Balances										
Debt Service Reserve	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122
Interest Reserve	111,892	101,288	90,683	80,079	69,475	57,895	46,315	34,736	23,156	11,576
Operating Reserve	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389
Rent Up Reserve	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687



Appendix E

**Capitalized Interest Runs Out**

Month Number	31	32	33	34	35	36	37	38	39	12/01/2005	Total
	04/01/2005	05/01/2005	06/01/2005	07/01/2005	08/01/2005	09/01/2005	10/01/2005	11/01/2005			
Library Income	5,028	5,028	5,028	5,028	5,028	5,028	5,028	5,028	5,028	5,028	\$ 90,512
Triple Net	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	\$ 22,338
Parking Income	17,975	17,975	17,975	17,975	17,975	17,975	17,975	17,975	17,975	17,975	\$ 297,576
Capitalized Interest											
Rent-Up Reserve											
Interest Earnings	409	409	409	409	409	409	409	409	409	409	\$ 22,274
Operating Expenses:	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 109,299
Replacement Reserves	587	587	587	587	587	587	587	587	587	587	\$ 7,045
Operating Reserves	\$ 248	\$ 248	\$ 248	\$ 248	\$ 248	\$ 248	\$ 248	\$ 248	\$ 248	\$ 248	\$ 2,970
Debt Service:											
Short Term Bonds											
Long Term Bonds	\$15,188	\$15,188	\$15,188	\$15,188	\$15,188	\$15,188	\$15,188	\$15,188	\$15,188	\$15,188	\$ 477,729
Net Project Income	2,559	2,559	2,559	2,559	2,559	2,559	2,559	2,559	2,559	2,559	\$ 158,660
Fund Balances											
Debt Service Reserve	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 295,122	\$ 11,509,758
Interest Reserve	11,576	11,576	11,576	11,576	11,576	11,576	11,576	11,576	11,576	11,576	\$ 5,195,985
Operating Reserve	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 51,389	\$ 2,004,171
Rent Up Reserve	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687	14,687	\$ 572,793

**Appendix F**

Letter of Mutual Understanding and Intent  
Branch Library at IDVSII

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Appendix F

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September 27, 2001

Sue Taoka, Executive Director  
Seattle Chinatown International District  
Preservation and Development Authority  
409 Maynard South  
Seattle, WA 98104

RE: Branch Library at International District Village Square Phase 2

Dear Ms Taoka:

This letter shall serve as a non-binding expression of the mutual understanding and intent of the Seattle Public Library Board of Trustees ("SPL") and the Seattle Chinatown International District Preservation and Development Authority ("SCIDPDA") as to certain basic terms and conditions which, if satisfied, will result in the location of the International District Branch Library ("Branch Library") as part of the development known as the International District Village Square Phase 2 ("IDVS2").

It is understood and agreed that in addition to the Branch Library, IDVS2 is expected to include a City of Seattle Parks & Recreation Department community recreation center, family housing, retail space and public and leased parking. IDVS2 will be developed by SCIDPDA upon property it owns located between S. Dearborn and S. Lane Streets and 7<sup>th</sup> and 8<sup>th</sup> Avenues S. in Seattle, which property is more particularly described as:

Lots 1 to 8, inclusive, of Turner's Supplemental Plat of the east half of Block 52, D.S. Maynard's Plat of the Town, now City of Seattle, according to the plat thereof recorded in Volume I of Plats, page 169, in King County Washington;

EXCEPT the south 12 feet of said Lots 1 to 4, inclusive, condemned in King County Superior Court Cause Number 52652, for Dearborn Street, as provided by Ordinance Number 13320 of the City of Seattle.

It is the understanding and intent of the parties hereto that the following terms and conditions be met in connection with the inclusion of the Branch Library as a long-term tenant of IDVS2 development:

1. SCIDPDA will be responsible for the development of IDVS2, including its financing, design, permitting, construction, maintenance and operation. The IDVS2 development schedule is attached hereto as Exhibit A. SCIDPDA shall exercise its best efforts to maintain such schedule.

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2. As part of IDVS2 development, SCIDPDA will, in consultation with SPL, make approximately 4,000 square feet of finished first-floor shell and core space available to SPL for Branch Library purposes ("Shell Project"). The Shell Project will satisfy the reasonable design, functional and operational requirements of SPL for the Branch Library and related purposes within the overall project constraints. Shell Project design and construction plans and schedules will be subject to review and approval by SPL, which approval shall in no event be unreasonably delayed or withheld.

3. The Branch Library space will be located contiguous to first-floor retail space consisting of no less than 1,500 square feet in order to accommodate the possible future expansion of the Branch Library. Lease and rental agreements entered into by SCIDPDA with third parties for all such retail space shall take into account such possible future expansion, for example through contract provisions allowing the Library to have the right of first refusal on contiguous space should it become available during the term of the Library lease.

4. The parties will negotiate a lease of the Shell Project space for Branch Library purposes. The lease will be on mutually acceptable terms and conditions, including a term of approximately 30 (thirty) years in duration and the authority necessary to permit SPL to sublease portions of the Shell Project space to third parties. The lease term will begin once IDVS2 has been approved for occupancy and following the construction by SPL of all tenant improvements to the Shell Project space. Lease payments from SPL to SCIDPDA will be based on factors such as SCIDPDA's debt service obligations and triple net and other expenses related to the Shell Project. The lease term will begin following completion of IDVS2 development (including the Shell Project) and the issuance of certificates of occupancy and any other necessary approvals. The parties will negotiate and execute such further instruments as may be mutually determined necessary to address joint operational issues, including the possible shared use of IDVS2 common areas, such as outdoor spaces, service access and parking.

5. SPL will be responsible for designing, funding and constructing all tenant improvements to the Shell Project space which are considered by SPL to be necessary or desirable for Branch Library purposes. SCIDPDA may review and approve the nature and design of the improvements (and any material modifications thereto), but such approval shall in no event be unreasonably delayed or withheld. SCIDPDA and its contractors will cooperate with SPL and its contractor during construction of the tenant improvements, including with respect to such issues as access and use of utilities. SPL expects to utilize voter-approved Library Bond sales proceeds to fund the tenant improvements but will be responsible for all such costs in any event.

6. SPL and SCIDPDA will work together to ensure that the development of IDVS2 satisfactorily addresses the reasonable parking needs of the public and SPL employees.

7. SPL and SCIDPDA will work together cooperatively and in good faith to successfully implement this non-binding expression of the mutual understanding and intent and to address other related issues as they may arise.



Sincerely,

By: \_\_\_\_\_  
For Seattle Public Library Board  
of Trustees

Foregoing expression of understanding and intent agreed to:

By: \_\_\_\_\_  
For: Seattle Chinatown International District  
Preservation and Development Authority

Letterof2.doc

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Appendix G:

Fundraising Plan for IDVS 2

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Appendix G

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Appendix G  
Fundraising Plan for IDVS 2

From 1994 to 1998, SCIDPDA conducted a successful \$3.5 million capital campaign for Phase 1 procuring gifts from corporations, foundations, major donors, events and community members. The private fundraising associated with Phase 2 will be from a select group of corporations and foundations that have previously provided funding, since we can't undertake another full campaign given the close proximity of the recent campaign (many donors are still paying off their outstanding pledges).

Donor	Date	Amount	Status
Eastern Hotel/Interim	Nov-98	\$15,000	Committed
Vulcan Northwest	Jan-99	\$45,000	Committed
The Paul G. Allen Charitable Foundation	Sep-99	\$250,000	Committed
Washington Mutual Foundation	Nov-99	\$25,000	Committed
Washington Mutual Foundation	Sep-00	\$75,000	Committed
The Paul G. Allen Charitable Foundation	Sep-00	\$750,000	Committed
South Downtown Foundation	Nov-00	\$100,000	Committed
Medina Foundation	Dec-00	\$100,000	Committed
The Wood Family Foundation	Dec-00	\$30,000	Committed
McEachern Foundation	Jan-01	\$25,000	Committed
Ferguson Foundation	Jan-01	\$5,000	Committed
Nesholm Family Foundation	Feb-01	\$50,000	Committed
U.S. Bank	Mar-01	\$20,000	Committed
OH Non-Profit Housing Development Services	Mar-01	\$64,222	Committed
Bill & Melinda Gates Foundation	May-01	\$750,000	Committed
Bank of America Foundation	May-01	\$50,000	Committed
Weyerhaeuser Company Foundation	Jun-01	\$10,000	Committed
Fannie Mae	Jul-01	\$3,750	Committed
KeyBank	Oct-01	\$10,000	Committed
Weyerhaeuser Company Foundation	Dec-01	\$15,000	Committed
KeyBank	Dec-02	\$5,000	Committed
OH Non-Profit Housing Development Services	Mar-02	\$64,222	Committed
<b>TOTAL - Commitments (through July)</b>		<b>\$1,962,194</b>	
Commercia Bank	Aug- 02	\$25,000	Committed
<b>TOTAL - New Commitments (since August)</b>		<b>\$25,000</b>	
<b>TOTAL - Pending - 19 requests</b>		<b>\$1,925,000</b>	

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**Appendix H**

**Heffron Parking Feasibility Analysis**

Appendix H

H



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July 16, 2002

Paul Mar  
SCIDPDA  
409 Maynard Avenue S.  
P.O. Box 3302  
Seattle, WA 98114

**Subject: ID Village Square II  
Parking Feasibility Analysis**

Dear Paul,

I prepared a parking feasibility analysis for SCIDPDA dated August 31, 2001. This analysis is still valid based on the new parking demand and revenue information you provided to me in June 2002. Your new data indicated that there has been no negative impact on parking demand in the International District caused by the region's economic downturn.

There is one potential change that could affect your revenue forecasts: the City council and mayor may be considering a parking tax in this year's budget debate. Analyses related to the potential implications of such a tax are now underway at the City staff level. Although there is no current proposal for how such a tax would be implemented, the most likely scenario would apply it to gross parking revenues (similar to the B&O tax and sales tax). Rates ranging up to 10% could be considered. I recommend that you follow the budget process this fall closely related to this tax, since it could affect your projected revenue.

Please call me at (206) 523-3939 if you have any questions.

Sincerely,  
Heffron Transportation, Inc.

Marai C. Heffron, P.E., P.T.O.E.  
President

MCH/mch

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heffron  
transportation, inc.

August 31, 2001

EXHIBIT 9

Paul Mar  
SCIDPDA  
409 Maynard Avenue S.  
P.O. Box 3302  
Seattle, WA 98114

Subject: ID Village Square II  
Parking Feasibility Analysis

Dear Paul,

I have reviewed the materials you provided to me regarding the proposed parking garage for ID Village Square II. This information included cost and revenue projections for the proposed garage. My expertise is related to parking demand and operations; therefore, the majority of my review focused on the parking revenue profile (attached).

Overall, I commend you for a thorough analysis. As you are well aware, there is a limit to the revenue that can be generated by the garage because of the price limits for parking. The price limits are established by the market, which includes competing parking and the clientele who use the garage. Historically, these clientele have dictated rates that are lower than parking rates elsewhere in Seattle. For this reason, all efforts to reduce the cost of the garage, and reduce cheating by parking users will benefit this project. I have summarized my comments regarding your analysis and provided some additional insights for your use below.

#### Garage Cost and Operation

- Underground parking is more expensive to construct than above-grade parking. Your estimates for the cost per space of this garage exceed \$40,000. The City of Seattle Land Use Code allows parking for a project to be located within 800 feet. Therefore, even with additional land costs, it may be more cost effective to find an off-site location to construct above-ground parking.
- You may want to consider an attendant to control the parking lot rather than the "pay-on-foot" system. An attendant would reduce cheating that is often found in the ID (people who park and don't pay) and would increase security for the garage. Also, because of the diverse languages that need to be served by the new facility, it may be difficult to provide written instructions for a "pay-on-foot" system. A "pay-on-exit" cashier can ring up the cost of parking, which is more readily understood by all languages. The attendant expense that you projected in your fiscal analysis is adequate to cover the costs of a "pay-on-exit" system.

#### Parking Revenue

The parking revenue calculations are reasonable. However, they are very susceptible to fluctuations in parking demand and pricing. The following are my comments related to revenue.

- ACRS/ICHS staff are assumed to use 50 spaces in the garage. This is reasonable given that it represents less than 25% of all employees at this facility (estimated to be 225 total for full and part time). This shows that you are not counting on unreasonable employment projections nor is the facility being built to increase the number of single-occupant-vehicle (SOV) drivers who can commute to the ID.

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ID Village Square II  
Parking Feasibility Analysis  
August 31, 2001  
Page 2

heffron  
transportation, inc.

- It may be unreasonable to assume that weekday evening users would pay \$150 per month to park (which is the same as the day rate). Evening users of the facility are likely to pay some fee to secure a parking space in a safe, well-lighted space. Since you have only assumed 10 staff would pay this rate, a decrease in the parking rate to \$75 per month would only reduce the total monthly revenue by \$750 (or the monthly revenue per stall by \$5).
- The utilization that has been assumed for daily parking is reasonable. Based on total hours utilized during an eight-hour day, I calculate that the garage would be 85% utilized. This means that there will likely be times when the garage is fully utilized and times when it is just over half utilized. I estimated how revenues would fluctuate if short-term parking fluctuates. For every 5% decrease in utilization, revenues per stall would decrease by between \$10 and \$15 per space (e.g., a garage at 80% utilization would result in a revenue per stall of \$191).
- The assumed monthly parking rate of \$150 is high, but not unreasonable for the proposed opening date in the year 2004. Most of the parking lots in the ID now have lower monthly parking rates. The only higher rate is for the Union Station garage, which charged between \$200 and \$275 per month for parking in July 2001. The \$150 per month charge relates to approximately \$7.50 per day. Commuters are likely to pay more for secure and safe parking (which is another reason to consider an attendant.) I have estimated how revenues would fluctuate if the monthly parking rate were changed. For every \$10 change in the monthly rate, the overall revenue for the parking garage would change by \$6 per stall.
- The assumed hourly rate of \$1.25 is very reasonable for short-term parking. Most of the other parking lots in the ID charge \$2 per hour, and competing on-street parking meters are \$1.00 per hour. The hourly parking rate is the most sensitive of the revenue assumptions. For every \$0.25 change in the hourly rate, the monthly stall revenue changes by \$21.00. Therefore, if the hourly rate were set equal to the competition at \$2.00 per hour (but all other assumptions, including utilization and evening parking rate, remain unchanged), revenues would increase to \$267 per stall.
- Revenues associated with events may be underestimated. You have assumed that 40 patrons would pay \$15 each to park in the garage for an event, and that only one event would be held per month. Given the high price to park near Safeco Field and the Football Stadium, this facility could likely generate more demand by lowering the event parking price. If 50 spaces are reserved on the weekend for library patrons and staff, then 95 spaces could be used for events. The same revenue as assumed could be generated with a rate as low as \$6.50 per event. This low rate may attract Mariner's fans even though the walk to Safeco Field is farther. Higher rates could likely be charged for Seahawk fans given the close proximity to the new Stadium and the new Weller Street Pedestrian Walkway.

Overall, the parking demand and revenue projections that you estimated are reasonable. In addition, the operating expenses are reasonable for a change to a "pay-on-exit" operation. We trust that this information and analysis is useful. Please call me at (206) 523-3939 if you have any questions.

Sincerely,  
Heffron Transportation, Inc.

*Marni C. Heff*  
Marni C. Heffron, P.E.

President  
MCH/mch

Attachment



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**Appendix I:**

**Parking Revenue Generation Profile**

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Appendix I

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**parking revenue generation profile--acrs/ichs at 45 spaces--2004 at \$240/month**  
**IDVS II parking garage at one level --75 spaces**

4-Jun-02

	# of spaces	uses/day	hours/use	rate per	days/month	hly revenue	notes
<b>Weekday day users</b>							
ACRS/ICHS staff	0	1	8	\$150 month	20	\$0	7 AM to 6 PM
ACRS/ICHS client	0	4	1.5	\$1.25 hour	20	\$0	9 AM to 5 PM
library/CC staff	10	1	8	\$160 month	20	\$1,600	7 AM to 5 PM
library/CC clients	10	3	1.5	\$1.50 hour	20	\$1,350	9 AM to 5 PM
ACRS/ICHS use	45	1	8	\$146 month	20	\$3,570	7 AM to 6 PM
IDVS I/I retail staff	5	1	8	\$160 month	20	\$800	7 AM to 6 PM
IDVS I/I retail clients	5	3	1.5	\$1.50 hour	20	\$675	9 AM to 5 PM
general public	0	2	1.5	\$1.50 hour	20	\$0	9 AM to 5 PM
<b>total</b>	<b>75</b>					<b>\$10,995</b>	
<b>Weekday evening users</b>							
housing tenants	10	1		\$50 month	20	\$500	6 PM to 8 AM
library/CC staff	4	1	8	\$160 month	20	\$640	evening shift
library/CC clients	40	2	1.5	\$1.50 hour	20	\$3,600	6 PM on
general public	21	1	1	\$1.50 hour	20	\$630	5 PM on
<b>total</b>	<b>75</b>					<b>\$5,370</b>	
<b>Weekend users</b>							
sports events	20			\$15 event	1	\$300	includes baseball/football
special events at IDV	20		3	\$1.50 hour	2	\$180	
library/CC staff	10	1	8	\$0 month	8	\$0	monthly parkers
library/CC clients	20	2.5	1.5	\$1.50 hour	8	\$900	primarily on Saturday
general public	5	3	1.5	\$1.50 hour	8	\$270	primarily on Saturday
<b>total</b>	<b>75</b>					<b>\$1,650</b>	
<b>total monthly revenue</b> <b>\$18,015</b>							
<b>monthly revenue per stall</b> <b>\$240</b>							



**Appendix J:**

**IDVS 2 Memo Regarding Changes**

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Appendix J



APPENDIX C

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MEMORANDUM

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TO: JAN OSCHERWITZ, CHRISTINE PIHL  
FROM: SUE TAOKA  
SUBJECT: IDVS 2  
DATE: 9/8/02  
CC: JOAN EGAN

---

Jan and Christine,

There is a quirk in the spreadsheet that prevents the total column from totaling all of the numbers as they change so adding a column at the end adding the housing column and the non-residential column is the best check on the actual total.

- 1) Housing – Title closing etc.- The increased amount is due to the title insurance requirements by the tax credit investor.
- 2) Legal Fees – The amount dedicated to the housing is based upon estimates from the legal counsel working on different facets of the project. The current estimate is almost 25k less than the original. The remainder is based upon general estimates. This estimate could change prior to closing since our tax credit counsel has drafted the tax credit LLC operating agreement in order to provide this document for review by the City on an expedited basis. Increased legal costs will be accommodated by a shift of funds out of the developer fee line item.
- 3) Developers Fee – the increase in developer fee is directly related to the amount allowed in tax credit projects, that is why the changes only occurred in the housing portion. When we received bids on the tax credits, investors' proposed prices were higher than anticipated. We used the additional tax credit proceeds to fund a bridge loan interest line item and to increase developer's fee. Developer's fee is an eligible basis line item. The increase amount will either be used to offset additional construction costs, if needed when construction bids are received or if necessary, to make additional cash contributions to the project to reduce our debt burden or to offset lower tax credit proceeds than anticipated. The anticipated use of this additional developer fee will be determined when construction bids are received and when we select the applicable tax credit factor for the project. The exact amount of the developer fee will be determined at final cost certification once construction is completed and financial records for the project are audited by tax-accountants.

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APPENDIX C

The applicable tax credit factor is published monthly by the federal government and is used to determine the amount of tax credit proceeds that we will receive. We can either lock this rate in at bond closing or lock it in once construction is complete. We will not know the applicable rate for October, 2002 until the middle of that month.

- 4) Bridge loan – Bridge loan interest is a technical term as far as tax credit deals are concerned since it relates to any interest paid by the project between the time construction is complete and tax credit proceeds are fully available. It is not allowed to be included in “eligible basis” which represents the project costs that are used to determine the amount of available tax credits. Capitalized interest during construction, in contrast, is an eligible basis cost and consists of interest expense incurred until construction is complete. Originally, bridge loan interest was not included as a budget line item. When we received bids back from tax credit investors, it became apparent that we would get a much more attractive price for the tax credits if tax credit proceeds were only contributed by the tax credit investor at the time the project is occupied. We then changed our budget to allow for bridge loan interest at a taxable rate but also applied for additional bond cap so that short-term tax-exempt bonds could be used to finance project costs and pay additional interest until tax credit proceeds were expected to be received.

As of last week, we learned that we had received the requested bond cap from the state. As indicated below, we have not yet revised the budget numbers submitted to the City to account for this differential. The availability of additional bond cap gives us the opportunity to reduce the budget for bridge loan interest by approximately \$80,000 and put that difference into the developer fee to be used as additional PDA contribution to the overall project—either for increased construction costs or as an additional cash contribution to lower required debt amounts. We still need some “bridge loan interest in the budget since there is a several month gap between construction completion and receipt of tax credit proceeds. We have now gone back and asked Washington Mutual Bank for an additional \$30,000 of tax credit proceeds, based on our ability to shift money in the budget from a non-eligible basis line item (bridge loan interest) to an eligible basis line item. This differential is not yet reflected in the budget that we have provided to the City because the Bank has not yet agreed to our request.

- 5) Capitalized interest – the requirement of additional months of capitalized interest has increased the overall budget.
- 6) Low Income Housing Tax Credit proceeds – the tax credit investor has agreed to pay more than initially budgeted for the tax credits. Most of the funds are going toward additional capitalized interest and higher loan fees and additional developer fee that is put back into the project.



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APPENDIX C

- 7) SCIDPDA contribution – the additional amount is from the additional developer fee.
- 8) Misc. Income (Predevelopment) – the changes in this number are a result of shifting fundraising dollars. It was allocated to make the budget work. As I said some of this is just a moving target.
- 9) Grants/Fundraising – the amount in the older budget included the NMF and CDBG so the amount is about the same or higher. And we continue to raise funds.
- 10) Conventional debt – in order to make an acceptable debt coverage ratio, the long term debt for the retail required reduction. A shift of SCIDPDA contribution and fundraising allowed this to occur.
- 11) Library – Although there is an increase in the amount bond financing for the library, the rent does not increase significantly from the rent shown in previous proforma.

Let us know if you have any questions

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STATE OF WASHINGTON - KING COUNTY

--ss.

151547  
City of Seattle, Clerk's Office

No. TITLE ONLY ORDINANCE

**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 12<sup>th</sup> 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

CTOR:ORD 120959-963

was published on

11/12/02



Affidavit of Publication

*g. Boren*  
Subscribed and sworn to before me on

11/13/02

Notary public for the State of Washington,  
residing in Seattle

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## State of Washington, King County

### City of Seattle

#### TITLE ONLY PUBLICATION

The full text of the following ordinance, passed by the City Council on October 15, 2002, and published here by title only, will be made upon request, or can be obtained electronically at <http://clerk.seattle.wa.us>. For further information, contact the City Clerk at 206-684-5844.

#### ORDINANCE NO. 158898

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

#### ORDINANCE NO. 158891

AN ORDINANCE authorizing the execution of a Memorandum of Understanding between the City of Seattle and Public Service and Industrial Employees, Local 1239 (Retirement Leaders and Attendants) not previously approved within the parameters of the Coalition Union's settlement, effective from January 1, 2002 through December 31, 2004

#### ORDINANCE NO. 158893

AN ORDINANCE relating to the Seattle Chinatown-International District Preservation and Development Authority's International District Village Square Project; authorizing the City to execute two separate互換契約 agreements guaranteeing tax-exempt bonds to be issued by the Authority for the support of the International District Village Square Two Project ("IDVSP Project"), which the City will provide such such guarantee; and authorizing guarantee agreements, a reconveyance to the Authority of the City's interest in the real property which was the City's security for the City's guarantee of the Village Square One Bond Issue or a subordination agreement relating thereto, and such related documents and agreements as are necessary between the City, the Authority and other parties with regard to the Authority's issuance of the bonds and the City's guarantees.

#### ORDINANCE NO. 158899

AN ORDINANCE ratifying and authorizing certain lobbying activities by City of Seattle officials and employees.

#### ORDINANCE NO. 158898

AN ORDINANCE relating to Seattle Public Utilities, authorizing the Director of Seattle Public Utilities to enter into an agreement with the City of Menton for the sale of water in an emergency from Menton to Seattle.

Publication ordered by JUDITH PIPPIN,  
City Clerk.  
Date of publication in the Seattle Daily  
Journal of Commerce, November 12, 2002.  
11/13/2002