

Ordinance No. 121790

Council Bill No. 115238

AN ORDINANCE relating to the sale of the Arctic Building, located at 700 Third Avenue, under the jurisdiction of the Fleets and Facilities Department, declaring the same to be surplus to the City's needs; authorizing the sale and a temporary leaseback of certain portions of the building; designating the disposition of sale proceeds; and making appropriations of sale proceeds; all by a three-fourths vote of the City Council.

CF No. _____

Date Introduced:	APR 18 2005	
Date 1st Referred:	APR 18 2005	
To: (committee)	Finance & Budget	
Date Re - Referred:		
To: (committee)		
Date Re - Referred:		
To: (committee)		
Date of Final Passage:	4-25-05	
Full Council Vote:	9-0	
Date Presented to Mayor:	4-26-05	
Date Approved:	5/3/05	
Date Returned to City Clerk:	Date Published:	T.O. <input checked="" type="checkbox"/> F.T. <input type="checkbox"/>
5/3/05	7 POP	
Date Vetoed by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

me

walk to 4/18/05

The City of Seattle - Legislative Department

McIVER

Council Bill/Ordinance sponsored by: Richard J. McIver
Councilmember

Committee Action:

4/20/05 Pass as Amended RM, RL, ND

4-25-05 Passed 9-0

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

Law Department

Law Dept. Review OMP Review City Clerk Review Electronic Copy Loaded Indexed

ORDINANCE 121790

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4 AN ORDINANCE relating to the sale of the Arctic Building, located at 700 Third Avenue, under
5 the jurisdiction of the Fleets and Facilities Department, declaring the same to be surplus
6 to the City's needs; authorizing the sale and a temporary leaseback of certain portions of
7 the building; designating the disposition of sale proceeds; and making appropriations of
8 sale proceeds; all by a three-fourths vote of the City Council.

9 WHEREAS, in March 1988, Ordinance 113875 authorized the acquisition of the historic Alaska
10 and Arctic Buildings; and

11 WHEREAS, in July 1995, Ordinance 117739 authorized the purchase of Key Tower, now Seattle
12 Municipal Tower, for housing general government, City Light, and other utility offices;
13 and

14 WHEREAS, in July, 1998, Resolution 29795 provided guidance for the creation of a Municipal
15 Civic Center Master Plan, which included researching re-use strategies for the Alaska and
16 Arctic Buildings, including schedules and disposition strategies; and

17 WHEREAS, the City of Seattle established a Civic Center Client Group, which includes three
18 Councilmembers, the Deputy Mayor, the Finance Director, and the Director of the Fleets
19 and Facilities Department, to oversee the implementation of the Civic Center Master
20 Plan; and

21 WHEREAS, the Master Plan envisioned the sale of the Alaska Building and upgrade of the
22 Arctic Building for City occupancy; and

23 WHEREAS, a 2004 analysis of the Arctic Building indicated the building would require more
24 seismic upgrades and major maintenance than previously contemplated, resulting in a
25 Civic Center Client Group recommendation that it was prudent to sell both the Alaska
26 and Arctic Buildings; and

27 WHEREAS, one of the Civic Center Master Plan's goals is to realize revenue from the sale or
28 lease of assets that are no longer needed to meet the City's space needs; and

WHEREAS, the Fleets and Facilities Department offered the Alaska and Arctic Buildings for
sale through an open, competitive process; and

1 WHEREAS, a 2004 review of City space requirements resulted in a Civic Center Client Group
2 recommendation that space needs for those City offices currently occupying the Alaska
3 and Arctic Buildings be served through a combination of City-owned space in the Seattle
4 Municipal Tower and privately owned and leased space in the Second or Third Avenue
5 corridor; and

6 WHEREAS, as a result of the City's competitive process, The Arctic Club Hotel, LLC entered
7 into the Purchase & Sale Agreement attached hereto as Attachment 1, agreeing to pay a
8 purchase price of \$5,6000,000, subject to reasonable due diligence investigation of the
9 building; and

10 WHEREAS, the purchaser Arctic Club Hotel LLC, intends to renovate the building from the
11 presently existing office use to a hotel use subject to the historic preservation
12 requirements associated with the building; and

13 WHEREAS, as a result of certain seismic and building other conditions discovered during due
14 diligence which affected the value of the building as well as the nature and cost of
15 renovations necessary to convert the building from office to hotel use, Arctic Club Hotel,
16 LLC has agreed to pay a purchase price of \$5,100,000 in cash at closing and intends to
17 redevelop the Arctic Building into a hotel all as reflected in the Purchase & Sale
18 Agreement and its amendment attached to this Ordinance as Attachment 2; and

19 WHEREAS, the schedule for relocating City departments from the Arctic Building contemplates
20 that the City will execute leases with the purchaser of this Building and continue to
21 occupy certain portions of the Building for certain temporary periods after the sale closes;
22 and

23 WHEREAS, a portion of the proceeds from the sale of the Arctic Building should be reserved
24 and used to pay a portion of the 2005/2006 occupancy costs for downtown office space,
25 to address expense and revenue adjustments associated with the sale of the Building
26 which could not be anticipated in the development of the 2005 Adopted Budget and 2006
27 Endorsed Budget; and

28 WHEREAS, a portion of the proceeds from the sale of the Arctic Building should be reserved to
pay those costs associated with relocating City departments that are not already budgeted
in the Municipal Civic Center Fund; and

WHEREAS, that portion of the proceeds from the sale of the Arctic Building that is required to
defease outstanding tax-exempt bonds issued by the City to refinance the City's purchase
of the Arctic Building should be reserved and applied for that purpose; NOW,
THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

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2 Section 1. The real property located at 700 Third Avenue, commonly known as the
3 Arctic Building, is hereby declared to be surplus.

4 Section 2. The Director of the Fleets and Facilities Department or designee is authorized
5 to sell to the Arctic Club Hotel, LLC the property located at 700 Third Avenue, and legally
6 described as follows:
7

8 Lots 5 and 8, Block 27, addition to the Town of Seattle, as laid out on the claims of C.D.
9 Boren and A.A. Denny and H.L. Yesler (commonly known as C.D. Boren's addition to
10 the City of Seattle), according to the Plat thereof, recorded in volume 1 of Plats, Page 25,
11 in King County, Washington;

12
13 Together with the southwesterly half of the vacated alley in said Block 27 abutting on
14 said lots, as vacated under Ordinance number 2005 of the City of Seattle;

15
16 Except the southwesterly 9 feet of said lots condemned in King County Superior Court
17 case number 54135 under Ordinance number 14345 of the City of Seattle for widening of
18 3rd Avenue,
19
20 for the gross sales price of FIVE MILLION ONE HUNDRED THOUSAND DOLLARS
21 (\$5,100,000) in all cash paid at closing.

22 Section 3. The Director of the Fleets and Facilities Department or designee is authorized
23 to execute the Purchase and Sale Agreement for the Arctic Building, which is attached hereto and
24 labeled "Attachment 1." In addition, the Director of the Fleets and Facilities Department is
25 authorized to amend the said Purchase and Sale Agreement, before or after execution, prior to the
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1 closing of the Building's sale, as agreed with the buyer(s), to modify time deadlines and to make
2 minor modifications, so long as the City's rights with respect to the gross sale price of the
3 Building are not reduced and the City's financial liabilities are not increased. The Director is also
4 authorized to execute such other documents as she reasonably determines are necessary to
5 effectuate the sale of the Arctic Building consistent with the remainder of this ordinance.

6
7 Section 4. The Director of the Fleets and Facilities Department or designee is authorized
8 to execute, for and on behalf of The City of Seattle, the lease agreement with the buyer(s) of the
9 Arctic Building substantially in the form of the lease attached hereto and labeled "Attachment 2"
10 providing for occupancy by The City of Seattle of a portion of the real property identified in

11 Section 2. The Director of Fleets and Facilities Department is further authorized to execute such
12 minor amendments to such lease, before or after its execution, as she reasonably determines to be
13 necessary.
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15 Section 5. The distribution of proceeds and appropriations shall be as follows:

16 A. The cash proceeds received from escrow shall be distributed to the funds shown,
17
18 in the following order, as follows:

19

Fund	Amount
Fleets and Facilities Fund (50300)	\$132,000
Municipal Civic Center Non-Bond Subfund (34225)	\$382,700
General Bond Interest and Redemption Fund (20110)	\$3,455,100
Total	\$3,969,800

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23 Any proceeds received in excess of the total \$3,969,800 shall be deposited in the Cumulative
24 Reserve Subfund, Capital Projects Account, Unrestricted Subaccount.
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2 B. Contingent on the closing of the sale of the property pursuant to the agreement
3 authorized in Section 3, and in order to pay for necessary costs and expenses
4 incurred or to be incurred, but for which insufficient appropriations were made,
5 the appropriations for the following in the 2005 Budget are increased from the
6 funds shown, as follows:
7

Fund	Department	Budget Control Level	Amount
Fleets & Facilities Fund (50300)	Fleets and Facilities Department	Technical Services (A3100)	\$97,000
Municipal Civic Center Non-Bond Subfund (34225)	Fleets and Facilities Department	Civic Center Plan – Key Tower, Park 90/5, and Other Projects (A34200-2)	\$382,700
General Bond Interest and Redemption Fund (20110)	Finance General	Reserves (Q5972010)	\$3,455,100
Total			\$3,934,800

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17 Of the additional \$382,700 appropriated from the Municipal Civic Center Non-
18 bond Subfund, \$250,000 is appropriated solely for the purpose of making capital
19 improvements, including but not limited to electrical system upgrades, heating
20 and ventilation enhancements, and installation of finished walls and doors, to the
21 portion of Seattle City Hall's L1 level that has been identified throughout the
22 building's planning and design process as the Cultural Café, for the sole purpose
23 of making the space a suitable location for artistic performances, artistic displays
24 and cultural gatherings, and may be spent for no other purpose.
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Section 6. Any acts pursuant to the authority and prior to the effective date of this ordinance are hereby ratified and confirmed.



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Section 7. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by a three-fourths vote of all the members of the City Council the 25th day of April, 2005, and signed by me in open session in authentication of its passage this 25th day of April, 2005.

Jan Drage
President _____ of the City Council

Approved by me this 3rd day of May, 2005.

Gregory J. Nickels
Gregory J. Nickels, Mayor

Filed by me this 3rd day of May, 2005.

Smith E. Pappie
City Clerk

(Seal)

Attachments

- Attachment 1: Purchase and Sale Agreement for Sale of Real Property
- Attachment 2: Amendment No. 3 to Purchase Agreement
- Attachment 3: Lease Agreement



ATTACHMENT 1

PURCHASE AND SALE AGREEMENT
FOR SALE OF REAL PROPERTY

THIS AGREEMENT is entered into as of January ____, 2005, (the "Effective Date") between THE CITY OF SEATTLE ("Seller"), a first class city of the State of Washington, and THE ARCTIC CLUB HOTEL LLC, a Washington limited liability company and/or assigns ("Purchaser"). The Effective Date is the date that Seller and Purchase have each delivered to escrow and to the other fully executed counterparts of this Agreement.

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

1. PROPERTY AND INTERESTS

1.1 Seller owns the parcel of real property described on **Exhibit A**, and has determined that the real property is no longer necessary for City of Seattle purposes.

1.2 Seller's real property and improvements described on Exhibit A are located at 306 Cherry Street/700 Third Avenue in Seattle, King County, Washington, consisting of land totaling approximately 13,708 square feet, and an existing multi-story building with a total gross floor area of approximately 96,197 square feet, commonly known as the Arctic Building (the "Building"). In general, the land and building are as depicted on the site map attached hereto as **Exhibit B**. The land and building are collectively referred to herein as the "Property".

2. SALE OF PROPERTY. Upon execution of this Agreement by the duly authorized representatives of Purchaser and Seller, and upon payment of the Purchase Price defined in Section 3 of this Agreement, Seller shall convey the Property to Purchaser, subject to: (a) all taxes, assessments, restrictions, easements, agreements and other matters affecting the Property deemed acceptable by Purchaser; (b) all applicable zoning rules, restrictions, regulations, resolutions and ordinances and building restrictions and governmental regulations now or hereafter in effect; (c) the right of the public in any street or highway forming a boundary of the Property; together with all improvements and fixtures thereon. The Parties recognize that this transaction is subject to approval of this Agreement by Ordinance adopted by the Seattle City Council.

3. PURCHASE PRICE.

3.1 Purchase Price. The total purchase price for the Property ("Purchase Price") shall be Five Million Six Hundred Thousand Dollars and No/100 Dollars (\$5,600,000.00). The Purchase Price, less the Earnest Money and all accrued interest, shall be paid in cash at Closing.



3.2 Earnest Money. Within two (2) business days after the Effective Date, Purchaser shall deliver to the downtown Seattle office of Chicago Title Insurance Company ("Title Company") 701 5th Avenue Suite 1800, or such other escrow agent as may be satisfactory to both Purchaser and Seller ("Escrow Agent"), an earnest money deposit ("the Earnest Money") in an amount equal to Two Hundred Eighty Thousand Dollars (\$280,000.00) by wire transfer or check, which sum shall be deposited in an interest bearing account and held until Closing and which sum (together with all accrued interest thereon) shall be applied to the Purchase Price at Closing, unless forfeited or refunded to Purchaser as provided in accordance with this Agreement. Following completion of the "Due Diligence Period" (as defined below) the Earnest Money will be non-refundable absent a default by Seller, except as expressly provided otherwise in this Agreement.

4. TITLE, SURVEY, AND INSPECTIONS; LEASES.

4.1 Title. Closing shall be conditioned upon Chicago Title Insurance Company ("Title Company") issuing or committing to issue to Purchaser an extended coverage ALTA owner's policy of title insurance (Form B 1970) in the amount of the Purchase Price ("the Title Policy"). The Title Policy shall insure that title to the Property is free and clear of all monetary encumbrances or other encumbrances of record except those listed in the title commitment and not objected to by Purchaser, which exceptions shall be the "Permitted Exceptions" The lien of any current real property taxes not yet due and payable, and those matters excluded from coverage by the standard exceptions and exclusions contained in the form of title insurance policy required hereby, together with any endorsements reasonably required by Purchaser are Permitted Exceptions. Title shall be conveyed by bargain and sale deed.

4.1.1 Title Commitment. Within five (5) days after execution of this Agreement, Seller shall deliver a copy of the current title commitment ("Title Commitment") for the Property to Purchaser, along with legible and complete copies of all documents referenced as title exceptions in the Title Commitment.

4.1.2 Purchaser shall have twenty (20) days after receipt of the Title Commitment to notify Seller of any objections Purchaser has to the condition of title. Seller shall then have ten (10) days after receipt of Purchaser's objections to notify Purchaser whether Seller will remove the exceptions objected to by Purchaser. If Seller provides no such notice within the ten (10) day period, then Seller shall be deemed to agree to remove all of the exceptions objected to by Purchaser, prior to Closing.

4.1.3 In the event that Seller provides notice that it will not remove all exceptions objected to by Purchaser prior to Closing, and the Parties cannot agree on an adjustment to the Purchase Price and/or other terms of this Agreement, then within ten (10) days of notice by Seller of Seller's intent not to remove one or more of the exceptions, Purchaser may, at its sole option:

(i) Notify Seller of Purchaser's intent to waive any exceptions which Seller has not agreed to remove and accept title to the Property subject to such exceptions, or



(ii) Terminate this Agreement by written notice to Seller and Escrow Agent, in which event this Agreement shall terminate, the Earnest Money deposit and all interest earned thereon shall be promptly refunded to Purchaser, and neither party shall have any further rights, duties or obligations under this Agreement.

4.1.4 Cost of Title Report. In the event that this Agreement is terminated without closing, the cost of the title insurance contemplated by this Agreement shall be borne by Seller. Except that in the event that this transaction terminates due to fault of Purchaser, Purchaser shall bear the costs of title insurance.

4.2 License for Entry onto Property for Inspection, Study and Survey Purposes; Documents In general, as it applies to this Section and its subsections, Purchaser shall exercise its rights granted herein at all times in such a manner as shall not result in the Property becoming subject to any lien arising out of Purchaser's exercise of rights. Any lien arising out of Purchaser's conduct of any right granted under this Agreement shall be removed immediately and at Purchaser's expense.

4.2.1 License. Seller grants to Purchaser and its agents, a license to enter the Property upon prior notice to Seller, who shall arrange such access as Purchaser shall reasonably require, for the purpose of conducting any investigation, inspection, analysis, study or survey of the Property. The time, place and manner of inspection shall be fully described to Seller prior to entry and no investigation, inspection, analysis, study or survey shall be made which has not been approved in advance by Seller or which unreasonably disturbs the quiet use and enjoyment of the building by its tenants. Seller shall not unreasonably withhold approval and shall endeavor to make access to the building available for inspections which Seller has determined would disturb the quiet use and enjoyment of the building, at times when building tenants use will not be disturbed. The license granted in this section shall expire on the date of Closing or the date this Agreement is terminated, whichever is earlier.

4.2.2 Survey. In the event that Purchaser elects to survey the boundaries of the Property, the survey shall be made by a licensed surveyor or Registered Professional Engineer in detail that is sufficient to permit the Title Company to delete the standard printed "survey" exception from the Title Policy pertaining to discrepancies in area or boundary lines, encroachments, overlapping improvements or similar matters, and to show the total square footage and the boundaries of the Property together with the location of any and all easements and rights-of-way, the location of any utilities, and topographic elevations at the Property corners ("Survey"). In the event that Purchaser elects to have a survey made, the 20 day period for objections to condition of title described and related deadlines for response and election of remedies in Section 4.12 above shall be extended to the 20th day after receipt of the survey by Purchaser.

4.2.3 Environmental Reports. Within five (5) days of the mutual execution of this Agreement, Seller shall furnish Purchaser with copies of all environmental reports or hazardous materials abatement reports, along with any abatement bids or estimates received by Seller, and all other information in the possession of Seller, which reflects conditions on the



Property, including environmental conditions, or the potential for same and which pertain to the condition and/or any present or potential development and/or use of the Property.

(i) At any period of time prior to expiration of the Due Diligence Period, the Purchaser shall have the right, at its own expense, to commence any investigation of the Property, including but not limited to such environmental studies as it deems necessary to determine that the Property is free from Hazardous Materials. In general, all such investigations or studies occurring on the premises shall be conducted in a manner consistent with best practices of the industry and shall not expose any person to any condition potentially hazardous to that person's health. In the event that any accidental discharge or exposure of a hazardous condition should occur, Purchaser and its agents shall promptly take all steps reasonably calculated to minimize the effect of such exposure, and protect life, health and property and shall promptly notify the Seller. Purchaser shall notify Seller of the results of any studies it conducts.

(ii) Any environmental study which Purchaser elects to undertake which requires invasive or destructive testing, may be performed upon 2 days notice to Seller and upon proof of insurance adequate to the risk of damage or loss occurring during the testing to cover the cost of repair necessitated by such testing on the Property or any adjacent property owned by Seller. Purchaser acknowledges that the City is a public agency subject to the requirements of RCW 42.17 (Public Disclosure Act). Purchaser shall disclose such environmental information only to (1) those of its agents or contractors who require the information for business purposes relating to the investigation, analysis or development of the Property, provided that those agents or contractors (a) shall be informed of the confidential nature of the information and (b) shall agree in advance in writing to be bound by the confidentiality requirements set forth herein; and (2) those persons requesting pursuant to RCW Ch. 42.17 information that is not exempt from public disclosure.

(iii) Any invasive or destructive testing shall be conducted at an agreed time and in a manner intended to minimize disruption to Seller's use of the property. In the event that this Agreement terminates without Closing, Purchaser covenants and agrees to repair any damage to the Property occasioned by the Purchaser's entry upon the Property or the conduct of any inspection, study or survey by or for Purchaser; provided however that Purchaser shall not be required to correct any conditions of the Property related to the presence of Hazardous Materials. Such repair shall be to the condition in which the Property existed immediately prior to Purchaser's initial entry upon the Property pursuant to the license granted herein. Purchaser shall indemnify and hold harmless Seller for any costs, loss or damage whatsoever incurred as a result of Purchaser's entry upon the Property and conduct of the inspection, study or survey.

4.2.4 Seller's Cooperation. Seller agrees that Seller and its employees will cooperate with Purchaser during Purchaser's investigation and survey and provide such access to the premises and such information about the premises as Purchaser shall reasonably require:

(i) Within five (5) days after mutual execution of this Agreement, Seller shall have provided to Purchaser a complete copy of the following to the extent they are in Seller's possession, custody or control: information relating to any proposal or commitment by Seller to alter existing improvements or structures or construct additional improvements or



structures, or to dedicate any portion of the Property to any governmental entity; and all other reports, records, diagrams, photographs, maps or other Documents relating to the Property, as listed at **Exhibit C** attached hereto.

4.3 Purchaser shall indemnify and hold Seller harmless from any costs, loss and damage whatsoever incurred as a result of Purchaser's entry upon the Property prior to the date of Closing or the date this Agreement is terminated, whichever is earlier; provided however that in no event shall Purchaser be liable for any Hazardous Material cleanup or remediation for any condition which may have been discovered in Purchaser's non-negligent investigation of the Property. If Purchaser does not purchase the Property, Purchaser covenants and agrees to repair any damage caused by Purchaser in the conduct of any inspection, study or survey, however, Purchaser shall have no liability for any existing condition of the Property including any condition related to Hazardous Materials which may have been discovered during Purchaser's non-negligent investigation.

4.4 Existing Leases. Within five (5) days after mutual execution of this Agreement, Seller shall provide Purchaser with complete copies of all leases and any amendments thereto (the "Leases") and service contracts affecting the property, along with any amendments thereto, including a current list of lease termination dates, extension options and current rent roll (the "Rent Roll") and the Rent Roll shall represent a true and complete list of all tenants of the Real Property as of the date of this Agreement, and correctly shows the rent schedule and the amount of security and other deposits held by Seller pursuant to the Leases. The Leases shall not be amended or terminated prior to the Closing without the prior written consent of Purchaser and no new leases shall be entered into that affect the Building or the Property. Except for any delinquency noted on said rent roll, Seller knows of no other defaults or delinquencies by tenants.

4.5 Expense Reports. Within five (5) days after mutual execution of this Agreement, Seller shall provide Purchaser with copies of all expense reports for the Property for the last 36 months.

4.6 City Lease. A lease will be executed between the Purchaser and the Seller (as tenant) for approximately 7,889 RSF rentable square feet (located on the 2nd floor) and 10,077 RSF (in the basement, 3rd and 4th floors) at an annual rental rate of \$13.00 FSG per rentable square foot (the "City Lease"). The form of the City Lease shall be approved by Purchaser and Seller prior to the expiration of the Due Diligence Period. The term of the lease shall be four (4) months from the Closing date. Seller acknowledges that construction work may be commencing in the Building during the term of the City Lease.

4.7 Assignments. On or before Closing, Seller shall duly complete, execute or obtain, and deposit into the Escrow with Title Company an assignment and assumption of: (a) the Leases; (b) the Documents; and (c) any operating contracts which Purchaser has agreed shall survive Closing; all in form and content to be mutually agreed to by Seller and Purchaser prior to Closing.



4.8 Seller Cooperation in Approvals Process. Seller agrees to reasonably cooperate with Purchaser in its pursuit of approvals from City of Seattle and other applicable authorities with jurisdiction over building and site improvement permitting and approvals, both pre-Closing and post-Closing, in connection with Purchaser's Building renovations and site improvements.

5. REPRESENTATIONS AND WARRANTIES.

5.1 Purchaser's Warranties. Purchaser represents and warrants as follows:

5.1.1 Purchaser is a Washington limited liability company duly organized, validly existing and in good standing under the laws of the State of Washington and has the power to own its property and assets.

5.1.2 At the time this Agreement is presented to Seller as an offer, this Agreement has been duly authorized, executed and delivered by Purchaser; will constitute the legal, valid and binding obligation of Purchaser; and will be enforceable against Purchaser in accordance with its terms.

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

5.1.4 Purchaser acknowledges that the building is designated as a historic landmark, that there is historic easement on the buildings façade, and that the historic status of the building may affect or limit the Purchaser's ability to develop the property. Purchaser acknowledges they will further investigate any limits on the property required by the historic status, and are satisfied with these limitations.

5.1.5 The representations and warranties made by Purchaser in this Agreement are true on and as of the date of Closing with the same effect as though such representations and warranties had been made on and as of the date of Closing. Purchaser's representations set forth in this Section 5.1 shall survive Closing as set forth in Section 24 (Survival).

5.2 Seller's Warranties. Seller represents and warrants as follows:

5.2.1 Seller is a municipal corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has the power to own its property and assets. Seller warrants that the Acting Director of the Fleets and Facilities Department is authorized on behalf of the Seller to execute this Agreement, subject to the approval of this Agreement by ordinance adopted by the Seattle City Council.

5.2.2 Seller is aware of no condition on or affecting the title to the Property, including but not limited to any material defect or material adverse fact relating to the Property, which will not be reflected as a matter of record title.



5.2.3 Seller is the owner of the Property. On receipt of the Title Commitment, Seller will review the same. At Closing, Seller will warrant that there are no claims affecting title to the Property, other than those disclosed by the Title Commitment as of Closing.

5.2.4 To Seller's knowledge, other than as disclosed in the Documents provided by Seller to Purchaser, there are no Hazardous Materials (as defined in Section 22 hereof) on or in the Property. If any additional Hazardous Material is discovered by Purchaser on the Property prior to Closing, Purchaser shall have the right to terminate this Agreement.

5.2.5 To Seller's knowledge, there is no action, suit, investigation or proceeding (administrative or otherwise) pending or, to Seller's knowledge, threatened, against or affecting the Property or any portion of it, the transactions contemplated hereby, the Seller, or otherwise, which might affect the right of Purchaser to own, operate, develop or possess the Property or which might result in any liability of Purchaser with respect thereto. There is no pending condemnation or similar proceeding affecting the Property or any portion thereof, and Seller has not received any notice and has no knowledge that any such proceeding is contemplated.

5.2.6 There are no contracts, leases or other agreements which affect the Property or any portion thereof (except for the Leases) which would survive Closing, and Seller agrees not to enter into any such contracts, leases or other agreements, or to amend any of the Leases, between the date of this Agreement and the Closing. Except as shown in the Leases and rent roll delivered to Purchaser, no rental or other concessions of any nature have been granted to any tenants of the Property, and no rental or other concessions will be granted from the date of this Agreement to the Closing without the prior written consent of Purchaser. There are no oral or other terms or agreements with any of the tenants or occupants except as expressly set forth in the Leases. The Leases are in full force and effect, to the best of Seller's knowledge there are no uncured defaults by the landlord or, to the knowledge of Seller, by the tenant thereunder. There are no tenant improvement obligations or obligations to pay commissions in connection with any Lease which will not be fully satisfied by Seller prior to Closing. Neither Seller nor any other party to an operating contract is in default under any operating contract, and all operating contracts are valid, binding and enforceable in accordance with their terms. As of Closing, all operating contracts shall be terminable at Purchaser's election.

5.2.7 Other than as expressly disclosed by Seller to Purchaser in the Documents, the Property does not violate any applicable environmental, zoning, or building restrictions, insurance company guidelines, fire codes, or other governmental statutes, ordinances, rules, regulations or orders relating to health, safety or welfare or any orders by any governmental agency or known insurance company requirement corrective action for any of the foregoing.

5.2.8 No representation or warranty by Seller contained in this Agreement or any exhibit hereto or in any document, statement, certificate, financial information, or schedule given to or to be given to Purchaser as a result of or in connection with this Agreement, contains or on Closing will contain, an untrue statement of material fact, or knowingly omits or on Closing will knowingly omit to state a material fact necessary to make the statements and facts contained therein not misleading.



5.2.9 Seller shall not remove any of the architectural ornamentation, architectural features, doors, windows, hardware or any historical architectural building materials from the Building or the Property. Any architectural materials originating from the Building that have been stored shall be deemed part of the Property and shall become the property of Purchaser upon Closing.

5.2.10 Seller shall diligently manage and operate the Property and shall perform maintenance and replacements in accordance with customary schedules and perform repairs or replacements to any broken, defective or dysfunctioning portion of the Property as the relevant condition occurs, and otherwise operate and maintain the Property in a manner consistent with the manner in which Seller has previously maintained the Property, which maintenance shall include the continued employment of an experienced real estate management firm to provide full time professional management of the Property; not violate or breach any zoning ordinance, fire code or building permit, nor commit any waste, damage, or nuisance; and promptly advise Purchaser of any litigation, arbitration, or administrative hearing affecting the Property.

5.2.11 Seller at Seller's expense shall continue to insure the Building and Property against damage by fire or any other destructive forces in the amounts and coverages in place as of the date of mutual execution of this Agreement and Seller shall retain such insurance in full force and effect until Closing or any earlier termination of this Agreement. Seller has not received any notice from any insurance company of any defects or inadequacies in the Property or any part thereof which would adversely affect the insurability of the Property or the premiums for insurance thereof, and Seller is not aware of any such defects or inadequacies.

5.2.12 The representations and warranties made by Seller in this Agreement are true on and as of the date of Closing with the same effect as though such representations and warranties had been made on and as of the date of Closing. Seller's representations set forth in this Section 5.2 shall survive Closing as set forth in Section 24 (Survival).

5.3 Purchaser's Understanding of the Property.

Based on a preliminary review of the due diligence information made available to the Purchaser, the following represents the key components of the Purchaser's understanding of the Property:

- (i) The Property consists of approximately 87,467 square feet of rentable area.
- (ii) There are currently five private sector tenants paying rent (for a total of 9,155 rentable square feet). The Purchaser expects to allow for the each tenant to remain in their tenant space through the expiration of their tenancies. If early termination of some or all such tenants is required, all costs of such early termination shall be borne by the Purchaser.
- (iii) The Purchaser has reviewed the Marx/Okubo Property Conditions report and understands the Property's capital requirements.
- (iv) The Purchaser has reviewed the ABS Seismic report and understands the structural issues at the Property.



(v) The Purchaser has reviewed the Clayton Engineering HazMat report and understands the hazardous waste issues at the Property. However, Purchaser requires Seller to provide any hazardous materials abatement bids or estimates received by Seller as part of the Documents delivery requirements.

(vi) The Purchaser has reviewed the available ADA reports and understands the current ADA issues at the Property.

(vii) The Purchaser understands that there are no construction drawings available for the Property. However, Seller shall within five (5) days after mutual execution of this Agreement deliver complete CAD files of the existing floor plans prepared by the City, hard copies of which have been previously delivered to Purchaser, along with any other existing conditions drawings for the Property that are in the possession of the City.

(viii) The Purchaser understands the current DOC-450 zoning and the historical significance of the Property.

(ix) The Purchaser has reviewed the preliminary Title Report for the Property attached as Exhibit C, however, the title review provisions set forth in Section 4 shall remain applicable to this Agreement.

6. CONDITIONS PRECEDENT TO PERFORMANCE OF AGREEMENT BY PURCHASER

6.1. Purchaser shall be obligated to complete this transaction only upon satisfaction or Purchaser's waiver of the following conditions:

6.1.1 Seller is able to convey title to the Property as described in Section 4 hereof, subject only to those Permitted Exceptions to title;

6.1.2 The title company is able to issue to Purchaser the Title Policy;

6.1.3 Within forty five (45) days after the Effective Date (the "Due Diligence Period"), Purchaser has determined in its sole discretion that the Property can be owned, operated and developed in the manner and according to terms acceptable to Purchaser in its sole discretion.

6.1.4 City Approval (as defined in Section 7.1.1 below) has been obtained by Seller, and Purchaser has approved in its discretion any terms and conditions imposed by the Mayor or in the appeal process required to obtain such City Approval. Seller shall provide the form of Ordinance (as defined in Section 7.1.1 below) to be submitted to the City Council for approval within thirty (30) days after mutual execution of this Agreement.

6.1.5 Seller will deliver to Purchaser within forty five (45) calendar days prior to the Closing Date signed tenant estoppel certificates from all tenants in the Property in the form attached hereto as **Exhibit D** which shall be dated no earlier than 60 days prior to the Closing Date.



6.1.6 Purchaser will have entered into the Card Check Neutrality Agreement described in Section 7.1.2. on or before expiration of the Due Diligence Period. Seller shall use its best efforts in facilitating and encouraging agreement between Purchaser and Union in finalizing the Card Check Neutrality Agreement during the Due Diligence Period.

6.1.7. Purchaser and Seller will have entered into the City Lease as described in Section 4.6.

6.1.8 All other conditions of this Agreement have been satisfied by the City or waived by Purchaser.

6.2. If any condition or contingency described in this Agreement has not been either satisfied or waived within the time period associated with such condition or contingency, this Agreement shall automatically terminate and the Earnest Money, together with interest accrued thereon, shall be released by the Escrow Agent to Purchaser within three (3) days after delivery to Seller and Escrow Agent of Purchaser's written notice of such termination.

7. CONDITIONS PRECEDENT TO PERFORMANCE OF AGREEMENT BY SELLER

7.1 Seller shall be obligated to complete this transaction only upon the following conditions:

7.1.1 City Approval. For purposes of this Agreement, "City Approval" shall mean that date upon which an ordinance acceptable in substance to Purchaser, which acceptance shall not be unreasonably withheld, approving this Agreement becomes effective¹.

7.1.2 Seller shall be obligated to complete the transaction only upon the waiver by Seller or the satisfaction of each of the following:

(i) Purchaser shall have complied with all its obligations under this Agreement.

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

(iii) Purchaser shall enter into a "card check neutrality agreement" ("Card Check Neutrality Agreement") and deliver a fully executed copy thereof to Seller as proof that it has met this obligation, with an employee bargaining unit ("union") representing hotel and motel workers, whereby Purchaser and any entity operating the contemplated hotel on its behalf, the "employer", waives its right to National Labor Relations Board (NLRB) conducted election and agrees to recognize and bargain with the union if the union established a majority in a card check process.

¹ An ordinance becomes law in the City of Seattle by adoption by the requisite vote of the City Council and either the signature of the Mayor or the passage of 10 days after adoption, after the later of which thirty (30) days must expire without challenge for the ordinance to be effective.



8. TERMINATION OF AGREEMENT

8.1 If any condition or contingency described in this Agreement has not been either satisfied or waived within the time period associated with such condition or contingency, this Agreement shall automatically terminate and the Earnest Money, together with all accrued interest thereon, shall be released by the Escrow Agent to Purchaser within three (3) days after delivery to Seller and Escrow Agent of Purchaser's written notice of such termination..

9. ESTABLISHMENT OF ESCROW AND CLOSING

9.1 Establishment of Escrow. Within two (2) business days after the Effective Date, Seller shall open an escrow account with the Escrow Agent identified in Section 3.2 in order to consummate the sale and purchase of the Property in accordance with the terms and provisions of this Agreement.

9.2 Escrow Instructions. The provisions of this Agreement shall constitute the joint instructions of the parties to the Escrow Agent; provided, however, that the parties may provide additional instructions to the Escrow Agent not inconsistent with the provisions of this Agreement.

9.3 Date of Closing. Closing shall occur on or before April 30, 2005 (the "Closing Date"), unless otherwise agreed to in writing by the parties. Notwithstanding the foregoing, if City Approval (as defined in 7.1.1) does not occur on or before April 30, 2005, then at Purchaser's option and sole discretion this Agreement may be terminated by Purchaser, whereupon the Earnest Money together with all interest accrued thereon shall be returned to Purchaser within three (3) days after delivery to Seller and Escrow Agent of Purchaser's notice of such termination. Seller acknowledges that Purchaser will have incurred significant costs and fees in connection with financing, appraisal fees, professional fees, and other costs and expenses incurred in anticipation of closing on or before the Closing Date and Seller's inability to obtain City Approval on or before April 30, 2005 will result in a significant financial loss for Purchaser. Accordingly, Seller shall diligently pursue and use its best efforts in obtaining City Approval on or before April 30, 2005.

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

9.4.1 by certified or cashier's check or wire transfer, the balance of the Purchase Price, less the Deposit and all interest earned thereon adjusted and prorated as provided in this Agreement

9.4.2 a counterpart executed real estate excise tax affidavit; and

9.4.3 such other instruments as are reasonably necessary to consummate this purchase and sale transaction



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

(i) a fully executed and acknowledged bargain and sale deed subject only to the exceptions identified in Section 4.1 of this Agreement;

(ii) a counterpart executed real estate excise tax affidavit; and

(iii) such other instruments as are reasonably necessary to consummate this purchase and sale transaction.

10. ESCROW AGENT'S OBLIGATIONS

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

10.2 Earnest Money. The Earnest Money paid by Purchaser shall be held by Escrow Agent in a separate interest bearing account, identified to this transaction. The interest accruing thereon between the date of deposit and the date of Closing shall be applied to the Purchaser's obligations at Closing, or if this Agreement is terminated, such interest shall be returned to Purchaser together with the Earnest Money if the Earnest Money is to be returned to Purchaser in accordance with this Agreement.

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

10.4 Proration and Expenses. Real property taxes, assessments, Lease rent, surface water management charges, conservation service charges, and utility charges constituting liens against the Property, all for the year of Closing, shall be prorated as of the date of Closing. Any documentary transfer tax, real estate excise tax, or other similar tax in accordance with the requirements of lawful authority shall be paid by Seller. All advance Lease rentals, refundable deposits and refundable fees paid by tenants to Seller, including without limitation refundable security deposits and consideration regarding future lease credits, shall be credited to Purchaser at Closing. Any rent concessions made by Seller covering rental periods occurring after closing shall be credited to Purchaser at Closing. Seller agrees to provide Purchaser with a complete and current rent roll, including without limitation, a schedule of all tenant deposits, fees, date of last rent received and description of any existing defaults actually known to Seller, within five (5) business days of mutual execution of this Agreement. Purchaser shall pay the cost of recording the deed. Seller shall pay the premium for the issuance of owners title insurance and the title policy to be issued to Purchaser at Closing, provided, however, that Purchaser shall pay the cost of extended (ALTA) coverage as well as any additional endorsement premiums. All other recording and closing costs (including the escrow fee but excluding attorneys' and brokers' fees, costs and expenses associated therewith) shall be shared equally by the parties. Each party shall



pay the attorneys' fees, costs, and expenses incurred by such party with respect to the negotiation of this Agreement and the consummation of the transactions contemplated herein.

10.5 At Closing, the Escrow Agent shall have the Title Company issue to Purchaser the Title Policy insuring fee simple title to the Property subject only to exceptions approved or deemed to have been approved by Purchaser and not limited by any limitations of Purchaser's remedies against Seller contained in this Agreement.

11. DEFAULT

11.1 If either party to this Agreement shall fail or refuse to perform or satisfy a material obligation under this Agreement and the other party has fully performed all of its obligations under this Agreement, that party shall be in default and the non-defaulting party may elect from the following remedies.

11.1.1 Seller in Default. In the event that Seller is in default, Purchaser may elect to seek specific performance of this Agreement or any other remedy available at law or equity or recover its Earnest Money deposit together with accrued interest thereon and notify Seller in writing of Purchaser's intention to abandon this transaction.

11.1.2 Purchaser in Default. In the event that Purchaser is in default, Seller may retain the Earnest Money deposit as liquidated damages as Seller's sole and exclusive remedy under this Agreement, in which event Seller shall have no further rights and Purchaser shall have no further obligations under this Agreement.

12. CONDITION OF PROPERTY; RISK OF LOSS

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

12.2. Risk of Loss

Risk of loss or damage to the Property by fire or other casualty, from the date of this Agreement through Closing shall be on the Seller, and thereafter shall be on the Purchaser. In the event that the improvements on the Property are destroyed or materially damaged between the date this Agreement is executed by the Seller and the date title is conveyed to Purchaser, Purchaser shall have the option of recovering the Earnest Money plus accrued interest and being released from all obligations hereunder, or alternatively, closing the transaction and accepting the Property in its then present condition. If Purchaser elects to accept the Property in its then condition, any insurance proceeds payable to Seller by reason of the damage to the Property shall be paid and/or assigned, as the case may be, to Purchaser and Purchaser shall receive a credit at Closing, for the amount of any deductible applied to the loss.



13. CONDEMNATION.

13.1 If, prior to the date of Closing, all or any part of the Property is taken by condemnation by a governmental authority other than the City of Seattle or any agency, commission, department or entity in any way related thereto ("Superior Governmental Authority"), the Purchaser may elect to cancel this Agreement by giving Seller notice to that effect, whereupon the Escrow Agent shall immediately return the Earnest Money and all interest earned thereon to the Purchaser and both parties shall be relieved and released from any liability hereunder to the other. Alternatively, the Purchaser may elect to take title to the Property in accordance with the terms and conditions of this Agreement without reduction of the Purchase Price and shall be entitled to receive from the Superior Governmental Authority any condemnation award or benefit. If Purchaser purchases the Property and complies with all of the terms of this Agreement, Seller shall assign to Purchaser all of its right, title and interest in and to any such condemnation award or benefit, if any, that may be owing to the owner of the Property as a result of such condemnation or taking of, or damage or change to the Property, provided, however, that in such event, Seller's warranties, other than as to the condition of title to the Property, shall lapse. The foregoing notwithstanding, Seller does not assign to Purchaser the proceeds from any insurance policy maintained by Seller with regard to the Property and retains any and all such proceeds.

13.2 If, prior to the date of Closing, all or any part of the Property is taken by condemnation by the City of Seattle or any agency, commission, department or entity in any way related thereto ("City"), the Purchaser may elect to cancel this Agreement by giving Seller notice to that effect, whereupon the Escrow Agent shall immediately return the Earnest Money and all interest earned thereon to the Purchaser, Purchaser shall be relieved and released from any liability hereunder, and Seller shall reimburse Purchaser for any costs Purchaser has incurred as of the date of such cancellation of the Agreement

14. BROKERS; INDEMNIFICATION

14.1 Purchaser and Seller each warrant and represent that they will each be solely responsible for any and all commissions due their respective real estate broker, salesman, finder or similar intermediary in connection with the purchase of the Property; and each shall hold harmless, indemnify and defend the other from and against any claim based on any alleged fact inconsistent with such party's warranty and representation contained in this paragraph 14.1. The Seller is represented by Meriwether Partners LLC, and the Seller shall be responsible for any commission due Meriwether Partners. The Purchaser represents that it has not been represented by any broker in connection with the purchase of the Property. This indemnification obligation shall survive the Closing and the termination of this Agreement.

15. ASSIGNMENT; BINDING EFFECT

15.1 This Agreement may be assigned by the Purchaser subject to approval by Seller which approval will not be unreasonably withheld. Notwithstanding the foregoing, Purchaser may assign this Agreement at Closing to any entity in which Purchaser has an ownership interest, without Seller's consent.



15.2 This Agreement shall not be assigned by Seller without the prior written consent of Purchaser.

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

16. NOTICES

16.1 All notices, requests, demands and other communications under this Agreement shall be in writing and shall either be delivered in person, sent via facsimile or sent by Federal Express or by registered or certified mail through the U.S. Postal Service with postage prepaid as follows:

SELLER:

THE CITY OF SEATTLE
c/o Facility Services Section
Executive Services Department
14th Floor
618 Second Avenue Seattle, WA 98104
Facsimile: (206) 684-0525

PURCHASER:

Arctic Club Hotel LLC
c/o Conover Bond LLC
Att: Robert C. Brewster
157 S. Howard, Suite 600
Spokane, WA 99201
Facsimile: (509) 747-1915

With a copy to:

Real Property Law Group
Att: Stephen J. Day
1218 Third Avenue, Suite 1900
Seattle, WA 98101
Facsimile: (206) 374-2370

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



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

17. GOVERNING LAW JURISDICTION AND VENUE

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

17.2 In the event that litigation is commenced by either party, the parties to this Agreement agree that jurisdiction shall lie solely in the King County Superior Court, with venue at Seattle, King County, Washington.

17.3 In the event of litigation between the parties hereto, declaratory or otherwise, in connection with or arising out of this Agreement, the prevailing party shall recover from the non-prevailing party all actual costs, actual damages and actual expenses, including attorneys' fees and charges, paralegal and clerical fees and charges and other professional or consultants' fees or charges, expended or incurred in connection therewith, as set by the court, including for appeals, which shall be determined and fixed by the court as part of the judgment.

18. TIME OF THE ESSENCE; CALCULATION OF TIME PERIODS

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

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

19. COUNTERPARTS

19.1 This Agreement may be executed in counterparts and by facsimile, if so, only when counterparts are delivered to the Escrow Agent, with the signatures of each and every one of the parties constituting the Purchaser and Seller, shall it be deemed a binding Agreement.



19.2 It is understood, agreed and acknowledged that if both Purchaser and Seller have not executed a counterpart of this Agreement and deposited signed copies, accompanied by the deposit with the escrow agent as provided for in this Agreement and to each other, this Agreement shall be of no force and effect.

20. WAIVER

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

20.2 No writing other than a document signed by the Seller's Fleets and Facilities Department Director specifically so stating that it is a waiver shall constitute a waiver by Seller of any particular breach or default by Purchaser, nor shall such a writing waive Purchaser's failure to fully comply with any other term or condition of this Agreement, irrespective of any knowledge that any officer or employee of Seller may have of such breach, default, or noncompliance.

21. ENTIRE AGREEMENT; MODIFICATIONS; NEGOTIATED UNDER-STANDING

21.1 This Agreement, including all exhibits (which by this reference are incorporated herein), represents the entire agreement of the parties with respect to the Property and any and all agreements, oral or written, entered into prior to the date hereof are revoked and superceded by this Agreement.

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

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

22. DEFINITIONS

For the purposes of this Agreement, the following terms and phrases are defined as specified below:

22.1 "Document..." means and includes information stored in any form; any written, recorded or graphic matter, however produced or reproduced; and copies and drafts thereof. Without limiting the foregoing, "Document" includes correspondence; telegrams; memoranda; reports; notes; drafts; minutes; contracts; agreements; books; records; vouchers; invoices; diaries; calendar notes; logs; computer print-outs; e-mails; voice mails; memory programs; information stored in any data processing or word processing system, in whatever form; back-up materials of any kind; card files; press clippings; newspapers or newsletters; sworn or unsworn statements of



employees; lists; audits; tables of organization; monthly or other periodic statements; journals; notices; affidavits; court papers; appointment books; minutes or records of conferences or telephone calls; brochures; written reports or opinions of investigators or experts; status reports; drawings; charts; photographs; negatives; or tape recordings.

22.2 "Environmental report..." means and includes but is not limited to any document relating to the physical condition of the Property or such adjacent property or the presence on the Property or such adjacent property of any Hazardous Materials, as that term is defined in Subparagraph in Section 22.3.

22.3 "Hazardous Materials..." means and includes any hazardous or toxic substance or container therefor that is or becomes regulated by any governmental authority and includes, without limitation, underground storage tanks and any substance that is:

(i) Defined as a "Hazardous Substance" "Hazardous Waste," or "Extremely Hazardous Substance" pursuant to any provision of the United States Code, including United States Code sections commonly known as the Federal Water Pollution Control Act, the Federal Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act or the Superfund Amendments and Reauthorization Act of 1986;

(ii) Defined as a hazardous substance or material pursuant to any state or local law, ordinance or regulation governing the Property;

(iii) A petroleum or a petroleum by-product;

(iv) An asbestos or asbestos containing material;

(v) A pesticide;

(vi) A polychlorinated biphenyl;

(viii) A dry cleaning fluid; or

(ix) A solvent.

22.4 "In Seller's possession, custody or control..." means and includes retained or maintained by, or within the knowledge of, or to which access is available by, Seller or any of its officers, employees, attorneys, agents, consultants or storage providers.

23. FURTHER INSTRUMENTS AND ACTION

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

24. SURVIVAL

24.1 All warranties, representations, covenants, obligations and agreements contained in or arising out of this Agreement or in any certificates or other documents required to be furnished hereunder, shall survive the Closing. All warranties and representations shall be effective regardless of any investigation made or which could have been made.



25. TAX DEFERRED EXCHANGE

25.1 Purchaser may elect to incorporate this transaction into a tax deferred exchange under Section 1031 of the Internal Revenue Code. In furtherance thereof, Seller agrees to allow Purchaser to assign this Agreement to a third party exchange intermediary for the purpose of effecting the exchange provided that such assignment will not delay closing or be interpreted to extend any deadline. Seller agrees to cooperate with the exchanging party in effecting such exchange; provided that the Seller shall not be required to incur any liability as a result of such cooperation. The failure of the exchange to qualify as an exchange under Section 1031 shall not constitute grounds for rescission by either party and shall not be deemed to be a failure of consideration.

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

SIGNATURES APPEAR ON THE FOLLOWING PAGE



SELLER:

THE CITY OF SEATTLE

By: _____
Brenda Bauer
Director, Fleets and Facilities Department

PURCHASER:

THE ARCTIC CLUB HOTEL LLC,
a Washington limited liability company

By: ARCTIC CLUB DEVELOPMENT LLC,
a Washington limited liability company
Its: Managing Member

By: _____
Robert C. Brewster, Jr., Member

By: _____
Stephen J. Day, Jr., Member



STATE OF WASHINGTON)

COUNTY OF KING) ss.
)

On this ____ day of _____, 2005, before me, personally appeared Brenda Bauer, to me known to be the Acting Director of the Fleets and Facilities Department of The City of Seattle, who executed the foregoing agreement, and acknowledged the same to be the free and voluntary act and deed of The City of Seattle for the uses and purposes therein mentioned, and on oath stated that she was authorized to execute said agreement.

GIVEN under my hand and official seal the day and year written above in this certificate.

(Signature) _____
(Printed or typed name of Notary Public):

Notary Public in and for the State of Washington,
residing at _____
My appointment expires _____



STATE OF WASHINGTON)
) ss.
COUNTY OF)

On this _____ day of _____, 2005, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Robert C. Brewster, Jr., Member of Arctic Club Development LLC, managing member of The Arctic Club Hotel LLC, who executed the foregoing document, and acknowledged the same to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute such document for and on behalf of said corporation.

WITNESS my hand and official seal hereto affixed the day and year written above in this certificate.

(Signature) _____
(Printed or typed name of Notary Public):

Notary Public in and for the State of Washington,
residing at _____
My appointment expires _____



STATE OF WASHINGTON)
) ss.
COUNTY OF)

On this _____ day of _____, 2005, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Stephen J. Day, Jr., member of Arctic Club Development LLC, managing member of The Arctic Club Hotel LLC, who executed the foregoing document, and acknowledged the same to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute such document for and on behalf of said entity.

WITNESS my hand and official seal hereto affixed the day and year written above in this certificate.

(Signature) _____
(Printed or typed name of Notary Public):

Notary Public in and for the State of Washington,
residing at _____
My appointment expires _____



EXHIBIT A
Legal Description

[TO BE INSERTED AND CONFIRMED BY TITLE COMPANY PER LEGAL DESCRIPTION EXHIBIT ATTACHED TO CHICAGO TITLE INSURANCE COMPANY TITLE COMMITMENT DATED DECEMBER 13, 2004 UNDER ORDER NO. 1101566]



EXHIBIT B
Site Map



EXHIBIT C

Documents to be Delivered by the Seller

1. Chicago Title Insurance Policy
2. Special Warranty Deed and other title documents
3. Structural Documentation
4. Dome Room Historical Information
5. Arctic Building Insurance
6. Arctic Building Drawings/Floor Plans/As-Builts
7. Property Management Reports-monthly
8. Tenant Leases
 - Wash. Federal Savings & Loan
 - Tony Catering Lease
 - Viet Chi Restaurant
 - Film Stop
 - Sumo Restaurant
9. Seismic Risk Assessment (ABS)
Seismic Hazard Program (EQE)
10. Project Worksheet Report - Earthquake
Federal Emergency
Management Agency
11. Asbestos Hazard and Risk Assessment
Asbestos Sampling
12. Power Survey
Power Riser Diagram
Facility Assessment (FA)
Lighting Improvement
13. Basement Problems – various documents
14. Replacement Roofing
Limited Asbestos Survey
Reroof/Plans/Specs/Cost Estimate



15. Public Address System Dome Room

16. Property Condition Assessments
Evaluation of Arctic Building Upgrades

17. CADD Drawings and CADD files on disk in AUTOCAD

18. 1982 Building Plans



EXHIBIT D
Form of Tenant Estoppel Certificate
TENANT ESTOPPEL CERTIFICATE

_____, 2005

To: The City of Seattle ("City") and The Arctic Hotel LLC and/or its Assigns ("Buyer")

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

The undersigned hereby certifies to The City of Seattle and Buyer as of the date hereof as follows:

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

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

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

There exists no breach or default, nor state of facts nor conditions presently or which, with notice, the passage of time, or both, would result in a breach or default on the part of either Tenant or Landlord. To the best of Tenant's knowledge, no claim, controversy, dispute, quarrel or disagreement exists between Tenant and Landlord.

Tenant is currently obligated to pay base annual rental in monthly installments of \$ _____ per month and monthly installments of annual rental have been paid through _____. No other rent has been paid in advance and Tenant has no claim or defense against Landlord under the Lease and is asserting no offsets or credits against either the rent or Landlord. Tenant has no claim against Landlord for any security, rental, cleaning or



other deposits [, except for a security deposit in the amount of \$ _____ which was paid pursuant to the Lease].

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

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

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

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

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

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

The undersigned acknowledges that:

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

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

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

Tenant has not received notice of any violation of any federal, state or local law, regulation, rule, ordinance, order or other governmental requirement which relates to the use of condition of the Premises, and no hazardous wastes or toxic substances, as such terms are defined by all



applicable environmental protection laws, have been disposed of, stored or used by Tenant in the Premises in violation of any such laws.

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

All notices to Tenant should be sent to the following address:

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

TENANT:

By: _____

Name: _____

Title: _____



AMENDMENT NO. 3 TO PURCHASE AGREEMENT

This AMENDMENT NO. 3 TO PURCHASE AGREEMENT (this "Amendment No. 3") is entered into as of April 11, 2005, by and between THE CITY OF SEATTLE ("Seller"), a first class city of the State of Washington, and THE ARCTIC CLUB HOTEL LLC, a Washington limited liability company and/or assigns ("Purchaser").

Seller and Purchaser are parties to that certain Purchase and Sale Agreement dated January 20, 2005 as amended March 4, 2005 by Amendment No. 1 and April 7, 2005 by amendment No. 2 to Purchase Agreement (collectively the "Purchase Agreement"), concerning purchase and sale of the land and building located at 306 Cherry Street/700 Third Avenue in Seattle, Washington. Capitalized terms not defined herein shall have the meaning set forth in the Purchase Agreement. Seller and Purchaser hereby agree as follows:

1. **CONDITIONS WAIVED.** Subject to satisfaction of the remaining unsatisfied conditions set forth in the Purchase Agreement and in this Amendment No. 3, Purchaser hereby waives its Due Diligence Period conditions described at Section 6.1.3 of the Purchase Agreement

2. **PURCHASE PRICE REDUCTION.** The Purchase Price set forth in Section 3.1 of the Purchase Agreement is hereby reduced to Five Million One Hundred Thousand and No/100 Dollars (\$5,100,000.00).

3. **RETAIL LEASE AMENDMENT.** Seller agrees to use its best efforts to deliver to Purchaser on or before April 30 a lease amendment to the "Sumo Restaurant Lease" in the Building, fully executed by tenant under that lease and by Seller, stating that the term of such lease shall expire on or before November 30, 2005. If Seller fails to deliver such lease amendment to Purchaser prior to Closing, Purchaser may in its sole discretion elect to terminate this Agreement, in which case the Earnest Money, together with interest accrued thereon, shall be released by the Escrow Agent to Purchaser within three (3) days after delivery to Seller and Escrow Agent of Purchaser's written notice of such termination.

4. **CITY LEASE.** Purchaser and Seller hereby approve the form of the City Lease attached hereto as Exhibit A.

5. **UNION AGREEMENT.** Purchaser hereby approves the form of the Card Check Neutrality Agreement attached hereto as Exhibit B.

6. **PARKING SETBACK COSTS.** Purchaser agrees to contribute a maximum of \$25,000 absolute total to the new parking setback and sidewalk replacement and related curb work/tree relocation or replacement/fire hydrant/utilities and vault relocation referenced in the SDOT letter from John Layzer dated March 18, 2005 along with any other related work (collectively, the "Setback Work"). Purchaser's contribution would be paid at completion of the Work. Purchaser shall have the right to approve the location and specifications of the various elements of the Work (with such approval not to be unreasonably withheld) prior to commencement of any of the Work. The work must be completed in an expeditious manner by Seller and/or SDOT/METRO on or before April 1, 2006 in coordination with Purchaser regarding timing and duration of the project.

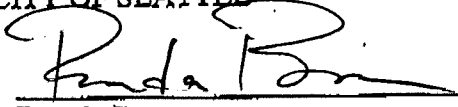
7. **COUNTERPARTS.** This Amendment No. 3 may be executed in any number of counterparts and by facsimile or electronically and all counterparts shall be deemed to constitute a single agreement. The execution and delivery of one counterpart by any party shall have the same force and effect as if that party had signed all other counterparts. The signatures to this Amendment No. 2 may be executed on separate pages and when attached to this Amendment No. 2 shall constitute one complete document.

8. **NO OTHER AMENDMENTS.** Except as modified by this Amendment No. 3 and by Amendment Nos. and 2, the Purchase Agreement remains in full force and effect and has not been modified or amended.

SIGNATURES APPEAR ON FOLLOWING PAGE

SELLER:

THE CITY OF SEATTLE

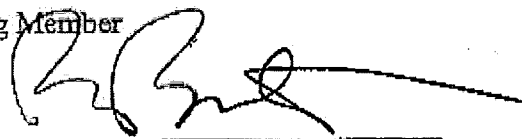
By: 
Brenda Bauer
Director, Fleets and Facilities Department

PURCHASER:

THE ARCTIC CLUB HOTEL LLC,
a Washington limited liability company

By: ARCTIC CLUB DEVELOPMENT LLC,
a Washington limited liability company

Its: Managing Member

By: 
Robert C. Brewster, Jr., Member

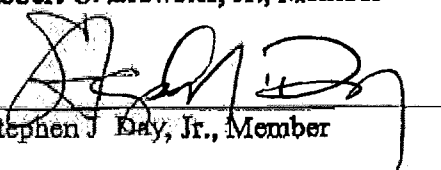
By: 
Stephen J. Day, Jr., Member



EXHIBIT A TO ATTACHMENT 2

(See Attachment 3 to the Ordinance)



EXHIBIT B TO ATTACHMENT 2

MEMORANDUM OF AGREEMENT

THIS AGREEMENT is made and entered into by and between Artic Club Hotel LLC, a Washington limited liability company (hereinafter the "Employer"), and the UNITE HERE, Local 8, AFL-CIO (the "Union").

1. This Agreement shall cover all employees employed in classifications listed in Exhibit A, or in classifications called by different names when performing similar duties, (referred to hereinafter as "Employees") at a hotel to be located at 700 Third Avenue and Cherry Street in Seattle, Washington (hereinafter referred to as the "Hotel") which during the term of this Agreement is owned by, operated by or substantially under the control of the Employer. The Hotel is to be located within the Arctic Building (the "Building"). The term "Employer" shall be deemed to include any person, firm, partnership, corporation, joint venture or other legal entity substantially under the control of: (a) the Employer covered by this Agreement; (b) one or more principal(s) of the Employer covered by this Agreement; (c) a subsidiary of the Employer covered by this Agreement; or (d) any person, firm, partnership, corporation, joint venture or other legal entity which substantially controls the Employer covered by this Agreement.

2. The parties hereby establish the following procedure for the purpose of ensuring an orderly environment for the exercise by the Employees of their rights under Section 7 of the National Labor Relations Act and to avoid picketing and/or other economic action directed at the Employer in the event the Union decides to conduct an organizing campaign among Employees.

3. The parties mutually recognize that national labor law guarantees employees the right to form or select any labor organization to act as their exclusive representative for the purpose of collective bargaining with their employer, or to refrain from such activity.

4. The Employer will take an approach of strict neutrality to the unionization of Employees. The Employer will not do any action nor make any statement that will directly or indirectly state or imply any opposition by the Employer to the selection by such Employees of a collective bargaining agent, or preference for or opposition to any particular union as a bargaining agent.

5. The Union and its representatives will not coerce or threaten any Employee in an effort to obtain authorization cards or otherwise.

6. The Employer may hire any Employees at any time at its sole and absolute discretion and regardless of whether or not any such Employee applicant has been provided by the Union. Subject to the foregoing, if the Employer finds it necessary to hire new Employees for vacancies in job classifications covered by this Agreement at the Hotel, the Employer shall notify the Union to request applicants for such vacancies, provided that if time constraints require rapid hiring decisions, the Employer may in its sole discretion hire Employees without such notification. When requesting applicants, the Employer shall state the qualifications applicants are expected to possess. The Union may furnish applicants for the job vacancies specified by the Employer. The Union's selection of applicants for referral shall be on a



non-discriminatory basis and shall not be based upon or in any way affected by membership in the Union or the Union's bylaws, rules, regulations, constitutional provisions, or any other aspects or obligation of Union membership policies or requirements, or upon personal characteristics of an applicant where discrimination based upon such characteristics is prohibited by law. The Employer agrees that any interest demonstrated by an applicant in joining the Union shall not constitute grounds for discriminatory or disparate treatment nor adversely impact the applicant's ability to be hired by the Employer. The Employer shall be the sole judge of an applicant's suitability, competence and qualifications to perform the work of any job to be filled and the above understanding shall not be the exclusive means of Employer recruitment.

7. If the Union provides written notice to the Employer of its intent to organize Employees covered by this Agreement, the Employer shall provide access to its premises and to such Employees by the Union. Notwithstanding the foregoing, the Union may engage in organizing efforts only in non-public areas of the Hotel during Employees' non-working times (before work, after work, and during meals and breaks) and/or during such other periods as the parties may mutually agree upon in writing in advance.

8. Within ten (10) days following receipt of written notice of intent to organize Employees, the Employer will furnish the Union with a complete list of such Employees, including both full and part-time Employees, showing their job classifications and departments. Within two (2) weeks thereafter, the Employer will furnish a second list of such Employees to the Union, including the home addresses of all Employees. Thereafter, the Employer will provide updated complete lists quarterly or not more than monthly upon specific request from the Union.

9. The Union may request recognition as the exclusive collective bargaining agent for such Employees. The Arbitrator identified in Paragraph 13, or another person mutually agreed to by Employer and Union, will conduct a review of Employees' authorization cards and membership information submitted by the Union in support of its claim to represent a majority of such Employees. If that review establishes that a majority of such Employees has designated the Union as their exclusive collective bargaining representative or joined the Union, the Employer will recognize the Union as such representative of such Employees. The Employer will not file a petition with the National Labor Relations Board for any election in connection with any demands for recognition provided for in this agreement. The Union and the Employer will not file any charges with the National Labor Relations Board in connection with any act or omission occurring within the context of this agreement; arbitration under Paragraph 13 shall be the exclusive remedy.

10. During the life of this Agreement, the Union will not engage in picketing or other economic activity at the Hotel, and the Employer will not engage in a lockout of the Employees. This paragraph will expire with respect to any group of Employees upon recognition of the Union as the representative of such Employees pursuant to paragraph 9. Notwithstanding the termination provision above, if the Employer recognizes any union besides Union as the exclusive collective bargaining representative of Employees, or any of them, this paragraph shall terminate immediately and without notice.

11. In the event that the Employer sells, transfers, or assigns all or any part of its right, title, or interest in the Hotel or substantially all of the assets used in the operation of the



Hotel, or in the event there is a change in the form of ownership of the Employer, the Employer shall give the Union reasonable advance notice thereof in writing, and the Employer further agrees that as a condition to any such sale, assignment, or transfer, the Employer will obtain from its successor or successors in interest a written assumption of this Agreement and furnish a copy thereof to the Union, in which event the assignor shall be relieved of its obligations hereunder to the extent that the assignor has fully transferred its right, title, or interest.

12. The Employer shall incorporate the entirety of paragraphs 4,6, 7, 8, 9, and 10 of this of Agreement in any contract, subcontract, lease, sublease, operating agreement, franchise agreement or any other agreement or instrument (except as provided otherwise in this paragraph or this Agreement) giving a right to any person to operate any enterprise in the Hotel employing employees in classifications listed in Exhibit A, or in classifications called by different names when performing similar duties, and shall obligate any person taking such interest, and any and all successors and assigns of such person, to in turn incorporate said paragraphs in any further agreement or instrument giving a right as described above. This Agreement and the provisions of this paragraph 12 shall apply only to Employees of the Hotel. This Agreement and the provisions of this paragraph 12 shall not apply to any lease of space in the Building or employees of any lessee of space in the Building, including but not limited to restaurant workers or retail workers hired by lessees operating under any lease of space within the Building, provided that the lessee is in an arm's-length relationship with the Employer. The Employer shall enforce such provisions, or at its option, assign its rights to do so to the Union. The Employer shall give the Union written notice of the execution of such agreement or instrument and identify the other party(ies) to the transaction within 15 days after the agreement or instrument is signed. The terms "Employer" and "Hotel" shall be modified in such agreement or instrument to conform to the terminology in such agreement or instrument but retain the same meaning as in this Agreement, and the terms "Employer" and "Employees" as used herein shall be modified to refer, respectively, to the person or persons receiving a right to operate an enterprise in the Hotel and the employees of such person or persons.

13. The parties agree that any disputes over the interpretation or application of this Agreement shall be submitted to expedited and binding arbitration, with Philip Kienast serving as the arbitrator. If he is unavailable to serve within thirty (30) calendar days of notification then another mutually acceptable person shall be the arbitrator. The arbitrator shall have the authority to determine the arbitration procedures to be followed. The arbitrator shall also have the authority to order the non-compliant party to comply with this Agreement. The parties hereto agree to comply with any order of the arbitrator, which shall be final and binding, and furthermore consent to the entry of any order of the arbitrator as the order or judgment of the United States District Court for the Western District of Washington, without entry of findings of fact and conclusions of law.

14. This Agreement shall be in full force and effect from the date it is fully executed on behalf of the Employer and the Union until the earlier of the following dates: (a) the date that is Two years from the full public opening of the hotel or (b) December 1, 2010. The Employer estimates, but is not bound to, an opening date in Summer 2006.

IN WITNESS WHEREOF, the parties hereto by their duly designated representatives have hereunto set their hands.



FOR THE EMPLOYER:

FOR THE UNION:

ARCTIC CLUB HOTEL LLC

UNITE HERE, Local 8, AFL-CIO

[fill in company name]

By: _____

By: _____

Its: _____

Its: _____

Date: _____

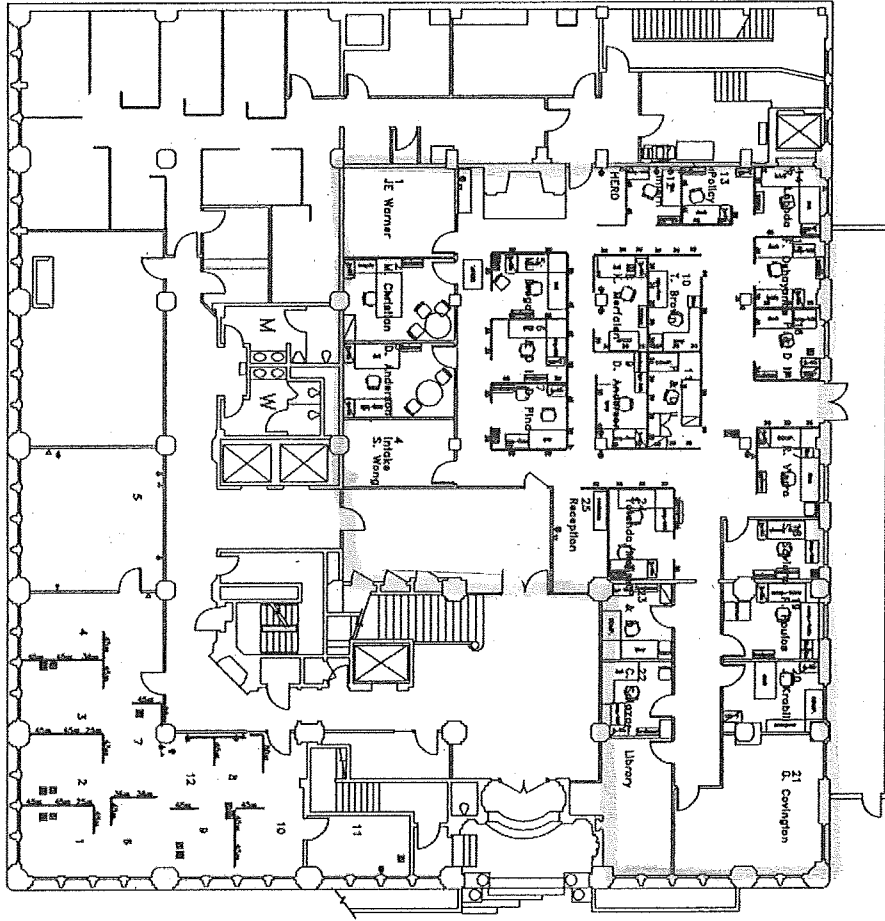
Date: _____



EXHIBIT A

All regular full-time and regular part-time hotel service, housekeeping, food and beverage, and laundry employees (including room cleaners, housepersons, bell persons, telephone operators, kitchen employees, servers, bussers, bartenders, cashiers, hosts, concierges, and laundry workers, and front desk, recreational, and parking employees) employed by the Employer at the Hotel, but excluding all secretarial, office clerical, sales, and maintenance employees and all managers, supervisors, and guards as defined in the National Labor Relations Act.





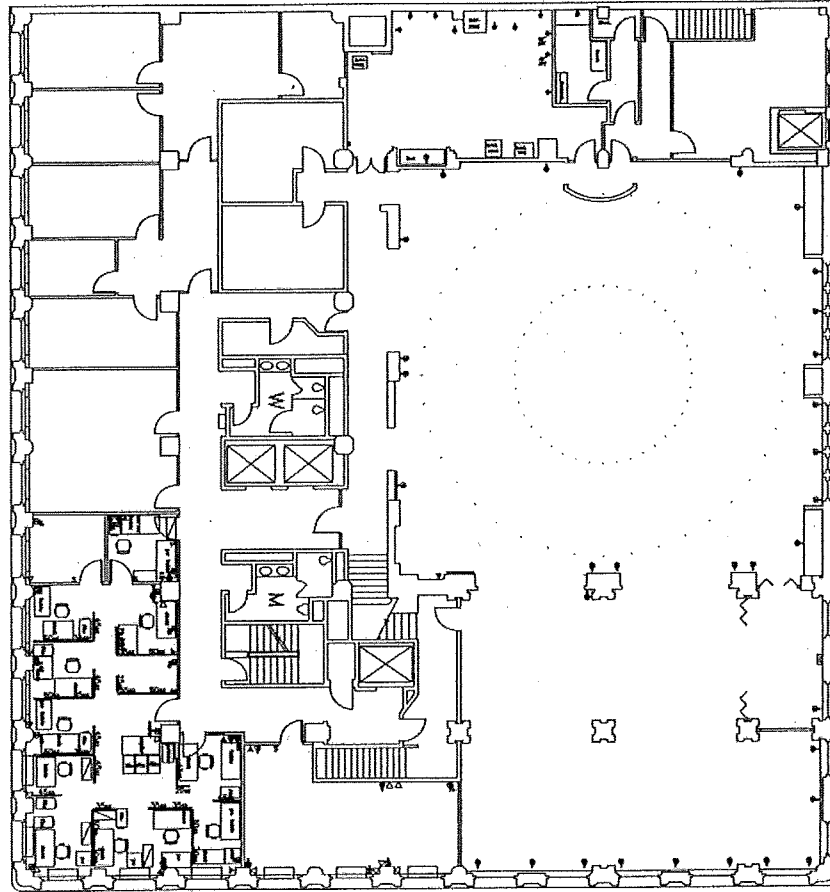
OCR

1. REBECCA SALINAS 3--5107
2. DAVID THOMPSON 4--0817
3. JEFFREY ... 5--1111
4. JERRY DECARIEK 5--1600
5. REINH STUART 4--0285
6. HEATHER MOSS 5--1554
7. SUE ... 3--0145
8. ... 3--0145
9. JORDAN ROYER 3--0018
10. PATRICIA LOPEZ 4--0173
11. SID SIDOROVITZ 5--0483
12. GUS SHINIKH 5--0489



2	DRAWING FILE INFORMATION FILENAME:	ARCTIC BUILDING SECOND FLOOR CITY OF SEATTLE EXECUTIVE SERVICES DEPARTMENT	PROJECT #: IN: _____ DATE: <u>1/2" x 11"</u> DATE: <u>05/15/03</u> APPROVED BY: BY: _____	REVISIONS: _____ _____ _____	APPROVED FOR ARCHITECT: _____ DATE: _____ BY: _____	APPROVED BY: _____ DATE: _____ BY: _____
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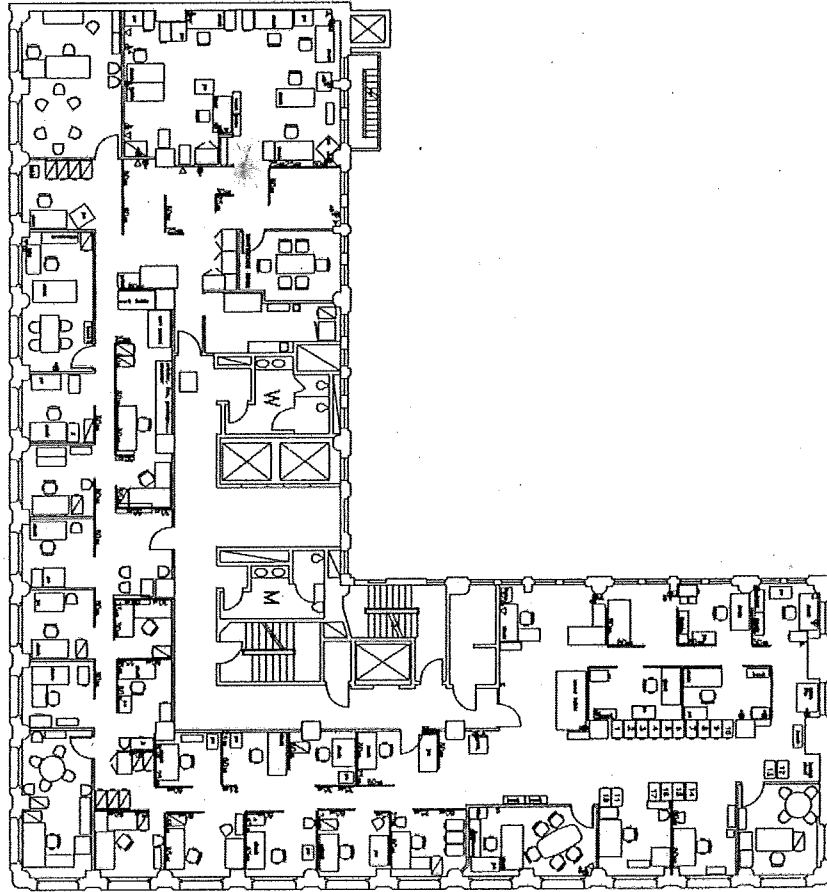
N ⊕ ARCTIC BUILDING
 THIRD FLOOR
 REVISED 01/18/02




Don

DRAWING NO. 3	DRAWING FILE INFORMATION FILENAME:	ARCTIC BUILDING THIRD FLOOR CITY OF SEATTLE EXECUTIVE SERVICES DEPARTMENT	PROJECT # _____ DR. NO. _____ SCALE: 1/8" = 1'-0" DATE: 01/18/02 APPROVED _____ BY _____	REVISIONS: _____ _____ _____	APPROVED FOR ADVERTISING NAME & TITLE _____ SERIAL NO. _____ _____	APPROVED BY (Signature) _____	_____ _____	 
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N ⊕ ARCTIC BUILDING
 FOURTH FLOOR
 REVISED 10/18/96



PON

4	DRAWING NO.	DRAWING FILE INFORMATION FILENAME	ARCTIC BUILDING FOURTH FLOOR CITY OF SEATTLE EXECUTIVE SERVICES DEPARTMENT	PROJECT # _____ DRAWN BY _____ SCALE: 1/8" = 1'-0" DATE: 10/11/96 APPROVED BY _____	REVISIONS: _____ _____ _____ _____ _____	APPROVED FOR ARCHITECTING _____ TITLE: _____ DATE: _____	APPROVED BY _____ TITLE: _____ DATE: _____	 EPIS CITY CLERK
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FISCAL NOTE FOR CAPITAL PROJECTS ONLY

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Fleets & Facilities	Mary Pearson 4-0407 Ben Noble 4-8160	Candice Chin 3-7014

Legislation Title:

AN ORDINANCE relating to the sale of the Arctic Building, located at 700 Third Avenue, under the jurisdiction of the Fleets and Facilities Department, declaring the same to be surplus to the City's needs; authorizing the sale and a temporary leaseback of certain portions of the building; designating the disposition of sale proceeds; and making appropriations of sale proceeds; all by a three-fourths vote of the City Council.

Summary and background of the Legislation:

Summary of the Legislation:

- Declares the Arctic Building surplus.
- Authorizes the FFD Director to sell the Arctic Building, in accordance with a negotiated Purchase and Sale Agreement, for the gross sales price of \$5,100,000.
- Authorizes the FFD Director to execute a lease with the Purchasers of the Arctic Building for continued City occupancy until the City completes a phased move-out from the building into office space in Seattle Municipal Tower and leased facilities.
- Designates the deposit of net proceeds, as further explained in this fiscal note, and appropriates funds, for which insufficient appropriations were made in the 2005 Budget.

Background (Include justification for the legislation and funding history, if applicable):

The historic Arctic Building was purchased in 1988, at the same time as the Dexter Horton and Alaska Buildings, for City occupancy. All three buildings were purchased with Councilmanic debt.

In the 1990's the City undertook a planning effort to address its space needs in light of its aging buildings, which culminated in the acquisition of Key Tower (now the Seattle Municipal Tower) and the construction of the Justice Center and City Hall. The adopted Civic Center Master Plan identified a preferred alternative and defined a strategy for each City-owned downtown property, including the sale or lease of assets no longer required to meet the City's space needs.

The Master Plan envisioned the upgrade of the Arctic Building for City occupancy, specifically for the Human Services Department. Subsequent analysis of the Arctic Building resulted in the conclusion that more significant seismic upgrades and renovation would be required than previously contemplated, resulting in a recommendation that the Arctic Building be sold and that the Human Services Department space needs be addressed at the Seattle Municipal Tower and, for certain functions, in leased space in the Second/Third Avenue corridor.

With City Council support, the Mayor directed FFD to offer the Arctic Building for sale by a competitive process. With the assistance of our real estate advisors, an offering was prepared.

The sale was advertised, and approximately 200 Offering Memorandums were sent to potentially interested purchasers in May 2004. There was a very good response with some buyers interested in the Arctic Building, some in conjunction with the Alaska Building. Eight bids for the Arctic Building were received in July 2004. The offers were reviewed for price, creditworthiness of the buyers, and proposed re-use plan and its consistency with City goals. Bids were short listed and "best and final" offers requested. After further evaluation, FFD negotiated with the entity that submitted the highest and most responsive offer.

The proposed purchaser of the Arctic Building is the Arctic Club Hotel, LLC, an entity formed by Conover Bond, a Spokane-based redevelopment company which renovated Spokane's Montvale Hotel. The purchaser plans to convert the Arctic Building to a hotel of approximately 120 rooms, with the Dome Room and adjacent spaces planned to serve as meeting and event rooms.

There is a short term lease for portions of the building to allow for continued City occupancy from the anticipated May 31, 2005 closing of the sale until our planned moves. The remaining tenants in the Arctic Building - Office for Civil Rights and Department of Neighborhoods - are expected to move in summer of 2005.

- *Please check any of the following that apply:*

This legislation creates, funds, or anticipates a new CIP Project.

This legislation does not have any financial implications.

This legislation has financial implications.

Appropriations:

This legislation: (i) authorizes the deposit of proceeds from the in various City funds, and (ii) appropriates a portion of the proceeds for various uses. For purposes of clarity, the fiscal note template is amended to show these actions in separate tables.

DEPOSIT OF PROCEEDS

Gross proceeds of the sale are \$5.1 million. Closing costs are estimated to total approximately \$21,000 (costs at closing include title premium, escrow/settlement, and security deposits). Following deduction of these costs, an estimated total of \$5,079,000 will remain as net proceeds available for deposit in various City funds. The following table displays the authorized distribution of these net proceeds.



Fund Name (Number)	Amount	Expected Use	Appropriated Under This Ordinance?
Fleets and Facilities Fund (50300)*	\$132,000	Staffing costs and broker's commission costs.	In part. See following table.
Municipal Civic Center Fund – Non-Bond Receipts (34225)	\$382,700	Capital expenses related to department (Office for Civil Rights) move to leased office space and partial build-out of Cultural Café.	Yes. See following table.
General Bond Interest/Redemption Fund (20110)	\$3,455,100	Retirement of remaining debt service on the Arctic Building.	Yes. See following table.
TOTAL	\$3,969,800		

*Though not specified in the ordinance, it is anticipated that the deposit into the Fleets and Facilities Fund will be directed to the Facilities Subfund (50330). Any proceeds received in excess of the \$3,969,800 shall be deposited in the Cumulative Reserve Subfund, Capital Projects Account, Unrestricted Subaccount.

APPROPRIATIONS

Fund Name and Number	Dept	BCL	2005 Appropriation	2006 Anticipated Appropriation	Remarks
Fleets and Facilities Fund (50300)	Fleets and Facilities	Technical Services (A3100)	\$97,000	0	Appropriation authority is requested for brokers' commissions (est. \$88K) and building cleanup expenses (est. \$9K).
Municipal Civic Center Fund – Non-Bond Receipts (34225)	Fleets and Facilities	Civic Center Plan – Key Tower, Park 90/5, and Other Projects (A34200-2)	\$382,700	0	CIP appropriation will be directed to Seattle Municipal Tower Tenant Improvement Projects, associated with the moves of City employees to private leased space, and to build-out the "Cultural Café" space in City Hall.
General Bond Interest / Redemption Fund (20110)	Finance / Finance General	Reserves (Q5972010)	\$3,455,100	0	Pays remaining debt service on outstanding capital facilities bonds used to purchase the Arctic Building. This amount is the current best estimate.
TOTAL			\$3,934,800	0	



A total of \$35,000 of the net sale proceeds does not require additional expenditure authority.

The following proviso is applied to \$250,000 of the additional appropriation for the Civic Center Plan project:

“Of the additional \$382,700 appropriated from the Municipal Civic Center Non-bond Subfund, \$250,000 is appropriated solely for the purpose of making capital improvements, including but not limited to electrical system upgrades, heating and ventilation enhancements, and installation of finished walls and doors, to the portion of Seattle City Hall’s L1 level that has been identified throughout the building’s planning and design process as the Cultural Café, for the sole purpose of making the space a suitable location for artistic performances, artistic displays and cultural gatherings, and may be spent for no other purpose.”

SPENDING PLAN

BCL	Use	FUND	2005	2006	2007	2008	TOTAL
Technical Services (A3100)	Brokers' commission/ clean up costs	50300	\$97,000	0	0	0	\$97,000
Civic Center Plan – Key Tower, Park 90/5, and Other Projects (A34200-2)	Moving expense and build-out of Cultural Café	34225	\$382,700	0	0	0	\$382,700
Finance General Reserves	Debt service	20110	\$3,880,000	(\$424,900) credit	0	0	\$3,455,100
	TOTAL		\$4,359,700	(\$424,900)	0	0	\$3,934,800

BREAKDOWN OF USE OF PROCEEDS

This section explains in greater detail the spending plan outlined above, and accompanies Attachment A to this fiscal note.

Staffing and Other Incremental Costs: Labor expense of \$44,500 reflects an estimate for FFD’s real estate services and Seattle Conservation Corps labor for clean-up. \$87,500 is estimated for brokers’ commissions costs.

Debt Payoff: The current best estimate of \$3.88M debt payoff for the outstanding principal for the Arctic Building’s debt will be partially offset by budgeted debt service payments for 2006.

Incremental Moving Expense and Build-out of Cultural Café: Expense for tenant improvements for the move of Office for Civil Rights (OCR) to leased space and for basic building system improvements to the Cultural Café space in City Hall.



Incremental Operating Expense: Outside lease for OCR are estimated at \$20/sq. ft. (the leases are not yet signed). The rate for outside leases reflects FFD's best estimate. The other line items are also estimates, but FFD does not expect significant deviations from these amounts. However, changes in the following dates will impact lease expenses.

- Leaseback Expense in Arctic (\$13/sq. ft.)

Leaseback	Effective 6/1/05 thru	Month factor
DON to SMT	8/31/05	3
OCR to lease	8/31/05	3
Arts Storage	8/31/05	3

- Lease Expense for Commercial Office Space (\$20/sq. ft.)

Outside Lease	Effective 8/1/05 thru	Month factor
OCR to private lease	12/31/06	17
Arts Storage	12/31/06	17

- Foregone Revenue from Arctic Commercial Tenants (Shop fronts): Assuming a sale date of 5/31/05, this amount reflects 7 months of foregone lease revenue in 2005 and 12 months in 2006.
- Avoided Arctic Property Management Expense: Assuming the sale of Arctic occurs on 5/31/05, this is the amount of property management expense that would have been paid to Cushman Wakefield through 2006. This amount is treated as a credit in this analysis.

Remaining Proceeds:

The combined sale proceeds of the Alaska and Arctic Buildings are sufficient to cover all related expenses (real estate transaction costs, incremental property management and operating expense, moving expense, debt service, and art removal) and foregone revenues (due to loss of payment from commercial tenants in the Alaska and Arctic Buildings as well as the Seattle Municipal Tower) currently anticipated for 2005. The situation becomes more complicated should only one or the other building actually advance to closing following passage of the proposed ordinance. If only one building sells, sale proceeds will obviously be lower, but related expenses borne by the Fleets and Facilities Department will not necessarily be similarly reduced. If only the Alaska Building sells, expenses will exceed revenues by \$5.3M, with the deficit expected to occur in 2006 as departments move. If both buildings sell as planned, expenses will exceed revenues by approximately \$1.53M, which is expected to occur in 2006. Because many of the project costs are current best estimates and any shortfall resulting from both scenarios would occur next year, additional funding sources will be identified through the 2006 budget process.

Funding source:

See preceding tables.



Bond Financing Required:

Not applicable.

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

None.

Periodic Major Maintenance costs for the project:

Not applicable.

Funding sources for replacement of project:

Not applicable.

Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE Impact:

None.

• **Do positions sunset in the future?:**

Not applicable.

• **What is the financial cost of not implementing the legislation:**

Asset Preservation Costs. Calculation of the 2005-06 Asset Preservation allowance did not include the Arctic Building, given the likelihood that it would no longer be a City responsibility, allowing the City to avoid certain major maintenance costs needed in the near future. Without the property sales, likely future expenses could include, but not be limited to, replacing floor coverings (at approximately \$35/sqyd for 71,000 SF of useable space, the cost would be around \$2.5 million), upgrading the elevator cars (\$231,000 per car for 3 cars), replacing the windows eventually with thermal pane, replacing the heat pumps in the Arctic Building (approximately \$20K apiece, with one under nearly every window), and installing energy efficient lighting and upgrade emergency systems (e.g., generators and exit signs).

Bond Interest Payments. Absent proceeds for bond defeasance, these would be a continuing burden on the City budget.

• **What are the possible alternatives to the legislation that could achieve the same or similar objectives**

There are no possible alternatives to the legislation that could achieve the same or similar objectives. No other additional revenue source has been identified which could substitute for the sale proceeds.

• **Is the legislation subject to public hearing requirements:**

No.

• **Other Issues:**

None.

Please list attachments to the fiscal note below:

Attachment A: Arctic Building Sale: Uses of Net Proceeds and Other Expenses Related to Sale

Attachment B: Preliminary Report - Evaluation of Reuse and Disposal Options for the Arctic Building, 700 Third Avenue.

Attachment C: Map of Sale Property

ATTACHMENT A to Arctic Fiscal Note
Arctic Building Sale
Uses of Net Proceeds and Other Expenses Related to Sale

Arctic

Proceeds	Summary Amount	2005	2006	Key Assumptions
Combined Gross Proceeds	5,100,000	5,100,000		CLOSING DATE: May 31, 2005
		5,100,000		
Combined Closing Costs	(20,840)	(20,840)		
Title Premium	(7,834)	(7,834)		
Escrow/Settlement	(2,462)	(2,462)		
Security Deposits	(10,545)	(10,545)		
Net Proceeds	5,079,160	5,079,160		

Uses of Net Proceeds and Other Expenses Related to Sale

Staffing and Other Incremental Costs	(132,000)	(132,000)		Estimate \$36k FFD labor, \$9k Seattle Cons Corps for clean-up
Sale Prep: Labor Expense	(44,500)	(44,500)		
Brokers Commissions	(87,500)	(87,500)		
Debt Payoff	(3,455,063)	(3,880,000)	424,937	
Total Remaining Obligation		(3,880,000)		
2006 Budgeted Debt Service (Credit)	424,937		424,937	
Incremental Moving Expense	(382,700)	(382,700)		
OCR to Private Lease	(132,700)	(132,700)		
Am Build-out of Cultural Café	(250,000)	(250,000)		
Incremental Operating Expense	183,022	(7,147)	190,169	
Leaseback Expense in Arctic (\$13/sqft)	(58,390)	(58,390)		3 months of leaseback for DON and OCR
Lease Expense for Commercial Office Space (\$20/sqft)	(293,845)	(86,425)	(207,420)	5 months of private lease for OCR in 2005; 12 months in 2006
Forgone Revenue: Arctic Commercial Tenants	(281,988)	(103,890)	(178,098)	7 months of forgone lease revenue in 2005; 12 months in 2006
Arctic Building Lease Termination	(88,000)	(88,000)		
Avoided Arctic Property Management Expense (credit)	905,245	329,558	575,687	7 months of avoided expense in 2005; 12 months in 2006
Balance	1,292,419	677,313	615,106	

ACRONYMS

DON Department of Neighborhoods
 OCR Office of Civil Rights



PRELIMINARY REPORT
EVALUATION OF REUSE AND DISPOSAL OPTIONS FOR
THE ARCTIC BUILDING, 700 THIRD AVENUE

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

Property Management Area: PMA# 89

BACKGROUND INFORMATION

Legal Description:

Lots 5 And 8, Block 27, addition to the Town of Seattle, as laid out on the claims of C.D. Boren and A.A. Denny and H.L. Yesler (commonly known as C.D. Boren's Addition to the City of Seattle), according to the Plat thereof, recorded in Volume 1 of Plats, Page 25, in King County, Washington;

Together with the southwesterly half of the vacated alley in said Block 27 abutting on said Lots, as vacated under Ordinance Number 2005 of the City of Seattle;

Except the southwesterly 9 feet of said Lots condemned in King County Superior Court Cause Number 54135 under Ordinance Number 14345 of the City of Seattle for widening of 3rd Avenue.

Physical Description and Related Factors:

The Arctic Building is a nine-story office building plus an office penthouse (Floor 10) and a basement, with a total gross area of approximately 96,197 square feet, of which 87,465 square feet are rentable. The property occupies a quarter-block on the northeast corner of Third Avenue and Cherry Street in Seattle in the downtown business district. The property lines are located along the building footprint with a site area of approximately 13,708 square feet. The building was constructed in 1914 for the Arctic Club, a private club whose membership consisted of the City's leaders and entrepreneurs. The building underwent extensive renovations in 1982. The building is known for its Italian terra-cotta façade, tusked walrus heads and rococo-gilt Dome Room, which served as the club's formal dining room. There is no on-site parking.

GUIDELINE A: CONSISTENCY

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

The City bought the Arctic Building in 1988, along with the Alaska Building and Dexter Horton Building, for general municipal purposes, to provide for its downtown office space needs. The purchase was funded by Councilmanic debt. There is a Conservation Easement, which preceded City ownership, which protects the historically and architecturally significant elements of the building. The zoning is DOC 1.

GUIDELINE B: COMPATIBILITY AND SUITABILITY

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



Fiscal Note Attachment B

Context

The Civic Center Master Plan adopted in 1999 contemplated that the Arctic Building would be renovated and that the Human Services Department would relocate to the building after the upgrade. Subsequent analysis indicated the Arctic Building would need more significant seismic upgrades and major maintenance than previously contemplated. The City evaluated the current needs, lease rates, and building rehabilitation cost, and concluded that it would be prudent to sell both the Arctic and Alaska Buildings. Proposed alternate space for the Human Services Department included approximately 58,000 square feet in the Seattle Municipal Tower and approximately 20,000 square feet in leased space in the Second/Third Avenue area.

The sale offering was structured to allow for evaluation of opportunities in light of both financial return and reuse plans serving other City objectives. The proposed sale and redevelopment as a hotel is consistent with the Civic Center Master Plan and Seattle Comprehensive Plan's intent of stimulating a vibrant area with day and night time activity. It also addresses both Goal 1 and Policy 3 of the Commercial Core Neighborhood Plan, creating new jobs toward the area's target while preserving a historic resource.

Range of Options.

The range of options, within the context of the Civic Center Master Plan, includes sale for highest and best use. The offering was structured to allow the City to understand the financial implications of the alternatives and to provide maximum flexibility in confirming and achieving its goals for this property.

GUIDELINE C: OTHER FACTORS

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

Highest and Best Use: The highest and best use was anticipated to be continued office use, but the response to the offering indicated hotel could generate equivalent financial return.

Compatibility with the physical characteristics: A hotel use allows the historic building to continue to provide public access to the Dome Room and facilitates the historic renovation of the building.

Compatibility with surrounding uses: To the east of the site, there are relatively new office buildings, parking garages, retail and the Civic Center. To the west, there are mostly older buildings, some in continued office use (Dexter Horton Building), some with housing conversion. In particular, recent conversions of the Lowman Building, the St. Charles, the Lyon, and the Tashiro Kaplan Building provide a mix of nearby affordable and market rate housing above ground level commercial uses.

Potential for Consolidation with adjacent public property: None.

Timing and Term of Proposed Use: The sale is expected to close April 30, 2005, with the City continuing to occupy a portion of the building through mid-2005, when the Office for Civil Rights and Department of Neighborhoods will move. The purchaser intends to begin redevelopment and seismic upgrades immediately after the City's lease expires. They are projecting the hotel will be completed and ready for occupancy by late 2006.

Appropriateness of the consideration: The offering used an openly competitive process. The array of offers indicated that the financial return to the City for the hotel offer was equivalent to or greater than offers for continued office use or housing conversion.

Unique Attributes: The building's historic designation, architectural appeal and location at the boundary of the office core and government district and Pioneer Square all support strong market appeal. The proposed hotel will incorporate and embrace the historic character of the Arctic Building and Dome Room into the ambiance of the hotel.



Fiscal Note Attachment B

Conditions in the real estate market: The proposed hotel use has a good market demand for the location and building type.

Known environmental factors: Potential asbestos containing materials.

GUIDELINE D:SALE

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

Through the City's disposition process, the Arctic Building was circulated to other public entities with no interest expressed for use as a facility.

The offering was announced June 8, 2004. The offering memorandum was sent to over 200 potential buyers, and the City received 8 offers in response, most above the offering price.

RECOMMENDATION

The Real Estate Services Division of the Fleets and Facilities Department recommends the sale of the Arctic Building to the Arctic Club Hotel, LLC for \$5.1 million.



Fiscal Note Attachment B

PROPERTY REVIEW PROCESS DETERMINATION FORM			
Property Name:	Arctic Building		
Address:	700 Third Avenue		
PMA ID:	89	Subject Parcel #:	232
Dept./Dept ID:	A50009	Current Use:	City offices and storage, retail on ground floor
Area (Sq. Ft.):	13,708 SF lot 96,197 GSF building	Zoning:	DOC - 1
Est. Value:	offered at \$3,500,000	Assessed Value:	\$4,299,400
PROPOSED USES AND RECOMMENDED USE			
<i>Department/Governmental Agencies:</i>		<i>Proposed Use:</i>	
<i>Other Parties wishing to acquire:</i> Arctic Club Hotel LLC		<i>Proposed Use:</i> Hotel	
RES'S RECOMMENDED USE: Arctic Club Hotel LLC at \$5,600,000 for a hotel			
PROPERTY REVIEW PROCESS DETERMINATION (circle appropriate response)			
1.) Is more than one City dept/Public Agency wishing to acquire?	No / Yes		15
2.) Are there any pending community proposals for Reuse/ Disposal?	No / Yes		10
3.) Have citizens, community groups and/or other interested parties contacted the City regarding any of the proposed options?	No / Yes		10
4.) Will consideration be other than cash?	No / Yes		10
5.) Is Sale or Trade to a private party being recommended?	No / Yes		25
6.) Will the proposed use require changes in zoning/other reg's?	No / Yes		20
7.) Is the estimated Fair Market Value between \$250,000-\$1,000,000?	No / Yes		10
8.) Is the estimated Fair Market Value over \$1,000,000?	No / Yes		45
Total Number of Points Awarded for "Yes" Responses:			70
Property Classification for purposes of Disposal review: Simple / Complex (circle one) (a score of 45+ points results in "Complex" classification)			
Signature:	Department:	Date:	

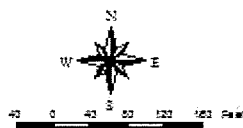




The City of Seattle



Alaska and Arctic Buildings Location of Sale Properties



Produced by the City of Seattle,
FFD/RES

February 23, 2005

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© 2005/03/14 10:00 AM Alaska and Arctic Buildings





City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

April 14, 2005

Honorable Jan Drago
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Drago:

I am pleased to transmit the attached proposed Council Bill authorizing the sale and short-term leaseback of the Arctic Building. The legislation also directs the deposit of proceeds and provides for additional appropriation authority where needed. The proposed sale and leaseback of the Arctic Building is one of the final steps in the implementation of the Municipal Civic Center Master Plan.

The preferred alternative for the Master Plan anticipated retention of the Arctic Building for renovation and occupancy by the Human Services Department. However, further analysis in 2004 indicated that the Building would require more significant seismic upgrades and capital improvements than previously contemplated and that selling, rather than renovating the Building would best serve the City.

In the summer of 2004, the Fleets and Facilities Department, with the assistance of its real estate advisors, advertised the Building sale and broadly disseminated an offering prospectus. The market response was strong and, after negotiating with the most responsive prospective purchasers, final negotiations were pursued with the parties who had put forward the strongest financial offers and redevelopment plans that would best achieve City objectives. Arctic Club Hotel, LLC was selected as the best candidate and proposes to purchase the Arctic Building for \$5.1 million and convert the Building to hotel use.

The sale of the Arctic Building to Arctic Club Hotel, LLC will support implementation of the Civic Center Master Plan and significantly enhance the vitality of the surrounding neighborhood. Thank you for your consideration of this legislation. Should you have questions, please contact Mary Pearson at 684-0407.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Nickels".

GREG NICKELS
Mayor of Seattle

Attachments

cc: Honorable Members of the Seattle City Council

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749

Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, E:mail: mayors.office@seattle.gov

An equal employment opportunity, affirmative action employer. Accommodations for people with disabilities provided upon request.



1 WHEREAS, a 2004 review of City space requirements resulted in a Civic Center Client Group
2 recommendation that space needs for those City offices currently occupying the Alaska
3 and Arctic Buildings be served through a combination of City-owned space in the Seattle
4 Municipal Tower and privately owned and leased space in the Second or Third Avenue
5 corridor; and

6 WHEREAS, as a result of the City's competitive process, The Arctic Club Hotel, LLC entered
7 into the Purchase & Sale Agreement attached hereto as Attachment 1, agreeing to pay a
8 purchase price of \$5,600,000, subject to reasonable due diligence investigation of the
9 building; and

10 WHEREAS, the purchaser Arctic Club Hotel LLC, intends to renovate the building from the
11 presently existing office use to a hotel use subject to the historic preservation
12 requirements associated with the building; and

13 WHEREAS, as a result of certain seismic and building other conditions discovered during due
14 diligence which affected the value of the building as well as the nature and cost of
15 renovations necessary to convert the building from office to hotel use, Arctic Club Hotel,
16 LLC has agreed to pay a purchase price of \$5,100,000 in cash at closing and intends to
17 redevelop the Arctic Building into a hotel all as reflected in the Purchase & Sale
18 Agreement and its amendment attached to this Ordinance as Attachment 2; and

19 WHEREAS, the schedule for relocating City departments from the Arctic Building contemplates
20 that the City will execute leases with the purchaser of this Building and continue to
21 occupy certain portions of the Building for certain temporary periods after the sale closes;
22 and

23 WHEREAS, a portion of the proceeds from the sale of the Arctic Building should be reserved
24 and used to pay a portion of the 2005/2006 occupancy costs for downtown office space,
25 to address expense and revenue adjustments associated with the sale of the Building
26 which could not be anticipated in the development of the 2005 Adopted Budget and 2006
27 Endorsed Budget; and

28 WHEREAS, a portion of the proceeds from the sale of the Arctic Building should be reserved to
29 pay those costs associated with relocating City departments that are not already budgeted
30 in the Municipal Civic Center Fund; and

31 WHEREAS, that portion of the proceeds from the sale of the Arctic Building that is required to
32 defease outstanding tax-exempt bonds issued by the City to refinance the City's purchase
33 of the Arctic Building should be reserved and applied for that purpose; NOW,
34 THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The real property located at 700 Third Avenue, commonly known as the Arctic Building, is hereby declared to be surplus.

Section 2. The Director of the Fleets and Facilities Department or designee is authorized to sell to the Arctic Club Hotel, LLC the property located at 700 Third Avenue, and legally described as follows:

Lots 5 and 8, Block 27, addition to the Town of Seattle, as laid out on the claims of C.D. Boren and A.A. Denny and H.L. Yesler (commonly known as C.D. Boren's addition to the City of Seattle), according to the Plat thereof, recorded in volume 1 of Plats, Page 25, in King County, Washington;

Together with the southwesterly half of the vacated alley in said Block 27 abutting on said lots, as vacated under Ordinance number 2005 of the City of Seattle;

Except the southwesterly 9 feet of said lots condemned in King County Superior Court case number 54135 under Ordinance number 14345 of the City of Seattle for widening of 3rd Avenue,

for the gross sales price of FIVE MILLION ONE HUNDRED THOUSAND DOLLARS (\$5,100,000) in all cash paid at closing.

Section 3. The Director of the Fleets and Facilities Department or designee is authorized to execute the Purchase and Sale Agreement for the Arctic Building, which is attached hereto and labeled "Attachment 1." In addition, the Director of the Fleets and Facilities Department is authorized to amend the said Purchase and Sale Agreement, before or after execution, prior to the



1 closing of the Building's sale, as agreed with the buyer(s), to modify time deadlines and to make
2 minor modifications, so long as the City's rights with respect to the gross sale price of the
3 Building are not reduced and the City's financial liabilities are not increased. The Director is also
4 authorized to execute such other documents as she reasonably determines are necessary to
5 effectuate the sale of the Arctic Building consistent with the remainder of this ordinance.
6

7 Section 4. The Director of the Fleets and Facilities Department or designee is authorized
8 to execute, for and on behalf of The City of Seattle, the lease agreement with the buyer(s) of the
9 Arctic Building substantially in the form of the lease attached hereto and labeled "Attachment 2"
10 providing for occupancy by The City of Seattle of a portion of the real property identified in
11 Section 2. The Director of Fleets and Facilities Department is further authorized to execute such
12 minor amendments to such lease, before or after its execution, as she reasonably determines to be
13 necessary.
14

15 Section 5. The distribution of proceeds and appropriations shall be as follows:

16 A. The cash proceeds received from escrow shall be distributed to the funds shown,
17 in the following order, as follows:
18

19

Fund	Amount
Fleets and Facilities Fund (50300)	\$132,000
Municipal Civic Center Non-Bond Subfund (34225)	\$132,700
General Bond Interest and Redemption Fund (20110)	\$3,455,100
Total	\$3,719,800

20
21
22
23 Any proceeds received in excess of the total \$3,719,800 shall be deposited in the Cumulative
24 Reserve Subfund, Capital Projects Account, Unrestricted Subaccount.
25
26
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28



1
2 B. Contingent on the closing of the sale of the property pursuant to the agreement
3 authorized in Section 3, and in order to pay for necessary costs and expenses
4 incurred or to be incurred, but for which insufficient appropriations were made,
5 the appropriations for the following in the 2005 Budget are increased from the
6 funds shown, as follows:
7

Fund	Department	Budget Control Level	Amount
Fleets & Facilities Fund (50300)	Fleets and Facilities Department	Technical Services (A3100)	\$97,000
Municipal Civic Center Non-Bond Subfund (34225)	Fleets and Facilities Department	Civic Center Plan – Key Tower, Park 90/5, and Other Projects (A34200-2)	\$132,700
General Bond Interest and Redemption Fund (20110)	Finance General	Reserves (Q5972010)	\$3,455,100
Total			\$3,684,800

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17 Section 6. Any acts pursuant to the authority and prior to the effective date of this
18 ordinance are hereby ratified and confirmed.
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Section 7. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by a three-fourths vote of all the members of the City Council the ____ day of _____, 2005, and signed by me in open session in authentication of its passage this ____ day of _____, 2005.

President _____ of the City Council

Approved by me this ____ day of _____, 2005.

Gregory J. Nickels, Mayor

Filed by me this ____ day of _____, 2005.

City Clerk

(Seal)

Attachments

- Attachment 1: Purchase and Sale Agreement for Sale of Real Property
- Attachment 2: Amendment No. 3 to Purchase Agreement
- Attachment 3: Lease Agreement



FISCAL NOTE FOR CAPITAL PROJECTS ONLY

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Fleets & Facilities	Mary Pearson 4-0407	Candice Chin 3-7014

Legislation Title:

AN ORDINANCE relating to the sale of the Arctic Building, located at 700 Third Avenue, under the jurisdiction of the Fleets and Facilities Department, declaring the same to be surplus to the City's needs; authorizing the sale and a temporary leaseback of certain portions of the building; designating the disposition of sale proceeds; and making appropriations of sale proceeds; all by a three-fourths vote of the City Council.

Summary and background of the Legislation:

Summary of the Legislation:

- Declares the Arctic Building surplus.
- Authorizes the FFD Director to sell the Arctic Building, in accordance with a negotiated Purchase and Sale Agreement, for the gross sales price of \$5,100,000.
- Authorizes the FFD Director to execute a lease with the Purchasers of the Arctic Building for continued City occupancy until the City completes a phased move-out from the building into office space in Seattle Municipal Tower and leased facilities.
- Designates the deposit of net proceeds, as further explained in this fiscal note, and appropriates funds, for which insufficient appropriations were made in the 2005 Budget.

Background (Include justification for the legislation and funding history, if applicable):

The historic Arctic Building was purchased in 1988, at the same time as the Dexter Horton and Alaska Buildings, for City occupancy. All three buildings were purchased with Councilmanic debt.

In the 1990's the City undertook a planning effort to address its space needs in light of its aging buildings, which culminated in the acquisition of Key Tower (now the Seattle Municipal Tower) and the construction of the Justice Center and City Hall. The adopted Civic Center Master Plan identified a preferred alternative and defined a strategy for each City-owned downtown property, including the sale or lease of assets no longer required to meet the City's space needs.

The Master Plan envisioned the upgrade of the Arctic Building for City occupancy, specifically for the Human Services Department. Subsequent analysis of the Arctic Building resulted in the conclusion that more significant seismic upgrades and renovation would be required than previously contemplated, resulting in a recommendation that the Arctic Building be sold and that the Human Services Department space needs be addressed at the Seattle Municipal Tower and, for certain functions, in leased space in the Second/Third Avenue corridor.

With City Council support, the Mayor directed FFD to offer the Arctic Building for sale by a competitive process. With the assistance of our real estate advisors, an offering was prepared. The sale was advertised, and approximately 200 Offering Memorandums were sent to

potentially interested purchasers in May 2004. There was a very good response with some buyers interested in the Arctic Building, some in conjunction with the Alaska Building. Eight bids for the Arctic Building were received in July 2004. The offers were reviewed for price, creditworthiness of the buyers, and proposed re-use plan and its consistency with City goals. Bids were short listed and "best and final" offers requested. After further evaluation, FFD negotiated with the entity that submitted the highest and most responsive offer.

The proposed purchaser of the Arctic Building is the Arctic Club Hotel, LLC, an entity formed by Conover Bond, a Spokane-based redevelopment company which renovated Spokane's Montvale Hotel. The purchaser plans to convert the Arctic Building to a hotel of approximately 120 rooms, with the Dome Room and adjacent spaces planned to serve as meeting and event rooms.

There is a short term lease for portions of the building to allow for continued City occupancy from the anticipated May 31, 2005 closing of the sale until our planned moves. The remaining tenants in the Arctic Building - Office for Civil Rights and Department of Neighborhoods - are expected to move in summer of 2005.

- Please check any of the following that apply:

This legislation creates, funds, or anticipates a new CIP Project.

This legislation does not have any financial implications.

This legislation has financial implications.

Appropriations:

This legislation: (i) authorizes the deposit of proceeds from the in various City funds, and (ii) appropriates a portion of the proceeds for various uses. For purposes of clarity, the fiscal note template is amended to show these actions in separate tables.

DEPOSIT OF PROCEEDS

Gross proceeds of the sale are \$5.1 million. Closing costs are estimated to total approximately \$21,000 (costs at closing include title premium, escrow/settlement, and security deposits). Following deduction of these costs, an estimated total of \$5,079,000 will remain as net proceeds available for deposit in various City funds. The following table displays the authorized distribution of these net proceeds.

Fund Name (Number)	Amount	Expected Use	Appropriated Under This Ordinance?
Fleets and Facilities Fund (50300)*	\$132,000	Staffing costs and broker's commission costs.	In part. See following table.
Municipal Civic	\$132,700	Capital expenses related to	Yes. See



Center Fund – Non-Bond Receipts (34225)		department (Office for Civil Rights) move to leased office space.	following table.
General Bond Interest/Redemption Fund (20110)	\$3,455,100	Retirement of remaining debt service on the Arctic Building.	Yes. See following table.
TOTAL	\$3,719,800		

*Though not specified in the ordinance, it is anticipated that the deposit into the Fleets and Facilities Fund will be directed to the Facilities Subfund (50330). Any proceeds received in excess of the \$3,719,800 shall be deposited in the Cumulative Reserve Subfund, Capital Projects Account, Unrestricted Subaccount.

APPROPRIATIONS

Fund Name and Number	Dept	BCL	2005 Appropriation	2006 Anticipated Appropriation	Remarks
Fleets and Facilities Fund (50300)	Fleets and Facilities	Technical Services (A3100)	\$97,000	0	Appropriation authority is requested for brokers' commissions (est. \$88K) and building cleanup expenses (est. \$9K).
Municipal Civic Center Fund – Non-Bond Receipts (34225)	Fleets and Facilities	Civic Center Plan – Key Tower, Park 90/5, and Other Projects (A34200-2)	\$132,700	0	CIP appropriation will be directed to Seattle Municipal Tower Tenant Improvement Projects, associated with the moves of City employees to private leased space.
General Bond Interest / Redemption Fund (20110)	Finance / Finance General	Reserves (Q5972010)	\$3,455,100	0	Pays remaining debt service on outstanding capital facilities bonds used to purchase the Arctic Building. This amount is the current best estimate.
TOTAL			\$3,684,800	0	

A total of \$35,000 of the net sale proceeds does not require additional expenditure authority.

SPENDING PLAN

BCL	Use	FUND	2005	2006	2007	2008	TOTAL
Technical Services (A3100)	Brokers' commission/clean up costs	50300	\$97,000	0	0	0	\$97,000



Civic Center Plan – Key Tower, Park 90/5, and Other Projects (A34200-2)	Moving expense	34225	\$132,700	0	0	0	\$132,700
Finance General Reserves	Debt service	20110	\$3,880,000	(\$424,900) credit	0	0	\$3,455,100
	TOTAL		\$4,109,700	(\$424,900)	0	0	\$3,684,800

BREAKDOWN OF USE OF PROCEEDS

This section explains in greater detail the spending plan outlined above, and accompanies Attachment A to this fiscal note.

Staffing and Other Incremental Costs: Labor expense of \$44,500 reflects an estimate for FFD’s real estate services and Seattle Conservation Corps labor for clean-up. \$87,500 is estimated for brokers’ commissions costs.

Debt Payoff: The current best estimate of \$3.88M debt payoff for the outstanding principal for the Arctic Building’s debt will be partially offset by budgeted debt service payments for 2006.

Incremental Moving Expense: Expense for tenant improvements for the move of Office for Civil Rights (OCR) to leased space.

Incremental Operating Expense: Outside lease for OCR are estimated at \$20/sq. ft. (the leases are not yet signed). The rate for outside leases reflects FFD’s best estimate. The other line items are also estimates, but FFD does not expect significant deviations from these amounts. However, changes in the following dates will impact lease expenses.

- Leaseback Expense in Arctic (\$13/sq. ft.)

Leaseback	Effective 6/1/05 thru	Month factor
DON to SMT	8/31/05	3
OCR to lease	8/31/05	3
Arts Storage	8/31/05	3

- Lease Expense for Commercial Office Space (\$20/sq. ft.)

Outside Lease	Effective 8/1/05 thru	Month factor
OCR to private lease	12/31/06	17
Arts Storage	12/31/06	17



- Foregone Revenue from Arctic Commercial Tenants (Shop fronts): Assuming a sale date of 5/31/05, this amount reflects 7 months of foregone lease revenue in 2005 and 12 months in 2006.
- Avoided Arctic Property Management Expense: Assuming the sale of Arctic occurs on 5/31/05, this is the amount of property management expense that would have been paid to Cushman Wakefield through 2006. This amount is treated as a credit in this analysis.

Remaining Proceeds:

The combined sale proceeds of the Alaska and Arctic Buildings are sufficient to cover all related expenses (real estate transaction costs, incremental property management and operating expense, moving expense, debt service, and art removal) and foregone revenues (due to loss of payment from commercial tenants in the Alaska and Arctic Buildings as well as the Seattle Municipal Tower) currently anticipated for 2005. The situation becomes more complicated should only one or the other building actually advance to closing following passage of the proposed ordinance. If only one building sells, sale proceeds will obviously be lower, but related expenses borne by the Fleets and Facilities Department will not necessarily be similarly reduced. If only the Alaska Building sells, expenses will exceed revenues by \$2.8M, with the deficit expected to occur in 2006 as departments move. If both buildings sell as planned, expenses will exceed revenues by approximately \$1.28M, which is expected to occur in 2006. Because many of the project costs are current best estimates and any shortfall resulting from both scenarios would occur next year, additional funding sources will be identified through the 2006 budget process.

Funding source:

See preceding tables.

Bond Financing Required:

Not applicable.

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

None.

Periodic Major Maintenance costs for the project:

Not applicable.

Funding sources for replacement of project:

Not applicable.

Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE Impact:



None.

- **Do positions sunset in the future?:**

Not applicable.

- **What is the financial cost of not implementing the legislation:**

Asset Preservation Costs. Calculation of the 2005-06 Asset Preservation allowance did not include the Arctic Building, given the likelihood that it would no longer be a City responsibility, allowing the City to avoid certain major maintenance costs needed in the near future. Without the property sales, likely future expenses could include, but not be limited to, replacing floor coverings (at approximately \$35/sqyd for 71,000 SF of useable space, the cost would be around \$2.5 million), upgrading the elevator cars (\$231,000 per car for 3 cars), replacing the windows eventually with thermal pane, replacing the heat pumps in the Arctic Building (approximately \$20K apiece, with one under nearly every window), and installing energy efficient lighting and upgrade emergency systems (e.g., generators and exit signs).

Bond Interest Payments. Absent proceeds for bond defeasance, these would be a continuing burden on the City budget.

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives**

There are no possible alternatives to the legislation that could achieve the same or similar objectives. No other additional revenue source has been identified which could substitute for the sale proceeds.

- **Is the legislation subject to public hearing requirements:**

No.

- **Other Issues:**

None.

Please list attachments to the fiscal note below:

Attachment A: Arctic Building Sale: Uses of Net Proceeds and Other Expenses Related to Sale

Attachment B: Preliminary Report - Evaluation of Reuse and Disposal Options for the Arctic Building, 700 Third Avenue.

Attachment C: Map of Sale Property

ATTACHMENT A to Arctic Fiscal Note
Arctic Building Sale
Uses of Net Proceeds and Other Expenses Related to Sale

Arctic

Proceeds	Summary Amount	2005	2006	Key Assumptions
Combined Gross Proceeds	5,100,000	5,100,000		CLOSING DATE: May 31, 2005
Combined Closing Costs	(20,840)	(20,840)		
Title Premium	(7,834)	(7,834)		
Escrow/Settlement	(2,462)	(2,462)		
Security Deposits	(10,545)	(10,545)		
Net Proceeds	5,079,160	5,079,160		
Uses of Net Proceeds and Other Expenses Related to Sale				
Staffing and Other Incremental Costs	(132,000)	(132,000)		
Sale Prep: Labor Expense	(44,500)	(44,500)		Estimate \$36k FFD labor, \$9k Seattle Cons Corps for clean-up
Brokers Commissions	(87,500)	(87,500)		
Debt Payoff	(3,455,063)	(3,880,000)	424,937	
Total Remaining Obligation	(3,880,000)	(3,880,000)		
2006 Budgeted Debt Service (Credit)	424,937		424,937	
Incremental Moving Expense	(132,700)	(132,700)		
OCR to Private Lease	(132,700)	(132,700)		
Incremental Operating Expense	183,022	(7,147)	190,169	
Leaseback Expense in Arctic (\$13/sqft)	(58,390)	(58,390)		- 3 months of leaseback for DON and OCR
Lease Expense for Commercial Office Space (\$20/sqft)	(293,845)	(86,425)	(207,420)	5 months of private lease for OCR in 2005; 12 months in 2006
Forgone Revenue: Arctic Commercial Tenants	(281,988)	(103,890)	(178,098)	7 months of forgone lease revenue in 2005; 12 months in 2006
Arctic Building Lease Termination	(88,000)	(88,000)		
Avoided Arctic Property Management Expense (Credit)	905,245	329,558	575,687	7 months of avoided expense in 2005; 12 months in 2006
Balance	1,542,419	927,313	615,106	

ACRONYMS

DON Department of Neighborhoods
 OCR Office of Civil Rights



STATE OF WASHINGTON - KING COUNTY

--SS.

185441
CITY OF SEATTLE, CLERKS OFFICE

No. TITLE ONLY

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:121784-121787,790-791

was published on

05/11/05

The amount of the fee charged for the foregoing publication is the sum of \$ 92.75, which amount has been paid in full.

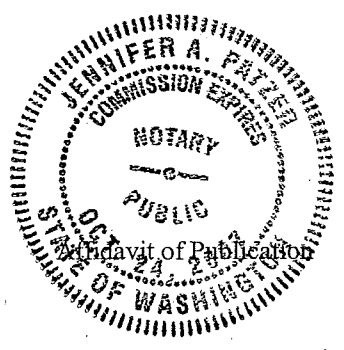
[Handwritten signature]

Subscribed and sworn to before me on

05/11/05

[Handwritten signature]

Notary public for the State of Washington,
residing in Seattle



State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on April 25, 2005, and published here by title only, will be mailed upon request, or can be accessed electronically at <http://clerk.ci.seattle.wa.us>. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 121791

AN ORDINANCE appropriating money to pay certain audited claims and ordering the Payment thereof.

ORDINANCE NO. 121790

AN ORDINANCE relating to the sale of the Arctic Building, located at 700 Third Avenue, under the jurisdiction of the Fleets and Facilities Department, declaring the same to be surplus to the City's needs; authorizing the sale and a temporary leaseback of certain portions of the building; designating the disposition of sale proceeds; and making appropriations of sale proceeds; all by a three-fourths vote of the City Council.

ORDINANCE NO. 121787

AN ORDINANCE related to City employment, adopting a job class and pay program for certain exempt staff in the Mayor's Office, establishing titles and pay bands, and providing for program administration.

ORDINANCE NO. 121786

AN ORDINANCE relating to the sale of the Alaska Building; declaring property at 618 Second Avenue, commonly known as the Alaska Building, under the jurisdiction of the Fleets and Facilities Department, to be surplus to the City's needs; authorizing the sale and a temporary leaseback of certain portions of said property; designating the disposition of sale proceeds; and making appropriations of sale proceeds; all by a three-fourths vote of the City Council.

ORDINANCE NO. 121785

AN ORDINANCE relating to the Police Department; authorizing an agreement with the U.S. Department of Justice, Bureau of Justice Assistance (BJA) for financial assistance to form a Human Trafficking Task Force within the Police Department to investigate the crime of trafficking in persons and identify victims of trafficking; increasing an appropriation to the Police Department in the 2005 Budget; and creating a position; all by a three-fourths vote of the City Council.

ORDINANCE NO. 121784

AN ORDINANCE relating to firefighter safety; authorizing an agreement with the Office of Domestic Preparedness of the United States Department of Homeland Security, for financial assistance in the total amount of \$665,000 under the FY04 Assistance to Firefighters Grant Program for equipment and training; accepting the money when received; increasing the 2005 Budget of the Fire Department by making a reimbursable appropriation; and ratifying and confirming prior acts; all by a three-fourths vote of the City Council.

Publication ordered by JUDITH PIPPIN, City Clerk.

Date of publication in the Seattle Daily Journal of Commerce, May 11, 2005.

6/11(185441)