# Black's Law Dictionary®

## Tenth Edition

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**apprise,** *vb.* (17c) To tell or give (someone) information about something; to give notice or inform <the President was apprised of all the relevant details>.

**apprize,** *vb.* (14c) To appraise; to assign a value to.

**approach, right of.** See RIGHT OF APPROACH.

**approbate and reprobate.** [fr. Latin *approbare et reprobare* "to approve and reprove"] (18c) *Scots law.* To (impermissibly) approve in one proceeding and then reject in a later proceeding (a contractual term, the interpretation of a legal instrument, etc.). • The principle is similar to that of equitable election and to estoppel.

**approbation.** (14c) **1.** The act of formally or authoritatively declaring something to be proper, commendable, or good; a solemn expression of favor or pleasure. **2.** A favorable pronouncement on the ethical soundness of conduct. **3.** *Hist.* A bishop's approval of a priest as confessor. **4.** *Hist.* The official approval of a book by a censor. — **approbate,** *vb.* — **approbation, approbatory,** *adj.* — **approbator,** *n.*

**appropriate dispute resolution.** (1976) ALTERNATIVE DISPUTE RESOLUTION. • This phrase originated as a supposedly superior synonym for *alternative dispute resolution.* Both terms are abbreviated *ADR,* but *appropriate* is sometimes viewed as a better choice because mediation and arbitration may supplement litigation without replacing it and because *alternative* seems to privilege litigation as the "normal" route.

**appropriated retained earnings.** See EARNINGS.

**appropriated surplus.** See SURPLUS.

**appropriation,** *n.* (14c) **1.** The exercise of control over property, esp. without permission; a taking of possession. Cf. EXPROPRIATION (1); MISAPPROPRIATION (1). **2.** *Torts.* An invasion of privacy whereby one person takes the name or likeness of another for commercial gain. **3.** A legislative body's or business's act of setting aside a sum of money for a specific purpose. • If the sum is earmarked for a precise or limited purpose, it is sometimes called a *specific appropriation.* **4.** The sum of money so voted. **5.** The transfer of a benefice, together with all its interests, to a spiritual corporation. See *spiritual corporation* under CORPORATION. Cf. IMPROPRIATION. **6.** The benefice so transferred. — **appropriate,** *vb.* — **appropriable,** *adj.* — **appropriator,** *n.*

**appropriations bill.** See BILL (3).

**Appropriations Clause.** *Constitutional law.* The constitutional provision mandating that federal funds may be spent only as Congress directs by law and requiring periodic publication of a statement and account of federal receipts and expenditures. U.S. Const. art. I, § 9, cl. 7

**appropriative water right.** See WATER RIGHT.

**appropriator,** *n.* (18c) *Hist. Eccles. law.* The corporate possessor of an appropriated benefice — that is, a benefice that has been perpetually annexed to a spiritual corporation, often a monastic house.

**approval sale.** See *sale on approval* under SALE.

**approve,** *vb.* (14c) **1.** To give formal sanction to; to confirm authoritatively. **2.** *Parliamentary law.* To adopt. See ADOPTION (5). — **approval,** *n.*

**Approved Drug Products with Therapeutic Equivalence Evaluations.** See ORANGE BOOK.

**approved indorsed note.** See NOTE (1).

**approved list.** See LEGAL LIST.

**approvement.** (15c) **1.** *English law.* The right of an owner of common lands to enclose them partially and receive income arising from them. • This right — originally granted by the Statute of Merton (1235) — is still available, but a landowner seeking to approve land must receive the government's consent to do so. **2.** *Hist.* The act of avoiding a capital conviction by accusing an accomplice; turning king's evidence.

**approver** (ə-**proo**-vər), *n.* (14c) *Hist.* **1.** Someone who offers proof; esp., a person charged with a felony who, in the hopes of leniency or a pardon, confesses and testifies against one or more accomplices. — Sometimes shortened to *prover.* See *relative confession* under CONFESSION (1). Cf. ANTITHETARIUS. **2.** An agent or bailiff; esp., one who manages a farm or estate for another.

**approximation.** (17c) **1.** A number, amount, weight, or quantity that is not exact but is nearly correct. **2.** Something that is similar to something else but not identical.

**approximation, doctrine of.** See DOCTRINE OF APPROXIMATION.

***appruare*** (ap-roo-**air**-ee), *vb.* [Law Latin] *Hist.* To obtain a benefit from land by making improvements.

**appurtenance** (ə-**pərt**-[ə-]nənts), *n.* (14c) Something that belongs or is attached to something else; esp., something that is part of something else that is more important <the garden is an appurtenance to the land>.

> "The word 'appurtenances' which in former times at least was generally employed in deeds and leases is derived from the word *apparentir* which is Norman French and means to belong to. Speaking broadly, the word means anything corporeal or incorporeal which is an incident of, and belongs to some other thing as principal. At a time when the construction of conveyances was of a more technical character than it is at present the word was considered of much greater importance than it is now and it was considered that in its absence from a lease or other conveyance a very restricted meaning should attach to the words of the description of the premises conveyed." 1 H.C. Underhill, *A Treatise on the Law of Landlord and Tenant* § 291, at 442-43 (1909).

**appurtenant,** *adj.* (14c) Annexed to a more important thing. — Also termed (in Scots law) *part and pertinent.*

**appurtenant covenant.** See *covenant appurtenant* under COVENANT (4).

**appurtenant easement.** See *easement appurtenant* under EASEMENT.

**APR.** *abbr.* See *annual percentage rate* under INTEREST RATE.

***à prendre*** (ah **prawn**-drə *or* -dər). [French] (17c) For taking; for seizure. See PROFIT À PRENDRE.

**a priori** (ay prī-**or**-ī *or* ah pree-**or**-ee), *adv.* [Latin "from what is before"] (17c) Deductively; from the general to the particular, or from previous experiences or facts to an inference of what the likely result or effect will be <as an analyst, he reasoned a priori — from seemingly self-evident propositions to particular conclusions>. Cf. A POSTERIORI. — **a priori,** *adj.*

***a provisione viri*** (ay prə-vizh-ee-**oh**-nee **vī**-rī). [Latin] By the provision of a man (i.e., a husband).

**APS.** *abbr.* **1.** ADULT PROTECTIVE SERVICES. **2.** AUTOMATED PATENT SYSTEM.

**APT.** *abbr.* See *asset-protection trust* under TRUST (3).

# Merriam-Webster's Collegiate® Dictionary

## TENTH EDITION

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favorable view ⟨doesn't ~ of fighting⟩ — **ap·prov·ing·ly** \-ˈprü-viŋ-lē\ *adv*

***syn*** APPROVE, ENDORSE, SANCTION, ACCREDIT, CERTIFY mean to have or express a favorable opinion of. APPROVE often implies no more than this but may suggest considerable esteem or admiration ⟨the parents *approve* of the marriage⟩. ENDORSE suggests an explicit statement of support ⟨publicly *endorsed* her for Senator⟩. SANCTION implies both approval and authorization ⟨the President *sanctioned* covert operations⟩. ACCREDIT and CERTIFY usu. imply official endorsement attesting to conformity to set standards ⟨the board voted to *accredit* the college⟩ ⟨must be *certified* to teach⟩.

**approved school** *n* (1932) *Brit* : a school for juvenile delinquents

**¹ap·prox·i·mate** \ə-ˈpräk-sə-mət\ *adj* [LL *approximatus*, pp. of *approximare* to come near, fr. L *ad-* + *proximare* to come near — more at PROXIMATE] (15c) **1** : located close together ⟨~ leaves⟩ **2** : nearly correct or exact ⟨an ~ solution⟩ — **ap·prox·i·mate·ly** *adv*

**²ap·prox·i·mate** \-ˌmāt\ *vb* **-mat·ed; -mat·ing** *vt* (15c) **1 a** : to bring near or close **b** : to bring (cut edges of tissue) together **2** : to come near to or be close to in position, value, or characteristics ⟨a child tries to ~ his parents' speech⟩ ~ *vi* : to come close — usu. used with *to*

**ap·prox·i·ma·tion** \ə-ˌpräk-sə-ˈmā-shən\ *n* (15c) **1** : the act or process of drawing together **2** : the quality or state of being close or near ⟨an ~ to the truth⟩ ⟨an ~ of justice⟩ **3** : something that is approximate; *esp* : a mathematical quantity that is close in value to but not the same as a desired quantity — **ap·prox·i·ma·tive** \-ˈpräk-sə-ˌmā-tiv\ *adj*

**ap·pur·te·nance** \ə-ˈpərt-nən(t)s, -ˈpər-tᵊn-ən(t)s\ *n* (14c) **1** : an incidental right (as a right-of-way) attached to a principal property right and passing in possession with it **2** : a subordinate part or adjunct ⟨the ~ of welcome is fashion and ceremony —Shak.⟩ **3** *pl* : accessory objects : APPARATUS

**ap·pur·te·nant** \ə-ˈpərt-nənt, -ˈpər-tᵊn-ənt\ *adj* [ME *apertenant*, fr. MF, fr. OF, prp. of *apartenir* to belong — more at APPERTAIN] (14c) **1** : constituting a legal accompaniment **2** : AUXILIARY, ACCESSORY — **appurtenant** *n*

**aprax·ia** \(ˌ)ā-ˈprak-sē-ə\ *n* [NL, fr. Gk, inaction, fr. *a-* + *praxis* action, fr. *prassein* to do — more at PRACTICAL] (ca. 1881) : loss or impairment of the ability to execute complex coordinated movements without impairment of the muscles or senses — **apraxtic** \-ˈprak-tik\ *or* **apraxic** \-ˈprak-sik\ *adj*

**après** \(ˌ)ä-ˈprā, ˈä-ˌprā; ˈa-ˌ\ *prep* [F *après*, fr. *après* after] (1967) : AFTER ⟨~ tennis⟩ — usu. used in combination ⟨*après*-theater party⟩

**après-ski** \ˌä-ˌprā-ˈskē, ˌa-\ *n, often attrib* [F *après* after + *ski* ski, skiing] (1951) : social activity (as at a ski lodge) after a day's skiing

**apri·cot** \ˈa-prə-ˌkät, ˈā-\ *n, often attrib* [alter. of earlier *abrecock*, ultim. fr. Ar *al-birqūq* the apricot, ultim. fr. L (*persicum*) *praecox*, lit., early ripening (peach) — more at PRECOCIOUS] (1551) **1 a** : the oval orange-colored fruit of a temperate-zone tree (*Prunus armeniaca*) resembling the related peach and plum in flavor **b** : a tree that bears apricots **2** : a variable color averaging a moderate orange

**April** \ˈā-prəl\ *n* [ME, fr. OF & L; OF *avrill*, fr. L *Aprilis*] (bef. 12c) : the 4th month of the Gregorian calendar

**April fool** *n* (1687) : the butt of a joke or trick played on April Fools' Day; *also* : such a joke or trick

**April Fools' Day** *n* (1854) : April 1 characteristically marked by the playing of practical jokes

**a pri·o·ri** \ˌä-prē-ˈōr-ē, ˌa-; ˌā-(ˌ)prī-ˈōr-ˌī, -ˌprē-ˈōr-ē; -ˈōr-\ *adj* [L, lit., from the former] (1652) **1 a** : DEDUCTIVE **b** : relating to or derived by reasoning from self-evident propositions — compare A POSTERIORI **c** : presupposed by experience **2 a** : being without examination or analysis : PRESUMPTIVE **b** : formed or conceived beforehand — **a priori** *adv* — **apri·or·i·ty** \-ˈōr-ə-tē\ *n*

**apron** \ˈā-prən, -pərn\ *n, often attrib* [ME, alter. (resulting fr. false division of *a napron*) of *napron*, fr. MF *naperon*, dim. of *nape* cloth, modif. of L *mappa* napkin] (15c) **1** : a garment usu. of cloth, plastic, or leather usu. tied around the waist and used to protect clothing or adorn a costume **2** : something that suggests or resembles an apron in shape, position, or use: as **a** : the lower member under the sill of the interior casing of a window **b** : an upward or downward vertical extension of a bathroom fixture (as a sink or tub) **c** : an endless belt for carrying material **d** : an extensive fan-shaped deposit of detritus **e** : the part of the stage in front of the proscenium arch **f** : the area along the waterfront edge of a pier or wharf **g** : a shield (as of concrete or gravel) to protect against erosion (as of a waterway) by water **h** : the extensive paved part of an airport immediately adjacent to the terminal area or hangars — **aproned** \-prənd, -pərnd\ *adj*

**apron string** *n* (1542) : the string of an apron — usu. used in pl. as a symbol of dominance or complete control ⟨though 40 years old he was still tied to his mother's *apron strings*⟩

**¹ap·ro·pos** \ˌa-prə-ˈpō, ˈa-prə-ˌ\ *adv* [F *à propos*, lit., to the purpose] (1668) **1** : at an opportune time : SEASONABLY **2** : BY THE WAY

**²apropos** *adj* (1686) : being both relevant and opportune *syn* see RELEVANT

**³apropos** *prep* (1910) : APROPOS OF

**apropos of** *prep* (1746) : with regard to : CONCERNING

**apro·tic** \(ˌ)ā-ˈprō-tik\ *adj* [²*a-* + *proton* + ¹*-ic*] (1931) *of a solvent* : incapable of acting as a proton donor

**apse** \ˈaps\ *n* [ML & L; ML *àpsis*, fr. L] (1822) **1** : APSIS 1 **2** : a projecting part of a building (as a church) that is usu. semicircular in plan and vaulted

**ap·si·dal** \ˈap-sə-dᵊl\ *adj* (1846) : of or relating to an apse or apsis

**ap·sis** \ˈap-səs\ *n, pl* **ap·si·des** \-sə-ˌdēz\ [NL *apsid-*, *apsis*, fr. L, arch, orbit, fr. Gk *hapsid-*, *hapsis*, fr. *haptein* to fasten] (1658) **1** : the point in an astronomical orbit at which the distance of the body from the center of attraction is either greatest or least **2** : APSE 2

**apt** \ˈapt\ *adj* [ME, fr. L *aptus*, lit., fastened, fr. pp. of *apere* to fasten; akin to L *apisci* to grasp, obtain, *apud* near, Hitt *hap-* to attach] (14c) **1** : unusually fitted or qualified : READY ⟨proved an ~ tool in the hands of the conspirators⟩ **2 a** : having a tendency : LIKELY ⟨plants ~ to suffer from drought⟩ **b** : ordinarily disposed : INCLINED ⟨~ to accept what is plausible as true⟩ **3** : suited to a purpose; *esp* : being to the point ⟨an ~ quotation⟩ **4** : keenly intelligent and responsive

***syn*** see FIT, QUICK ***usage*** see LIABLE — **apt·ly** \ˈap(t)-lē\ *adv* — **apt·ness** \ˈap(t)-nəs\ *n*

**ap·ter·ous** \ˈap-tə-rəs\ *adj* [Gk *apteros*, fr. *a-* + *pteron* wing — more at FEATHER] (1775) : lacking wings ⟨~ insects⟩

**ap·ter·yx** \ˈap-tə-riks\ *n* [NL, fr. *a-* + Gk *pteryx* wing; akin to Gk *pteron*] (1813) : KIWI

**ap·ti·tude** \ˈap-tə-ˌtüd, -ˌtyüd\ *n* [ME, fr. ML *aptitudo*, fr. LL, fitness, fr. L *aptus*] (15c) **1 a** : INCLINATION, TENDENCY **b** : a natural ability : TALENT **2** : capacity for learning : APTNESS **3** : general suitability *syn* see GIFT — **ap·ti·tu·di·nal** \ˌap-tə-ˈtü-dᵊn-əl, -ˈtyü-\ *adj* — **ap·ti·tu·di·nal·ly** *adv*

**aptitude test** *n* (1923) : a standardized test designed to predict an individual's ability to learn certain skills

**ap·y·rase** \ˈa-pə-ˌrās, -ˌrāz\ *n* [adenosine + *pyr*ophosphate + *-ase*] (1945) : any of several enzymes that hydrolyze ATP with the liberation of phosphate and energy

**aqua** \ˈä-kwə *also* ˈa-\ *n* [L — more at ISLAND] (14c) **1** *pl* **aquae** \ˈä-ˌkwī *also* ˈa-(ˌ)kwē\ : WATER; *esp* : WATER 5a(2) **2** *pl* **aquas** : a light greenish blue color

**aqua·cade** \ˈä-kwə-ˌkād, ˈa-\ *n* [*Aquacade*, a water spectacle orig. at Cleveland, Ohio] (1937) : a water spectacle that consists usu. of exhibitions of swimming and diving with musical accompaniment

**aqua·cul·ture** *also* **aqui·cul·ture** \ˈä-kwə-ˌkəl-chər, ˈa-\ *n* [L *aqua* + E *-culture* (as in *agriculture*)] (1867) : the cultivation of the natural produce of water (as fish or shellfish) — **aqua·cul·tur·al** \ˌä-kwə-ˈkəl-ch(ə-)rəl, ˌa-\ *adj* — **aqua·cul·tur·ist** \-ch(ə-)rist\ *n*

**aqua for·tis** \ˈä-kwə-ˈfȯr-təs, ˈa-\ *n* [NL *aqua fortis*, lit., strong water] (15c) : NITRIC ACID

**Aqua-Lung** \ˈä-kwə-ˌləŋ, ˈa-\ *trademark* — used for an underwater breathing apparatus

**aqua·ma·rine** \ˌä-kwə-mə-ˈrēn, ˌa-\ *n* [NL *aqua marina*, fr. L, sea water] (1677) **1** : a transparent beryl that is blue, blue-green, or green in color **2** : a pale blue to light greenish blue

**aqua·naut** \ˈä-kwə-ˌnȯt, ˈa-, -ˌnät\ *n* [L *aqua* + E *-naut* (as in *geronaut*)] (1881) : a scuba diver who lives and operates both inside and outside an underwater shelter for an extended period

**¹aqua·plane** \ˈä-kwə-ˌplān, ˈa-\ *n* (1914) : a board towed behind a speeding motorboat and ridden by a person standing on it — **aquaplan·er** *n*

**²aquaplane** *vi* (ca. 1923) **1** : to ride on an aquaplane **2** *Brit* : HYDROPLANE

**aqua re·gia** \ˈrē-j(ē-)ə\ *n* [NL, lit., royal water] (1610) : a mixture of nitric and hydrochloric acids that dissolves gold or platinum

**aqua·relle** \ˌa-kwə-ˈrel, ˌä-\ *n* [F, fr. obs. It *acquarella* (now *acquerello*), fr. *acqua* water, fr. L *aqua*] (1869) : a drawing usu. in transparent watercolor — **aqua·rel·list** \-ˈre-list\ *n*

**Aquar·i·an** \ə-ˈkwar-ē-ən, -ˈkwer-\ *n* (1911) : AQUARIUS 2b — **Aquarian** *adj*

**aquar·ist** \ə-ˈkwar-ist, -ˈkwer-\ *n* (ca. 1893) : a person who keeps or maintains an aquarium

**aquar·i·um** \ə-ˈkwar-ē-əm, -ˈkwer-\ *n, pl* **-i·ums** *or* **-ia** \-ē-ə\ [prob. alter. of *aquatic vivarium*] (ca. 1847) **1** : a container (as a glass tank) or an artificial pond in which living aquatic animals or plants are kept **2** : an establishment where aquatic collections of living organisms are kept and exhibited

**Aquar·i·us** \-ē-əs\ *n* [L (gen. *Aquarii*), lit., water carrier] **1** : a constellation south of Pegasus pictured as a man pouring water **2 a** : the 11th sign of the zodiac in astrology — see ZODIAC table **b** : one born under the sign of Aquarius

**¹aquat·ic** \ə-ˈkwä-tik, -ˈkwa-\ *adj* (1642) **1** : growing or living in or frequenting water ⟨~ mosquito larvae⟩ **2** : taking place in or on water ⟨~ sports⟩ — **aquat·i·cal·ly** \-ti-k(ə-)lē\ *adv*

**²aquatic** *n* (ca. 1600) **1** : an aquatic animal or plant **2** *pl but sing or pl in constr* : water sports

**aqua·tint** \ˈa-kwə-ˌtint, ˈä-\ *n* [It *acqua tinta* dyed water] (1782) : a method of etching a printing plate so that tones similar to watercolor washes can be reproduced; *also* : a print made from a plate so etched — **aquatint** *vt* — **aqua·tint·er** *n* — **aqua·tint·ist** \-ˌtin-tist\ *n*

**aqua·vit** \ˈä-kwə-ˌvēt\ *n* [Sw, Dan, & Norw *akvavit*, fr. ML *aqua vitae*] (1890) : a clear Scandinavian liquor flavored with caraway seeds

**aqua vi·tae** \ˌa-kwə-ˈvī-tē, ˌä-\ *n* [ME, fr. ML, lit., water of life] (15c) : a strong alcoholic liquor (as brandy)

**aq·ue·duct** \ˈa-kwə-ˌdəkt\ *n* [L *aquaeductus*, fr. *aquae* (gen. of *aqua*) + *ductus* act of leading — more at DUCT] (1538) **1 a** : a conduit for water; *esp* : one for carrying a large quantity of flowing water **b** : a structure for conveying a canal over a river or hollow **2** : a canal or passage in a part or organ

**aque·ous** \ˈā-kwē-əs, ˈa-\ *adj* [ML *aqueus*, fr. L *aqua*] (1646) **1 a** : of, relating to, or resembling water **b** : made from, with, or by water **2** : of or relating to the aqueous humor

**aqueous humor** *n* (1643) : a transparent fluid occupying the space between the crystalline lens and the cornea of the eye

**aqui·fer** \ˈa-kwə-fər, ˈä-\ *n* [NL, fr. L *aqua* + *-fer*] (1901) : a water-bearing stratum of permeable rock, sand, or gravel — **aquif·er·ous** \a-ˈkwi-fə-rəs, ä-\ *adj*

**Aq·ui·la** \ˈa-kwə-lə *also* ə-ˈkwi-lə\ *n* [L (gen. *Aquilae*), lit., eagle] : a constellation in the northern hemisphere represented by the figure of an eagle

**aq·ui·le·gia** \ˌa-kwə-ˈlē-j(ē-)ə\ *n* [NL] (1871) : COLUMBINE

**aq·ui·line** \ˈa-kwə-ˌlīn, -lən\ *adj* [L *aquilinus*, fr. *aquila* eagle] (1646) **1** : curving like an eagle's beak ⟨an ~ nose⟩ **2** : of, relating to, or resembling an eagle — **aq·ui·lin·i·ty** \ˌä-kwə-ˈli-nə-tē\ *n*

**aquiv·er** \ə-ˈkwi-vər\ *adj* (1883) : marked by trembling or quivering ⟨all ~ with excitement⟩

**ar** \ˈär\ *n* [ME] (14c) : the letter *r*

**-ar** *adj suffix* [ME, fr. L *-aris*, alter. of *-alis* -al] : of or relating to ⟨molecu*lar*⟩ : being ⟨spectacu*lar*⟩ : resembling ⟨oracu*lar*⟩

**Ar·ab** \ˈar-əb, ˈer-; *dial also* ˈä-ˌrab\ *n* [ME, fr. L *Arabus*, *Arabs*, fr. Gk *Arab-*, *Araps*] (14c) **1 a** : a member of the Semitic people of the Arabian peninsula **b** : a member of an Arabic-speaking people **2** : ARABIAN HORSE — **Arab** *adj*

**¹ar·a·besque** \ˌar-ə-ˈbesk\ *adj* [F, fr. It *arabesco* Arabian in fashion, fr. *arabo* Arab, fr. L *Arabus*] (ca. 1656) : of, relating to, or being in the style of arabesque or an arabesque

**²arabesque** *n* (1786) **1** : an ... foliage, or fruit and sometim... an intricate pattern of interla... the body is bent forward fro... tended forward and the other ... or intricate pattern ⟨richly ... Chase⟩ ⟨as lawyers . . . perfor...

**¹Ar·a·bi·an** \ə-ˈrā-bē-ən\ *n* (14... **2** : ARABIAN HORSE

**²Arabian** *adj* (14c) : ARABIC 1

**Arabian horse** *n* (1737) : any ... oped in Arabia and usu. havin...

**¹Ar·a·bic** \ˈar-ə-bik\ *n* (14c) : ... the Hejaz and Nejd that is no... of southwestern Asia and nort...

**²Arabic** *adj* (1526) **1** : of, rela... Arabs **2** : of, relating to, or ... utilizing Arabic numerals

**arab·i·ca** \ə-ˈra-bə-kə\ *n, oft... arabica*, fr. L, fem. of *Arabicus* ... or tree (*Coffea arabica*) yieldin... fee and form a large portion of ... arabica

**Arabic alphabet** *n* (1841) : a ... Aramaic alphabet which is use... tations for other languages of ...

**arab·i·cize** \ə-ˈra-bə-ˌsīz\ *vt* ... adapt (a language or elements ... tural pattern of Arabic **2** : A... sə-ˈzā-shən\ *n*

**Arabic numeral** *n* (ca. 1847) : ... 5, 6, 7, 8, 9 — see NUMBER tabl...

**arab·i·nose** \ə-ˈra-bə-ˌnōs, -ˌnō... gum arabic, fr. *gum arabic* + ... line aldose sugar $C_5H_{10}O_5$ occu...

**ara·bi·no·side** \ˌar-ə-ˈbi-nə-ˌsīd... that yields arabinose on hydrol...

**Ar·ab·ise** *Brit var of* ARABIZE

**Ar·ab·ism** \ˈar-ə-ˌbi-zəm\ *n* (1... bic occurring in another lang... culture, aspirations, or ideals

**Ar·ab·ist** \ˈar-ə-bist\ *n* (1753) ... or in Arabic culture **2** : a per... tions in international affairs

**Ar·ab·ize** \ˈar-ə-ˌbīz\ *vt* **-ized;** ... quire Arabic customs, manner... population) by intermarriage ... **za·tion** \ˌar-ə-bə-ˈzā-shən\ *n*

**¹ar·a·ble** \ˈar-ə-bəl\ *adj* [MF or... akin to OE *erian* to plow, Gk ... growing of crops **2** *Brit* : eng... vation of arable land — **ar·a·bi...**

**²arable** *n* (1576) *chiefly Brit* : l... *also* : a plot of such land ⟨the ...

**ar·a·chi·don·ic acid** \ˌar-ə-kə-... *-onic* (as in *gluconic acid*)] (1... $C_{20}H_{32}O_2$ that occurs in most a... dins, and is considered essentia...

**ar·a·chis oil** \ˈar-ə-kəs-\ *n* [NL ... fr. Gk *arakis*, dim. of *arakos*, a l...

**arach·nid** \ə-ˈrak-nəd, -ˌnid\ *n* ... (1869) : any of a class (Arach... terrestrial invertebrates, includ... ticks, and having a segmented ... the anterior bears four pairs of l...

**¹arach·noid** \ə-ˈrak-ˌnȯid\ *adj* ... brane of the brain and spinal co... the pia mater **2** : covered wi... fibers

**²arachnoid** *n* [NL *arachnoides*, ... *arachnē* spider, spider's web] (c...

**³arachnoid** *adj* [NL *Arachnida* ... lated to the arachnids

**ara·go·nite** \ə-ˈra-gə-ˌnīt, ˈar-ə-... (1803) : a mineral similar to ca... but differing from calcite in it... density, and less distinct clea... ˌar-ə-gə-\ *adj*

**ar·ak** *var of* ARRACK

**Ar·a·mae·an** \ˌar-ə-ˈmē-ən\ *n* [... *Aram* Aram, ancient name for ... ber of a Semitic people of the s... per Mesopotamia — **Aramaea...**

**Ar·a·ma·ic** \ˌar-ə-ˈmā-ik\ *n* (18... the ninth century B.C. as the sp... extensively in southwest Asia a... guage and adopted as their ... Aramaean peoples including the ...

**Aramaic alphabet** *n* (1925) ... dating from the ninth century ... commercial alphabet of southw... bets (as Syriac and Arabic) **2** : ... guished from the early Hebrew a...

**ar·a·mid** \ˈar-ə-məd, -ˌmid\ *n* [... group of lightweight but very s... polyamide materials that are fas... and used esp. in textiles and plas...

**Arap·a·ho** *or* **Arap·a·hoe** \ə-ˈr... *-hoes* (1812) **1** : a member ... plains region ranging from Sask... loo and Texas **2** : the Algonqui...

**Arau·ca·ni·an** \ə-ˌraü-ˈkā-nē-ən... kən\ *n* [Sp *araucano*, fr. *Arauco*, ... member of a group of Indian pe...

1A - Cyrene Apartments, 15,413 sq ft **$1,188,396 assessment**

1B - Development Site, 14,156 sq ft **$257,023 LID Assessment**

City of Seattle Hearing Examiner
**EXHIBIT**
ADMITTED ✓
DENIED ___
3
FILE# CWF-0133-0135, 0353

**1A & 1B Parcel Maps**

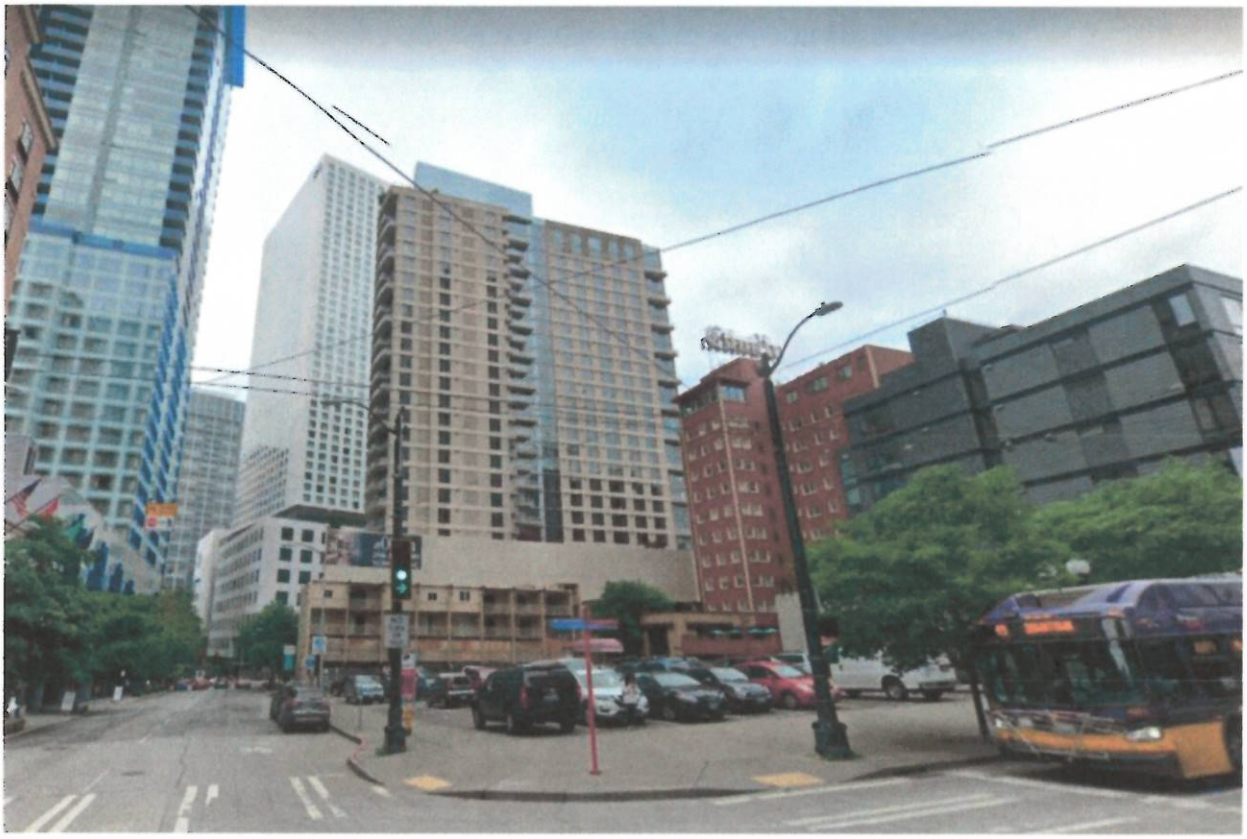

2A – Amazon Office (left), 42,360 sq ft site **$78,364 LID assessment**

2B – Development Site (right), 41,654 sq ft site **$26,644 LID assessment**

**2A & 2B Parcel Maps**

City of Seattle Hearing Examiner
**EXHIBIT**
ADMITTED ✓
DENIED ___
FILE# CWF 0133-0135 0353
4

3A – Olivian Apartments, 13,160 sq ft **$314,241 LID assessment**



3B – Development Site, 14,160 sq ft **$74,836 LID assessment**

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ___
DENIED ___
5
FILE# CWF-0133 - 0135, 0353

**3A and 3B Parcel Maps**

# Hotel Analysis Sample Tables

For discussion purposes only

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ____
DENIED ____
6
FILE# CWF-0133-0135, 0353

| Property Name<br>Street Address<br>City, State | Built<br>Affil<br>Eff Age | Standard<br>Suite<br>Total | Land Area<br>Bldg Area<br>Mtg Space | Land/Rm<br>Bldg/Rm<br>Mtg/Rm | Type<br>Corridors<br>Height | Rack Rates<br>Amenities<br>AAA |
|---|---|---|---|---|---|---|
| SpringHill Suites | Oct-13 | 122 | *109,245* | *895* | Select | $84-$241 |
| 4040 Northwest Avenue | Oct-13 | 0 | 82,088 | 673 | Interior | A B C D E F |
| Bellingham, WA 98226 | 4 | 122 | 1,659 | 14 | 5 Stories | ◆◆◆ |
| La Quinta Inn & Suites | Dec-13 | 55 | 50,395 | 622 | Limited | $159-$164 |
| 1063 W Bakerview Road | Dec-13 | 26 | 50,344 | 622 | Interior | B C D E F |
| Bellingham, WA 98226 | 4 | 81 | 750 | 9 | 4 Stories | ◆◆◆ |
| TownePlace Suites | Feb-15 | 63 | *109,245* | *1,316* | Extended | $87-$367 |
| 4050 Northwest Avenue | Feb-15 | 20 | 47,456 | 572 | Interior | C D E F |
| Bellingham, WA 98226 | 3 | 83 | 0 | 0 | 4 Stories | ◆◆◆ |
| Home2 Suites | Mar-15 | 97 | 78,844 | 751 | Extended | $139-$229 |
| 805 Home Lane | Mar-15 | 8 | 59,692 | 568 | Interior | C D E F |
| Bellingham, WA 98226 | 3 | 105 | 0 | 0 | 4 Stories | ◆◆◆ |
| Oxford Suites | Aug-15 | 99 | 89,734 | 906 | Extended | $95-$700 |
| 4051 Meridian Street | Aug-15 | 0 | 70,050 | 708 | Interior | A C D E F |
| Bellingham, WA 98226 | 2 | 99 | 0 | 0 | 6 Stories | ◆◆◆ |
| Holiday Inn Hotel & Suites | Mar-17 | 150 | 194,953 | 1,274 | Full | $151-$175 |
| 4200 Mitchell Way | Mar-17 | 3 | 109,692 | 717 | Interior | A B C E F |
| Bellingham, WA 98225 | 1 | 153 | 7,681 | 50 | 4 Stories | ◆◆◆ |

Sources: Hotel Management
County Assessor
AAA Tourbook 2019

A = Restaurant
B = Meeting Rooms
C = Refrig/MW

D = Complimentary Breakfast
E = Exercise Room
F = Swimming Pool

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| **Average Daily Room Supply** | | | | | | | |
| Older Hotels | 766 | 766 | 763 | 761 | 761 | 761 | 761 |
| SpringHill Suites | | 31 | 122 | 122 | 122 | 122 | 122 |
| La Quinta Inn & Suites | | 7 | 81 | 81 | 81 | 81 | 81 |
| TownePlace Suites | | | | 76 | 83 | 83 | 83 |
| Home2 Suites | | | | 88 | 105 | 105 | 105 |
| Oxford Suites | | | | 41 | 99 | 99 | 99 |
| Holiday Inn | | | | | | 128 | 153 |
| Total | 766 | 803 | 966 | 1,170 | 1,251 | 1,379 | 1,404 |
| **Market Supply** | | | | | | | |
| Available Room Nights | 279,590 | 293,264 | 352,464 | 426,890 | 456,615 | 503,433 | 512,460 |
| Percentage Change | - | 4.9% | 20.2% | 21.1% | 7.0% | 10.3% | 1.8% |
| **Market Demand** | | | | | | | |
| Occupied Room Nights | 213,613 | 203,289 | 240,261 | 286,709 | 292,108 | 326,570 | 326,294 |
| Percentage Change | - | -4.8% | 18.2% | 19.3% | 1.9% | 11.8% | -0.1% |
| **Market Occupancy** | 76.4% | 69.3% | 68.2% | 67.2% | 64.0% | 64.9% | 63.7% |
| **Market Room Rate** | $88.25 | $91.96 | $95.18 | $96.29 | $95.06 | $94.58 | $99.77 |
| Percentage Change | - | 4.2% | 3.5% | 1.2% | -1.3% | -0.5% | 5.5% |
| **Market RevPAR** | $67.42 | $63.75 | $64.88 | $64.67 | $60.81 | $61.35 | $63.53 |
| Percentage Change | - | -5.4% | 1.8% | -0.3% | -6.0% | 0.9% | 3.5% |
| **Market Revenue (000)** | $18,851 | $18,695 | $22,868 | $27,608 | $27,768 | $30,886 | $32,555 |
| Percentage Change | - | -0.8% | 22.3% | 20.7% | 0.6% | 11.2% | 5.4% |

| | Historical | Projected | | | | | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| **Market Supply** | | | | | | | |
| Existing Hotels | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 | 1,404 |
| Hampton Inn & Suites | | | | 98 | 98 | 98 | 98 |
| Aveage Daily Room Supply | 1,404 | 1,404 | 1,404 | 1,502 | 1,502 | 1,502 | 1,502 |
| Available Room Nights | 512,460 | 512,460 | 512,460 | 548,230 | 548,230 | 548,230 | 548,230 |
| Percentage Change | | 0.0% | 0.0% | 7.0% | 0.0% | 0.0% | 0.0% |
| **Market Demand** | | | | | | | |
| Base Demand | | 326,294 | 332,820 | 339,476 | 351,666 | 364,099 | 371,381 |
| Underlying Growth | | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 0.4% |
| Trended Demand | | 332,820 | 339,476 | 346,266 | 358,699 | 371,381 | 372,796 |
| Induced Demand | | 0 | 0 | 5,400 | 5,400 | 0 | 0 |
| Occupied Room Nights | 326,294 | 332,820 | 339,476 | 351,666 | 364,099 | 371,381 | 372,796 |
| Percentage Change | | 2.0% | 2.0% | 3.6% | 3.5% | 2.0% | 0.4% |
| **Market Occupancy** | 63.7% | 64.9% | 66.2% | 64.1% | 66.4% | 67.7% | 68.0% |
| **Market Room Rate** | $99.77 | $102.27 | $104.82 | $107.44 | $110.13 | $112.88 | $115.71 |
| Percentage Change | | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| **Market RevPAR** | $63.53 | $66.42 | $69.44 | $68.92 | $73.14 | $76.47 | $78.68 |
| Percentage Change | | 4.6% | 4.5% | -0.7% | 6.1% | 4.6% | 2.9% |
| **Market Revenue (000)** | $32,555 | $34,037 | $35,585 | $37,785 | $40,099 | $41,923 | $43,135 |
| Percentage Change | | 4.5% | 4.6% | 6.2% | 6.1% | 4.5% | 2.9% |

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| **Supply Ratio** | | | | | |
| Subject | 80 | 80 | 80 | 80 | 80 |
| Market | 652 | 673 | 673 | 673 | 673 |
| Subject Supply Ratio | 12.3% | 11.9% | 11.9% | 11.9% | 11.9% |
| **Room Occupancy** | | | | | |
| Market Supply | 237,965 | 245,645 | 245,645 | 245,645 | 245,645 |
| Market Occupancy | 73.3% | 76.3% | 78.2% | 80.4% | 83.6% |
| Market Demand | 174,506 | 187,362 | 192,035 | 197,566 | 205,432 |
| Subject Supply Ratio | 12.3% | 11.9% | 11.9% | 11.9% | 11.9% |
| Proportionate Demand | 21,413 | 22,272 | 22,827 | 23,485 | 24,420 |
| Occupancy Index | 95.0% | 101.2% | 97.9% | 97.2% | 93.6% |
| Subject Demand | 20,332 | 22,530 | 22,337 | 22,819 | 22,861 |
| Subject Supply | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 |
| Subject Occupancy | 69.6% | 77.2% | 76.5% | 78.1% | 78.3% |
| **Room Rate** | | | | | |
| Market Room Rate | $107.24 | $110.61 | $113.24 | $117.16 | $119.57 |
| Room Rate Index | 95.2% | 97.9% | 96.8% | 96.3% | 98.6% |
| Subject Room Rate | $102.08 | $108.29 | $109.66 | $112.84 | $117.92 |
| **Room Revenue** | | | | | |
| Market RevPAR | $78.64 | $84.37 | $88.53 | $94.23 | $100.00 |
| RevPAR Index | 90.4% | 99.0% | 94.8% | 93.6% | 92.3% |
| Subject RevPAR | $71.08 | $83.55 | $83.88 | $88.18 | $92.32 |
| Subject Revenue | $2,075,449 | $2,439,742 | $2,449,430 | $2,574,951 | $2,695,731 |

| | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|---|---|---|---|---|---|
| **Supply Ratio** | | | | | |
| Subject | 80 | 80 | 80 | 80 | 80 |
| Market | 673 | 766 | 766 | 766 | 766 |
| Subject Supply Ratio | 11.9% | 10.4% | 10.4% | 10.4% | 10.4% |
| **Room Occupancy** | | | | | |
| Market Supply | 245,645 | 279,590 | 279,590 | 279,590 | 279,590 |
| Market Occupancy | 83.6% | 76.1% | 78.7% | 80.0% | 80.0% |
| Market Demand | 205,411 | 212,692 | 220,082 | 223,672 | 223,672 |
| Subject Supply Ratio | 11.9% | 10.4% | 10.4% | 10.4% | 10.4% |
| Proportionate Demand | 24,417 | 22,213 | 22,985 | 23,360 | 23,360 |
| Occupancy Index | 95.0% | 95.0% | 95.0% | 95.0% | 95.0% |
| Subject Demand | 23,196 | 21,103 | 21,836 | 22,192 | 22,192 |
| Subject Supply | 29,200 | 29,200 | 29,200 | 29,200 | 29,200 |
| Subject Occupancy | 79.4% | 72.3% | 74.8% | 76.0% | 76.0% |
| **Room Rate** | | | | | |
| Market Room Rate | $126.12 | $128.64 | $131.21 | $133.84 | $136.51 |
| Room Rate Index | 97.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Subject Room Rate | $122.33 | $128.64 | $131.21 | $133.84 | $136.51 |
| **Room Revenue** | | | | | |
| Market RevPAR | $105.46 | $97.86 | $103.29 | $107.07 | $109.21 |
| RevPAR Index | 92.2% | 95.0% | 95.0% | 95.0% | 95.0% |
| Subject RevPAR | $97.18 | $92.97 | $98.12 | $101.72 | $103.75 |
| Subject Revenue (000) | $2,837,704 | $2,714,624 | $2,865,127 | $2,970,096 | $3,029,497 |

| | Total | Ratio | Per Room | Per ORN |
|---|---|---|---|---|
| Guestrooms | 300 | | | |
| Room Occupancy Rate | 72.0% | | | |
| Average Daily Room Rate | $135.58 | | | |
| Daily RevPAR | $97.61 | | | |
| Revenue | | | | |
| Rooms | $10,688,774 | 66.2% | $35,629 | $135.58 |
| Food & Beverage | $5,222,880 | 32.3% | $17,410 | $66.25 |
| Other | $236,520 | 1.5% | $788 | $3.00 |
| Total | $16,148,174 | 100.0% | $53,827 | $204.82 |
| Departmental Expenses | | | | |
| Rooms | $2,885,969 | 27.0% | $9,620 | $36.61 |
| Food & Beverage | $2,611,440 | 50.0% | $8,705 | $33.12 |
| Other | $28,382 | 12.0% | $95 | $0.36 |
| Total | $5,525,791 | 34.2% | $18,419 | $70.09 |
| Undistributed Expenses | | | | |
| Administration | $1,384,445 | 8.6% | $4,615 | $17.56 |
| Info & Telecomm | $180,000 | 1.1% | $600 | $2.28 |
| Marketing | $1,455,102 | 9.0% | $4,850 | $18.46 |
| Maintenance | $900,000 | 5.6% | $3,000 | $11.42 |
| Utilities | $810,000 | 5.0% | $2,700 | $10.27 |
| Total | $4,729,547 | 29.3% | $15,765 | $59.99 |
| Fixed Charges | | | | |
| Property Taxes | $499,858 | 3.1% | $1,666 | $6.34 |
| Insurance | $157,500 | 1.0% | $525 | $2.00 |
| Total | $657,358 | 4.1% | $2,191 | $8.34 |
| Direct Expenses | $10,912,696 | 67.6% | $36,376 | $138.42 |
| Operating Profit | $5,235,477 | 32.4% | $17,452 | $66.41 |
| Other Charges | | | | |
| Management Fees | $484,445 | 3.0% | $1,615 | $6.14 |
| Capital Replacement | $807,409 | 5.0% | $2,691 | $10.24 |
| Total | $1,291,854 | 8.0% | $4,306 | $16.39 |
| Total Expenses | $12,204,550 | 75.6% | $40,682 | $154.80 |
| Net Operating Income | $3,943,623 | 24.4% | $13,145 | $50.02 |
| Ground Rent | $1,000,000 | 6.2% | $3,333 | $12.68 |
| Net Leasehold Income | $2,943,623 | 18.2% | $9,812 | $37.34 |

| Direct Capitalization | Projected NOI | Overall Cap Rate | Present Value |
|---|---|---|---|
| Stabilized NOI (2020 $) | $3,943,623 | 7.50% | $52,580,000 |
| Near-Term Income Variance | | | -$4,070,000 |
| Indicated Value | | | $48,510,000 |

| Yield Capitalization | Projected NOI | 9.50% PV Factor | Present Value |
|---|---|---|---|
| 2020 | $719,907 | 0.913242 | $657,449 |
| 2021 | $3,260,246 | 0.834011 | $2,719,081 |
| 2022 | $4,221,944 | 0.761654 | $3,215,660 |
| 2023 | $4,394,743 | 0.695574 | $3,056,870 |
| 2024 | $4,504,612 | 0.635228 | $2,861,454 |
| 2025 | $4,617,227 | 0.580117 | $2,678,530 |
| 2026 | $4,732,658 | 0.529787 | $2,507,300 |
| 2027 | $4,850,974 | 0.483824 | $2,347,016 |
| 2028 | $4,972,248 | 0.441848 | $2,196,978 |
| 2029 | $5,096,555 | 0.403514 | $2,056,532 |
| Reversion | | | |
| NOI After Reversion | $5,223,969 | | |
| Reversion Capitalization Rate | 8.00% | | |
| Fee Simple Value At Reversion | $65,300,000 | | |
| Less Selling Costs @ 3.0% | $1,960,000 | | |
| Net Cash At Reversion | $63,340,000 | 0.403514 | $25,558,589 |
| Indicated Value | | | $49,860,000 |
| **Indicated Current Market Value As Is** | | | $49,500,000 |

| Property Name<br>Address<br>City, State | Sale Date<br>Built/Renov<br>Eff Age | Sale Price<br>$/Room<br>$/Sq Ft | Standard<br>Suite<br>Total | Land Area<br>Bldg Area<br>Mtg Space | Land/Rm<br>Bldg/Rm<br>Mtg/Rm | Type<br>Setting<br>Height | Room Rates<br>Amenities<br>AAA | Grantor<br>Grantee<br>Confirmation |
|---|---|---|---|---|---|---|---|---|
| Hotel Sorrento | Aug-19 | $21,000,000 | 56 | 14,400 | 189 | Boutique | $149-$409 | Sorrento Hotel Investors LLC |
| 900 Madison Street | 1909 | $276,316 | 20 | 76,631 | 1,008 | Interior | A B C D E | The Sorrento Hotel Partnership |
| Seattle, WA 98104 | 30 | $274 | 76 | 4,275 | 56 | 7 Stories | ◆◆◆ | Assessor, ETA |
| Motif | Jan-18 | $145,000,000 | 291 | 29,640 | 100 | Full | $215-$499 | Seattle 1415 Hotel Owner LLC |
| 1415 5th Avenue | 1973/2014 | $488,215 | 6 | 272,787 | 918 | Interior | A B C E | 1415 5th Avenue Seattle LLC |
| Seattle, WA 98101 | 10 | $532 | 297 | 18,333 | 62 | 19 Stories | ◆◆◆ | ETA, CoStar |
| Hilton Garden Inn | Mar-17 | $88,000,000 | 222 | *21,600* | *97* | Select | $179-$409 | Hill7 Hotel Developers LLC |
| 1821 Boren Avenue | 2015 | $396,396 | 0 | 143,152 | 645 | Interior | A B C E F | 1821 Boren Avenue LLC |
| Seattle, WA 98101 | 2 | $615 | 222 | 2,010 | 9 | 14 Stories | ◆◆◆ | ETA, CoStar |
| Pan Pacific Hotel | Feb-17 | $79,000,000 | 153 | 25,439 | 166 | Luxury | $225-$525 | Vulcan Inc |
| 2200 Westlake Avenue | 2006 | $516,340 | 0 | 120,309 | 786 | Interior | A B E | Hersha Hospitality Trust (REIT) |
| Seattle, WA 98121 | 10 | $657 | 153 | 9,100 | 59 | 12 Stories | ◆◆◆◆ | ETA, PR, Broker (ML) |
| Hilton Seatle | Sep-16 | $62,000,000 | 239 | 21,593 | 90 | Full | $109-$499 | Jet City Lodging LLC |
| 1301 6th Avenue | 1970 | $259,414 | 0 | 134,529 | 563 | Interior | A B C E | 10-1301 HSW Owner LLC |
| Seattle, WA 98101 | 30 | $461 | 239 | 4,307 | 18 | 29 Stories | ◆◆◆ | ETA, CoStar |
| Courtyard | Jul-16 | $84,500,000 | 250 | 56,800 | 227 | Select | $119-$387 | Ashford Seattle Downtown LP |
| 925 Westlake Avenue N | 1999 | $338,000 | 0 | 153,315 | 613 | Interior | A B C E F | WH CY Seattle Hotel LLC |
| Seattle, WA 98109 | 15 | $551 | 250 | 3,804 | 15 | 7 Stories | ◆◆◆ | ETA, CoStar, PR |
| SpringHill Suites | May-16 | $74,100,000 | 234 | 22,264 | 95 | Full | $125-$353 | Moody National SHS Seattle H LLC |
| 1800 Yale Avenue | 2001 | $316,667 | 0 | 133,585 | 571 | Interior | A B C E F | LLC |
| Seattle, WA 98101 | 15 | $555 | 234 | 1,728 | 7 | 10 Stories | ◆◆◆ | CoStar (related parties) |
| Hotel 1000 | Jan-16 | $83,500,000 | 120 | 8,245 | 69 | Luxury | $249-$599 | Hotel 1000 Owner LLC |
| 1000 1st Avenue | 2006 | $695,833 | 0 | 133,161 | 1,110 | Interior | A B E | LH Seattle Hotel LLC |
| Seattle, WA 98104 | 10 | $627 | 120 | 9,100 | 76 | 10 Stories | ◆◆◆◆ | ETA, PR |

Sources: Hotel Management, County Assessor, AAA Tourbook

A = Restaurant
B = Meeting Rooms
C = Refrig/MW
D = Comp Breakfast
E = Spa/Fitness Center
F = Swimming Pool

City of Seattle Hearing Examiner
**EXHIBIT**

ADMITTED ____
DENIED ____

7

**FILE#** CWF-0133-0135, 0353

| | Ratios to Revenue | | | | Amounts Per Available Room | | | | Amounts Per Occupied Room Night | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | C | D | A | B | C | D | A | B | C | D |
| Available Rooms | 204 | 432 | 230 | 262 | 204 | 432 | 230 | 262 | 204 | 432 | 230 | 262 |
| Occupancy Rate | 76.2% | 77.9% | 77.2% | 81.3% | 76.2% | 77.9% | 77.2% | 81.3% | 76.2% | 77.9% | 77.2% | 81.3% |
| Average Room Rate | $191.24 | $200.98 | $174.13 | $338.75 | $191.24 | $200.98 | $174.13 | $338.75 | $191.24 | $200.98 | $174.13 | $338.75 |
| Daily RevPAR | $145.72 | $156.56 | $134.43 | $275.40 | $145.78 | $156.48 | $134.50 | $275.57 | $145.72 | $156.56 | $134.43 | $275.40 |
| Revenue | | | | | | | | | | | | |
| Rooms | 75.3% | 67.6% | 73.8% | 68.1% | $53,215 | $57,121 | $49,098 | $100,590 | $191.33 | $200.89 | $174.24 | $338.98 |
| Food & Beverage | 20.1% | 27.2% | 21.8% | 25.7% | $14,205 | $23,023 | $14,538 | $37,965 | $51.07 | $80.97 | $51.59 | $127.94 |
| Other | 3.2% | 3.8% | 3.0% | 4.7% | $2,247 | $3,194 | $1,988 | $6,875 | $8.08 | $11.23 | $7.06 | $23.17 |
| Rental Income | 1.4% | 1.4% | 1.4% | 1.6% | $999 | $1,215 | $940 | $2,294 | $3.59 | $4.27 | $3.34 | $7.73 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | $70,666 | $84,553 | $66,564 | $147,724 | $254.08 | $297.37 | $236.23 | $497.81 |
| Departmental Expenses | | | | | | | | | | | | |
| Rooms | 24.6% | 26.8% | 24.0% | 28.2% | $13,079 | $15,301 | $11,783 | $28,345 | $47.02 | $53.81 | $41.82 | $95.52 |
| Food & Beverage | 76.3% | 70.7% | 69.8% | 80.5% | $10,839 | $16,287 | $10,145 | $30,575 | $38.97 | $57.28 | $36.00 | $103.03 |
| Other | 54.6% | 48.5% | 46.4% | 60.0% | $1,226 | $1,549 | $922 | $4,122 | $4.41 | $5.45 | $3.27 | $13.89 |
| Total | 35.6% | 39.2% | 34.3% | 42.7% | $25,144 | $33,137 | $22,850 | $63,042 | $90.40 | $116.54 | $81.09 | $212.45 |
| Undistributed Expenses | | | | | | | | | | | | |
| Administration | 8.3% | 7.7% | 7.9% | 8.0% | $5,830 | $6,477 | $5,269 | $11,858 | $20.96 | $22.78 | $18.70 | $39.96 |
| Info & Telecomm | 1.4% | 1.6% | 1.4% | 1.7% | $1,013 | $1,377 | $943 | $2,507 | $3.64 | $4.84 | $3.35 | $8.45 |
| Marketing | 9.7% | 8.4% | 9.6% | 7.2% | $6,850 | $7,110 | $6,387 | $10,621 | $24.63 | $25.01 | $22.67 | $35.79 |
| Maintenance | 4.0% | 4.0% | 3.9% | 3.9% | $2,801 | $3,421 | $2,614 | $5,699 | $10.07 | $12.03 | $9.28 | $19.21 |
| Utilities | 2.9% | 2.8% | 3.0% | 2.3% | $2,066 | $2,351 | $1,979 | $3,378 | $7.43 | $8.27 | $7.02 | $11.38 |
| Total | 26.3% | 24.5% | 25.8% | 23.1% | $18,560 | $20,736 | $17,192 | $34,063 | $66.73 | $72.93 | $61.01 | $114.79 |
| Fixed Charges | | | | | | | | | | | | |
| Property Taxes | 3.8% | 4.0% | 3.7% | 4.4% | $2,702 | $3,383 | $2,435 | $6,505 | $9.71 | $11.90 | $8.64 | $21.92 |
| Insurance | 0.7% | 0.7% | 0.7% | 0.8% | $522 | $605 | $472 | $1,115 | $1.88 | $2.13 | $1.68 | $3.76 |
| Total | 4.6% | 4.7% | 4.4% | 5.2% | $3,224 | $3,988 | $2,907 | $7,620 | $11.59 | $14.03 | $10.32 | $25.68 |
| Direct Expenses | 66.4% | 68.4% | 64.5% | 70.9% | $46,928 | $57,861 | $42,949 | $104,725 | $168.73 | $203.50 | $152.42 | $352.91 |
| Operating Profit | 33.6% | 31.6% | 35.5% | 29.1% | $23,738 | $26,692 | $23,615 | $42,999 | $85.35 | $93.88 | $83.81 | $144.90 |

Source: CBRE Consulting, *Trends in the Hotel Industry, 2019* (2018 data)

Group A Full Service, 150 to 300 Rooms
Group B Full Service, Over 300 Rooms
Group C Full Service, ADR $125 to $250
Group D Full Service, ADR Over $250

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ___
DENIED ___
FILE# CWF-0133 - 0135 & 0353
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| | Ratios to Revenue | | | | Amounts Per Available Room | | | | Amounts Per Occupied Room Night | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
| Available Rooms | Over 300 | Over 300 | Over 300 | Under 300 | Over 300 | Over 300 | Over 300 | Under 300 | Over 300 | Over 300 | Over 300 | Under 300 |
| Occupancy Rate | 80.1% | 74.8% | 76.4% | 85.0% | 80.1% | 74.8% | 76.4% | 85.0% | 80.1% | 74.8% | 76.4% | 85.0% |
| Average Room Rate | $232.53 | $205.30 | $212.61 | $240.67 | $232.53 | $205.30 | $212.61 | $240.67 | $232.53 | $205.30 | $212.61 | $240.67 |
| Daily RevPAR | $186.22 | $153.56 | $162.52 | $204.57 | $186.22 | $153.56 | $162.52 | $204.57 | $186.22 | $153.56 | $162.52 | $204.57 |
| Revenue | | | | | | | | | | | | |
| Rooms | 70.1% | 64.3% | 91.3% | 57.6% | $67,971 | $56,050 | $59,320 | $74,669 | $232.53 | $205.30 | $212.61 | $240.67 |
| Food & Beverage | 25.1% | 32.5% | 3.0% | 36.2% | $24,316 | $28,364 | $1,944 | $46,834 | $83.18 | $103.89 | $6.97 | $150.95 |
| Other | 4.9% | 3.2% | 5.7% | 6.2% | $4,722 | $2,758 | $3,687 | $8,036 | $16.15 | $10.10 | $13.21 | $25.90 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | $97,009 | $87,172 | $64,951 | $129,539 | $331.86 | $319.29 | $232.79 | $417.52 |
| Departmental Expenses | | | | | | | | | | | | |
| Rooms | 20.0% | 21.7% | 23.5% | 28.9% | $13,622 | $12,143 | $13,919 | $21,552 | $46.60 | $44.48 | $49.89 | $69.46 |
| Food & Beverage | 65.2% | 60.5% | 84.3% | 81.7% | $15,846 | $17,162 | $1,639 | $38,268 | $54.21 | $62.86 | $5.87 | $123.34 |
| Other | 0.0% | 12.5% | 48.7% | 53.9% | $3,988 | $344 | $1,796 | $4,331 | $13.64 | $1.26 | $6.44 | $13.96 |
| Total | 34.5% | 34.0% | 26.7% | 49.5% | $33,455 | $29,650 | $17,354 | $64,151 | $114.45 | $108.60 | $62.20 | $206.76 |
| Undistributed Expenses | | | | | | | | | | | | |
| Administration | 8.6% | 7.1% | 7.5% | 9.1% | $8,311 | $6,196 | $4,874 | $11,773 | $28.43 | $22.69 | $17.47 | $37.94 |
| Info & Telecomm | 0.0% | 0.0% | 1.1% | 0.0% | $0 | $0 | $711 | $0 | $0.00 | $0.00 | $2.55 | $0.00 |
| Marketing | 7.7% | 6.2% | 9.9% | 4.9% | $7,447 | $5,369 | $6,416 | $6,368 | $25.48 | $19.66 | $23.00 | $20.53 |
| Maintenance | 3.1% | 6.9% | 2.7% | 3.0% | $2,998 | $6,013 | $1,737 | $3,935 | $10.26 | $22.02 | $6.22 | $12.68 |
| Utilities | 2.2% | 2.8% | 2.4% | 2.2% | $2,106 | $2,425 | $1,542 | $2,830 | $7.21 | $8.88 | $5.53 | $9.12 |
| Total | 21.5% | 22.9% | 23.5% | 19.2% | $20,863 | $20,003 | $15,280 | $24,906 | $71.37 | $73.26 | $54.76 | $80.28 |
| Fixed Charges | | | | | | | | | | | | |
| Property Taxes | 3.2% | 3.3% | 3.9% | 0.3% | $3,146 | $2,902 | $2,524 | $418 | $10.76 | $10.63 | $9.05 | $1.35 |
| Insurance | 1.5% | 1.6% | 1.2% | 2.0% | $1,449 | $1,401 | $783 | $2,590 | $4.96 | $5.13 | $2.81 | $8.35 |
| Total | 4.7% | 4.9% | 5.1% | 2.3% | $4,595 | $4,303 | $3,308 | $3,008 | $15.72 | $15.76 | $11.86 | $9.69 |
| Direct Expenses | 60.7% | 61.9% | 55.3% | 71.1% | $58,913 | $53,955 | $35,941 | $92,065 | $201.54 | $197.62 | $128.82 | $296.74 |
| Operating Profit | 39.3% | 38.1% | 44.7% | 28.9% | $38,095 | $33,217 | $29,010 | $37,474 | $130.32 | $121.66 | $103.97 | $120.78 |

4341 + 2508166

WESTERN TILE & MARBLE
7140 180TH AVE NE
REDMOND, WA 98052
425 629-7200

# Invoice 31226

| Bill to: | Job: C19080J |
|---|---|
| BROOKFIELD PROPERTIES RETAIL<br>400 PINE ST, SUITE 301<br>SEATTLE, WA 98101 | WESTLAKE PLAZA REPAIRS<br>400 PINE ST<br>SEATTLE, WA 98101 |

| | | | |
|---|---|---|---|
| Invoice #: | 31226 | Date: 10/18/19 | Customer P.O. #: |
| Payment Terms: | DUE UPON RECEIPT | | Salesperson: JOHN MURPHY |
| Customer Code: | BR6625 | | |

Remarks: ATTN: JESSICA SHAND

| Quantity | Description | U/M | Unit Price | Extension |
|---|---|---|---|---|
| 64.500 | LABOR HOURS T&M TILE REPAIR WORK | HR | 125.000 | 8,062.50 |
| 1.000 | SUNBELT GENERATOR RENTAL | EA | 290.580 | 290.58 |
| | | | **Subtotal:** | **8,353.08** |
| | | | **Sales Tax:** | **843.66** |
| | | | **Total:** | **9,196.74** |

City of Seattle Hearing Examiner
**EXHIBIT**
ADMITTED ___
DENIED ___
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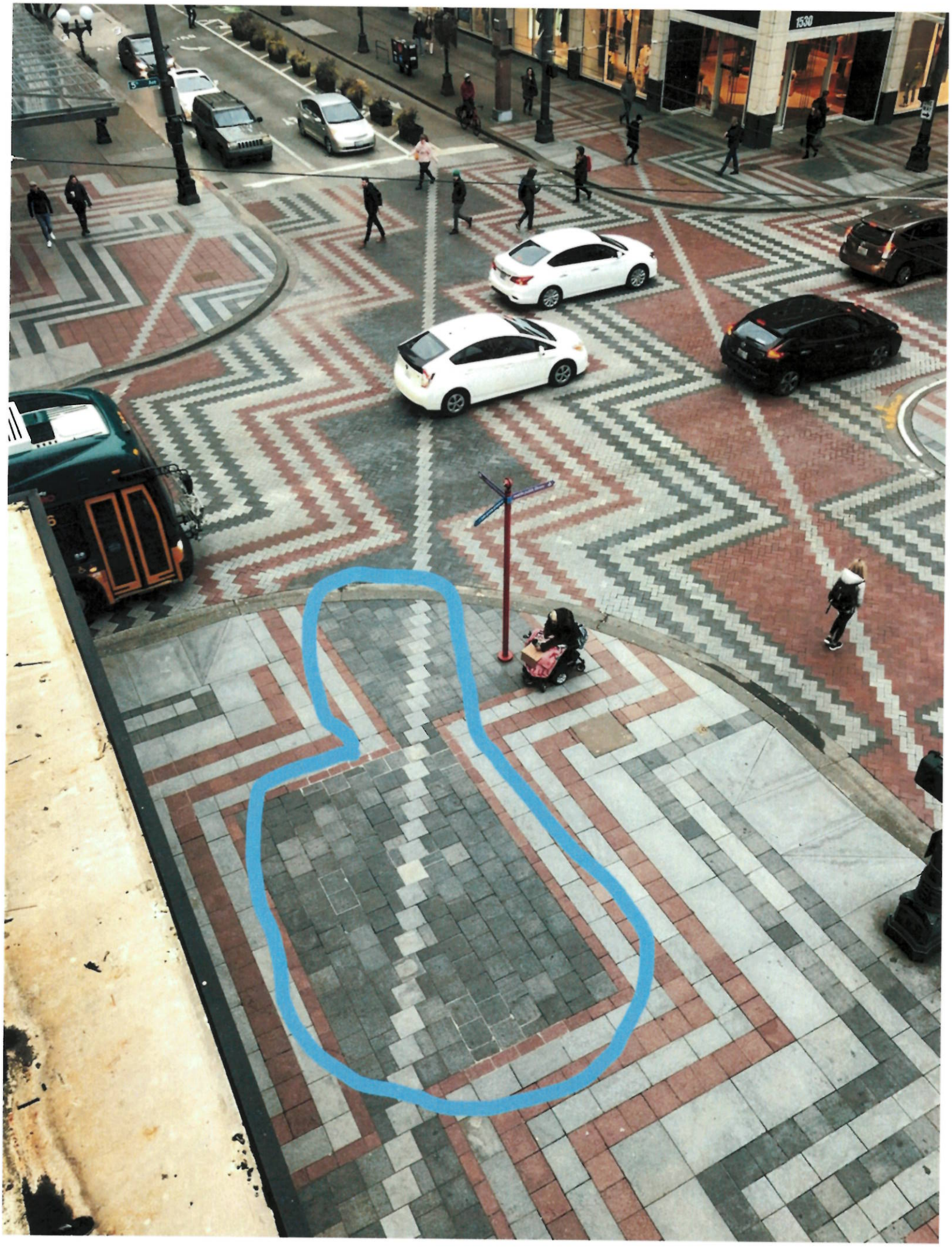
**FILE#** CWF-0133-0135, -0353


1530

| Property Name | Map Key | Tax Parcel | 2019/2020 Assessment | ABS Valuation 10/1/2019 Before | Change | After | Benefit | LID Ratio | LID Tax |
|---|---|---|---|---|---|---|---|---|---|
| South Parcel | B-227 | 1977200960 | $108,771,000 | $150,853,000 | 2.5% | $154,612,000 | $3,759,000 | 39.2% | $1,472,859 |
| North Parcel | B-225 | 1977200955 | $2,943,000 | $6,213,000 | 2.5% | $6,368,000 | $155,000 | 39.2% | $60,732 |
| Thompson Hotel | | | | | | | | | |
| Sequel Apartments | | | | | | | | | |
| Total Thompson/Sequel | | | $111,714,000 | $157,066,000 | 2.5% | $160,980,000 | $3,914,000 | 39.2% | $1,533,591 |
| Hilton Seattle | D-235 | 7802920010 | $67,674,100 | $119,983,000 | 0.8% | $120,998,000 | $1,015,000 | 39.2% | $397,699 |
| Kimpton Hotel Monaco | C-125 | 0942000145 | $70,984,600 | $107,140,000 | 1.0% | $108,208,000 | $1,068,000 | 39.2% | $418,466 |
| Kimpton Hotel Vintage | D-243 | 0942000265 | $38,879,800 | $55,163,000 | 1.0% | $55,709,000 | $546,000 | 39.2% | $213,935 |
| Total Pebblebrook | | | $109,864,400 | $162,303,000 | 1.0% | $163,917,000 | $1,614,000 | 39.2% | $632,401 |
| Edgewater Parcel A | A-006 | 7666202310 | $392,400 | $761,000 | 0.3% | $763,000 | $2,000 | 39.2% | $784 |
| Edgewater Parcel B | A-005 | 7666202317 | $86,804,600 | $112,169,000 | 0.9% | $113,205,000 | $1,036,000 | 39.2% | $405,928 |
| Edgewater Parcel C | A-004 | 7666202315 | $212,800 | $633,000 | 0.3% | $635,000 | $2,000 | 39.2% | $784 |
| Edgewater Parcel D | A-003 | 7666202312 | $3,449,900 | $3,881,000 | 0.6% | $3,905,000 | $24,000 | 39.2% | $9,404 |
| Total Edgewater | | | $90,859,700 | $117,444,000 | 0.9% | $118,508,000 | $1,064,000 | 39.2% | $416,900 |

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City of Seattle Hearing Examiner
**EXHIBIT**

ADMITTED ____
DENIED ____

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**FILE#** CWF-0133 - 0135, & -0353

| | | | Kidder Mathews 1/1/2020 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Property Name** | **Map Key** | **Tax Parcel** | **Before** | **Change** | **After** | **Benefit** | **LID Ratio** | **LID Tax** | **Adjustment** |
| South Parcel | B-227 | 1977200960 | | | | | | | |
| North Parcel | B-225 | 1977200955 | | | | | | | |
| Thompson Hotel | | | $57,200,000 | 2.5% | $58,630,000 | $1,430,000 | 39.2% | $560,305 | $560,305 |
| Sequel Apartments | | | $32,750,000 | 2.5% | $33,568,750 | $818,750 | 39.2% | $320,804 | $320,804 |
| Total Thompson/Sequel | | | $89,950,000 | 2.5% | $92,198,750 | $2,248,750 | 39.2% | $881,110 | $652,481 |
| Hilton Seattle | D-235 | 7802920010 | $94,500,000 | 0.8% | $95,299,426 | $799,426 | 39.2% | $313,232 | -$84,467 |
| Kimpton Hotel Monaco | C-125 | 0942000145 | $63,700,000 | 1.0% | $64,334,979 | $634,979 | 39.2% | $248,799 | -$169,667 |
| Kimpton Hotel Vintage | D-243 | 0942000265 | $30,700,000 | 1.0% | $31,003,867 | $303,867 | 39.2% | $119,062 | -$94,873 |
| Total Pebblebrook | | | $94,400,000 | 1.0% | $95,338,845 | $938,845 | | $367,860 | -$264,541 |
| Edgewater Parcel A | A-006 | 7666202310 | | | | | | | |
| Edgewater Parcel B | A-005 | 7666202317 | | | | | | | |
| Edgewater Parcel C | A-004 | 7666202315 | | | | | | | |
| Edgewater Parcel D | A-003 | 7666202312 | | | | | | | |
| Total Edgewater | | | $61,400,000 | 0.9% | $61,956,262 | $556,262 | 39.2% | $217,956 | -$198,944 |

| Property Name | Map Key | Tax Parcel | Current Market Value | | | Rooms/ | Current Value Per Room/Unit | | | Ratios | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Assessor | ABS | KM | Units | Assessor | ABS | KM | ABS/AV | ABS/KM | KM/AV |
| Thompson Parcel | B-227 | 1977200960 | $108,771,000 | $150,853,000 | | | | | | | | |
| Sequel Parcel | B-225 | 1977200955 | $2,943,000 | $6,213,000 | | | | | | | | |
| Thompson Hotel | | | | | $57,200,000 | 150 | | | | | | |
| Sequel Apartments | | | | | $32,750,000 | 93 | | | | | | |
| Total Thompson/Sequel | | | $111,714,000 | $157,066,000 | $89,950,000 | 243 | $459,728 | $646,362 | $370,165 | 140.6% | 174.6% | 80.5% |
| Hilton Seattle | D-235 | 7802920010 | $67,674,100 | $119,983,000 | $94,500,000 | 256 | $264,352 | $468,684 | $369,141 | 177.3% | 127.0% | 139.6% |
| Kimpton Hotel Monaco | C-125 | 0942000145 | $70,984,600 | $107,140,000 | $63,700,000 | 189 | $375,580 | $566,878 | $337,037 | 150.9% | 168.2% | 89.7% |
| Kimpton Hotel Vintage | D-243 | 0942000265 | $38,879,800 | $55,163,000 | $30,700,000 | 125 | $311,038 | $441,304 | $245,600 | 141.9% | 179.7% | 79.0% |
| Total Pebblebrook | | | $109,864,400 | $162,303,000 | $94,400,000 | 314 | | | | | | |
| Edgewater Parcel A | A-006 | 7666202310 | $392,400 | $761,000 | | | | | | | | |
| Edgewater Parcel B | A-005 | 7666202317 | $86,804,600 | $112,169,000 | | | | | | | | |
| Edgewater Parcel C | A-004 | 7666202315 | $212,800 | $633,000 | | | | | | | | |
| Edgewater Parcel D | A-003 | 7666202312 | $3,449,900 | $3,881,000 | | | | | | | | |
| Total Edgewater | | | $90,859,700 | $117,444,000 | $61,300,000 | 223 | $407,443 | $526,655 | $274,888 | 129.3% | 191.6% | 67.5% |

City of Seattle Hearing Examiner
**EXHIBIT**
ADMITTED ✓
DENIED ___
**FILE#** CWF-0133 - 0135, 1-0353
11

When recorded, return to:
Edgewater Associates
2411 Alaskan Way
Seattle, WA 98121

WASHINGTON STATE DEPARTMENT OF
**Natural Resources**
**Peter Goldmark** - Commissioner of Public Lands

# AQUATIC LANDS LEASE AMENDMENT I

**Lease No. 22-0A2694**

Grantor: Washington State Department of Natural Resources
Grantee(s): Edgewater Associates
Legal Description: Section 31, Township 25 North, Range 04 East, W.M.
Assessor's Property Tax Parcel or Account Number: 766620-2315-02
Assessor's Property Tax Parcel or Account Number for Upland parcel used in conjunction with this Easement: N/A

THIS LEASE AMENDMENT is made by and between the STATE OF WASHINGTON, acting through the Department of Natural Resources ("State"), and EDGEWATER ASSOCIATES, a California General Partnership ("Tenant").

## BACKGROUND

Lease No. 22-0A2694 was entered into on the 1st day of January, 2001 by and between EDGEWATER ASSOCIATES as Tenant and the STATE OF WASHINGTON, acting by and through the Department of Natural Resources, as landlord ("State"), and recorded with the King County Auditor's office under recording number 2001-030-7000416 (the "Agreement").

The parties now desire to amend this Agreement under the following terms and conditions:

THEREFORE, the parties agree as follows:

## SECTION 1 AMENDMENTS

**Section I.2 of Exhibit B is replaced with:**

I.2 PRESENT USES

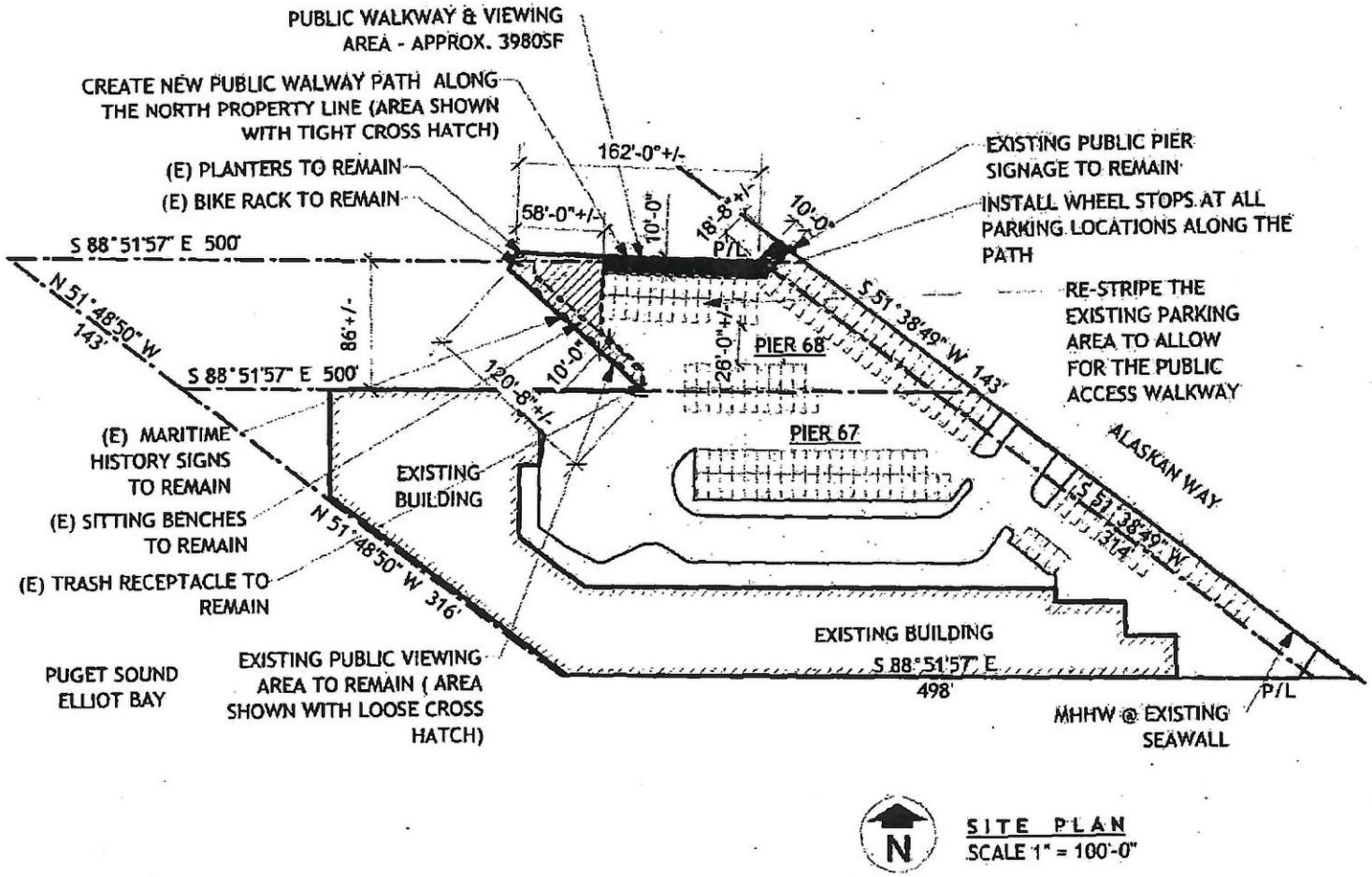
The subject Aquatic Lands (the "Property") will continue to be used by Tenant in the same manner as its current use as a hotel, restaurant and meeting facility. The proposed use of the Property will not change from the present use currently leased from the DNR under Aquatics Lease No. 22-0A2694. Existing uses on the Property, which Tenant has and will continue to use, include:

Hotel use
Restaurant and lounge
Office
Retail
Parking and vehicle access driveways
Trash facilities for hotel/restaurant operations
Uses incidental thereto
Public access to viewing area via walkway as shown in Exhibit A-1

The above uses are in operation year round, but peak use by the general public not using the hotel and restaurant facilities occurs mainly in the spring and summer as tourists enjoy the Seattle waterfront. There is currently no water-dependent use at the Property due to access limitations (hotel sits on approximately 70% of the face of the pier making moorage ability impossible), in addition to low demand for complementary water-dependent uses as there are numerous available moorage and commercial charters found in the immediate area.

**Exhibit A-1 is inserted:**

EXHIBIT A-1




SITE PLAN
SCALE 1" = 100'-0"

## SECTION 2 EFFECTIVE DATE

The amended provisions shall become effective as of the 1st day of June, 2014.

## SECTION 3 NO RELEASE

State is not releasing any previous Assignor from fully performing the provisions of the Agreement in effect at the time of such assignment or as otherwise agreed in writing between the State, previous Assignor, and the Grantee.

## SECTION 4 WARRANTIES

Tenant represents and warrants to State that (i) the Agreement is in full force and effect; (ii) Tenant is not in default or breach of the Agreement; (iii) Tenant has no knowledge of any claims, offsets, or defenses of the Tenant under the Agreement; and (iv) to the best of Tenant knowledge, the Property is in full compliance with all applicable federal, state, and local governmental permits, rules, ordinances, and laws.

## SECTION 5 CONFIRMATION OF AGREEMENT

All other terms of the Agreement not inconsistent with this Amendment are hereby affirmed and ratified.

## SECTION 6 RECORDATION

At Tenant's expense and no later than thirty (30) days after receiving the fully-executed Agreement, Tenant shall record this Agreement in the county in which the Property is located. Tenant shall include the parcel number of the upland property used in conjunction with the Property, if any. Tenant shall provide State with recording information, including the date of recordation and file number

THIS AGREEMENT requires the signature of all parties and is executed as of the date of the last signature below.

EDGEWATER ASSOCIATES
A California General Partnership
By - Edgewater Partner, Inc.

Dated: May 20, 2014

PATRICK R. COLEE

Title: President

Address: 600 6th Street South
Kirkland, WA 98033

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

Dated: June 2, 2014

PETER GOLDMARK

Title: Commissioner of Public Lands

Address: Shoreline District Aquatics
950 Farman Avenue North
Enumclaw, WA 98022-9282

SEAL OF THE COMMISSIONER OF PUBLIC LANDS STATE OF WASHINGTON

Approved as to Form this
This 28 day of September 2011
Janis Snoey, Assistant Attorney General

REPRESENTATIVE ACKNOWLEDGMENT

STATE OF )
) ss
County of )

I certify that I know or have satisfactory evidence that PATRICK R. COLEE is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the PRESIDENT of EDGEWATER PARTNER, INC. a General Partner of EDGEWATER ASSOCIATES ("Tenant") to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: May 20, 2014

(Seal or stamp)

Notary Public
State of Washington
MICHAEL LUDDERS
MY COMMISSION EXPIRES
July 30, 2016

(Signature)

Michael Ludders
(Print Name)

Notary Public in and for the State of Washington, residing at ~~1627~~ Seattle

My appointment expires 7/30/16

STATE ACKNOWLEDGMENT

STATE OF WASHINGTON )
) ss
County of Thurston )

I certify that I know or have satisfactory evidence that PETER GOLDMARK is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the COMMISSIONER OF PUBLIC LANDS, and ex officio administrator of the DEPARTMENT OF NATURAL RESOURCES of the State of Washington to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 6.2.14

(Signature)

(Seal or stamp)

AMY LYN RIBERA
COMMISSION EXPIRES
NOTARY
PUBLIC
DECEMBER 17, 2016
STATE OF WASHINGTON

Amylyn Ribera
(Print Name)

Notary Public in and for the State of Washington, residing at Olympia

My appointment expires 12.17.16

**EDGEWATER ASSOCIATES**
**STATE OF WASHINGTON – DNR**
**AQUATICS LANDS LEASE**
**LEASE #: 22-0A2694**

**JANUARY 1, 2001 – December 31, 2030**

1. Lease
2. Lease Summary
3. Financing Statement (VCC-1, VCC-2)
4. Surrender and Cancellation of Leasehold
5. Mutual Consent and Landlord's Estoppel and Waiver
6. State of Washington Dept. Natural Resources – Performance Bond
7.

ORIGINAL

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
JENNIFER M BELCHER

AQUATIC LANDS LEASE
(Harbor Area)
Lease No 22-0A2694

2001 030 7000416

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2001 030 7000416

2001 330 7000416

2001 030 7000416

2001 030 7000418

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES
JENNIFER M. BELCHER
Commissioner of Public Lands
Olympia, Washington 98504

AQUATIC LANDS LEASE
(Harbor Area)

AQUATIC LANDS LEASE NO 22-0A2694

THIS LEASE is made by and between the STATE OF WASHINGTON, acting through the Department of Natural Resources ("State"), and EDGEWATER ASSOCIATES, a California general partnership ("Tenant")

## BACKGROUND

Tenant desires to lease the aquatic lands commonly known as Elliott Bay, which is a harbor area located in King County, Washington, from State, and State desires to lease the property to Tenant pursuant to the terms and conditions of this Lease.

THEREFORE, the parties agree as follows.

## 1. PROPERTY

1.1 Property Defined. State leases to Tenant and Tenant leases from State the real property described in Exhibit A together with all the rights of State, if any, to improvements on and easements benefitting the Property (commonly known as "Pier 67", "Pier 68" and the "Edgewater Hotel"), subject to the exceptions and restrictions set forth in this Lease (collectively the "Property") This Lease is subject to all valid interests of third parties noted in the records of King County, or on file in the office of the Commissioner of Public Lands, Olympia, Washington, rights of the public under the Public Trust Doctrine or federal navigation servitude, and treaty rights of Indian Tribes Not included in this Lease are any right to harvest, collect or damage any natural resources, including aquatic life or living plants, any water rights, or any mineral rights, including any right to excavate or withdraw sand, gravel, or other valuable materials State reserves the right to grant easements and other land uses on the Property to others, subject to the Tenant's approval, which approval shall not be unreasonably denied.

1.2 Tenant's Parcel. Subject to the provisions of Subsection 15 8, Tenant is owner of the Pier 67 tideland strip (Tenant's Parcel) which is also described in Exhibit A

1.3 Survey, Maps, and Plans In executing this Lease, State is relying on the surveys, plats, diagrams, and/or legal descriptions provided by Tenant. Tenant is not relying upon and State is not making any representations about any survey, plat, diagram, and/or legal description provided by State

1.4 Inspection. State makes no representation regarding the condition of the Property, improvements located on the Property, the suitability of the Property for Tenant's Permitted Use,

compliance with governmental laws and regulations, availability of utility rights, access to the Property or the existence of hazardous substances on the Property Tenant has inspected the Property and accepts it "AS IS."

2. **USE**

2.1 Permitted Use. Tenant shall use the Property for the operation of a transient hotel, together with related restaurant, office, retail and parking activities, and for other uses customarily found in hotels charging sixty percent (60%) of the standard room rate charged by first-class luxury hotels in the City of Seattle, (which sixty percent (60%) standard is referred to in this Lease as a " Quality Hotel(s)", (the "Permitted Use"). Tenant shall use the Property for no other purpose. The Permitted Use is described or shown in greater detail in Exhibit B, the Plan of Operation, Development, and Maintenance, and in Exhibit C, Architectural Renderings showing the drawings of the current improvements on and the planned improvements for the Property, the terms and conditions of which are incorporated by reference and made a part of this Lease. The parties agree that this is a nonwater-dependent use of the Harbor Area As a material inducement to State's agreement to enter into this Lease, and as further evidence of Tenant's commitment to pay Percentage Rent as set forth in Section 4, Tenant covenants to operate and use the Property continuously as a Quality Hotel, seeking to maximize the Annual Gross Income from the Property.

2 2 Nonconforming Status. Tenant's use of the Property as a Quality Hotel together with associated parking is a legally nonconforming use pursuant to the Seattle Land Use and Zoning Code and Seattle Master Shoreline Program and Regulations Tenant shall not undertake any act which results in the termination of the right to use the Property as a Quality Hotel with associated parking. Tenant and State shall promptly notify each other of any notices of noncompliance they receive regarding the use of the Property and/or improvements thereon Tenant shall vigorously protect and defend against, with legal counsel approved by State, any challenge (a) to the right to use the Property and improvements as a Quality Hotel with associated parking, or (b) to the legal nonconforming status of the improvements on the Property In the event that Tenant, through no fault on Tenant's part, is prevented legally from using the Property as a Quality Hotel with associated parking, the Lease shall be deemed to terminate six (6) months following the date Tenant is no longer able to use the Property as a Quality Hotel State shall promptly determine the highest and best use of the Property and shall inform Tenant of the new use for the Property. Tenant shall promptly give State notice stating either that Tenant will terminate the Lease as of the end of the six (6) months or that Tenant will apply for a new Lease based upon the new highest and best use of the Property If Tenant determines to apply for a new lease, the terms of Section 15 shall apply except that Tenant must make its application for a new lease within thirty (30) days of the receipt State's determination of the highest and best use of the Property and each of the other time periods set forth in Section 15 shall be reduced to thirty (30) days

2.3 Restrictions on Use Tenant shall not cause or permit any damage to natural resources on the Property Tenant shall also not cause or permit any filling activity to occur on the Property This prohibition includes any deposit of rock, earth, ballast, refuse, garbage, waste matter (including chemical, biological or toxic wastes), hydrocarbons, any other pollutants, or other matter in or on the Property, except as approved in writing by State Tenant shall neither



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commit nor allow waste to be committed to or on the Property If Tenant fails to comply with all or any of the restrictions on the use of the Property set out in this Subsection 2 3, State shall notify Tenant and provide Tenant a reasonable time to take all steps necessary to remedy the failure If Tenant fails to do so in a timely manner, then State may take any steps reasonably necessary to remedy this failure. Upon demand by State, Tenant shall pay all costs of such remedial action, including but not limited to the costs of removing and disposing of any material deposited improperly on the Property This section shall not in any way limit Tenant's liability under Section 8, below.

2 4 Conformance with Laws Tenant shall, at all times, keep current and comply with all conditions and terms of any permits, licenses, certificates, regulations, ordinances, statutes, and other government rules and regulations regarding its use or occupancy of the Property

2 5 Liens and Encumbrances Tenant shall keep the Property free and clear of any liens and encumbrances arising out of or relating to its use or occupancy of the Property, except for any encumbrances permitted by this Lease

**TERM**

3.

3 1 Term Defined The term of this Lease is thirty (30) years (the "Term"), beginning on the first day of January, 2001, (the "Commencement Date"), and ending on the thirty-first day of December, 2030, (the "Termination Date"), unless terminated sooner, or renewed, under the terms of this Lease

3 2 End of Term Upon the expiration or termination of the Term or extended term, as applicable, Tenant shall surrender the Property to State in at least the same condition as on the Commencement Date, reasonable wear and tear excepted

3 3 Hold Over If Tenant remains in possession of the Property after the Termination Date, the occupancy shall not be an extension or renewal of the Term The occupancy shall be a month-to-month tenancy, on terms identical to the terms of this Lease, which may be terminated by either party on thirty (30) days written notice The monthly rent during the holdover shall be the same rent which would be due if the Lease were still in effect and all adjustments in rent were made in accordance with its terms If State provides a notice to vacate the Property in anticipation of the termination of this Lease or at any time after the Termination Date and Tenant fails to do so within the time set forth in the notice, then Tenant shall be a trespasser and shall owe the State all amounts due under RCW 79 01.760 or other applicable law

**RENT**

4.

4 1 Annual Rent Until adjusted as set forth below, Tenant shall pay to State an annual base rent of Six Hundred Thousand Dollars $600,000 00 (the Annual Rent") This amount includes rent for State-Owned Improvements as identified in Section 7 below The Annual Rent, as it currently exists or as adjusted or modified, shall be paid in monthly installments, each of which shall be equal to one-twelfth (1/12) of the then-current Annual Rent The first installment, in the amount of $50,000 00, shall be due and payable on or before the Commencement Date, and subsequent installments shall be due and payable on or before the same day of each month thereafter

4 2 Payment Place Payment is to be made to State Financial Management Division, 1111 Washington St SE, P0 Box 47041, Olympia, WA 98504-7041



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4 3 Adjustment Based on Use. Annual Rent and Percentage Rent is based on Tenant's Permitted Use of the Property, as described in Section 2 above If Tenant's Permitted Use changes, the Annual Rent and Percentage Rent shall be adjusted as appropriate for the changed use

4 4 Adjustments to Annual Rent.

Inflation Adjustment. At the end of the first four year period of the term, and every four (4) years thereafter on the anniversary of the Commencement Date ("Anniversary Date"), the Annual Rent shall increase by a percentage equal to the percentage increase in the following described index over the previous four (4) year period The increase in the index will be measured by looking to the index published in the thirty (30) days immediately preceding the previous Anniversary Date. The index to be utilized in calculating such adjustments shall be the Consumer Price Index for Urban Consumers published by the United States Department of Labor, Bureau of Labor Statistics for the Seattle-Everett, SMSA for All Items, (1982 - 1984 = 100) ("Index"). In the event the Index shall hereafter be converted to a different standard reference base or otherwise revised, the determination of the percentage increase shall be made with the use of such conversion factor, formula or table for converting the Index as may be published by the Bureau of Labor Statistics or, if the Bureau shall not publish a conversion table, then with the use of the conversion factor, formula or table as may be published by Prentice Hall Inc , or by any other nationally recognized publisher of similar statistical information In the event the Index shall cease to be published, then, for the purposes of this Lease, there shall be substituted for the Index another index as State and Lessee shall agree upon, and if they are unable to agree within ninety (90) days after the Index ceases to be published, the matter shall be determined by Arbitration in accordance with Section 17 of this Lease In no event shall the Annual Rent after escalation be less than the Annual Rent in effect during the previous four (4) year period

4 5 Percentage Rent

(a) Additional Rent (Percentage Rent) At the end of each lease year during the Term of this Lease (Lease Year), Tenant shall pay additional rent to State, based upon a percentage of income, equal to the amount by which the total Percentage Rent exceeds Annual Rent for the preceding lease year

(1) Percentage Rent for Room Revenue shall equal four and one half percent (4.5 %) of the Gross Room Revenue received by Tenant from the Property for each of the Lease Years one (1) through ten (10) and shall equal six percent (6%) of the Gross Room Revenue for each of the Lease Years eleven (11) through thirty (30) of the Term

(2) Percentage Rent for Food and Beverage Revenue, Parking Revenue and Retail Revenue shall equal three percent (3%) of the Gross Food and Beverage Revenue, Parking Revenue, and Retail Revenue received by Tenant from the Property for each Lease Year of the Term.

(3) Percentage Rent for Miscellaneous Revenue shall equal ten percent (10%) of the Miscellaneous Revenue received by Tenant from the Property for each Lease Year of the Term

(4) The additional rent associated with Percentage Rent shall be paid for each Lease Year of the Term beginning on first Anniversary Date of the Term Percentage Rent shall be paid to State on a yearly basis. In any partial Lease Year, the Percentage Rent shall



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be annualized and prorated. Tenant shall deliver a written statement to State certifying as to the amount of each type of revenue defined in Subsection 4 5(b) above, from the Property for the previous Lease Year Tenant also authorizes State to review the state and local tax records filed with the Washington State Department of Revenue and with the City of Seattle The statement shall be delivered to State within thirty (30) days following the Anniversary Date of the Term State shall then determine and notify Tenant of the actual amount of Percentage Rent due for the previous Lease Year Tenant shall pay State the additional rent associated with Percentage Rent due for the previous Lease Year within ten (10) days of Tenant's receipt of a written invoice from State In no event shall the late submission of an invoice to Tenant by State release, or be deemed to have waived, any obligation by Tenant to pay additional rent associated with Percentage Rent. Tenant shall maintain adequate accounting records reflecting the operation of the Property including copies of any annual sales reports required to be prepared by any sublessees, concessionaires or licensees for the prior five (5) Lease Years at Tenant's office at the Property These records shall be made available to State at State's request for the purpose of review and audit If State audits these records and determines that Tenant miscalculated the amount of the gross income from the Property by three percent (3 %) or greater, Tenant shall pay the costs of the audit and review

(b) Definitions These terms, when used in this Lease, shall have the following indicated meanings·

(1) "Retail Shop and Office Space" shall mean those areas of the building on the Property that are utilized for any commercial purposes other than transient hotel rooms or Public Rooms. "Public Rooms" shall mean hotel restaurant(s), snack bars or pubs, banquet, meeting or display rooms on the Property, generally available to patrons of the hotel or the public

(2) "Gross Room Revenue" shall mean the gross charges made, and revenue received without charges being made, for the rental or use of rooms or other space of every kind and nature on the Property, except for Retail Shop and Office Space, regardless of by whom or to whom such charges are made, or from whom such income is collected, provided, however, there shall not be included in Gross Room Revenue any charges made, or revenue received without charges being made, for the rental or use of Public Rooms or for any item excluded from "Miscellaneous Revenue" under Subsection 4.5(b)(6), or for commissions to travel agents.

(3) "Gross Food and Beverage Revenue" shall mean the gross charges made, and revenue otherwise received without charges being made, for the rental or use of Public Rooms and for food and beverages of every kind and in every form, and service related thereto, whether made in, upon or from any portion of the Property and whether served in dining rooms, cafeterias, cafes, bar, room service, Public Rooms or banquets on or upon the Property or supplied from or prepared on the Property regardless of by whom or to whom such charges are made or from whom such revenue is collected, excluding however, receipts of gratuities for the account of and paid over to employees

(4) "Gross Office Revenue" shall mean the gross charges made, and revenue received without charges being made, by or for Tenant or any operator or manager serving Tenant, with respect to the renting or leasing, or granting of rights to, any portion of the Retail Shop and Office Space or Parking portions of the Property which is devoted primarily to



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use as general business offices and not used for the sale of products or services to the public, minus reasonable leasing commissions paid in connection with the rental of such space in amounts not in excess of commissions which are generally paid in Seattle, Washington, for the like services, and excluding reasonable charges made and separately itemized to tenants of such space for the maintenance and cleaning of common areas and restrooms serving and available for use by all such tenants.

(5) "Gross Retail Revenue" shall mean the gross charges made, and revenue received without charges being made by or for Tenant or any operator or manager serving Tenant, with respect to the renting or leasing, or granting of rights to, any portion of the Retail Shop and Office Space or display cases or advertising space, within the Property, and any portion of the parking Property used for store purposes, minus reasonable leasing commissions paid in connection with the rental of any such space in amounts not in excess of commissions which are generally paid in Seattle, Washington, for like services, and excluding reasonable charges make and separately itemized to tenants of such space for (i) the maintenance and cleaning of common areas and restrooms serving and available for use by all such tenants and their patrons, and (ii) utilities, HVAC services, real property taxes or taxes in lieu thereof and physical property damage insurance, provided however, there shall not be included in Gross Retail Revenue any amount which constitutes Gross Office Revenue. There shall also be included in "Gross Retail Revenue" the gross charges made at, from, or in any gift and sundry shop operated by or for Tenant on the Property.

(6) "Miscellaneous Revenue" shall mean the gross charges made, and revenue received without charges being made, with respect to the sale of any and all products and the rendering of any and all services, and any and all other activities, in, from or with respect to the Property, regardless of by whom or to whom such charges are made or from whom such income is collected including (i) Gross Office Revenue and the revenue of third parties who make payments constituting Gross Office Revenue, (ii) receipts from reasonable and separately itemized charges to patrons of the hotel for local telephone service, general delivery service not related to food or beverage service, and valet and laundry service for guests of the hotel, less any amounts remitted to the providers of the services by Tenant and (iii) all other revenue received by Tenant on or from the Property Miscellaneous Revenue shall not include Gross Room, Gross Parking, Gross Retail and Gross Food and Beverage Revenue

(7) "Gross Parking Revenue" shall mean the gross charges made, and revenue otherwise received without charges being made, in, from or with respect to the parking portion of the Property, regardless of by whom or to whom such charges are made or from whom such revenue is collected, excluding, however, voluntary gratuities paid by the patrons of the parking area for and paid over to the employees working in the parking area.

(8) "Gross Revenue" shall mean the aggregate of Gross Room Revenue, Gross Food and Beverage Revenue, Gross Parking Revenue, Gross Retail Revenue and Miscellaneous Revenue

(c) Adjustments and Rules for Calculations of Gross Revenue.

(1) Exclusions of Taxes on Sales and Rentals In calculating the elements of Gross Revenue, there shall not be included any sums collected by Tenant from others on account of any sales or use or similar tax which is imposed by any existing or future law or ordinance of any governmental authority upon such other party, with respect to, or measured by,

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the selling price of merchandise or services, and there shall not be included any federal, State or municipal taxes or levies which may be imposed on a subtenant of Tenant with respect to rentals paid to Tenant and which are paid by subtenants to Tenant and shown separately on rental invoices to subtenant. Except as expressly provided in this Subsection 4.4 (c) (1), there shall be no exclusion or adjustment made for any taxes in the calculation of Gross Revenue.

(2) Payments by Other Than Legal Tender If other than legal tender is given, or is to be given, directly or indirectly, for anything that would generate charges or revenue comprising part of Gross Revenue if it had been paid in legal tender to Tenant, for purposes of this Lease and calculations of the amount of any portion of Gross Revenue, it shall be valued in legal tender at its fair market value or its value to Tenant (or the party comprising part of Tenant that ultimately receives or is to receive the same), whichever is greater.

(3) Exclusions for Bad Debts In calculating the elements of Gross Revenue, there shall not be included, or, if once included, there shall be deducted, amounts charged on credit and which are written off as bad debts by the party to whom they are owing after remaining unpaid for at least ninety (90) days after first billing therefor. provided, however, if subsequent collections are made on or with respect to such accounts, the amounts so collected shall be included in the calculation of Gross Revenue for the period in which such amounts are so collected, and shall be deemed revenue of the same type as the original charge generating such account

4 6 Method of Establishment Tenant acknowledges that the unique characteristics of the Property require the determination of Rent through negotiation. Prior to the execution of this Lease, Tenant confirms that it has negotiated with State regarding the amount of the Rent and the method of adjusting the Rent throughout the Term, and the results of such negotiations are embodied in this Lease Tenant hereby agrees to waive any right to appeal or seek administrative review of the rent as set forth in Subsections 4.1 through 4 5

4 7 Rent for Improvements

(a) Tenant acknowledges in Subsection 7.1 that State owns all improvements located on the Property as of the Commencement Date ("State-Owned Improvements"as more specifically identified in Exhibit C, hereto) The rent as stated in this Section 4 includes charges for the full value of the State-Owned Improvements.

(b) Upon termination surrender, or cancellation of this lease for any reason, Tenant agrees that State may in future leases of the Property charge rent for all State-Owned Improvements, including those Tenant-Owned Improvements on the Property that will have become State-Owned Improvements pursuant to the terms of this Lease

## 5. OTHER EXPENSES

During the Term, Tenant shall pay the following additional expenses.

5.1 Utilities. Tenant shall pay all fees charged for utilities in connection with the use and occupancy of the Property, including but not limited to electricity, water, gas, and telephone service.

5 2 Taxes and Assessments. Tenant shall pay all taxes (including leasehold excise taxes), assessments, and other governmental charges, of any kind whatsoever, applicable or attributable to the Property, Tenant's leasehold interest, the improvements, or Tenant's use and enjoyment of the Property

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5 3 Right to Contest. Tenant may, in good faith, contest any tax or assessment at its sole cost and expense At the request of State, Tenant shall furnish reasonable protection in the form of a bond or other security, satisfactory to State, against any loss or liability by reason of such contest

5.4 Proof of Payment. Tenant shall, if required by State, furnish to State receipts or other appropriate evidence establishing the payment of any amounts required to be paid under the terms of this Lease

5 5 Failure to Pay. If Tenant fails to pay any of the amounts due under this Lease, State may pay the amount due, and recover its cost in accordance with the provisions of Section 6

5 6 Book and Records. Tenant shall regularly and timely pay any and all amounts properly payable to third parties with respect to any maintenance, repairs , replacement, renewals or other work performed pursuant to Section 12, and will maintain its books and records in the State of Washington or other places as Tenant designates by written notice to State, with respect to all aspects of such work and materials for that work and will make them available for inspection by State or its representatives at State's offices as requested at Tenant's sole cost and expense

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## 6. LATE PAYMENTS AND OTHER CHARGES

6.1 Late Charge If any rental payment is not received by State within ten (10) days of the date due, Tenant shall pay to State a late charge equal to two percent (2%) of the amount of the payment to defray the overhead expenses of State incident to the delay

6 2 Interest Penalty for Past Due Rent and Other Sums Owed If rent is not paid within thirty (30) days of the date due, then Tenant shall, in addition to paying the late charges determined under Subsection 6.1, above, pay interest on the amount outstanding at the rate of one percent (1%) per month until paid If State pays or advances any amounts for or on behalf of Tenant, including but not limited to leasehold taxes, taxes, assessments, insurance premiums, costs of removal and disposal of unauthorized materials pursuant to Section 2 above, costs of removal and disposal of improvements pursuant to Section 7 below, or other amounts not paid when due, Tenant shall reimburse State for the amount paid or advanced and shall pay interest on that amount at the rate of one percent (1%) per month from the date State notifies Tenant of the payment or advance.

6.3 No Accord and Satisfaction. If Tenant pays, or State otherwise receives, an amount less than the full amount then due, State may apply such payment as it elects In the absence of an election, the payment or receipt shall be applied first to accrued taxes which State has advanced or may be obligated to pay, then to other amounts advanced by State, then to late charges and accrued interest, and then to the earliest rent due State may accept any payment in any amount without prejudice to State's right to recover the balance of the rent or pursue any other right or remedy No endorsement or statement on any check, any payment, or any letter accompanying any check or payment shall constitute or be construed as accord and satisfaction

6 4 No Counterclaim, Setoff, or Abatement of Rent. Except as expressly set forth elsewhere in this Lease, rent and all other sums payable by Tenant pursuant to this Lease shall be paid without the requirement that State provide prior notice or demand, and shall not be subject to any counterclaim, setoff, deduction, defense or abatement.

## 7. IMPROVEMENTS

7.1 Existing Improvements. On the Commencement Date, the following improvements (Existing Improvements) are located on the Property· Concrete and wooden pilings, a commercial structure used as a hotel, a paved parking lot, together with all fixtures, utilities, elevators, and all other items of whatever size, shape or use which are affixed to the Property or to the improvements thereon and are used for the operation and maintenance of the Property, as more fully described in Exhibits A, B and C, attached hereto

Tenant acknowledges that the Existing Improvements are owned by State ("State-Owned Improvements") and hereby quit claims to State any and all interest it may have in the improvements described in Exhibits A, B and C

7 2 Tenant-Owned Improvements So long as this Lease remains in effect, Tenant shall retain ownership of all authorized improvements and trade fixtures it may place on the Property (collectively "Tenant-Owned Improvements"). Tenant-Owned Improvements shall not include any Unauthorized Improvements as defined in Subsection 7 6 below. No Tenant-Owned Improvements shall be placed on the Property without State's prior written consent

7.3 Allocation of Improvements State and Tenant agree that the State-Owned Improvements and Tenant-Owned Improvements defined and described in Section 7 hereunder, are herein collectively referred to as the Improvements. State and Tenant further acknowledge and agree that in recognition of the difficulty of tracing exact amounts expended for Tenant-Owned Improvements, the following formula will be used to determine the fair market value of the Tenant-Owned Improvements installed during the Lease Term The fair market value of any Tenant-Owned Improvements shall equal the sum of the total fair market value of all Improvements including the Tenant-Owned Improvements installed by Tenant, multiplied by a fraction, the numerator of which is the amount of capital expenditures made by Tenant for Tenant-Owned Improvements and the denominator of which is the fair market value of all the Improvements. "Capital expenditures" shall mean those sums required to be capitalized by Tenant pursuant to the Internal Revenue Code

7 4 Construction. Prior to any construction, alteration, replacement, removal or major repair of any improvements (whether State-Owned or Tenant-Owned) Tenant shall submit to State plans and specifications which describe the proposed activity Construction shall not commence until the following conditions are met.

(a) State has approved those plans and specifications in writing,

(b) For improvements costing in excess of $250,000 00, Tenant has provided State a completion guaranty satisfactory to State in an amount equal to 125% of the estimated cost of construction guaranteeing completion of construction; and

(c) For improvements costing in excess of $250,000 00, Tenant has provided a bond satisfactory to State in the amount of 125% of the estimated cost guaranteeing payment of all claims and liens arising from the construction. The payment bond described in Subsection 7 4(c) above shall be maintained until the costs of construction, including all laborers and material persons, have been paid in full. The completion guarantee described in Subsection 7.4(b) above shall be maintained until construction is complete State shall have thirty (30) days in which to review the proposed plans and specifications. The plans and specifications shall be



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deemed approved and the requirement for State's written consent shall be treated as waived, unless State notifies Tenant otherwise within the thirty (30) days Upon completion of construction, Tenant shall promptly provide State with as-built plans and specifications State's consent and approval shall not be required for any routine maintenance or repair of Improvements made by the Tenant pursuant to its obligation to maintain the Property in good order and repair that does not result in the construction, alteration, replacement, removal, or major repair of any Improvements on the Property

7.5 Removal.

(a) Tenant-Owned Improvements shall be removed by Tenant by the Termination Date unless State notifies Tenant that the Tenant-Owned Improvements may remain. If the State elects for the Tenant-Owned Improvements to remain on the Property after the Termination Date, they shall become the property of State without payment by State To the extent that Tenant-Owned Improvements include items of personal property which may be removed from the leasehold premises without harming the Property, or diminishing the value of the Property or the Improvements, the State asserts no ownership interest in these items of personal property unless the parties agree otherwise in writing upon termination of this Lease. Any individual items specifically identified as personal property in Exhibit A, B, or C shall be treated in accordance with this provision. Tenant shall notify State at least one hundred eighty (180) days before the Termination Date if it intends to leave or remove the Tenant-Owned Improvements on the Property. State shall then have ninety (90) days in which to notify Tenant that it wishes to have the Tenant-Owned Improvements removed or elects to have them remain Failure to notify Tenant shall be deemed an election by State that the Tenant-Owned Improvements will remain on the Property. If the Tenant-Owned Improvements remain on the Property after the Termination Date without State's actual or deemed consent, they still will become the property of the State but the State may remove them and Tenant shall pay the costs of removal and disposal upon State's demand

(b) Throughout the Term of this Lease, any liens, encumbrances or claims of third parties with respect to any of the foregoing Improvements which are part of the mechanical or electrical systems or elevator system installed within the Property shall be subordinate and subject to the rights of State under this Section.

7 6 Unauthorized Improvements Improvements made on the Property without State's prior consent pursuant to Subsection 7 4 or which are not in conformance with the plans submitted to and approved by State ("Unauthorized Improvements") shall immediately become the property of State, unless State elects otherwise. Regardless of ownership of Unauthorized Improvements, State may, at its option, require Tenant to sever, remove, and dispose of them, charge Tenant rent for the use of them, or both If Tenant fails to remove an Unauthorized Improvement upon request, State may remove it and charge Tenant for the cost of removal and disposal

7 7 Development Rights Tenant shall not undertake any development of the Property except in accordance with this Section 7 above Tenant shall not represent to any person, governmental body or other entity that Tenant is the owner of the Property. Tenant, in its own name and as Tenant under this Lease, may execute and apply for permits, petitions, and/or applications in connection with work allowed pursuant to this Section 7 Tenant and State shall



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notify each other in writing of any proposed or pending governmental action of which Tenant receives written notice which affects the Property, its zoning or the right to develop the Property for any future use

## 8. ENVIRONMENTAL LIABILITY/RISK ALLOCATION

8 1 Definition "Hazardous Substance" means any substance which now or in the future becomes regulated or defined under any federal, state, or local statute, ordinance, rule, regulation, or other law relating to human health, environmental protection, contamination or cleanup, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), 42 U S.C 9601 *et seq* , and Washington's Model Toxics Control Act ("MTCA"), RCW 70.105D 010 *et seq*

8.2 Use of Hazardous Substances. Tenant covenants and agrees that Hazardous Substances will not be used, stored, generated, processed, transported, handled, released, or disposed of in, on, under, or above the Property, except in accordance with all applicable laws

8.3 Current Conditions, Duty of Utmost Care, and Duty to Investigate

(a) State makes no representations about the condition of the Property, except as follows Hazardous Substances, including those identified in the Environmental Site Assessment attached as Exhibit D, are known to exist in, on, under, or above the Property With regard to any Hazardous Substances that may exist in, on, under, or above the Property, State disclaims any and all responsibility to conduct investigations, to review any State records, documents or files, or to obtain or supply any information to Tenant

(b) Tenant shall exercise the utmost care with respect to both Hazardous Substances in, on, under, or above the Property as of the Commencement Date, and any Hazardous Substances that come to be located in, on, under, or above the Property during the Term of this agreement, along with the foreseeable acts or omissions of third parties affecting those Hazardous Substances, and the foreseeable consequences of those acts or omissions The obligation to exercise utmost care under this Subsection 8 3 includes, but is not limited to, the following requirements

(1) Tenant shall not undertake activities that will cause, contribute to, or exacerbate contamination of the Property,

(2) Tenant shall not undertake activities that damage or interfere with the operation of remedial or restoration activities on the Property or undertake activities that result in human or environmental exposure to contaminated sediments on the Property,

(3) Tenant shall not undertake any activities that result in the mechanical or chemical disturbance of on-site habitat mitigation;

(4) If requested, Tenant shall allow reasonable access to the Property by employees and authorized agents of the Environmental Protection Agency, the Washington State Department of Ecology, or other similar environmental agencies; and

(5) If requested, Tenant shall allow reasonable access to potentially liable or responsible parties who are the subject of an order or consent decree which requires access to the Property Tenant's obligation to provide access to potentially liable or responsible



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parties may be conditioned upon the negotiation of an access agreement with such parties, provided that such agreement shall not be unreasonably withheld

(c) It shall be Tenant's obligation to gather sufficient information concerning the Property and the existence, scope, and location of any Hazardous Substances on the Property, or adjoining the Property, that allows Tenant to effectively meet its obligations under this lease

8.4 Notification and Reporting

(a) Tenant shall immediately notify State if Tenant becomes aware of any of the following

(1) A release or threatened release of Hazardous Substances in, on, under, or above the Property, any adjoining property or any other property subject to use by Tenant in conjunction with its use of the Property,

(2) Any problem or liability related to, or derived from, the presence of any Hazardous Substance in, on, under, or above the Property, any adjoining property or any other property subject to use by Tenant in conjunction with its use of the Property,

(3) Any actual or alleged violation of any federal, state, or local statute, ordinance, rule, regulation, or other law pertaining to Hazardous Substances with respect to the Property, any adjoining property or any other property subject to use by Tenant in conjunction with its use of the Property;

(4) Any lien or action with respect to any of the foregoing, or,

(5) Any notification from the US Environmental Protection Agency (EPA) or the Washington State Department of Ecology (DOE) that remediation or removal of Hazardous Substances is or may be required at the Property

(b) Upon request, Tenant shall provide State with copies of any and all reports, studies, or audits which pertain to environmental issues or concerns associated with the Property, and which were prepared for Tenant and submitted to any federal, state or local authorities pursuant to any federal, state or local permit, license or law. These permits include, but are not limited to, any National Pollution Discharge and Elimination System Permit, any Army Corps of Engineers permit, any State Hydraulics permit, any State Water Quality certification, or any Substantial Development permit.

8 5 Indemnification

(a) Tenant shall fully indemnify, defend, and hold State harmless from and against any and all claims, demands, damages, natural resource damages, response costs, remedial costs, cleanup costs, losses, liens, liabilities, penalties, fines, lawsuits, other proceedings, costs, and expenses (including attorneys' fees and disbursements), that arise out of or are in any way related to

(1) The use, storage, generation, processing, transportation, handling, or disposal of any Hazardous Substance by Tenant, its subtenants, contractors, agents, employees, guests, invitees, or affiliates in, on, under, or above the Property any adjoining property, or any other property subject to use by Tenant in conjunction with its use of the Property, during the Term of this Lease or during any time when Tenant occupies or occupied the Property or any such other property;

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(2) The release or threatened release of any Hazardous Substance, or the exacerbation of any Hazardous Substance contamination, in, on, under, or above the Property, any adjoining property or any other property subject to use by Tenant in conjunction with its use of the Property, which release, threatened release, or exacerbation occurs or occurred during the Term of this Lease or during any time when Tenant occupies or occupied the Property or any such other property, and as a result of.

(i) Any act or omission of Tenant, its subtenants, contractors, agents, employees, guests, invitees, or affiliates; or,

(ii) Any foreseeable act or omission of a third party unless Tenant exercised the utmost care with respect to the foreseeable acts or omissions of the third party and the foreseeable consequences of those acts or omissions.

(b) In addition to the indemnifications provided in Subsection 8 5(a), Tenant shall fully indemnify State for any and all damages, liabilities, costs or expenses (including attorneys' fees and disbursements) that arise out of or are in any way related to Tenant's breach of the obligations of Subsection 8 3(b). This obligation is not intended to duplicate the indemnity provided in Subsection 8 5(a) and applies only to damages, liabilities, costs, or expenses that are associated with a breach of Subsection 8 3(b) and which are not characterized as a release, threatened release, or exacerbation of Hazardous Substances.

8.6 Cleanup. If a release of Hazardous Substances occurs in, on, under, or above the Property or other State-Owned property, arising out of any action, inaction, or event described or referred to in Subsection 8.5, above, Tenant shall, at its sole expense, promptly take all actions necessary or advisable to clean up the Hazardous Substances Cleanup actions shall include, without limitation, removal, containment and remedial actions and shall be performed in accordance with all applicable laws, rules, ordinances, and permits. Tenant's obligation to undertake a cleanup under this Subsection 8.6 shall be limited to those instances where the Hazardous Substances exist in amounts that exceed the threshold limits of any applicable regulatory cleanup standards Tenant shall also be solely responsible for all cleanup, administrative, and enforcement costs of governmental agencies, including natural resource damage claims, arising out of any action, inaction, or event described or referred to in Subsection 8 5, above Tenant may undertake a cleanup pursuant to the Washington State Department of Ecology's Voluntary Cleanup Program, provided that· (1) Any cleanup plans shall be submitted to State for review and comment at least thirty (30) days prior to implementation (except in emergency situations), and (2) Tenant must not be in breach of this lease. Nothing in the operation of this provision shall be construed as an agreement by State that the voluntary cleanup complies with any laws or with the provisions of this Lease.

8.7 Sampling by State, Reimbursement, and Split Samples

(a) State may conduct sampling, tests, audits, surveys, or investigations ("Tests") of the Property at any time to determine the existence, scope, or effects of Hazardous Substances on the Property, any adjoining property or any other property subject to use by Tenant in conjunction with its use of the Property, or any natural resources If such Tests, along with any other information, demonstrates the existence, release, or threatened release of



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Hazardous Substances arising out of any action, inaction, or event described or referred to in Subsection 8 5, above, Tenant shall promptly reimburse State for all costs associated with such Tests

(b) State's ability to seek reimbursement for any Tests under this Subsection shall be conditioned upon State providing Tenant written notice of its intent to conduct any Tests at least thirty (30) calendar days prior to undertaking such Tests, unless such Tests are performed in response to an emergency situation in which case State shall only be required to give such notice as is reasonably practical.

(c) Tenant shall be entitled to obtain split samples of any Test samples obtained by State, but only if Tenant provides State with written notice requesting such samples within twenty (20) calendar days of the date Tenant is deemed to have received notice of State's intent to conduct any non-emergency Tests The additional cost, if any, of split samples shall be borne solely by Tenant. Any additional costs State incurs by virtue of Tenant's split sampling shall be reimbursed to State within thirty (30) calendar days after a bill with documentation for such costs is sent to Tenant

(d) Within thirty (30) calendar days of a written request (unless otherwise required pursuant to Subsection 8 4(b), above), either party to this Lease shall provide the other party with validated final data, quality assurance/quality control information, and chain of custody information, associated with any Tests of the Property performed by or on behalf of State or Tenant There is no obligation to provide any analytical summaries or expert opinion work product

8 8 Sediment Investigation.

(a) As a part of the screening of Tenant's application to make use of state-Owned aquatic lands, State has been provided with certain environmental information that relates to Hazardous Substances which may exist in, on, under, or above the Property as of the Commencement Date of this Lease This information has been incorporated into Exhibit D (Environmental Site Assessment) State makes no representations or warranties of any kind or nature regarding the accuracy, completeness or any other matter relating to Exhibit D.

(b) If State has reason to believe that a release or threatened release of Hazardous Substances has occurred on the Property during Tenant's occupancy, State may require Tenant to conduct a Closeout Environmental Assessment (Closeout Assessment) by providing Tenant with written notice of this requirement no later than one hundred eighty (180) calendar days prior to the Termination Date, or within ninety (90) days of any valid notice to terminate the lease earlier than originally agreed The purpose of the Closeout Assessment shall be to determine the existence, scope, or effects of any Hazardous Substances on the Property and any associated natural resources. If the initial results of the Closeout Assessment disclose the existence of Hazardous Substances that may have migrated to other property, State may require additional Closeout Assessment work to determine the existence, scope, and effect of any Hazardous Substances on adjoining property, any other property subject to use by Tenant in conjunction with its use of the Property, or on any associated natural resources The Closeout Assessment may include Sediment Sampling Any Sediment Sampling must include those sample locations and parameters reported in the Environmental Site Assessment, attached as



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Exhibit D, as well as any additional testing requirements State may require based on changes in scientific, statutory, or regulatory standards for information concerning the activities of Tenant, its Subtenants, contractors, agents, employees, guests, invitees, or affiliates.

(c) Prior to undertaking the Closeout Assessment, Tenant shall submit a proposed plan in writing for State's approval. The plan shall be provided to State within sixty (60) days of the State's notice requiring the Closeout Assessment. If State fails to respond in writing, either approving or disapproving of the proposed plan, within sixty (60) days of its receipt, the proposed plan shall be deemed approved. Tenant shall be responsible for all costs required to complete planning, sampling, analyzing, and reporting associated with the Closeout Assessment

8 9 Reservation of Rights

(a) The parties have agreed to allocate certain environmental risks, liabilities, and responsibilities by the terms of Section 8. With respect to those environmental liabilities covered by the indemnification provisions of Subsection 8.5, that subsection shall exclusively govern the allocation of those liabilities

b) With respect to any environmental risks, liabilities, or responsibilities not covered by Subsection 8 5, the parties expressly reserve and do not waive or relinquish any rights, claims, immunities, causes of action, or defenses relating to the presence, release, or threatened release of Hazardous Substances in, on, under, or above the Property, any adjoining property or any other property subject to use by Tenant in conjunction with its use of the Property, that either party may have against the other under federal, state, or local laws, including but not limited to, CERCLA, MTCA, and the common law.

(c) No right, claim, immunity, or defense either party may have against third parties is affected by this Lease and the parties expressly reserve all such rights, claims, immunities, and defenses The allocations of risks, liabilities, and responsibilities set forth above do not release either party from, or affect either party's liability for, claims or actions by federal, state, or local regulatory agencies concerning Hazardous Substances

## 9. ASSIGNMENT AND SUBLETTING

9 1 State Consent Required.

(a) Tenant shall not hypothecate, mortgage, assign, transfer or otherwise alienate this Lease, or any interest therein, or sublet all or substantially all of the Property, or space within the Improvements constructed thereon, to a single subtenant, or enter into a property management agreement that covers the use, control, and/or management of the Property, or engage in any other transaction which has the effect of transferring substantially all of the right of enjoyment of the Property, without the prior written consent of State which shall not be unreasonably withheld or delayed

(b) If the proposed assignment, hypothecation, mortgage or transfer is to a Leasehold Mortgagee, Tenant shall submit all proposed loan documents to State for its review In granting the consent, State may review the reasonableness of the terms of the proposed loan and Tenant's ability to repay it as evidenced by Tenant's pro forma projected cash flow from the Property, as well as the reasonableness of other requirements imposed by the Leasehold



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Mortgagee When granting its consent, State shall be entitled to consider, among other items, the proposed transferee's financial condition, business reputation, nature of the proposed transferee's business, the then current fair market rental value of the Property, and other factors that may reasonably bear upon the suitability of the transferee as a Tenant of the Property considering the value of the Property.

(c) If Tenant is a corporation, partnership or other association, (i) the transfer of more than fifty percent (50%) of the ownership interest in the entity, or (ii) the sale of all or substantially all of the assets of Tenant, shall be deemed to constitute an "assignment" of this Lease which requires State's consent

(d) State shall consent to an assignment if the assignee or transferee satisfies all of the following requirements· the transferee or assignee is reputable and has a net worth equal to at least twenty percent (20%) of the fair market value of the Property, but not less than Six Million Dollars ($6,000,000.00) and is a reputable hotel operator with at least five (5) years' experience operating Quality Hotels or better, or who has a contract with a reputable operator who has at least five (5) years' experience operating Quality Hotels or better In no event shall State be required to consent to any assignment or transfer of Tenant's leasehold estate unless such assignment and transfer is accompanied by an assignment and transfer to the same assignee or transferee of Tenant's Parcel. If the ownership of the leasehold estate and of Tenant's Parcel is separated for any reason, Tenant shall be in default

(e) Tenant shall submit information regarding any proposed transferee or assignee under this Section to State at least thirty (30) days prior to the date of the proposed transfer or assignment.

(f) The consent of State to any one assignment shall not constitute a waiver of State's right to approve subsequent assignments The acceptance by State of the payment of Rent following an assignment shall not constitute consent to any assignment, and State's consent shall be evidenced only in writing

(g) State reserves the right to condition any consent required under this Section 9 upon· (1) changes in the environmental terms and conditions of this Lease and/or (2) the agreement of Tenant or transferee to conduct Tests for Hazardous Substances on the Property or on other property Owned or occupied by Tenant or the transferee

(h) In the event of a requested consent to assignment involving a sale of the Property, State reserves the right to condition its consent upon the immediate increase in the Percentage Rent for Gross Room Revenue under Subsection 4.5(a)(1) to six percent (6 %)

(i) Nothing in the operation of the provisions of this Section 9 or Section 10 regarding State's consent to the pledge or assignment of this Lease for purposes of creating a Leasehold Mortgage or the sale and assignment of this Lease to an Assignee-purchaser (New Tenant) shall preclude State from exercising the reserved rights of Subsections 9 1 (g) to change the environmental terms and conditions of the lease, provided that State shall exercise these rights within any time limits set forth in Section 10. State may exercise the reserved rights of Subsection 9 1(g) at the time the mortgage is created or at the time the Lease is assigned to a New Tenant.



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(j) Nothing in the operation of the provisions of this Section 9 regarding the sale and assignment of this Lease to an Assignee-purchaser (New Tenant) shall preclude the State from exercising the rights reserved in Subsection 9.1(h) to effect the immediate increase in the Percentage Rent for Gross Room Revenue. State may exercise the reserved right of Subsection 9 1(h) at the time the Lease is assigned to a New Tenant

(k) Each permitted transferee shall assume all obligations under this Lease, including the payment of rent. No assignment, sublet of the entire Premises, or transfer shall release, discharge, or otherwise affect the liability of Tenant.

9 2 Rent Payments Following Assignment The acceptance by State of the payment of rent following an assignment or other transfer shall not constitute consent to any assignment or transfer.

9 3 Terms of Subleases All subleases of less than the entire Premises shall be submitted to State and shall meet the following requirements

(a) The sublease shall be consistent with and subject to all the terms and conditions of this Lease,

(b) The sublease shall confirm that if the terms of the sublease conflict with the terms of this Lease, this Lease shall control,

(c) The term of the sublease (including any period of time covered by a renewal option) shall end before the Termination Date of the initial Term or any renewal term;

(d) The sublease shall terminate if this Lease terminates, whether upon expiration of the Term, failure to exercise an option to renew, cancellation by State, surrender or for any other reason,

(e) The subtenant shall receive and acknowledge receipt of a copy of this Lease,

(f) The sublease shall prohibit the prepayment to Tenant by the subtenant of more than one year's rent;

(g) The sublease shall identify the rental amount to be paid to Tenant by the subtenant;

(h) The sublease shall confirm that there is no privity of contract between the subtenant and State,

(i) The sublease shall require removal of the subtenant's trade fixtures upon termination of the sublease, and,

(j) The subtenant's permitted use shall be within the Permitted Use authorized by this Lease

9 4 Rental Assignment Subject to the rights of all Leasehold Mortgagees, Tenant hereby assigns to State for security purposes the right to receive all rentals reserved under any sublease or concession or license agreements executed with respect to the Property or any part thereof. This Lease shall constitute a security agreement with respect to the rentals to be received and any sublease or concession, and Tenant shall execute any other documents as may be required to perfect the security interest including but not limited to UCC financing statements State agrees that this assignment shall be subordinate to any rental assignment granted to a

Leasehold Mortgagee. This subordination shall not be deemed to subordinate State's interest in this Lease or in the Property to any lien or security interest held by any Leasehold Mortgagee Tenant shall secure from any Leasehold Mortgagee a statement acknowledging that this subordination does not subordinate any of State's interest in this Lease or the Property to any lien or mortgage held by the Leasehold Mortgagee.

## 10. LEASEHOLD MORTGAGES

10 1 Definitions

(a) The term "Institutional Investor" as used in this lease shall refer to any reputable and solvent (i) savings bank, (ii) savings and loan association, (iii) commercial bank, (iv) trust company, (v) credit union, (vi) insurance company, (vii) college, (viii) university, (ix) real estate investment trust, (x) pension fund, (xi) mortgage company, (xii) national banking association or (xiii) government entity The term "Institutional Investor" shall also include reputable and solvent lenders of substance which perform functions similar to any the foregoing, and which have assets in excess of fifty million dollars ($50,000,000) at the time the Leasehold Mortgage loan is made

(b) The term "Leasehold Mortgage" as used in this Lease shall include a mortgage, a deed of trust, deed to secure a debt, or other security instrument by which Tenant's Leasehold Estate is mortgaged, conveyed, assigned, or otherwise transferred, to secure a debt or other obligation which is held by an Institutional Investor

(c) The term "Leasehold Mortgagee" as used in this lease refers to any Institutional Investor which is the holder of a Leasehold Mortgage, to Tenant if the mortgage is a purchase mortgage, or to any assignee of the Leasehold Mortgagee's interest in such mortgage

(d) The term "Tenant's Interest" as used in this Lease shall refer collectively to (i) fee title to Tenant's Parcel and (ii) Tenant's Leasehold Estate

(e) The term "Leasehold Estate" as used in this Lease shall refer collectively to (i) Tenant's interest in the Property pursuant to the terms of this Lease, (ii) Tenant's interest in any and all Tenant-Owned Improvements during the Term of this Lease and (iii) Tenant's leasehold interest in the State-Owned Improvements which interest shall be a percentage calculated by dividing the number of months remaining in the Term by the total number of months in the Term, as it may have been extended

(f) The term "Landlord's Interest" as used in this Lease refers collectively to (i) fee title to the Property subject to the terms and provisions of this Lease and (ii) the State's interest in State-Owned Improvements which is one hundred percent (100%) of the Improvements less Tenant's leasehold interest in the Tenant-Owned Improvements

10 2 Leasehold Mortgage: When Authorized. Tenant's Leasehold Estate may be assigned to a Leasehold Mortgagee, after approval by State as set forth below, pursuant to a Leasehold Mortgage as security for a construction loan for work on the Improvements on the Property, for a purchase money loan for the purchase of Tenant's Leasehold Estate, or for any refinancing of either of those types of loans, so long as State's consent thereto has been obtained which consent shall not be unreasonably withheld or delayed In any event, State shall consent to a leasehold mortgage if the Leasehold Mortgagee is an Institutional Investor, and the principal



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balance of the obligations secured by the Leasehold Mortgage plus the maximum amount of accrued interest possible during the entire term of the indebtedness under the terms of the instrument of indebtedness secured by the Leasehold Mortgage shall not be greater than eighty percent (80%) of the total of the appraised fair market value of Tenant's Interest The determination of fair market value shall be made as of the date the Leasehold Mortgage is recorded Tenant shall submit documentation and information regarding the proposed Leasehold Mortgage and Leasehold Mortgagee to State at lease thirty (30) days prior to the date of the proposed assignment or encumbrance If State reasonably determines that the Leasehold Mortgagee and Leasehold Mortgage satisfy the requirements of this Subsection 10 2 and any applicable requirements of Section 9, State shall approve the Leasehold Mortgage

10 3 Documents and Notice

(a) Any Leasehold Mortgage shall contain a statement which disclaims any interest or lien against State's fee interest in the Property and any improvement thereon owned by State, and which further provides that State shall have no liability whatsoever in connection with such Leasehold Mortgage or the instruments and obligations secured by such Leasehold Mortgage

(b) Tenant shall with reasonable promptness provide State with copies of the note or other obligations secured by any such Leasehold Mortgage, together with any other documents or instruments pertinent to the transaction Tenant shall also provide State with a copy of each amendment or other modification or supplement to such documents or instruments as executed from time to time. All recorded documents shall be accompanied by the appropriate certification of the appropriate official of the recording office as to their authenticity as true and correct copies of official records and all non-recorded documents shall be accompanied by a certification by Tenant that the documents are true and correct copies of the originals From time to time upon being requested to do so by State, Tenant shall also notify State of the date and place of recording and other pertinent recording data with respect to the instruments that have been recorded.

(c) Tenant shall furnish to State copies of all notices sent or received in connection with any Leasehold Mortgage for which provision is not otherwise made under the terms of the Leasehold Mortgage and this subsection Tenant shall notify State of the address and any change of address of any party to a Leasehold Mortgage, including any assignee

10.4 Consent of Leasehold Mortgagee Required. No cancellation, surrender, termination or modification of this Lease, no new lease, nor any change in use, shall be effective as to any Leasehold Mortgagee unless consented to in writing by the Leasehold Mortgagee Nothing in this Subsection 10 4, however, shall limit or derogate from State's rights to terminate this Lease in accordance with the provisions of this Section 10.

10.5 Default Notice State, upon providing Tenant any notice of (a) a default under this Lease, or (b) a termination of this Lease, or (c) a demand to remedy a claimed default, shall contemporaneously provide a copy of such notice to every Leasehold Mortgagee From and after the date notice has been given to a Leasehold Mortgagee, the Leasehold Mortgagee shall have the same period for remedying any default, or causing the same to be remedied, as is given Tenant plus in each instance, the additional period of time specified in Subsection 10 6 and 10 7



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of this Section 10 to remedy, commence remedying, or cause to be remedied the defaults specified in any notice. State shall accept the performance by or at the instigation of the Leasehold Mortgagee as if the performance had been done by Tenant Tenant authorizes each Leasehold Mortgagee to take any action at the Leasehold Mortgagee's option and does hereby authorize entry upon the Property by the Leasehold Mortgagee for that purpose

10 6 Notice of Default to Leasehold Mortgagee

(a) If any default shall occur which entitles State to terminate this Lease, State shall have no right to terminate this Lease unless State shall notify every Leasehold Mortgagee of State's intent to so terminate at least sixty (60) days in advance of the purposed effective date of such termination. The provisions of Subsection 10.7 below shall apply if, during the sixty (60) day Termination Notice Period, any Leasehold Mortgagee shall

(1) Notify the State of the Leasehold Mortgagee's desire to nullify such notice, and

(2) Pay or cause to be paid all Annual Rent, Additional Rent, and other payments then in arrears as specified in the Termination Notice to the Leasehold Mortgagee, and which may become due during such sixty (60) day period The Leasehold Mortgagee shall also cure all non-monetary requirements of this Lease then in default and reasonably susceptible of being cured within the notice period (lack of or failure to expend funds not to adversely affect the susceptibility of cure) In the case of any cure that cannot be completed within the sixty (60) day notice period, the Leasehold Mortgagee shall proceed to initiate efforts to cure the defaults with reasonable diligence and shall faithfully continue such efforts, provided, however, that the Leasehold Mortgagee shall not be required during the sixty (60) day period to cure or commence to cure any default consisting of Tenant's failure to satisfy and discharge any lien, charge or encumbrance against the Tenant's interest in this Lease or the Property junior in priority to the lien of the mortgage held by the Leasehold Mortgagee

10.7 Procedure of Default

(a) If State shall elect to terminate this Lease by reason of default of Tenant, and a Leasehold Mortgagee shall have proceeded in the manner provided for by Subsection 10 6, the specified date for the termination of this Lease as fixed by the State in its Termination Notice shall be extended for a period of six (6) months. The Leasehold Mortgagee shall, during the six (6) month period:

(1) Pay or cause to be paid the Annual Rent, Additional Rent and other monetary obligations of Tenant under this Lease as they become due, and continue to perform all of Tenant's other obligations under this Lease, excepting (a) obligations of Tenant to satisfy or otherwise discharge any lien, charge or encumbrance against Tenant's interest in this Lease or the Property junior in priority to the lien of the mortgage held by the Leasehold Mortgagee and (b) past non-monetary obligations then in default and not reasonably susceptible of being cured by the Leasehold Mortgagee (lack of or failure to expend funds not to adversely affect the susceptibility of cure), and

(2) If not enjoined or stayed, take steps to acquire or sell Tenant's interest in this Lease by foreclosure of the Leasehold Mortgage or other appropriate means and prosecute these actions to completion with reasonable diligence and continuity If the Leasehold

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Mortgagee is enjoined or stayed from taking those steps, the Leasehold Mortgagee shall use its best efforts to seek relief from any injunction or stay

(b) If at the end of the six (6) month period the Leasehold Mortgagee is complying with Subsection 10.7(a), this Lease shall not terminate at that time The time for completion by the Leasehold Mortgagee of its proceedings shall continue so long as the Leasehold Mortgagee continues to comply with the provisions of Subsection 10 7(a) above and is enjoined or stayed, or for so long as the Leasehold Mortgagee proceeds to complete steps to acquire or sell Tenant's interest in this Lease by foreclosure of the Leasehold Mortgage or by other appropriate means with reasonable diligence and continuity. However, nothing in Subsection 10 7(b), shall be construed to extend this Lease beyond the original Term, nor to require a Leasehold Mortgagee to continue any foreclosure proceedings after the default has been cured If the default shall be cured and the Leasehold Mortgagee shall discontinue such foreclosure proceedings, the Lease shall continue in full force and effect as if Tenant had not defaulted under this Lease

(c) If a Leasehold Mortgagee is complying with Subsection 10 7(a), then upon (i) the acquisition of Tenant's Leasehold Estate herein by the Leasehold Mortgagee or any other purchaser at a foreclosure sale or otherwise and (ii) the discharge of any lien, charge or encumbrance against the Tenant's interest in this Lease or the Property which is junior in priority to the lien of the Leasehold Mortgagee held by the Leasehold Mortgagee and which the Tenant is obligated to satisfy and discharge by reason of the terms of this Lease, this Lease shall continue in full force and effect as if Tenant had not defaulted under this Lease The Leasehold Mortgagee operating under this Subsection 10 7(c) shall agree in writing to assume all obligations of the Tenant under this Lease that arise during the period of time that the Leasehold Mortgagee holds Tenant's Leasehold Estate.

(d) For the purpose of this Section 10, the making of a Leasehold Mortgage shall not be deemed to constitute a complete assignment or transfer of this Lease or of the Tenant's Leasehold Estate The Leasehold Mortgagee, prior to foreclosure of the Leasehold Mortgage or other entry into possession of the Tenant's Leasehold Estate, shall not be obligated to assume the performance of any of the terms, covenants or conditions on the part of the Tenant required to be performed hereunder The purchaser at any sale of this Lease and of Tenant's Leasehold Estate in any proceedings for the foreclosure of any Leasehold Mortgage, or the assignee or transferee of this Lease and of Tenant's Leasehold Estate under any instrument of assignment or transfer in lieu of the foreclosure of any Leasehold Mortgage, shall be deemed to be an assignee or transferee within the meaning of this Section and shall be required to satisfy the terms of Section 9

(e) The Leasehold Mortgagee of the Tenant's Leasehold Estate pursuant to foreclosure, assignment in lieu of foreclosure or other proceedings may, upon acquiring Tenant's Leasehold estate, sell and assign Tenant's Leasehold Estate on the terms and to persons and organizations as are acceptable to the Mortgagee. Any assignee or transferee of the Leasehold Mortgagee shall be required to satisfy the terms and conditions of Section 9 regarding assignment. If the assignee or transferee satisfies those terms, and if the assignee or transferee has delivered to State its written agreement to be bound by the terms and conditions of this Lease from and after the date of transfer, the assignee or transferee shall succeed to Tenant's Leasehold Estate.

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(f) If the Leasehold Mortgagee acquires the Tenant's Leasehold Estate pursuant to foreclosure, assignment in lieu of foreclosure or by other proceedings, the Leasehold Mortgagee shall be deemed to be an approved assignee and shall be liable and bound by all of the provisions of this Lease only so long as the Leasehold Mortgagee holds Tenant's Leasehold Estate.

(g) Tenant shall not transfer, sell or assign any redemption from any foreclosure sale to any person which is not approved by the State in accordance with the provisions of Section 9 above.

10 8 New Lease. The provisions of this Section 10 8 shall apply in the event of the termination of this Lease or in the event of an incurable default such as a result of the bankruptcy or other insolvency of Tenant If a Leasehold Mortgagee shall have waived in writing its rights under Subsection 10.6 and 10.7 within thirty (30) days after such Leasehold Mortgagee's receipt of notice required by Subsection 10.6, State shall provide each Leasehold Mortgagee with written notice that the Lease has been terminated, together with a statement of all sums which would at that time be due under this Lease but for the termination, and of all other defaults, if any, then known to State State agrees to enter into a new Lease ("New Lease") of the Property with the Leasehold Mortgagee for the remainder of the Term of this Lease, effective as of the date of termination, at the Rental rate and upon the terms, covenants and conditions (including all escalations of Rent, but excluding requirements which are not applicable or which have already been fulfilled) of this Lease, provided:

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(a) The Leasehold Mortgagee shall make written request upon State for the New Lease within sixty (60) days after the date the Leasehold Mortgagee receives State's Notice of Termination of this Lease given pursuant to this Subsection 10 8.

(b) The Leasehold Mortgagee shall pay or cause to be paid to State at the time of the execution and delivery of the New Lease, any and all sums which would at the time of execution and delivery thereof be due pursuant to this Lease but for such termination and, in addition thereto, all reasonable expenses, which State shall have incurred by reason of such termination and the execution and delivery of the New Lease and which have not otherwise been received by State from Tenant or other party in interest under Tenant Upon the execution of the New Lease, State shall allow to the Tenant named therein as an offset against the sums otherwise due under this Subsection 10.8 or under the New Lease, an amount equal to the net income derived by State from the Property during the period from the date of termination of this Lease to the date of the beginning of the Lease Term of the New Lease. In the event of a controversy as to the amount to be paid to State pursuant to this Subsection 10 8, the payment obligation shall be satisfied if State shall be paid the amount not in controversy, and the Leasehold Mortgagee or its designee shall agree to pay any additional sum ultimately determined to be due pursuant to arbitration as provided in Section 17 below, plus interest as allowed by law, and the obligation shall be adequately secured.

(c) The Leasehold Mortgagee or its designee shall agree to remedy any of Tenant's defaults of which said Leasehold Mortgagee was notified by State's Notice of Termination and which are reasonably susceptible of being so cured by Leasehold Mortgagee or its designee (lack of or failure to expend funds not to adversely affect the susceptibility of cure).

Upon execution by both State and the Leasehold Mortgagee, the New Lease shall be recorded with the King County Recording Office

10.9 New Lease Priorities. If more than one Leasehold Mortgagee shall request a New Lease pursuant to Subsection 10.8, State shall enter into such New Lease with the Leasehold Mortgagee whose mortgage is prior in lien, or with the designee of the Leasehold Mortgagee State without liability to Tenant or any Leasehold Mortgagee with an adverse claim, may rely upon a mortgagee's title insurance policy or preliminary commitment therefor, issued by a responsible title insurance company doing business within the State of Washington as the basis for determining the appropriate Leasehold Mortgagee who is entitled to the New Lease

10 10 Leasehold Mortgagee Need Not Cure Specified Default Nothing herein contained shall require any Leasehold Mortgagee, or its designee, to cure any default of Tenant not reasonably susceptible of being cured by the Leasehold Mortgagee or its designee (lack of or failure to expend funds not to adversely affect the susceptibility of cure) as a condition to its exercise of the rights provided in Subsections 10 6 or 10 7 or as a condition of entering into a New Lease provided for by Subsection 10.8 above

10 11 Eminent Domain Tenant's share, as provided by Section 14 of this Lease, of the proceeds arising from an exercise of the power of Eminent Domain shall, subject to the provisions of such Section 14, be disposed of as provided for by any Leasehold Mortgage

10 12 Casualty Loss A standard mortgage clause naming each Leasehold Mortgagee may be added to any and all insurance policies required to be carried by Tenant under this Lease on condition the insurance proceeds are to be applied in the manner specified in this Lease and the Leasehold Mortgage shall so provide, except that the Leasehold Mortgage may provide a manner for the disposition of the proceeds, if any, payable directly to the Tenant (but not the Proceeds, if any, jointly to the State and the Tenant) pursuant to the provisions of this Lease

10 13 Arbitration/Legal Proceedings State shall give each Leasehold Mortgagee prompt notice of any arbitration or legal proceedings between State and Tenant involving obligations under this Lease Each Leasehold Mortgagee shall have the right to intervene in any such proceedings and be made a party to the proceeding, and the parties hereto do hereby consent to that intervention In the event that any Leasehold Mortgagee shall not elect to intervene or become a party to any the proceedings, State shall give the Leasehold Mortgagee notice of, and a copy of any award or decision made in the proceedings, which shall be binding on all Leasehold Mortgagees not intervening after receipt of notice of arbitration. In the event Tenant shall fail to appoint an arbitrator after notice from State, as provided in Section 17 below, a Leasehold Mortgagee (in order of seniority if there be more than one) shall have an additional period of thirty (30) days after notice by State that Tenant has failed to appoint such arbitrator to make the appointment, and the arbitrator so appointed shall be recognized in all respects as if he had been appointed by Tenant. In the event a Leasehold Mortgagee commences any judicial or non-judicial action to foreclose its Leasehold Mortgage or otherwise realize upon its security granted therein, written notice of those proceedings shall be provided to State at the same time notice thereof is given to Tenant

10.14 No Merger. So long as any Leasehold Mortgage is in existence, unless all Leasehold Mortgagees shall otherwise expressly consent in writing, the fee title to the Property

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and the leasehold estate of Tenant created by this Lease shall not merge but shall remain as separate and distinct, notwithstanding the acquisition of the fee title and of the leasehold estate by State or by Tenant or by a third party, by purchase or otherwise. The foregoing shall not apply in the event of termination of this Lease after default by Tenant, provided that no Leasehold Mortgagee shall have requested and been granted a New Lease pursuant to the provisions of Subsection 10.8 above.

10.15 Estoppel Certificate State shall, without charge, any time and from time to time hereafter, but not more frequently than twice in any one-year period (or more frequently if such request is made in connection with any sale or mortgaging of Tenant's Leasehold Estate or permitted subletting by Tenant), within ten (10) days after written request to Tenant to do so, certify by written instrument duly executed and acknowledged to any Mortgagee or purchaser, or proposed Mortgagee or proposed purchaser, or any other person, firm or corporation specified in such request: (a) as to whether this Lease has been supplemented or amended, and if so, the substance and manner of any supplement or amendment; (b) as to whether the Lease remains in full force and effect. (c) as to the existence of any default under this lease; (d) as to the existence of any offsets, counterclaims or defenses hereto on the part of Tenant and (e) as to the commencement and expiration dates of the Term of this Lease Any Leasehold Mortgagee and any other holder of any indebtedness secured by Tenant's Leasehold Estate shall provide State, within ten (10) days following State's written request, a statement as to (i) the current amount secured by the Leasehold Mortgage held by the Leasehold Mortgagee, (ii) whether any default exists under that Leasehold Mortgage, and (iii) whether there exist any offsets, claim or disputes with respect to that Leasehold Mortgage and the instruments secured by the Leasehold Mortgage

10 16 Notices Any notice to be given by State to a Leasehold Mortgagee pursuant to any provision of this Section 10 shall be deemed properly addressed if sent to the Leasehold Mortgagee at the address shown in the Leasehold Mortgage documents, or to any other address notice of which has been given to State pursuant to Subsection 10 3 above. In all other respects, notices shall be provided in accordance with the provisions of Section 20 below

10 17 Erroneous Payments No payment made to the State by a Leasehold Mortgagee shall constitute agreement that any payment was, in fact, due under the terms of this Lease and a Leasehold Mortgagee having made any payment to State pursuant to State's wrongful, improper or mistaken notice or demand shall be entitled to return of any payment provided he shall have made demand for reimbursement not later than one (1) year after the date of payment

## 11. INDEMNITY, FINANCIAL SECURITY, INSURANCE

11 1 Indemnity Tenant shall indemnify, defend, and hold harmless State, its employees, officers, and agents from any and all liability, damages (including bodily injury, personal injury and damages to land, aquatic life, and other natural resources), expenses, causes of action, suits, claims, costs, fees (including attorneys' fees), penalties, or judgments, of any nature whatsoever, arising out of the use, occupation, or control of the Property by Tenant, its subtenants, invitees, agents, employees, licensees, or permittees, except as may arise solely out of the willful or negligent act of State or State's elected officials, employees, or agents To the extent that RCW 4.24.115 applies, Tenant shall not be required to indemnify, defend, and hold



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State harmless from State's sole or concurrent negligence Tenant's liability to State for hazardous substances, and its obligation to indemnify, defend, and hold the State harmless for hazardous substances, shall be governed exclusively by Section 8

11.2 Financial Security

(a) At its own expense, Tenant shall procure and maintain financial security in the form of a surety bond, bank letter of credit or savings account assignment (the "Security") in an amount equal to three (3) months (three-twelfths [3/12]) of the Annual Rent in effect under this Lease, which shall secure Tenant's full performance of its obligations under this Lease including all claims and related costs arising under this lease, with the exception of the obligations under Subsection 7 4 and Section 8, above However, notwithstanding any other agreement contained in this Lease, if Tenant is ever more than thirty (30) days late in paying any amount due under this Lease, then the Security shall be increased to an amount equal to six (6) months (six-twelfths [6/12]) of the Annual Rent in effect under this Lease. The Security shall be in a form and issued by a surety company or financial institution acceptable to State. State may require an adjustment in the amount of the Security

(1) At the same time as revaluation and establishment of the Annual Rent;

(2) As a condition of approval of assignment or sublease of this Lease,

(3) Upon a material change in the condition of any improvements, or

(4) Upon a change in the Permitted Use.

A new or modified Security shall be delivered to State within thirty (30) days after adjustment of the amount of the Security has been required by State

(b) Upon any default by Tenant in its obligations under this Lease, State may collect on the Security to offset the liability of Tenant to State. Collection on the Security shall not relieve Tenant of liability, shall not limit any of State's other remedies, and shall not reinstate or cure the default or prevent termination of the Lease because of the default.

11 3 Insurance At its own expense, Tenant shall procure and maintain during the Term of this Lease, the insurance coverages and limits described in Subsections 11 3(a) and (b) below This insurance shall be issued by an insurance company or companies admitted and licensed by the Insurance Commissioner to do business in the State of Washington Insurers must have a rating of B+ or better by "Best's Insurance Reports," or a comparable rating by another rating company acceptable to State If non-admitted or non-rated carriers are used, the policies must comply with Chapter 48 15 RCW

(a) Types of Required Insurance.

(1) Commercial General Liability Insurance Tenant shall procure and maintain Commercial General Liability insurance and, if applicable, Marina Operators Legal Liability insurance covering claims for bodily injury, personal injury, or property damage arising on the Property and/or arising out of Tenant's operations. If necessary, commercial umbrella insurance covering claims for these risks shall be procured and maintained Insurance must include liability coverage with limits not less than those specified below

| Description | |
|---|---|
| Each Occurrence | $10,000,000 |
| General Aggregate Limit | $20,000,000 |

State may impose changes in the limits of liability



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(i) As a condition of approval of assignment or sublease of this Lease;

(ii) Upon any breach of Section 8, above;

(iii) Upon a material change in the condition of the Property or any improvements, or,

(iv) Upon a change in the Permitted Use.

New or modified insurance coverage shall be in place within thirty (30) days after changes in the limits of liability are required by State

(2) Property Insurance Tenant shall procure and maintain property insurance covering all real property located on or constituting a part of the Property in an amount equal to the replacement value of all improvements on the Property Such insurance may have commercially reasonable deductibles

(3) Worker's Compensation/Employer's Liability Insurance. Tenant shall procure and maintain·

(i) State of Washington Worker's Compensation coverage, as applicable, with respect to any work by Tenant's employees on or about the Property and on any improvements,

(ii) Employers Liability or "Stop Gap" insurance coverage, as applicable, with limits not less than those specified below. Insurance must include bodily injury coverage with limits not less than those specified below

| By Accident | Each Employee By Disease | Policy Limit By Disease |
|---|---|---|
| $2,000,000 | $2,000,000 | $2,000,000 |

(iii) Longshore and Harbor Worker's Act and Jones Act coverage, as applicable, with respect to any work by Tenant's employees on or about the Property and on any improvements.

(4) Builder's Risk Insurance. As applicable, Tenant shall procure and maintain builder's risk insurance in an amount reasonably satisfactory to State during construction, replacement, or material alteration of the Property or improvements on the Property Coverage shall be in place until such work is completed and evidence of completion is provided to State

(5) Business Auto Policy Insurance. As applicable, Tenant shall procure and maintain a business auto policy. The insurance must include liability coverage with limits not less than those specified below

| Description | Each Accident |
|---|---|
| Bodily Injury and Property Damage | $2,000,000 |

(b) Terms of Insurance The policies required under Subsection 11 3 shall name the State of Washington, Department of Natural Resources as an additional insured (except for State of Washington Worker's Compensation coverage, and Federal Jones' Act and Longshore and Harbor Worker's Act coverages). Furthermore, all policies of insurance described in Subsection 11 3 shall meet the following requirements·

(1) Policies shall be written as primary policies not contributing with and not in excess of coverage that State may carry;



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(2) Policies shall expressly provide that such insurance may not be canceled or non renewed with respect to State except upon forty-five (45) days prior written notice from the insurance company to State;

(3) To the extent of State's insurable interest, property coverage shall expressly provide that all proceeds shall be paid to the Trustee of Insurance,

(4) All liability policies must provide coverage on an occurrence basis; and

(5) Liability policies shall not include exclusions for cross liability.

(c) Proof of Insurance Tenant shall furnish evidence of insurance in the form of a Certificate of Insurance satisfactory to the State accompanied by a checklist of coverages provided by State, executed by a duly authorized representative of each insurer showing compliance with the insurance requirements described in this Section 11, and, if requested, copies of policies to State. The Certificate of Insurance shall reference the State of Washington, Department of Natural Resources and the lease number Receipt of such certificates or policies by State does not constitute approval by State of the terms of such policies Tenant acknowledges that the coverage requirements set forth herein are the minimum limits of insurance the Tenant must purchase to enter into this agreement These limits may not be sufficient to cover all liability losses and related claim settlement expenses Purchase of these limits of coverage does not relieve the Tenant from liability for losses and settlement expenses greater than these amounts.

11 4 State's Acquisition of Insurance If Tenant fails to procure and maintain the insurance described above within fifteen (15) days after Tenant receives a notice to comply from State, State shall have the right to procure and maintain comparable substitute insurance and to pay the premiums. Tenant shall pay to State upon demand the full amount paid by State, together with interest at the rate provided in Subsection 6 2 from the date of State's notice of the expenditure until Tenant's repayment

11 5 Proceeds and Other Funds Held In Trust. All insurance proceeds received pursuant to Physical Property Damage Insurance shall be received by the Trustee of Insurance and shall be held, in trust and, except as provided otherwise in Subsection 11 6, shall be applied in accordance with the provisions of Section 13 below.

11 6 Application of Proceeds of Physical Damage Insurance. With respect to any insurance policies as described in Subsection 11 3(a) the application of insurance proceeds from damage or loss to property shall be determined in accordance with Section 13 below and, in the event of any repair, replacement, restoration or rebuilding, the Trustee of Insurance shall apply the proceeds of the insurance collected to the cost of such work upon certificate of progress and/or completion in form satisfactory to the Trustee by the licensed architect or engineer in charge of the work Any amount payable to Tenant or any affiliate of Tenant for work or services performed or materials provided as part of any such repair, replacement, restoration or rebuilding shall not exceed competitive rates for those services or materials and Tenant shall, upon request of State, make available to State and its representatives at State's offices, within the State of Washington all books and records of Tenant relating to that work, services and materials

11 7 Powers and Duties of Trustee of Insurance.

(a) Trustee of Insurance. The "Trustee of Insurance" shall be the Leasehold Mortgagee in first priority with respect to Tenant's leasehold estate. If there is more than one



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Leasehold Mortgagee, priority shall be determined as set forth in Subsection 10 9. If there is no Leasehold Mortgagee, the Trustee of Insurance shall be any Institutional Investor doing business in the State of Washington with the authority to hold escrow funds. The Trustee of Insurance shall retain in trust all policies of insurance or certificates of insurance delivered to it as provided in this Lease and shall not permit the withdrawal, termination or discontinuance of any policy without State's consent, and, upon request, shall exhibit such policies or certificates to State or Tenant or any authorized representative of State or Tenant The Trustee of Insurance shall receive in trust the proceeds of insurance and make disbursements thereof specifically limited to the proceeds of Physical Property Damage Insurance described in Subsection 11 3, and shall make disbursements thereof as provided in Subsection 11 6 and Section 13 as determined, when applicable, in accordance with Subsection 11 6. The Trustee of Insurance shall recognize that one of the primary objectives of the parties is to insure that disbursements of funds held by the trustee will be paid in a manner which will mitigate against the imposition of liens or encumbrances upon the Property Receipt and disbursement of other types of insurance proceeds may be undertaken by the Trustee upon written agreement with State and Tenant.

(b) Trustee's Liability Neither State nor Tenant shall hold the Trustee of Insurance liable for any mistake or error in judgment in the discharge of its duties, but the Trustee shall be liable only for willful neglect or breach of duty, and the Trustee of Insurance shall be not liable or responsible for the collection of any monies or the failure or refusal of any insurance company or third person or corporation from whom money may be due to pay that money, but it shall be the duty of the Trustee of Insurance, in case of failure or refusal of any insurance company or third person or corporation to pay any policies or money due, to use all proper and legal means in conjunction and cooperation with State and Tenant to recover the money, but at the expense of Tenant

(c) Trustee's Fees All fees and charges of the Trustee of Insurance shall be paid by Tenant.

(d) Trustee's Merger If Trustee of Insurance should merge into any other Institutional Investor or change its corporate name or should transfer its trust business to any other Institutional Investor, the successor institution shall succeed to all the powers, duties and authority given to Trustee of Insurance under this Lease

(e) Trustee's Successors The Trustee of Insurance may resign upon giving thirty (30) days' notice, in writing to State and Tenant of its desire to resign Upon receipt of such written notice, or if the Trustee of Insurance named herein refuses to serve, State and Tenant shall promptly mutually agree upon a successor or alternate trustee and, in the event they are unable to agree upon a successor or alternate trustee during the said thirty (30) days, either State or Tenant may apply to the Presiding Judge of the Superior Court of the State of Washington for Thurston County, or any federal court judge sitting in the State of Washington, to name a successor or alternate trustee who shall be an Institutional Investor doing business in the State of Washington with the authority to hold escrow funds The appointment of such successor or alternate trustee by said Judge in accordance herewith shall be binding upon both State and Tenant, and the successor or alternate trustee shall be entitled to receive from the former Trustee of Insurance all securities or monies or policies held by it and shall be vested with all the rights and powers herein conferred upon the Trustee of Insurance herein originally appointed.

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(f) Investment of Proceeds The Trustee of Insurance shall invest any insurance proceeds received as directed in writing jointly by State and Tenant; provided however, if State and Tenant cannot agree to the investments to be made, the Trustee of Insurance may invest the funds in one or more of the following types of bonds and securities.

(i) Bills, certificates, notes or bonds of the United States,

(ii) Other obligations of the United States or its agencies,

(iii) Obligations of any corporation wholly owned by the Government of the United States,

(iv) Indebtedness of the Federal National Mortgage Association; and

(v) Time deposits in commercial banks fully insured by the Federal Deposit Insurance Corporation. In making investments in one or more of said types of bonds and securities, Trustee of Insurance shall be mindful of the probable necessity of payments from time to time of portions of the insurance proceeds and shall select investments with appropriate maturities Income accruing from the investments shall become part of the insurance proceeds held by Trustee of Insurance.

11 8 Insurance Surveyor. Any determinations as to the extent of damage to the Property required to be made under this Section 11 shall be made by an independent "Insurance Surveyor" from a qualified insurance adjustment bureau or company selected by mutual agreement of the parties The determinations of the Insurance Surveyor shall not be subject to arbitration If the parties cannot agree on the Insurance Surveyor within thirty (30) days after the date of the damage or destruction, then the Insurance Surveyor shall be appointed by the Presiding Judge of the Superior Court of Thurston County, Washington upon the application of either party

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## 12. MAINTENANCE AND REPAIR

12 1 State's Repairs State shall not be required to make any alterations, maintenance, replacements, or repairs in, on, or about the Property, or any part thereof, during the Term

12.2 Tenant's Repairs, Alteration, Maintenance and Replacement

(a) Tenant shall, at its sole cost and expense, keep and maintain the Property and all improvements (regardless of ownership) in good order and repair, in a clean, attractive, and safe condition

(b) Tenant shall, at its sole cost and expense, make any and all additions, repairs, alterations, maintenance, replacements, or changes to the Property or to any improvements on the Property which may be required by any public authority having jurisdiction over the Property and requiring it for public health, safety and welfare purposes

(c) All additions, repairs, alterations, replacements or changes to the Property and to any improvements on the Property shall be made in accordance with, and ownership shall be governed by, Section 7, above

(d) Tenant shall conform at a minimum to the City of Seattle ("City"), Department of Construction and Land Use, Director's Rule 7-90, effective December 18, 1990, (Director's Rule) or any amended or replacement rule of the City, for maintenance of the wood piers. In addition Tenant must submit copies of any report, plan, program, or permit required by the rule simultaneously to the State for its review State, after review of the submitted material, may require specific maintenance requirements that are commercially reasonable to protect the

Property and the public, beyond those proposed by Tenant in any submission under the Director's Rule State shall notify Tenant of its additional requirements within ninety (90) days of its receipt of Tenant's submission to State.

(e) In addition to the ongoing requirements of Subsection 12 2(d), above, Tenant shall complete, within one year of the Commencement Date, an engineering review of the Property This engineering review shall examine the State-Owned Improvements and Tenant-Owned Improvements, to determine the condition of these improvements and to provide a construction maintenance plan for all necessary structural modifications that must be made to the pier pilings, pile caps, stringers and pier decking, as well as the pier-shed envelope (walls, roof, fenestration, etc ) and internal structural members to maintain the pier in a safe and structurally sound condition as required by the Director's Rule and any other federal, state or local law, rule or ordinance applicable to pier and building maintenance Within thirty (30) days of completion, Tenant shall submit this engineering review and resulting construction maintenance plan to State State, after its review of the plan, may require commercially reasonable changes to Tenant's construction and maintenance plan to protect the Property and the public. State shall notify Tenant of its additional requirements within ninety (90) days of State's receipt of Tenant's plan Tenant shall complete all necessary maintenance construction identified in the construction maintenance plan no later than three years from the Commencement Date.

12 3 Regular Maintenance, Replacement, Renewal and Repairs Tenant, at all times during the Term, and at Tenant's sole cost and expense, shall maintain the Property and Improvements in the condition necessary to the continued operation of a Quality Hotel Tenant at all times during the Term, and at Tenant's sole cost and expense, shall maintain the Improvements in a condition that is as good as the condition existing on the Commencement Date. Tenant shall also maintain furniture, fixtures and equipment in the hotel ("FF&E") in a condition necessary to maintain the Property and Improvements in a condition equal to that of a Quality Hotel Tenant shall have the right to make additions or improvements as are customarily made in order to continue that status for the improvements. Structural additions or improvements involving changes in the character or structure of the Property require State's prior written approval and must comply with Section 7 The exteriors of all buildings comprising part of the improvements shall be painted and cleaned at least once every ten (10) years during the Lease Term

12 4 Expenditures for Replacements and Renewals Without limiting in any way the obligations of Tenant under Subsection 12.3 or elsewhere in this Lease, the agreed-upon minimum standards of expenditures by Tenant for replacements and renewals of FF&E and for capital expenditures required to comply with Subsection 12 3 (excluding (a) regular periodic cleaning and painting of the hotel, and (b) replacements, repairs and maintenance for the hotel which are not capitalized by Tenant for two (2) years or more for purposes of federal income taxes under and consistent with applicable laws and regulations), shall average four percent (4%) of annual Gross Revenue for five (5) year periods, beginning with the Commencement Date, and continuing through the Lease Term If at the end of each five (5) year period, State determines based upon its audit of Tenant's annual Gross Revenue, that Tenant has not expended the amounts required in the previous five (5) year period, Tenant shall be required to spend the deficiency during the next five (5) year period in addition to the amounts Tenant otherwise

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would be required to spend during that time. Such minimum standards for expenditures, or the actual expenditures of such amounts, shall in no way limit the obligations or liabilities of Tenant under this Lease.

12.5 Accounting for Expenditures In calculating the amounts expended for replacements and renewals for purposes of Subsection 12.4, there shall be excluded all expenditures which would be expensed or deducted from income pursuant to the Internal Revenue Code and Regulations (collectively the "IRC"). All items which would be capitalized pursuant to the IRS Code shall be included in the amounts required to be expended for replacements and renewals pursuant to Subsection 12 4. If Tenant leases any fixtures for the Property, or purchases any such fixtures on an installment payment basis, all arrangements must have a term shorter than this Lease Term, and only the current Lease and/or installment payments may be counted towards Tenant's obligations under Subsection 12 4 Tenant shall furnish to State on or before 30 days after the Anniversary Date of the Term, an accounting by an independent national reputable firm of certified public accountants, approved in advance by State, setting forth accurately the true and correct amount of the expenditures made by Tenant during the preceding Lease Year as required under Subsection 12 4, in such detail as State reasonably may request

12 6 Monitoring of Maintenance, Repair, Replacement and Renewals Any and all alterations to or relocations of existing utility systems which serve both the Property and Tenant's Parcel, and any and all maintenance, repair, replacement and renewals to the Property, which change, alter or modify any exterior walls, the roof, or any support structures may be made only with the prior written consent of State, shall be performed by licensed contractors, and shall be subject to the following

(a) The plans or specifications for those changes or alterations, including amendments of such plans or specifications, shall be submitted to State for its approval

(b) No change or alteration shall be made except under the supervision of an architect or engineer selected by Tenant and approved in writing by State.

(c) Upon completion of any such modifications, maintenance, repair or alteration, Tenant shall furnish State with a certificate of substantial completion of such work executed by the Tenant or its Architect, and a complete set of "as built" plans showing all changes and modifications from the improvements. Tenant shall also furnish to State copies of certificates of occupancy or other similar documents issued to certify completion of construction in compliance with applicable requirements

(d) In no event shall Tenant undertake any alteration or modification which affects the structural integrity of the pier located upon the Property or its ability to function as a convenience of commerce and navigation

12 7 FF&E

(a) Tenant may place within the Property such FF&E as Tenant shall deem desirable for the conduct of business on the Property FF&E Owned by Tenant and used in the conduct of business by Tenant (as distinguished from FF&E used in connection with the operation and maintenance of the Property) or placed by Tenant on or in the Property shall not become part of the realty. Such personal property may be removed by the Tenant at any time so long as Tenant is not in default under this Lease All other fixtures, equipment and improvements and alterations constructed or installed upon the Property pursuant to Section 7

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subsequent to the Commencement Date, except FF&E, shall be deemed to become part of the real property and, upon the Termination Date or cancellation of this Lease, shall become the sole and exclusive property of State, free of any and all claims of Tenant or any person or entity claiming by or through the Tenant Tenant shall have forty-five (45) days following the Termination Date to remove any FF&E In the event Tenant does not remove the FF&E within forty-five (45) days following the Termination Date or cancellation of this Lease, State may treat said FF&E as abandoned and (i) retain and treat the FF&E as part of the Property, or (ii) have the FF&E removed and stored at Tenant's expense Tenant shall promptly reimburse State for any damage caused to the Property by the removal of FF&E whether removal is by the Tenant or State

(b) As additional security for the performance of Tenant's obligations under this Lease, Tenant hereby grants to State a security interest in the FF&E Owned by Tenant now or hereafter placed on or in the Property (the "FF&E Security Interest"). This Lease shall constitute a security agreement with respect to the FF&E. Tenant shall execute such UCC financing statements, amendments or continuations as State shall deem reasonably necessary from time to time to perfect and maintain the FF&E Security Interest Tenant shall be allowed to grant a security interest in the FF&E to a Leasehold Mortgagee or to whomever provides the purchase money for the purchase of the FF&E ("Purchase Money Lender") State's FF&E Security interest shall be subordinate to the lien of any Leasehold Mortgage granted pursuant to Section 10 above or to the lien of any FF&E Purchase Money Lender For this purpose, State shall execute such agreements or instruments as may be deemed reasonably necessary by Tenant or any Leasehold Mortgagee or FF&E Purchase Money Lender granted priority by the terms of this subsection In no way, however, does State's agreement to subordinate its FF&E Security Interest operate to subordinate State's interest in the Lease to any lien or security interest held by any FF&E Purchase Money Lender or by any Leasehold Mortgagee with regard to the Lease, the Property, or Tenant's Leasehold Estate. Tenant shall secure from the Leasehold Mortgagee and/or FF&E Purchase Money Lender a statement that subordination of State's FF&E Security Interest does not in any way subordinate State's interest in the Lease to any lien or security held by the Leasehold Mortgagee and/or FF&E Purchase Money Lender Tenant also shall be allowed to grant a security interest in the FF&E to any other third party lender if that interest is junior and subordinate to that held by State and the Leasehold Mortgagee, if any

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## 13. DAMAGE OR DESTRUCTION

13.1 Effect of Damage or Destruction In the event of any damage to or destruction of the Property or any improvements from any cause whatever, Tenant shall promptly give written notice thereof to State and Tenant shall promptly repair or restore the Property and any improvements as nearly as possible to its condition immediately prior to the damage or destruction All repair and restoration shall be performed in accordance with the requirements of Section 7 above Tenant's duty to repair any damage or destruction of the Property or any improvements thereon shall not be conditioned upon the availability of any insurance proceeds to Tenant from which the cost of repairs may be paid Unless this Lease is so terminated by mutual agreement, there shall be no abatement or reduction in Rent during the repair and restoration. Any insurance proceeds payable by reason of the damage or destruction shall pay the cost of the reconstruction. If, however, Tenant is in default under the terms of this Lease at the time the

damage or destruction occurs, and the default is not cured by the Leasehold Mortgagee as provided in Section 10, State may elect to terminate the Lease and State thereafter shall have the right to retain all insurance proceeds payable as a result of the damage or destruction Upon completion of reconstruction and repair by Tenant, any funds held by the Trustee of Insurance in excess of the cost of the reconstruction shall be paid to State and Tenant pro-rata based upon the unexpired Term of this Lease, with the Tenant receiving a fraction which is equal to the then remaining Term divided by the original Term of this Lease, and State receiving the remainder Tenant hereby grants to State a security interest in Tenant's share of insurance proceeds to secure repayment of any monies due to State under the terms of this Lease which security interest shall be subordinate to the lien of any Leasehold Mortgage or FF&E Purchase Money Lender.

13.2 Termination Upon Damage If the damage or destruction occurs within the last five (5) years of the Lease Term, there is no obligation to repair the damage or destruction and either State or Tenant may elect by written notice to the other, ninety (90) days after the date of the damage or destruction, to terminate this Lease Any election to terminate by Tenant shall be subject to any Leasehold Mortgagee's prior written consent as provided in Section 10 If neither State nor Tenant elect to terminate this Lease, Tenant shall repair or restore the Property as nearly as possible to its condition immediately prior to the damage or destruction or construct thereon other improvements as may be approved by State, subject to the provisions of Sections 7 and 12 In the event State or Tenant elect to terminate this Lease, the Term of this Lease shall terminate as of the date of the damage or destruction and the provisions of Section 15 shall be applicable except that Tenant must apply for a new lease within thirty (30) days of such termination. In the event State terminates this Lease in accordance with the provisions of this Subsection 13.2, and Tenant is not then in default under the terms of this Lease, any insurance proceeds payable shall be allocated between State and Tenant based upon their respective interests in the State-Owned Improvements and Tenant-Owned Improvements as elsewhere provided in this Lease. Any payment of insurance proceeds to Tenant shall be subject to State s claim against Tenant's share of the proceeds in an amount equal to sums due from Tenant under the terms of this Lease Tenant hereby grants State a security interest in Tenant's share of the proceeds to secure repayment of any monies due to State which security interest shall be subordinate to the lien of any Leasehold Mortgagee or FF&E Purchase Money Lender Tenant's portion of any such insurance proceeds shall be paid first to the Leasehold Mortgagee and then to Tenant in the same manner as Tenant's proceeds would be paid under Subsection 13 1 above In the event Tenant elects to restore the Property, and State does not terminate this Lease, any insurance proceeds payable by reason of the damage or destruction shall be made available to the Trustee of Insurance to pay the costs of reconstruction and any funds remaining shall be allocated between State and Tenant as stated in Subsection 13 1 above.

**CONDEMNATION**

**14.**

14.1 Definitions

(a) Taking. The term "taking," as used in this Lease, means the taking of all or any portion of the Property and any improvements thereon under the power of eminent domain, either by judgment or settlement in lieu of judgment. Taking also means the taking of all or a portion of the Property and any improvements thereon to the extent that the Permitted Use is prevented or, in the judgment of State, the Property is rendered impractical for the



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Permitted Use A total taking occurs when the entire Property is taken A partial taking occurs when the taking does not constitute a total taking as defined above

(b) Voluntary Conveyance. The terms "total taking" and "partial taking" shall include a voluntary conveyance, in lieu of formal court proceedings, to any agency, authority, public utility, person, or corporate entity empowered to condemn property

(c) Date of Taking The term "date of taking" shall mean the date upon which title to the Property or a portion of the Property passes to and vests in the condemner or the effective date of any order for possession if issued prior to the date title vests in the condemner.

14.2 Effect of Taking If during the Term there shall be a total taking, the leasehold estate of Tenant in the Property shall terminate as of the date of taking. If this Lease is terminated, in whole or in part, all rentals and other charges payable by Tenant to State and attributable to the Property taken shall be paid by Tenant up to the date of taking If Tenant has pre-paid rent, Tenant will be entitled to a refund of the pro rata share of the pre-paid rent attributable to the period after the date of taking In the event of a partial taking, there shall be a partial abatement of rent from the date of taking in a percentage equal to the percentage of Property taken

14 3 Allocation of Award. State and Tenant agree that in the event of any condemnation, the award shall be allocated between State and Tenant based upon the ratio of the fair market value of Tenant's leasehold estate and Tenant-Owned Improvements on the Property and State's interest (a) in the Property, (b) in the reversionary interest in Tenant-Owned Improvements, and (c) in State-Owned Improvements. In the event of a partial taking, this ratio will be computed on the basis of the portion of Property or improvements taken If Tenant and State are unable to agree on the allocation, it shall be submitted to binding arbitration in accordance with the rules of the American Arbitration Association, as provided in Section 17 below

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## 15. NEW LEASE

15 1 Ability to Seek New Lease Prior to Lease Expiration.

(a) Notice Tenant may seek to terminate this Lease prior to the Termination Date, and seek to enter into a new lease for the Property, by providing written notice to State no later than eighteen (18) months prior to the Termination Date Tenant's written notice shall consist of a completed State lease application (including all plans and diagrams), the real property appraisals required pursuant to Subsection 15 4, and such other submission materials as may be specified in State's lease application forms

(b) Evaluation of Tenant's Request. Tenant acknowledges that its ability to seek a new lease is contingent upon being a tenant in good standing and that State may take into consideration Tenant's past performance under this Lease, and its ability to perform in the future, when making the determination to grant a new lease. State shall offer Tenant a new lease subject to the provisions of this Section 15 if the following conditions exist as of the date Tenant provides written notice requesting a new lease: 1) During the prior Term of the Lease there have been no material breaches that Tenant failed to cure in a timely manner when provided with notice, 2) There currently exists no default or event which would constitute a default after the passage of time or giving of notice, and 3) Tenant can demonstrate the financial capacity to perform under the new lease. If these conditions are not met, State may further evaluate Tenant's

capacity to perform prior to making a determination to offer a new lease.

15.2 Lease Offer by State.

(a) Public Interest Determination. Within one hundred and twenty (120) days of the receipt of Tenant's completed application for a new lease, State shall inform Tenant if its proposal to make use of the Harbor Area is consistent with the public's interest in the use of these lands If Tenant's proposed use is consistent with the public's interest in the use of the Harbor Area, State shall submit to Tenant the terms of its proposed new lease, including the annual rent determined pursuant to subsection 15 4, within ninety (90) days after State's determination.

(b) Alternate Uses of Harbor Area If State determines that the public interest in the Harbor Area would be best served by a different activity, State shall inform Tenant of the acceptable uses to which the Harbor Area may be put and Tenant shall be given an additional 180 days in which to submit a lease application that is consistent with State's determination Along with its application, Tenant shall submit a plan of operations to State demonstrating that it has the financial capacity and operational expertise to undertake the newly proposed use of the Harbor Area. State may reject Tenant's proposal only if there is clear and convincing evidence to support a conclusion that Tenant does not have either the financial capacity or operational expertise to undertake the newly proposed use of the Harbor Area. Within ninety (90) days after Tenant submits an acceptable revised application, State shall submit to Tenant the terms of its proposed new lease, including the annual rent determined pursuant to Subsection 15 4

15 3 Acceptance of State's Lease Offer.

(a) Time for Acceptance and Arbitration Tenant shall have sixty (60) days after State submits its proposed lease terms in which to accept the terms of the lease proposed by State. If Tenant is willing to accept all of the proposed lease terms with the exception of the proposed rent, the term of years, or such other major terms relating to the hospitality industry that are unique to this lease in that they differ materially from the standard lease terms contained in other State aquatic land leases, then Tenant may request, and State shall grant, a one hundred and twenty (120) day extension of the time for accepting the lease Each party shall have an affirmative obligation of good faith and fair dealing when resolving any matters left for resolution during this extension period. During the first forty five(45) days of this extension period, Tenant and State agree to enter into discussions in an attempt to arrive at a mutually acceptable lease agreement. If the parties continue to have a disagreement over the proposed lease terms after forty-five (45) days, the parties agree to enter into non-binding arbitration for the remaining period of time in an attempt to arrive at a satisfactory set of lease terms The arbitration shall utilize the provisions in this Section 15 and shall not employ the procedures specified in Section 17 The arbitration shall be conducted by a three member panel. One member of the panel shall be selected and compensated by Tenant, another member shall be selected and compensated by State, and the final member shall be selected by the other two members jointly with compensation being paid jointly by State and Tenant In the event that the two panelists cannot agree upon the selection of a third panelist, the third panelist shall be appointed by the Thurston County Superior Court upon the motion of either State or Tenant

(b) Procedures for Arbitration of Rent on Renewal To the extent that the parties are in disagreement over the rent to be charged, the arbitration shall be based upon the appraisal and rental information provided pursuant to Subsection 15 4 The panel of Arbitrators



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shall determine a proposed rent by consensus or, if that is not possible, by averaging the annual rental streams from the two arbitration panelists that are closest to one another. The rental stream comparison shall be based upon the cumulative rent that will be paid over time reduced to a net present value over the term of each lease

(c) Termination of Dispute Resolution for Renewal In the event that either party is dissatisfied with the results of the arbitration panel, and provided a dissatisfied party has acted in good faith reasonably based on the merits of the arbitration panel results, they may terminate the dispute resolution process by providing written notice to the other party

(d) Lapsed Offer If Tenant ultimately rejects the terms of the new lease that have been proposed by State, or if Tenant fails to respond within the initial sixty day acceptance period, the offer shall be deemed to have lapsed and this Lease shall remain in effect as if the Notice of Intent to Seek New Lease did not exist Nothing contained herein shall prohibit Tenant from submitting additional Notices of Intent to Seek New Lease until eighteen (18) months prior to the Termination Date If the offer lapses within eighteen (18) months prior to the Termination Date, State may proceed to solicit lease offers for the Harbor Area from any other person or entity, subject to the right of first refusal provisions of Subsection 15 5.

15.4 Rental Rates for New Lease

(a) Determination of Annual Rent In the event that a new lease is offered pursuant to the provisions of Section 15, the annual rent shall be determined in a manner consistent with the applicable rental provisions of Chapter 79 RCW, or such other statutory provisions governing the lease of state-Owned aquatic lands and improvements that are in effect on the date the application for a new lease is processed

(b) Basis for Rental Rate Determination for Operation as a Hotel In those cases where the new lease offered is for the operation of a hotel, the annual rent shall be a fair market rental value consisting of base rent and percentage rent Percentage rent shall be paid to the extent it exceeds base rent Percentage rent shall be based on categories of income typical to hotel leases, such as room income, food and beverage income, and other income The actual percentage rate to be applied shall be substantially equivalent to the percentage rates utilized for comparable hotels situated in the Western United States

(c) Basis of Annual Rent for Use Other Than Operation of a Hotel In the event that a new lease is offered pursuant to Subsection 15.2 for a nonwater-dependent use other than the operation of a hotel, the annual rent shall be a fair market rental value determined using a methodology and principles generally applicable to comparable ground leases for the type of use being considered. Rental rates for water-dependent activities shall be determined in accordance with the statutes and regulations in effect on the date the renewal application is submitted to State.

(d) Appraisal. Tenant shall, at its own expense, provide State with an appraisal of the fair market rental rate for the Property. The appraisal shall include the following elements:

(1) Western U S. Research on Ground Leases and Property Leases A research report on comparable ground and property leases for similar hotel properties, especially focusing on those hotels with waterfront features To the extent feasible, this information is to be used as the primary means of determining the percentage rate used for percentage rent.



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(2) Market Supply/Demand, 10-Year Proforma, and Valuation Analysis The following information is to be used primarily to estimate the value and financial performance of the property and the lease

(i) A market supply and demand study that analyzes a competitive set of similar properties and estimates rate and occupancy for the subject property. This supply and demand study must consider future changes in the marketplace, including supply and demand changes, mix of business for hotel room nights and other future trends

(ii) A detailed ten-year proforma cash flow for the leased Property This net cash flow must take into consideration market supply and demand characteristics identified above One set of pro forma cash flow projections shall be based upon the Property being leased as is. Additional sets shall be prepared based upon any proposed levels of Property renovation

(iii) An estimate of the market value for the hotel in its "as is" condition utilizing market return characteristics, and other pertinent investment criteria, along with any projected value(s) based upon any proposed improvements or renovations of the Property.

(iv) A presentation of the results of the market value estimate in a summary report in accordance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Institute. In the event that State determines, pursuant to Subsection 15 2, that the harbor area should be used for a use other than a hotel, and Tenant intends to submit a new lease application consistent with State's determination, Tenant shall submit a new appraisal for the property no later than sixty (60) days after State's determination. The new appraisal shall include elements specified by State appropriate to the alternative use

(v) The appraisal shall be prepared by an appraiser selected jointly by Tenant and State. The appraisal instructions shall be approved by State and the appraisal contract shall provide that the report is being prepared for the benefit of both parties and that both parties shall have equal access to all of the appraiser's work product and conclusions. In order for Tenant to meet its obligation to provide a timely appraisal, Tenant is encouraged to contact State at the earliest opportunity to seek approval of the appraiser and any appraisal instructions State may obtain additional consulting services, appraisals, or opinions of value in determining the annual rent for the new lease at its own expense

15 5 Right of First Refusal-thirty-six (36) Months Remaining.

(a) Circumstances in which Right of First Refusal shall be Granted With respect to any request to terminate the Lease and obtain a new lease that is made by Tenant with less than thirty-six (36) months remaining on the Lease Term, State agrees that Tenant shall be granted a right of first refusal to lease the Property in the following cases

(1) In those cases where Tenant elects to follow the provisions of Section 15 to secure a new lease for the operation of a hotel, but the lease offer lapses because it is rejected or because a timely response is not made;

(2) In those cases where Tenant submits a revised application for an alternate use of the Harbor Area under the provisions of Subsection 15.2, and State determines that Tenant is capable of undertaking the alternate use of the Harbor Area, but the lease offer lapses because it is rejected or because a timely response is not made; and

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(3) In those cases where State initially determines that the Harbor Area should be used for a use other than a hotel, but within twenty-four (24) months after the Termination Date makes a new determination that the Harbor Area may be used for the operation of a hotel

(4) This Subsection 15.5 shall not apply, and no right of first refusal shall be granted, with respect to any request to terminate the Lease, and obtain a new lease, that is made more than thirty-six (36) months prior to the Termination Date

(b) Period of Time in Which Right of First Refusal is Operative In those cases where a right of first refusal is granted under the provisions of Subsection 15 5(a)(1) and (2), the right of first refusal shall continue in full force and effect until it either lapses pursuant to Subsection 15 5(e) or until twenty-four (24) months following the Termination Date, whichever is earlier in time.

(c) Tenant Required to Hold Over Tenant's right of first refusal under the provisions of Subsection 15 5(1) and (2) shall be granted, and shall continue to exist, only where Tenant holds-over under the provisions of Subsection 3 3 during the period in which the right of first refusal exists, and where Tenant remains in good standing under the Lease during this period of time. Tenant shall have no hold-over obligation in those cases where a right of first refusal is granted under the provisions of Subsection 15.5 (a)(3).

(d) Operation of the Right of First Refusal

(1) During the period in which Tenant has a right of first refusal under the provisions of Subsections 15.5(a) (1) and (2), State shall provide Tenant with a copy of any lease that it proposes to enter into if the terms and conditions are less favorable to State than those contained in State's last lease offer to Tenant Tenant shall have thirty (30) days after its receipt of the proposed lease in which to exercise its right of first refusal by notifying State in writing that it will accept the proposed lease terms For the purposes of applying this provision, a lease contains terms that are "less favorable to State" where the net present value of the cumulative rent, in dollars, that would be received by State during the term of the proposed lease is less than the net present value of the cumulative rent that would have been received by State under the lease offer last made by State to Tenant The comparison of the two income streams shall utilize identical time periods and discount rates In the event that the two leases to be compared have different lease terms, cumulative rent shall be calculated based upon rent accruing under each lease for a period of time equal to the shorter of the two lease terms. No other adjustments shall be made to the income streams for the purposes of applying this paragraph

(2) In those cases where a right of first refusal arises pursuant to Subsection 15 5(a)(3), State shall inform Tenant of its determination and shall provide Tenant with ninety (90) days in which to submit a lease application in the manner described in Subsection 15 1. Thereafter, the parties shall proceed based upon the conditions and time limits described in Subsections 15.2, 15 3, and 15 4 Furthermore, if Tenant submits a timely lease application under this Subsection 15.5 (d)(2), State agrees to grant Tenant a right of first refusal on terms and conditions identical to those described in Subsections 15.5(a)(1), (c), (d) and (e) that shall remain in force for a period of twenty-four (24) months following the date when a lease offer by State lapses, or until such time as the right of first refusal lapses pursuant to Subsection 15 5(e), whichever is earlier in time Tenant shall only be required to hold-over under the

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provisions of Subsection 15.5(c) if it was already in holdover status at the time State informed Tenant of its revised determination that the Harbor Area could be used for the operation of a hotel

(e) Waiver and Expiration of Right of First Refusal If Tenant fails to timely exercise its right of first refusal, or if tenant notifies State that it rejects the new proposed lease or that it is waiving its right of first refusal, the right of first refusal shall immediately lapse and be deemed waived. If State subsequently fails to enter into a lease with a third party on the terms and conditions communicated to Tenant, and later receives or makes a revised lease offer during the period of time following the Termination Date in which Tenant might have been granted a right of first refusal, Tenant's right of first refusal shall be revived, but shall not extend beyond the original period of time as provided in Subsection 15 5(b) or (d)(2), as applicable

(f) Tenant's Right to Operate Hotel Subsequent to the termination of this Lease, and during any period in which a Right of First Refusal is in effect, Tenant shall be allowed to operate the Hotel if State desires to continue its operation during that period of time Tenant's operation of the hotel under these circumstances shall be conducted as a holdover tenancy under the provisions of Subsection 3.3.

15.6 Statutory Option to Renew. The renewal provisions of this Section 15 are supplemental to any statutory renewal provisions that may apply upon expiration of the Term of this Lease, including Tenant's statutory right to apply for a re-lease of the Property for a period not to exceed thirty (30) years, as provided by RCW 79.92 080 and RCW 79 92 090 as presently enacted or hereafter amended or superceded As presently enacted, RCW 79 92.090 provides that, upon filing an application and upon acceptance by Tenant of the terms and conditions set by State for re-leasing the Property, Tenant shall be granted an option for sixty (60) days in which to accept the new lease

15.7 Renewal Provisions Included in New Lease. The parties agree that if one or more new leases are entered into between State and Tenant pursuant to Section 15, the new lease(s) will contain and provide for the same renewal provisions as are contained in Subsections 15 1 through 15 7 However, the obligations contained in these renewal provisions may not be invoked, and shall have no further force and effect, beyond a period of sixty-years starting with the Commencement Date of this Lease Inclusion of the provisions of this Subsection 15 7 in future new leases shall include such modifications as are necessary to reflect a date for the calculation of the sixty-year period commensurate with the Commencement Date of this Lease.

15 8 Transfer of Title to Tenant's Parcel. In consideration of the terms and conditions granted under this Subsection 15, and the other terms of this Lease, Tenant, and its successors and assigns, agrees to transfer fee title to the Tenant's Parcel and the Improvements thereon to State, without the provision for any additional consideration, upon any valid termination of this Lease, including terminations by default, by passage of the Termination Date, by voluntary surrender, or by operation of the provisions of this Section 15 Tenant further agrees that during the Term of this Lease it will not encumber or cloud the title to this parcel of land in a manner that would survive the termination of this Lease without State's prior written consent

## 16. DEFAULT AND REMEDIES

(a) Tenant shall be in default of this Lease on the occurrence of any of the following:



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(1) Failure to pay Annual Rent or other expenses when due;

(2) Failure to comply with any law, regulation, policy, or order of any lawful governmental authority;

(3) Failure to comply with any other provision of this Lease;

(4) A continuing series of the same or similar occurrences which constitute successive defaults over an extended period, each of which default may be or is cured after notice, but collectively demonstrates a reasonable likelihood of future defaults in the absence of corrective action by Tenant, or a single serious default that by its nature demonstrates a reasonable likelihood of future defaults in the absence of corrective action

(5) Proceedings are commenced by or against Tenant under any bankruptcy act or for the appointment of a trustee or receiver of Tenant's property

(b) A default shall become an event of default ("Event of Default") if Tenant fails to cure the default within sixty (60) days after State provides Tenant with written notice of default, which specifies the nature of the default If the default is non-monetary and is not reasonably susceptible of being cured within sixty (60) days, Tenant shall not be in default if Tenant commences to cure the default within that period and diligently pursues its action to completion

(c) Upon an Event of Default, State may terminate this Lease and remove Tenant by summary proceedings or otherwise State may also, without terminating this Lease, re-let the Property on any terms and conditions as State in its sole discretion may decide are appropriate If State elects to re-let, rent received by it shall be applied. (1) to the payment of any indebtedness other than rent due from Tenant to State, (2) to the payment of any cost of such re-letting; (3) to the payment of the cost of any alterations and repairs to the Property, and, (4) to the payment of rent and leasehold excise tax due and unpaid under this Lease. Any balance shall be held by State and applied to Tenant's future rent as it becomes due Tenant shall be responsible for any deficiency created by the reletting during any month and shall pay the deficiency monthly. State's reentry or repossession of the Property under this subsection shall not be construed as an election to terminate this Lease or cause a forfeiture of rents or other charges to be paid during the balance of the Term, unless State gives a written notice of termination to Tenant or termination is decreed by legal proceedings. State may at any time after reletting elect to terminate this Lease for the previous Event of Default

**ARBITRATION**

17.

17 1 Issues Subject to Arbitration Any controversy which shall arise between State and Tenant regarding the provisions of this Lease that relate to the amount of insurance to be maintained by Tenant, the allocation of any condemnation award, the degree of damage or destruction suffered by the Property or any matter expressly made subject to arbitration in this Lease, shall be settled by arbitration.

17 2 Appointment of Arbitrators. The arbitration shall be before one (1) disinterested qualified arbitrator if one can be agreed upon, otherwise before three (3) disinterested qualified arbitrators, one named by State, one by Tenant, and one by the two thus chosen, provided, that if said two arbitrators cannot agree upon a third arbitrator within fifteen (15) days, then the third arbitrator shall be appointed by the Thurston County Superior Court upon motion of either State or Tenant If State or Tenant shall fail to so appoint an arbitrator within twenty-five (25) days



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after written notice from the other party to make such appointment, then the arbitrator appointed by the party not in default under this Subsection shall appoint the second arbitrator, and the third arbitrator shall be appointed as provided above A "disinterested arbitrator" shall be a person who shall not have a direct or indirect financial interest in the decisions to be made by the board of arbitrators and who shall not be an officer, director, employee, or agent of State or Tenant. In the case of arbitrations relating to the determination of values of real property and interests therein, a qualified arbitrator shall mean a real estate appraiser who has a professional designation as an "MAI" or "SREA", or is a member of a similarly recognized professional organization. Otherwise, a qualified arbitrator shall mean a person generally familiar with the subject matter of the controversy.

17 3 Arbitration Procedure. The arbitrator or arbitrators shall determine the controversy in accordance with the laws of the State of Washington as applied to the facts found by him, her or them, and in accordance with the rules of the Uniform Arbitration Act as adopted in the State of Washington at RCW Chapter 7 04 and by the American Arbitration Association The arbitrator or arbitrators shall make awards in strict conformity with the rules and shall have no power to depart from or change any of their provisions All arbitration proceedings shall be conducted in the City of Seattle, Washington. The arbitrator or arbitrators after being duly sworn to perform all duties with impartiality and fidelity shall proceed to determine the question or questions submitted The decision of the arbitrator or arbitrators shall be rendered within thirty (30) days after appointment and the decision shall be in writing and in duplicate, one counterpart thereof to be delivered to each of the parties The award of the arbitrator or arbitrators shall be binding, final and conclusive on the parties and judgment on such award rendered may be entered in any court having jurisdiction Fees of the arbitrator or arbitrators and the expenses incident to the proceeding shall be borne equally between State and Tenant. Fees of the respective counsel engaged by the parties and fees of expert witnesses or other witnesses called for the parties shall be paid by the respective party engaging the counsel or calling or engaging the witness Except as specifically provided in this Section 17 or elsewhere in the Lease, no other dispute or controversy between State or Tenant shall be determined by arbitration.

**18. ENTRY BY STATE**

State shall have the right to enter the portion of the Property open to the public at any reasonable hour without prior notice to Tenant. For that portion of the Property that is not open to the public, State shall have the right to enter at any reasonable hour upon prior notice to the Tenant to inspect for compliance with the terms of this Lease. Any prior notice required under this Section 18 shall not be required in the event of an emergency

**19. DISCLAIMER OF QUIET ENJOYMENT**

As indicated in Subsection 1.1, this Lease is subject to all valid recorded interests of third parties, as well as rights of the public under the Public Trust Doctrine or federal navigation servitude, and treaty rights of Indian Tribes. State believes that its grant of the Lease is consistent with the Public Trust Doctrine and that none of the identified interests of third parties will materially and adversely affect Tenant's right of possession and use of the Property as set forth herein, but makes no guaranty or warranty to that effect Tenant and State expressly agree



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that Tenant shall be responsible for determining the extent of its right to possession and for defending its leasehold interest Consequently, State expressly disclaims and Tenant expressly releases State from any claim for breach of any implied covenant of quiet enjoyment with respect to the possession of the Property This disclaimer includes, but is not limited to, interference arising from or in connection with access or other use rights of adjacent property owners or the public over the water surface or in or under the water column, including rights under the Public Trust Doctrine; rights held by Indian Tribes, and the general power and authority of State and the United States with respect to aquatic lands, navigable waters, bedlands, tidelands, and shorelands In the event Tenant is evicted from the Property by reason of successful assertion of any of these rights, this Lease shall terminate as of the date of the eviction In the event of a partial eviction, Tenant's rent obligations shall abate as of the date of the partial eviction, in direct proportion to the extent of the eviction, but in all other respects, this Lease shall remain in full force and effect If a partial eviction results in Tenant being unable to operate the Property in a commercially reasonable manner as determined by the parties hereto in accordance with the terms of this Lease, then the Lease shall be terminated as of the date of the partial eviction If the parties do not agree as to the affect of a partial eviction, then the matter shall be submitted to arbitration under Section 17 of this Lease.

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## 20. NOTICE

Any notices required or permitted under this Lease may be personally delivered, delivered by facsimile machine, or mailed by certified mail, return receipt requested, to the following addresses or to such other places as the parties may direct in writing from time to time

State. DEPARTMENT OF NATURAL RESOURCES
South Puget Sound Region
950 Farman Street North
PO Box 68
Enumclaw, WA 98022-0068

Tenant· EDGEWATER ASSOCIATES
2411 Alaskan Way
Seattle, WA 98121

Any notice to a Leasehold Mortgagee shall be addressed as provided in Subsection 10 16 above A notice shall be deemed given and delivered upon personal delivery, upon receipt of a confirmation report if delivered by facsimile machine, or three (3) days after being mailed as set forth above, whichever is applicable

## 21. MISCELLANEOUS

21 1 Authority. Tenant and the person or persons executing this Lease on behalf of Tenant represent that Tenant is qualified to do business in the State of Washington, that Tenant

has full right and authority to enter into this Lease, and that each and every person signing on behalf of Tenant is authorized to do so Upon State's request, Tenant will provide evidence satisfactory to State confirming these representations This Lease is entered into by State pursuant to the authority granted it in Chapters 79.90 to 79 96 RCW and the Constitution of the State of Washington

21 2 Successors and Assigns This Lease shall be binding upon and inure to the benefit of the parties, their successors and assigns

21.3 Headings The headings used in this Lease are for convenience only and in no way define, limit, or extend the scope of this Lease or the intent of any provision.

21.4 Entire Agreement This Lease, including the exhibits and addenda, if any, contains the entire agreement of the parties All prior and contemporaneous agreements, promises, representations, and statements relating to this transaction or to the Property, if any, are merged into this Lease

21 5 Waiver The waiver by State of any breach or default of any term, covenant, or condition of this Lease shall not be deemed to be a waiver of such term, covenant, or condition, of any subsequent breach or default of the same; or of any other term, covenant, or condition of this Lease State's acceptance of a rental payment shall not be construed to be a waiver of any preceding or existing breach other than the failure to pay the particular rental payment that was accepted

21 6 Cumulative Remedies The rights and remedies of State under this Lease are cumulative and in addition to all other rights and remedies afforded to State by law or equity or otherwise

21 7 Time is of the Essence Time is of the essence as to each and every provision of this Lease.

21.8 Language The word "Tenant" as used in this Lease shall be applicable to one or more persons, as the case may be The singular shall include the plural, and the neuter shall include the masculine and feminine. If there is more than one Tenant, their obligations shall be joint and several. The word "persons," whenever used, shall include individuals, firms, associations, and corporations

21 9 Invalidity If any provision of this Lease shall prove to be invalid, void, or illegal, it shall in no way affect, impair, or invalidate any other provision of this Lease

21 10 Applicable Law and Venue. This Lease shall be interpreted and construed in accordance with the laws of the State of Washington. Any reference to a statute shall mean that statute as presently enacted or hereafter amended or superseded Venue for any action arising out of or in connection with this Lease shall be in the Superior Court for Thurston County, Washington

21.11 Recordation. Tenant shall record this Lease or a memorandum documenting the existence of this Lease in the county in which the Property is located, at Tenant's sole expense. The memorandum shall, at a minimum, contain the Property description, the names of the parties to the Lease, the State's lease number, and the duration of the Lease Tenant shall provide State with recording information, including the date of recordation and file number Tenant shall have thirty (30) days from the date of delivery of the final executed agreement to comply with the requirements of this subsection. If Tenant fails to record this Lease, State may record it and Tenant shall pay the costs of recording upon State's demand

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21.12 Modification Any modification of this Lease must be in writing and signed by the parties State shall not be bound by any oral representations or statements

21.13 Escalation

(a) Standard of Measurement The dollar amounts stated in Sections 6, 7, 9, 10 and 11 (and elsewhere as indicated) shall be adjusted on the fourth anniversary following the Commencement Date and every fourth Anniversary date thereafter during the Term of this Lease to a dollar amount which bears the same ratio to the original dollar amount set forth herein as the following-described index figure published for the latest date prior to the date such adjustment is to be effective bears to such index figure published for the latest month prior to the date hereof The index figure to be utilized in calculating such adjustments shall be the Revised Consumer Price Index All Urban Consumers published by the United States Department of Labor, Bureau of Labor Statistics for Seattle-Everett SMSA for All Items, (1982 - 1984). In the event the Index shall hereafter be converted to a different standard reference base or otherwise revised, the determination of the percentage increase shall be made with the use of such conversion factor, formula or table for converting the Index as may be published by the Bureau of Labor Statistics or, if said Bureau shall not publish the same, then with the use of such conversion factor, formula or table as may be published by Prentice Hall, Inc , or, failing such publication, by any other nationally recognized publisher of similar statistical information. In the event the Index shall cease to be published, then, for the purposes of this Lease, there shall be substituted for the Index such other index as State and Tenant shall agree upon, and if they are unable to agree within ninety (90) days after the Index ceases to be published, such matter shall be determined by Arbitration in accordance with Section 17 of this Lease.

(b) Any provision in subparagraph (a) notwithstanding, under no circumstances shall the dollar amounts identified in the subparagraph (a) of this paragraph be less than the amounts stated in the sections referenced therein or as they may have been adjusted upward at any earlier fourth Anniversary adjustment

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THIS AGREEMENT requires the signature of all parties and is executed as of the date of the last signature below

STATE

STATE OF WASHINGTON
DEPARTMENT OF NATURAL RESOURCES

By _____
JENNIFER M. BELCHER

Its: Commissioner of Public Lands

Dated. 1/9/01

TENANT:

EDGEWATER ASSOCIATES,
A California General Partnership
By Edgewater Partner, Inc.
A Washington Corporation, its General Partner

By _____
PATRICK R COLEE

Its· President

Dated. 12/8/00

Approved as to form:
MICHAEL S. GROSSMANN
Assistant Attorney General
1-09-01

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PROOFED

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STATE OF WASHINGTON )
)ss
COUNTY OF )

I certify that I know or have satisfactory evidence that JENNIFER M BELCHER is the person who appeared before me, and is the Commissioner of Public Lands of the STATE OF WASHINGTON DEPARTMENT OF NATURAL RESOURCES I further certify that said person acknowledged the foregoing to be the free and voluntary act of the STATE OF WASHINGTON DEPARTMENT OF NATURAL RESOURCES for the uses and purposes mentioned in the instrument, and on oath stated that she is duly authorized to execute and acknowledge said instrument

DATED. 1/9/01

Aletta Nurse

ALETTA NURSE
(Type/Print Name)
Notary Public in and for the State of Washington
residing at: Thurston
My Commission Expires 11/5/05

STATE OF WASHINGTON )
) ss.
COUNTY OF King )

I certify that I know or have satisfactory evidence that PATRICK R COLEE is the person who appeared before me, and is the President of EDGEWATER PARTNER, INC, a General Partner of EDGEWATER ASSOCIATES ("Tenant") I further certify that said person acknowledged the foregoing instrument to be the free and voluntary act of the Tenant for the uses and purposes mentioned in the instrument, and on oath state that he is duly authorized to execute and acknowledge said instrument.

DATED: 12/8/00

Chris Evens

Chris Evens
(Type/Print Name)
Notary Public in and for the State of Washington
residing at: Bothell
My Commission Expires 11/19/04

CHRISTINE H. EVENS NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES 11-19-04

EXHIBIT A

LEGAL DESCRIPTION

**PARCEL A**

ALL HARBOR AREAS LYING IN FRONT OF SOUTH HALF OF LOT 3 AND ALL OF LOTS 4, 5, 6, 7 AND 8 IN BLOCK 170 OF SEATTLE TIDE LANDS AND BOUNDED BY THE INNER AND OUTER HARBOR LINES AND THE PRODUCED SIDE LINES OF SAID PORTION OF BLOCK 170,

TOGETHER WITH THAT PORTION OF BATTERY STREET FOR BUILDING ROOF OVERHANG, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS,

COMMENCING AT THE INTERSECTION OF THE SOUTHWEST MARGIN OF ALASKA WAY AND THE NORTH MARGIN OF BATTERY STREET,
THENCE NORTH 88° 51'57" WEST 174 29 FEET ALONG SAID NORTH MARGIN TO THE TRUE POINT OF BEGINNING,
THENCE LEAVING SAID NORTH MARGIN SOUTH 01°I0'00" WEST 4 00 FEET,
THENCE NORTH 88°50'00" WEST 345.20 FEET,
THENCE NORTH 51°48'50" WEST 6 31 FEET TO SAID NORTH MARGIN,
THENCE SOUTH 58°51'59" EAST 350 23 FEET ALONG SAID NORTH MARGIN TO THE TRUE POINT OF BEGINNING

SITUATE IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON

**PARCEL B**

LOTS 1, 2 AND THE NORTH HALF OF LOT 3 IN BLOCK 170 OF SEATTLE TIDE LANDS

SITUATE IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON

**PARCEL C:**

ALL HARBOR AREAS LYING IN FRONT OF LOTS 1,2 AND THE NORTH 1/2 OF LOT 3 IN BLOCK 170 OF SEATTLE TIDE LANDS, AND BOUNDED BY THE INNER AND OUTER HARBOR LINES AND THE PRODUCED SIDE LINES OF SAID PORTION OF BLOCK 170,

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TOGETHER WITH THAT PORTION OF VINE STREET FOR DOCK STRUCTURE, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS

BEGINNING AT THE INTERSECTION OF THE SOUTHWEST MARGIN OF ALASKA WAY AND THE SOUTH MARGIN OF VINE STREET;
THENCE NORTH 88°51'57" WEST 193 00 FEET ALONG SAID SOUTH MARGIN,
THENCE LEAVING SAID SOUTH MARGIN NORTH 25°34'41" EAST 6 04 FEET,
THENCE SOUTH 86°55'17" EAST 162 09 FEET,
THENCE NORTH 43°43'42" EAST 17 31 FEET TO THE SOUTHWEST MARGIN OF ALASKA WAY,
THENCE SOUTH 51°36'49" EAST 21.07 FEET ALONG SAID SOUTHWEST MARGIN TO THE POINT OF BEGINNING

SITUATE IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON

2001 030 7000418

LEGAL DESCRIPTION

PARCEL A,

ALL HARBOR AREAS LYING IN FRONT OF SOUTH HALF OF LOT 3 AND ALL OF LOTS 4 5 6 7 AND 8 IN BLOCK 170 OF SEATTLE TIDE LANDS, AND BOUNDED BY THE INNER AND OUTER HARBOR LINES AND THE PRODUCED SIDE LINES OF SAID PORTION OF BLOCK 170;

TOGETHER WITH THAT PORTION OF BATTERY STREET FOR BUILDING ROOF OVERHANG, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:
COMMENCING AT THE INTERSECTION OF THE SOUTHWEST MARGIN OF ALASKA WAY AND THE NORTH MARGIN OF BATTERY STREET
THENCE NORTH 88°31'57" WEST 174.28 FEET ALONG SAID NORTH MARGIN TO THE TRUE POINT OF BEGINNING,
THENCE LEAVING SAID NORTH MARGIN SOUTH 01°10'00" WEST 4.00 FEET
THENCE NORTH 88°50'00" WEST 345.20 FEET
THENCE NORTH 01°10'00" EAST 0.31 FEET TO SAID NORTH MARGIN;
THENCE SOUTH 88°31'00" EAST 350.23 FEET ALONG SAID NORTH MARGIN TO THE TRUE POINT OF BEGINNING.

SITUATE IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON.

PARCEL B:

LOTS 1 2 AND THE NORTH HALF OF LOT 3 IN BLOCK 170 OF SEATTLE TIDE LANDS.

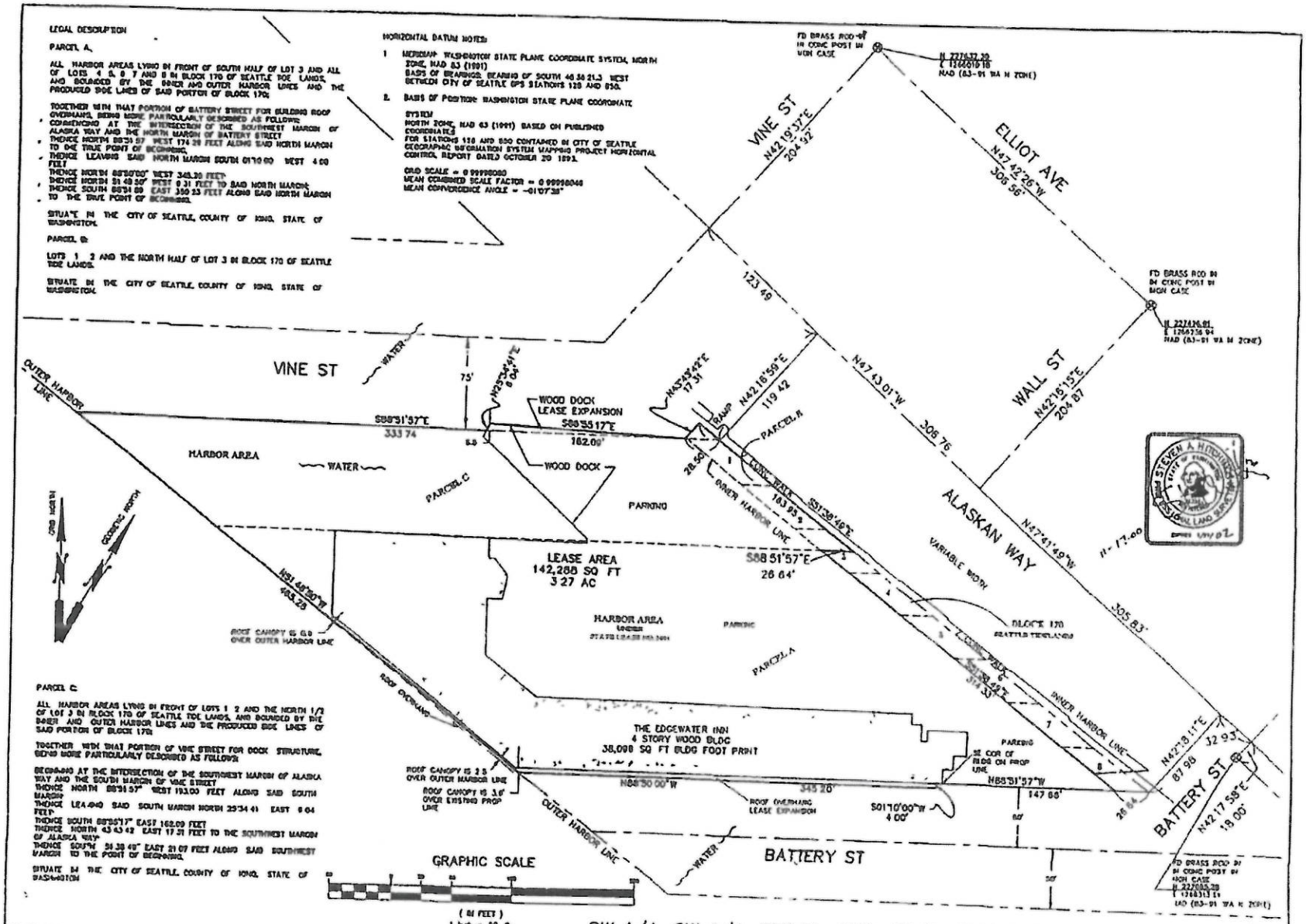
SITUATE IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON.

HORIZONTAL DATUM NOTES:

1. MERIDIAN: WASHINGTON STATE PLANE COORDINATE SYSTEM, NORTH ZONE, NAD 83 (1991)
BASIS OF BEARINGS: BEARING OF SOUTH 46°50'21.3" WEST BETWEEN CITY OF SEATTLE GPS STATIONS 120 AND 850.

2. BASIS OF POSITION: WASHINGTON STATE PLANE COORDINATE SYSTEM
NORTH ZONE, NAD 83 (1991) BASED ON PUBLISHED COORDINATES FOR STATIONS 120 AND 850 CONTAINED IN CITY OF SEATTLE GEOGRAPHIC INFORMATION SYSTEM MAPPING PROJECT HORIZONTAL CONTROL REPORT DATED OCTOBER 20 1993.

GRID SCALE = 0.99998080
MEAN COMBINED SCALE FACTOR = 0.99998040
MEAN CONVERGENCE ANGLE = -0°10'38"




PARCEL C:

ALL HARBOR AREAS LYING IN FRONT OF LOTS 1 2 AND THE NORTH 1/2 OF LOT 3 IN BLOCK 170 OF SEATTLE TIDE LANDS, AND BOUNDED BY THE INNER AND OUTER HARBOR LINES AND THE PRODUCED SIDE LINES OF SAID PORTION OF BLOCK 170;

TOGETHER WITH THAT PORTION OF VINE STREET FOR DOCK STRUCTURE, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHWEST MARGIN OF ALASKA WAY AND THE SOUTH MARGIN OF VINE STREET
THENCE NORTH 88°31'57" WEST 193.00 FEET ALONG SAID SOUTH MARGIN
THENCE LEAVING SAID SOUTH MARGIN NORTH 25°34'41" EAST 8.04 FEET
THENCE SOUTH 88°55'17" EAST 162.09 FEET
THENCE NORTH 43°43'42" EAST 17.31 FEET TO THE SOUTHWEST MARGIN OF ALASKA WAY
THENCE SOUTH 31°39'40" EAST 21.07 FEET ALONG SAID SOUTHWEST MARGIN TO THE POINT OF BEGINNING.

SITUATE IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON

SW 1/4, SW 1/4, SEC 31, TWP 25 N, RGE 4 E., W.M.

EXHIBIT "A"

AUDITOR OR RECORDER'S CERTIFICATE

Filed for record this ___ day of ___, 20__ at ___ M in Book ___ of Surveys at page ___ at the request of BUSH, ROED & HITCHINGS INC

COUNTY AUDITOR OR DIVISION OF RECORDS & ELECTIONS

County Auditor or Superintendent of Records

SURVEYOR'S CERTIFICATE

This map correctly represents a survey made by me or under my direction in conformance with the requirements of the Survey Recording Act at the request of NEBLE HOUSE on OCT 2000

11-17-00

Certificate No 23533

BUSH, ROED & HITCHINGS, INC
CIVIL ENGINEERS & LAND SURVEYORS
2009 MINOR AVE EAST (206) 323-4144
SEATTLE WASHINGTON 1-800-815-0508
98102-3513 FAX# (206) 323-7135
E-MAIL: WP@BRHINC.COM

AQUATIC LEASE PARCEL
THE EDGEWATER INN
SEATTLE, WASHINGTON

| | | |
|---|---|---|
| DRAWN BY DAB | DATE 10/13/00 | JOB 87186-03 |
| CHECKED BY SAH | SCALE 1"=50' | SHEET 1 OF 1 |

200011179000 9

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# EXHIBIT B

# PLAN OF OPERATIONS, DEVELOPMENT AND MAINTENANCE

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# PLAN OF OPERATIONS, DEVELOPMENT AND MAINTENANCE
## PIERS 67 & 68 – DNR LEASE RENEWAL
Prepared by Noble House Hotels & Resorts

## I. OPERATING PLAN

### 1.1 TENANT AND OPERATOR

The real property and all the rights of the State of Washington in the improvements consisting of a hotel and restaurant and related facilities located on Piers 67 & 68, are leased by Edgewater Associates, a California general partnership, from State of Washington, Department of Natural Resources ("DNR") Edgewater Associates ("Tenant") purchased the hotel in December 1987, and has been the sole lessee on a ground lease with the DNR Westgroup Edgewater, L P , a subsidiary of Noble House Hotels & Resorts manages the hotel for the ownership

### 1.2 PHYSICAL DESCRIPTION

The subject property is located in the City of Seattle's Central Waterfront District, and consists of land in the harbor area west of the Alaskan Way seawall that is essentially submerged during high tide The total land area is approximately 145,362 square feet or 3 34 acres, and all four parcels collectively include 457 20 lineal feet of frontage along Alaskan Way.

The pier structures were originally constructed in the early 1900's and are wood structured piers with treated wood pilings, heavy timber pile caps, timber stringers and heavy wood decking The hotel portion of Pier 67 sits on concrete piles that are in satisfactory condition Approximately 5% of the wood pilings are replaced each year

The building improvements are wood-framed structures clad in a metal shingle system with wood timber accents The building is considered to be in very good condition due to the recently completed exterior façade renovation, and several interior renovations over recent years

The land improvements consist of various parking areas surrounded by landscaped borders, containers and a trellis structure for pedestrian access through the parking lot Another pedestrian access is provided along the face of the building The porte cochere at the hotel's entrance defines the drop off location for arriving guests

## I.2 PRESENT USES

The subject Aquatic Lands (the "Property") will continue to be used by Tenant in the same manner as its current use as a hotel, restaurant and meeting facility. The proposed use of the Property will not change from the present use currently leased from the DNR under Aquatics Lease No 22-0A2694. Existing uses on the Property, which Tenant has and will continue to use, include:

Hotel use
Restaurant and lounge
Office
Retail
Parking and vehicle access driveways
Trash facilities for hotel/restaurant operations
Uses incidental thereto

The above uses are in operation year round, but peak use by the general public not using the hotel and restaurant facilities occurs mainly in the spring and summer as tourists enjoy the Seattle waterfront. There is currently no water-dependent use at the Property due to access limitations (hotel sits on approximately 70% of the face of the pier making moorage ability impossible), in addition to low demand for complementary water-dependent uses as there are numerous available moorage and commercial charters found in the immediate area.

## I.3 SUBAREA USES

Sub-area uses under the Lease include the following areas:

| | |
|---|---|
| Nonwater-Dependant areas | |
| Hotel | 124,800 SF |
| Restaurant/Lounge/Kitchen | 7,400 SF |
| Meeting facilities | 7,600 SF |
| Retail store | 1,200 SF |
| Hotel administrative offices | 4,000 SF |
| Vehicle access, parking and storage | 69,500 SF |
| Total Tenant Area | 214,500 SF* |

*Note: Approximate SF for illustration purposes only

The Property is used for the purpose of operating a hotel facility with its various outlets and amenities available to hotel guests as well as the greater public.



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## 1.5 MAINTENANCE

The Tenant will continue to maintain the buildings and wood pier substructures as necessary to maintain/improve existing conditions Current maintenance practices by Tenant include regular site inspections, preventative maintenance programs, piling replacement and overall building maintenance including roof, mechanical, plumbing, electrical and life safety systems

The analysis of the wood pier substructures including decking, pilings, pile caps and stringers is performed by a structural engineer The Engineer performs annual row-through inspections and determines the targeted piles for replacement during the annual piling replacement program. A 5-year plan, including an underwater diving inspection, is prepared by the Engineer as the basis for the annual pier maintenance and filed with the City of Seattle.

The anticipated annual wood pile maintenance will typically consist of 1) replacing the failed, missing or damaged pile with new pile, which will be driven pile where possible, and stub pile where driven piles are not feasible, 2) reconnecting loose pile, 3) replacement of pile caps, stringers and decking where damaged, and 4) installation of new pile where necessary to maintain the pier in a safe manner in accordance with the City of Seattle's Director's Rule 7-90 Pursuant to new regulations, Tenant is required to pull the "replaced" pile and properly dispose of the old creosote piles

The latest 5-year report completed in June 2000 reflects the continued improvement of the pile condition for Pier 67 & 68. In the previous 5-year report, the pile condition reflected 52% rated Class B or greater (see 5-Year Maintenance Plan report prepared by Spearman Engineering, P S for definition of class rating) The recent report shows this percentage has increased to 70% of the pilings in Class B or greater It is unknown at this time whether this improvement cycle will continue based on anticipated new requirements that may be imposed by the Department of Fisheries and the various governing agencies Tenant anticipates these new requirements will increase the unit cost of piling replacement and reduce the Tenant's ability to continue at the same level of progress that has been achieved over the last 5 years However, the true impact to the annual wood pier maintenance program is unknown at this time until the new requirements are made available

Tenant has spent in excess of $600,000 since the last 5-year report in piling replacement. The 2000 budget of $125,000 is being held in a reserve account to be combined with 2001 funds to be used during the Winter of 2000/2001 once we receive the appropriate permits and approvals to resume the annual pier maintenance program Tenant anticipates continuing at this expenditure level over the next 5 years

Tenant plans to continue to perform the annual pier maintenance based on the current 5-year report and the designated annual budget funds once permits have been issued



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## II. DEVELOPMENT PLAN

### 2.1 FUTURE USES

Tenant plans to continue the existing uses defined in Paragraph 1 3 above Tenant may also modify said uses to be consistent with the market requirements for a quality hotel facility after approval from the DNR on any proposed changes

Potential future use of the Property by a water-dependant operator would be used as a supplement to the existing hotel use

### 2.2 REDEVELOPMENT

Tenant has made substantial improvements to the building improvements over the last 13 years of ownership, including the remodeling of all interior spaces comprising of lobby, restaurant/lounge, meeting spaces, guestrooms and back-of-house facilities Over the past five years, Tenant has completed.

- A $1 2 million exterior façade renovation in July 2000 that significantly enhanced the visual impact of the building from Alaskan Way, Elliott Bay and the surrounding hillside New galvanized shingle and vertical siding systems were attached to the existing siding, and all remaining surfaces were repainted A rustic log detail was added to the Alaskan Way façade including wood balcony railings, vertical balcony end poles and roofline log details,

- A mechanical upgrade incorporating new efficient chiller and boiler systems, the removal of through-the-wall air conditioning units from the 4th floor, and the addition of gas fireplaces enclosed in custom cabinetry to all of the Hotel's guestrooms This $1 5 million renovation commenced November, 1999,

- One-half of the hotel received new "softgoods" that consist of coverlets, bedskirts, drapery, artwork and various room accessories this year The remainder of the hotel is scheduled for the first quarter of 2002,

- All windows facing Alaskan Way and the Burlington Northern railroad tracks were replaced with energy-efficient and sound-deadening laminated glass in May 2000,

- All guestrooms were carpeted and painted in 1997 Included in this renovation were several new pieces of room furniture, and

- All guestroom bathrooms were renovated with new granite vanity tops, brass fixtures, and synthetic wood flooring in 1996.

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Upcoming projects currently forecasted for the new few years contain a variety of renovations consisting of.

- Tenant's architect is preparing construction documents for a major remodel of the current restaurant/lounge/kitchen areas to be completed in early 2001 The $1 million remodel will consist of new, operable windows in the lounge, an exterior dining patio in the restaurant and a new restaurant concept for both the restaurant and lounge SEPA approval was received on the expanded use of the patio deck in December 1999,

- An anticipated parking lot/landscape renovation is planned for 2001 The renovation will include a revised arrival driveway along the face of the building with landscape planters and barriers between the building and valet parking areas,

- Lobby and guestroom corridor renovations – new concept undetermined at this time;

- Remainder of guestroom "softgoods" originated in 2000;

- Modernization of Elevators #3 and #4; and

- Replacement of building roof

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## III. SUMMARY

The Property has been developed and maintained to meet the levels of a quality hotel property with continuing enhancements every year Over 4% of the hotel's gross revenue is allocated annually for refurbishment of the Property and property improvements The ownership has exceeded this standard percentage of capital injection typical for a hotel property every year to secure our position in the marketplace, and to meet the standards set by the Edgewater Associates and Noble House Hotels & Resorts

# FIVE YEAR MAINTENANCE PLAN
# (ATTACHMENT TO PLAN OF OPERATIONS, DEVELOPMENT AND MAINTENANCE)

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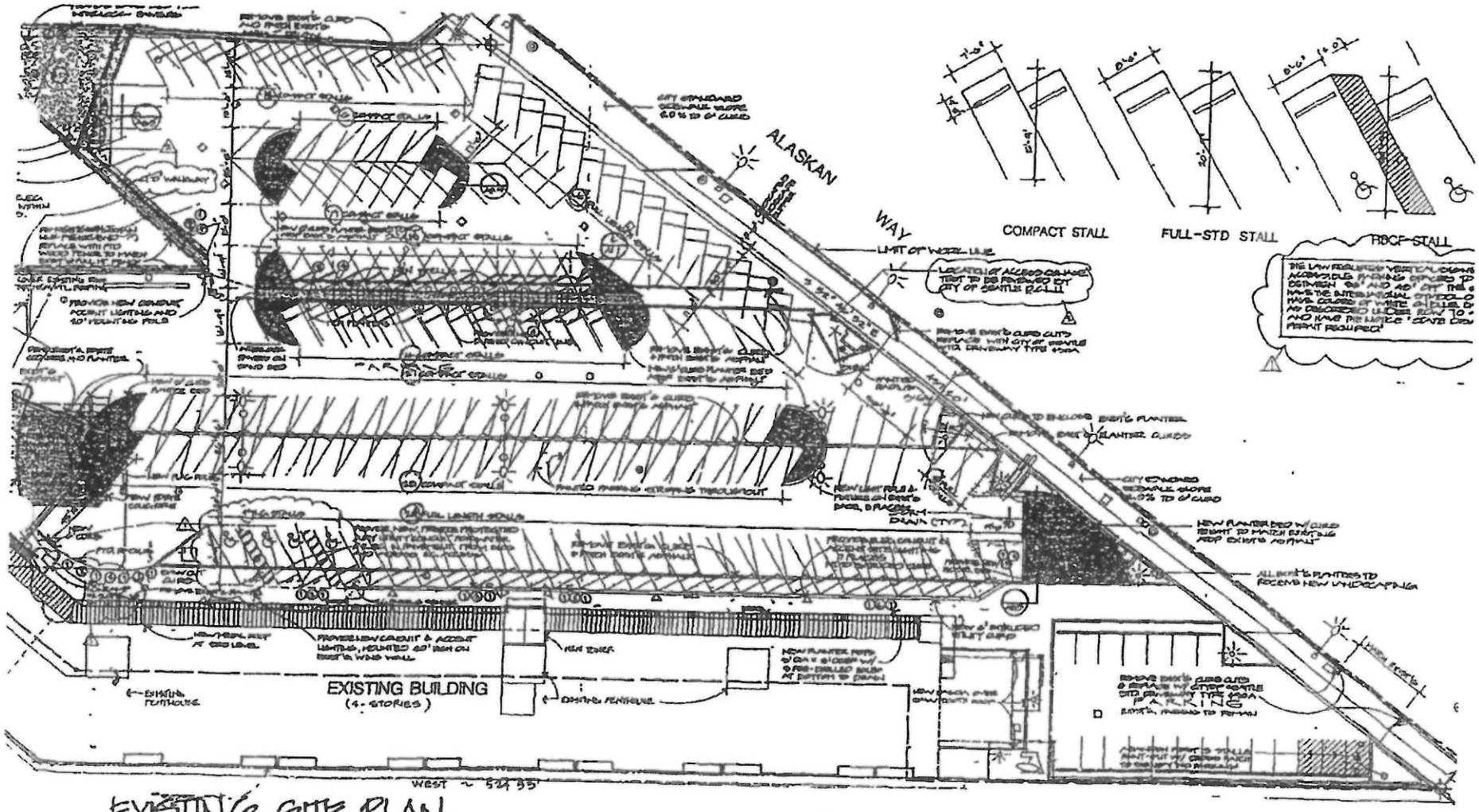
# EXHIBIT C

2001 030 7000416

## ARCHITECTURAL RENDERINGS

## PARKING PLAN
## FLOOR PLANS
## ELEVATIONS

Exhibit C -
Parking Plan




EXISTING SITE PLAN

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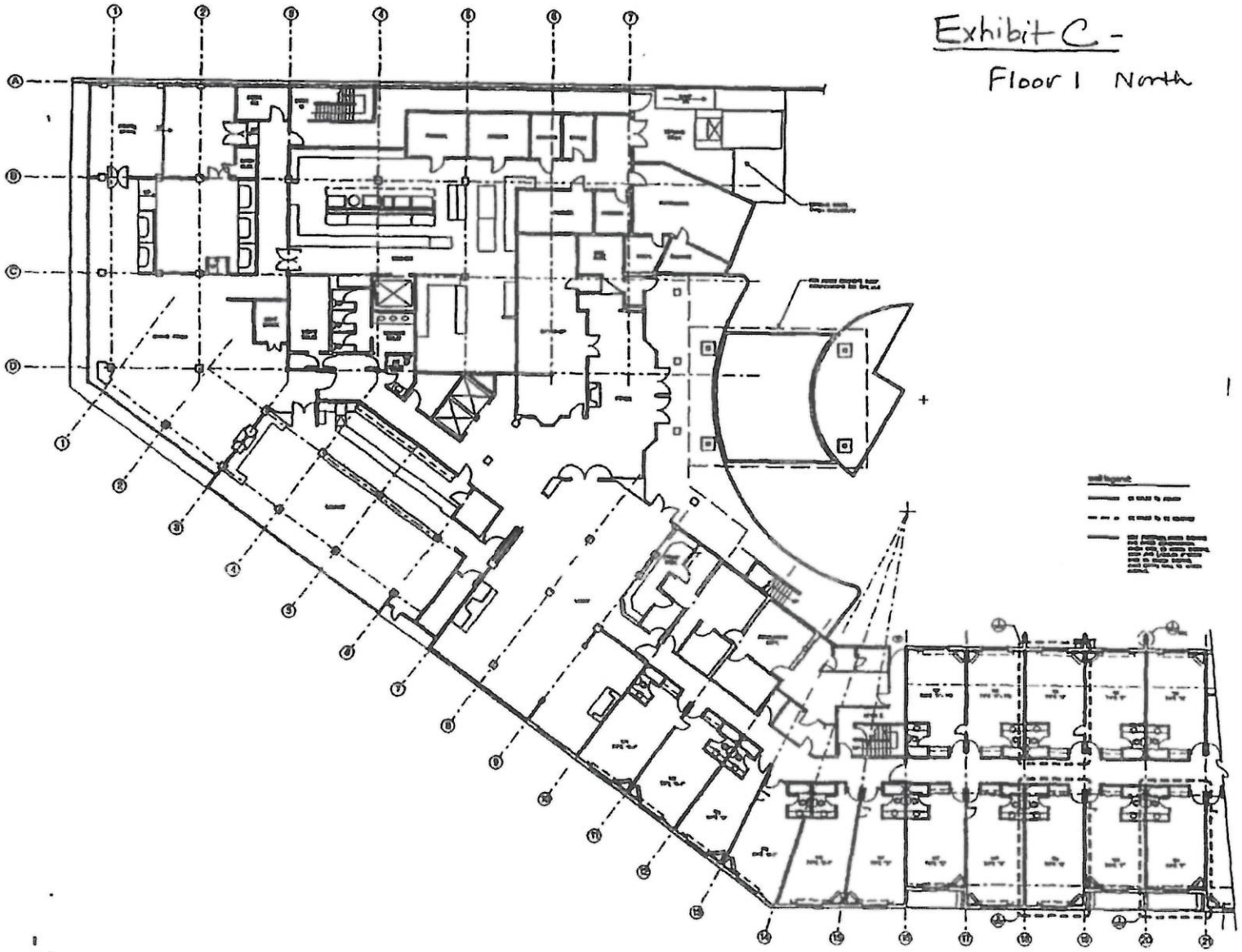
Exhibit C -

Floor 1 North



first floor plan - north end

hotel edgewater

a1.1

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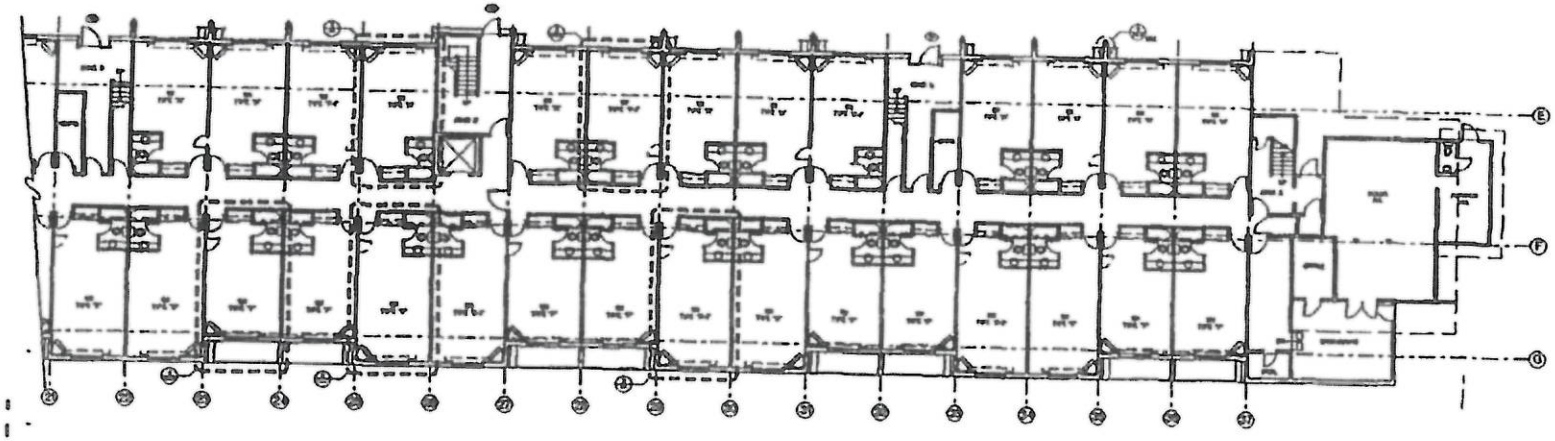
Exhibit C-
Floor 1 South



first floor plan – east end

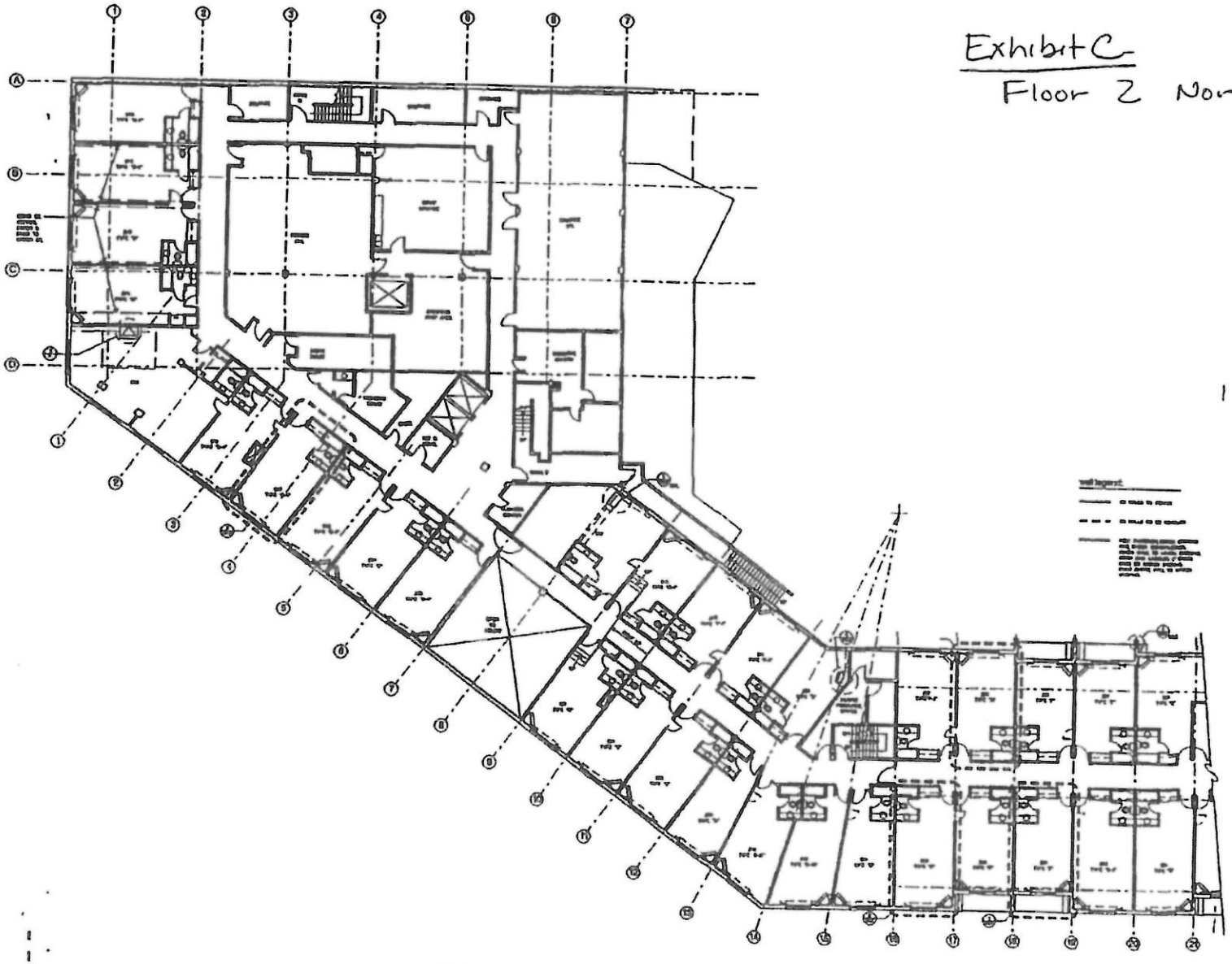
hotel
edgewater

a1.2

2001 030 70000416

Exhibit C

Floor 2 North



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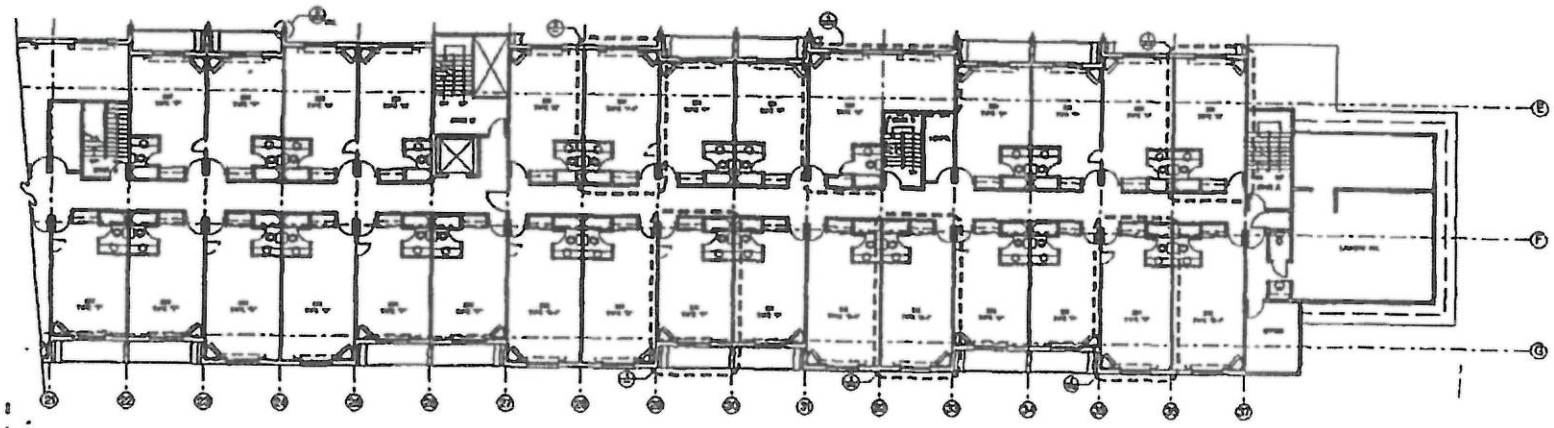
second floor plan – north end

hotel
edgewater

a2.1

Exhibit C -
Floor 2 South



2001 030 7000416

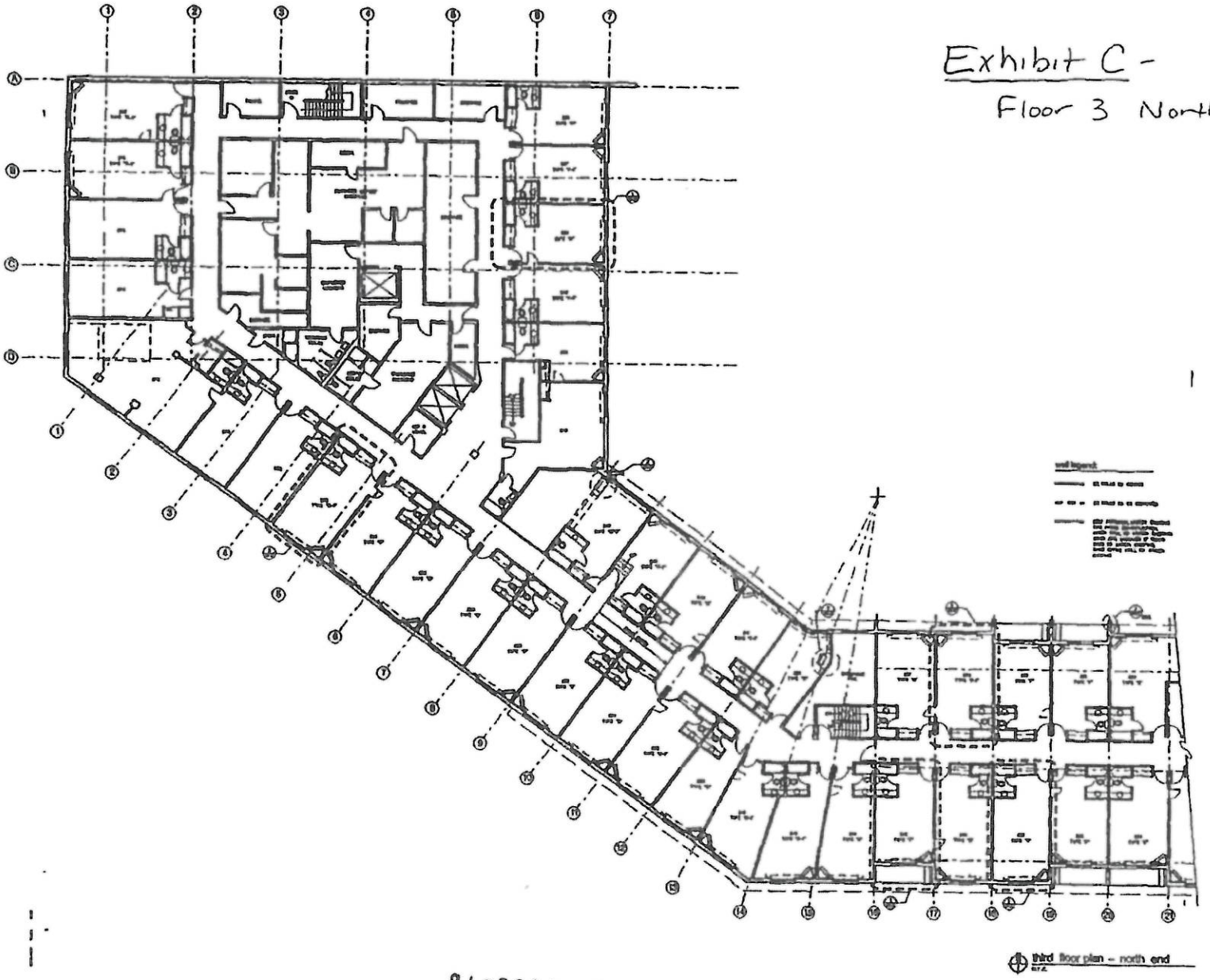
second floor plan - east end

hotel
edgewater

a2.2

Exhibit C -

Floor 3 North




hotel
edgewater

a3.1

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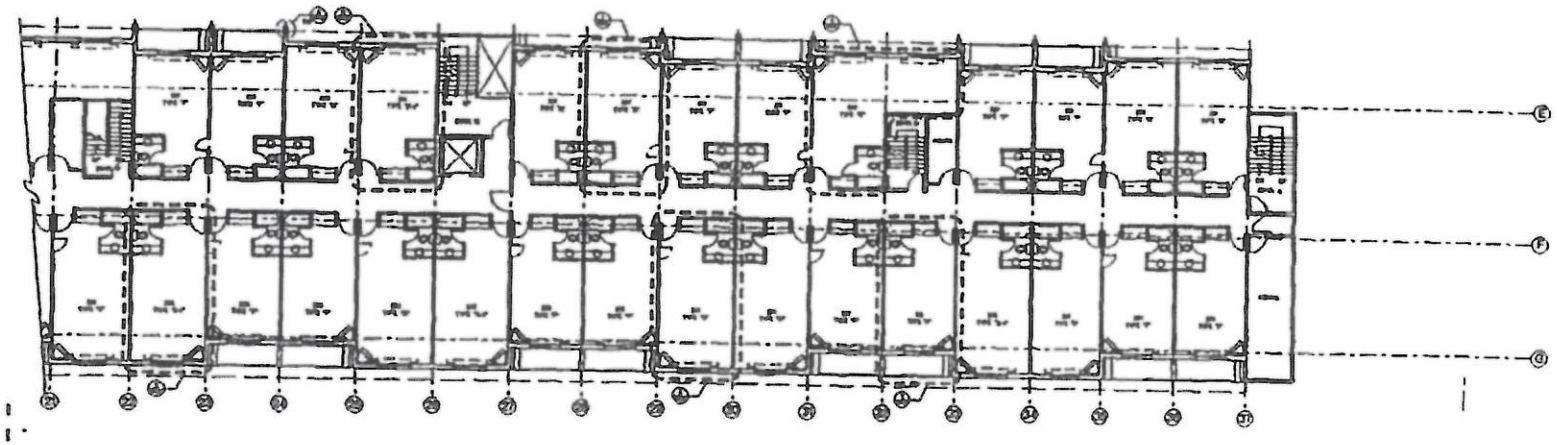
Exhibit C-
Floor 3 South



third floor plan – east end

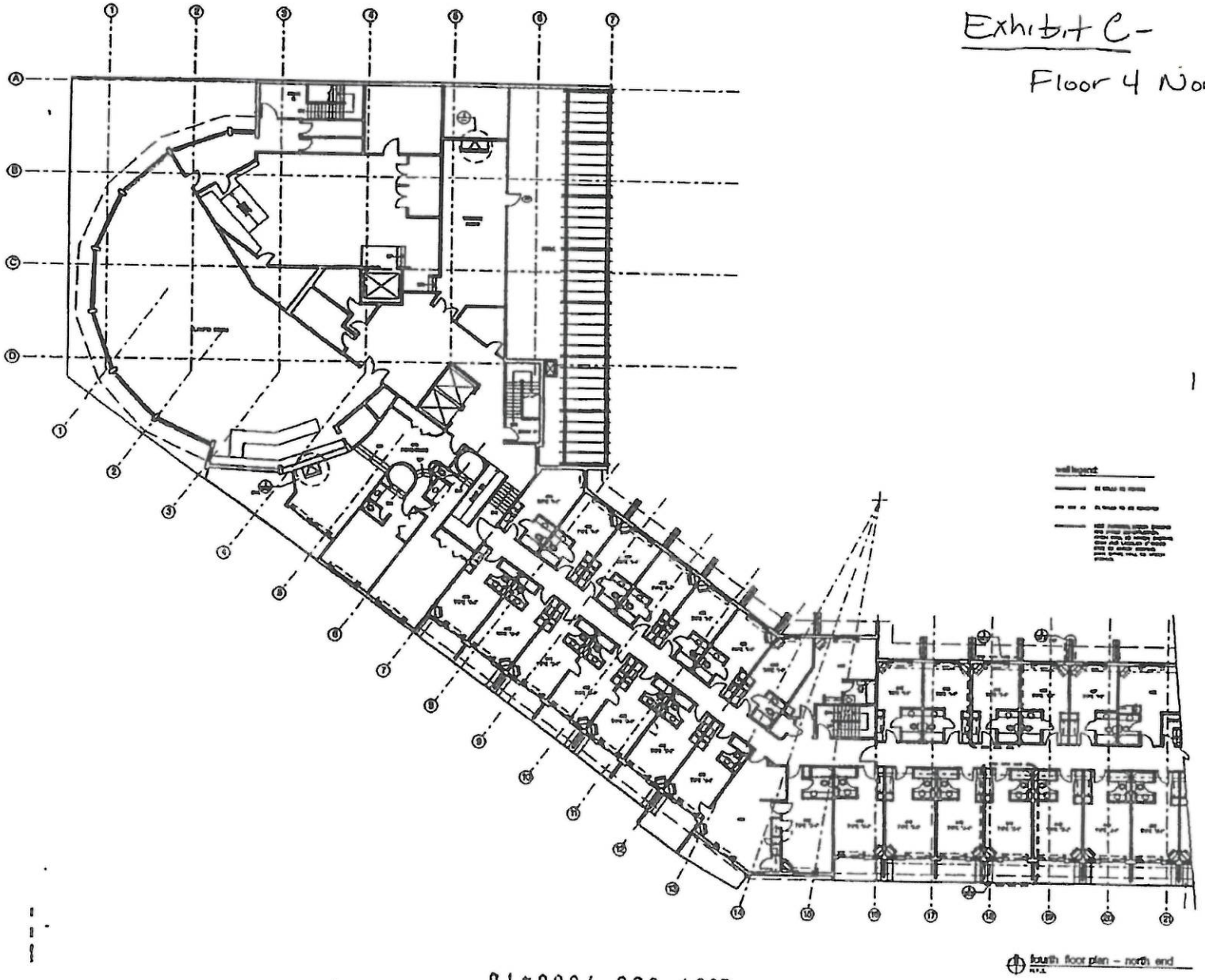
hotel
edgewater

a3.2

2001 930 70000416

Exhibit C-

Floor 4 North

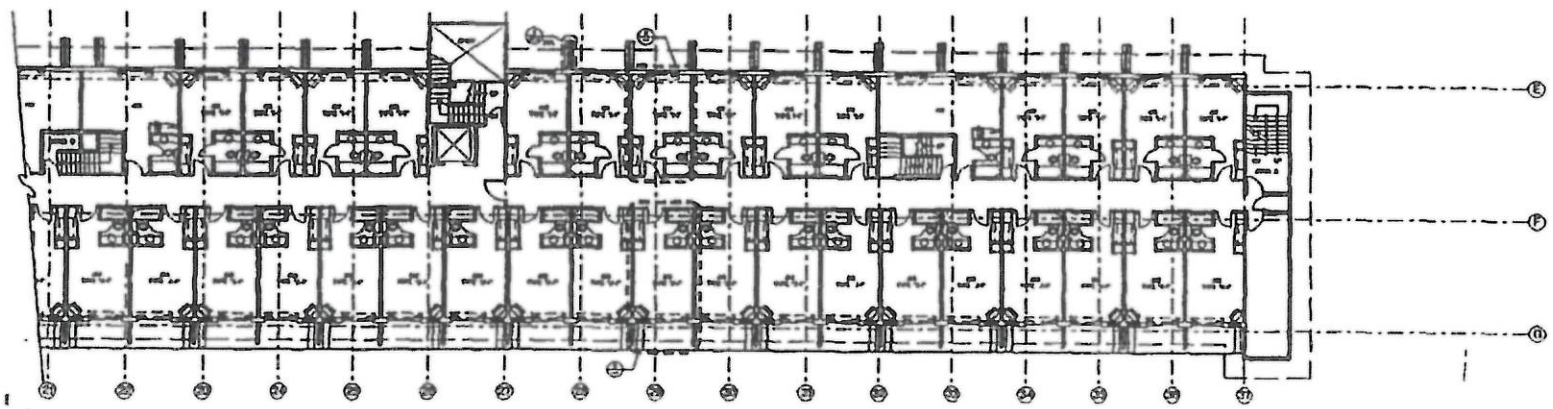



hotel
edgewater

a4.1

2001 030 7300416

Exhibit C-
Floor 4 South



fourth floor plan – east end

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buffalodesign

hotel
edgewater

a4.2

Exhibit C -
Floor 1

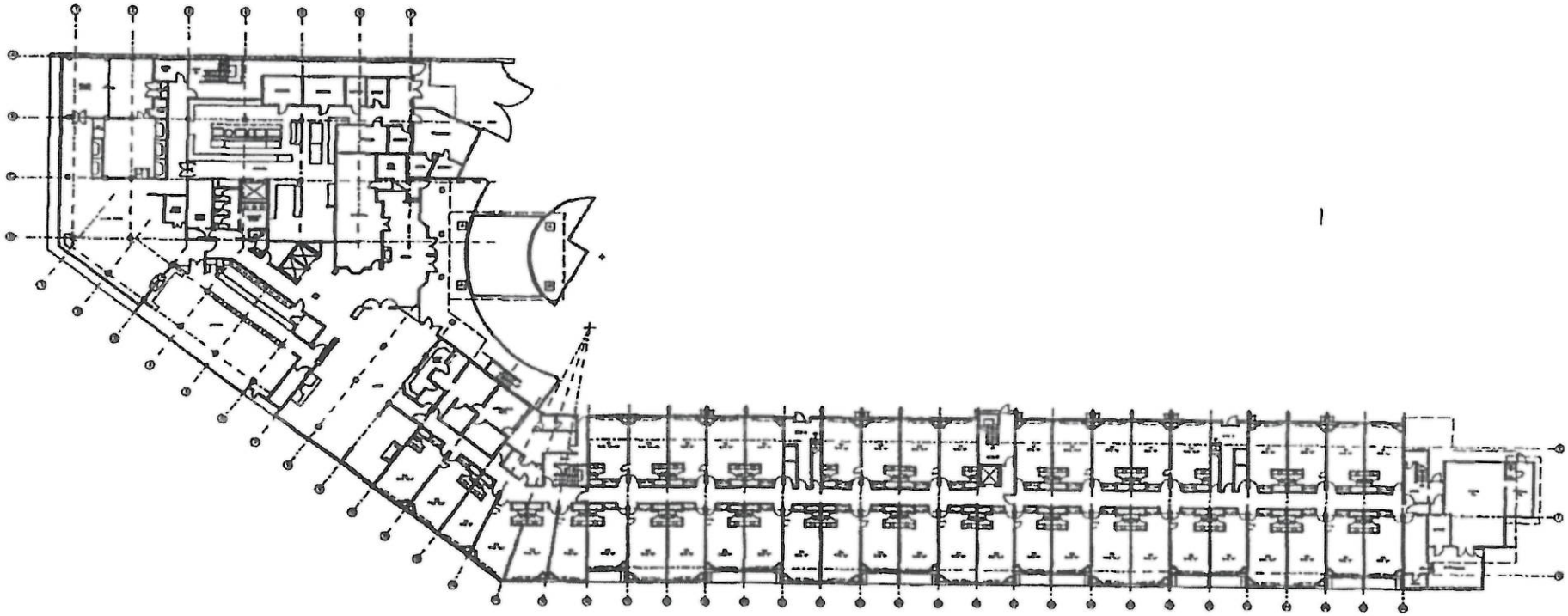

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Exhibit C -
Floor 2

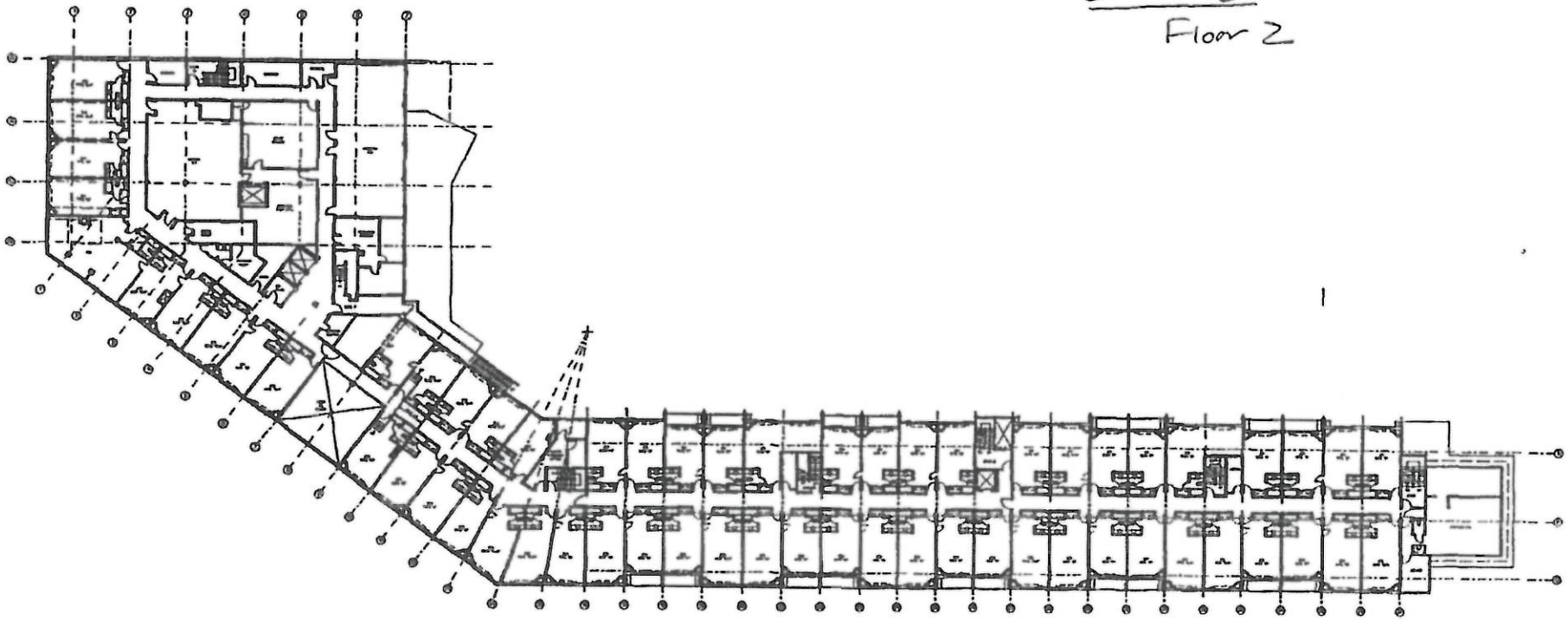

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Exhibit C-

Floor 3

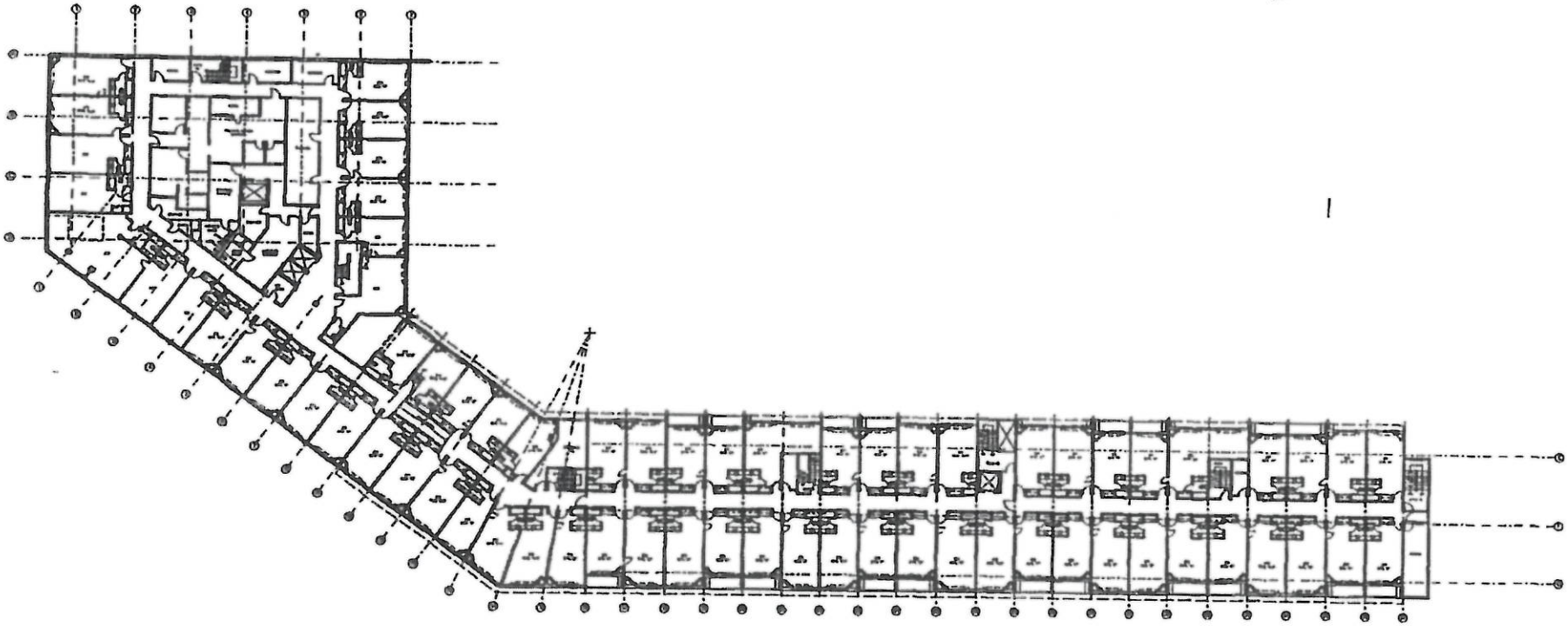

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Exhibit C -
Floor 4

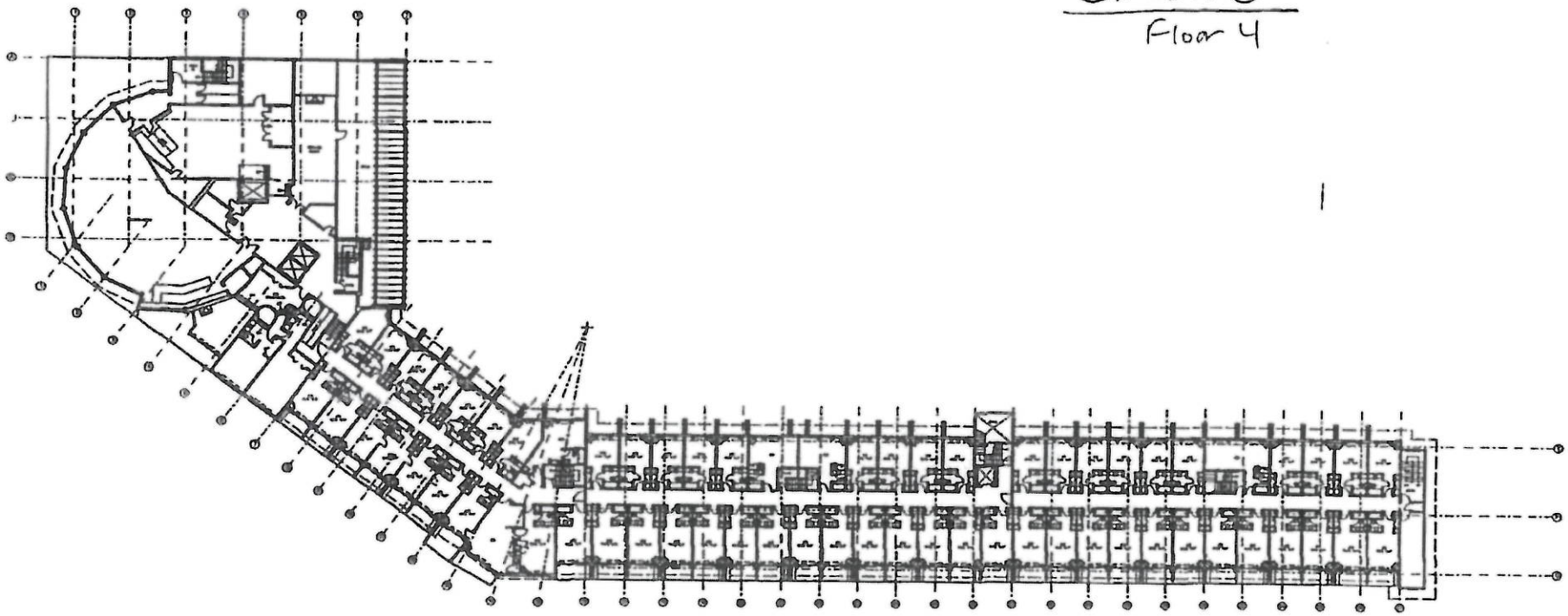

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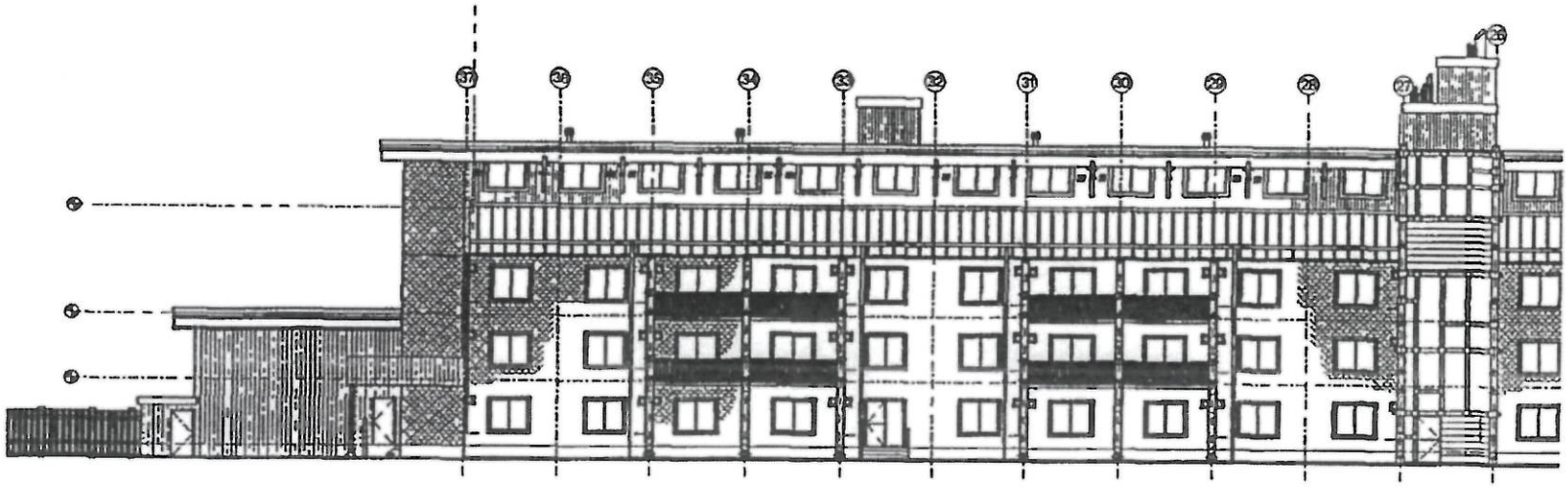
Exhibit C -

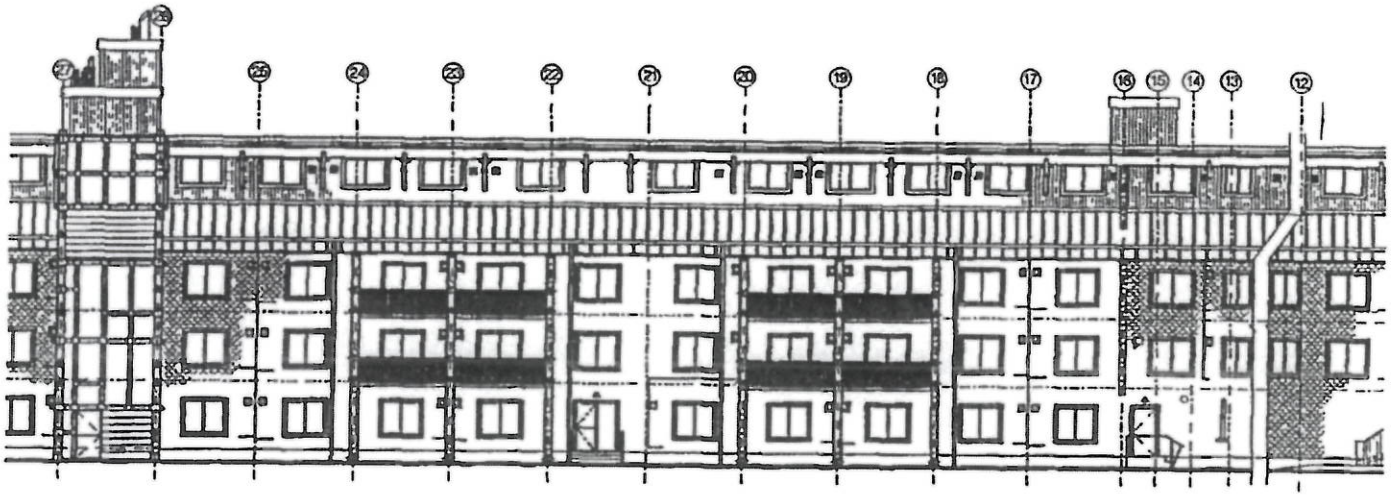
Elevation Southeast
Cityside




2001 030 70000416

Exhibit C -

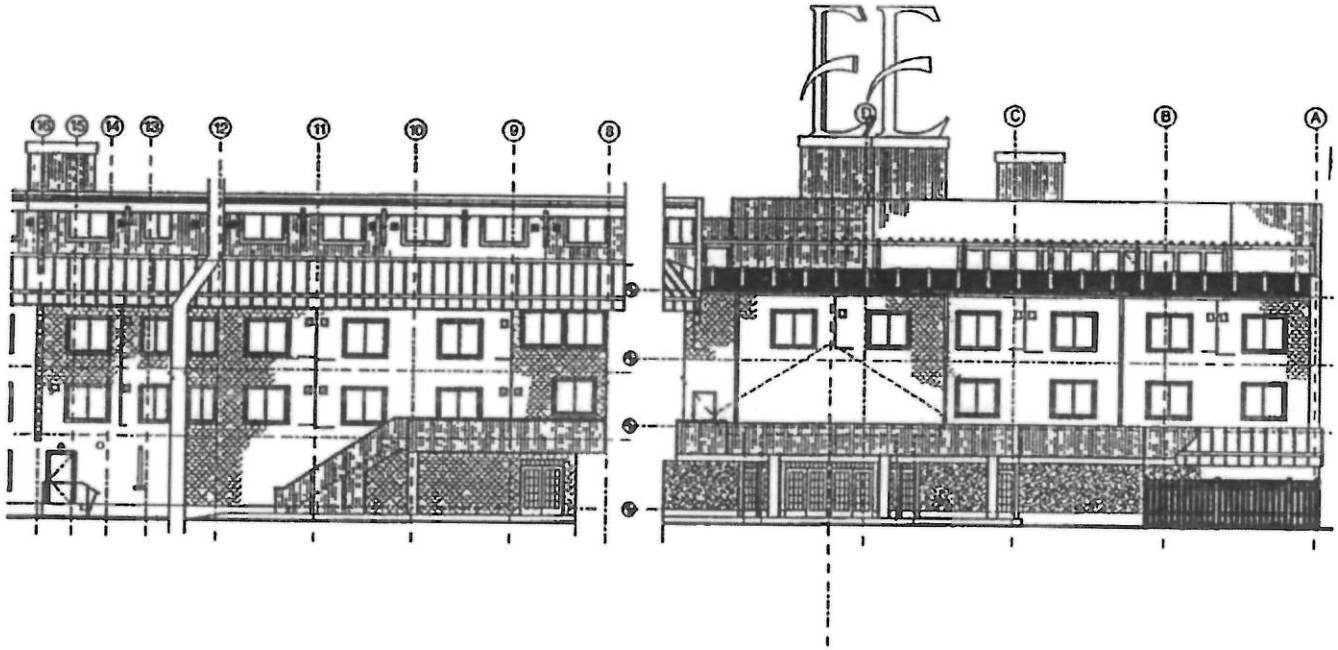
Elevation Center East
Cityside




2001 030 70004168

Exhibit C -

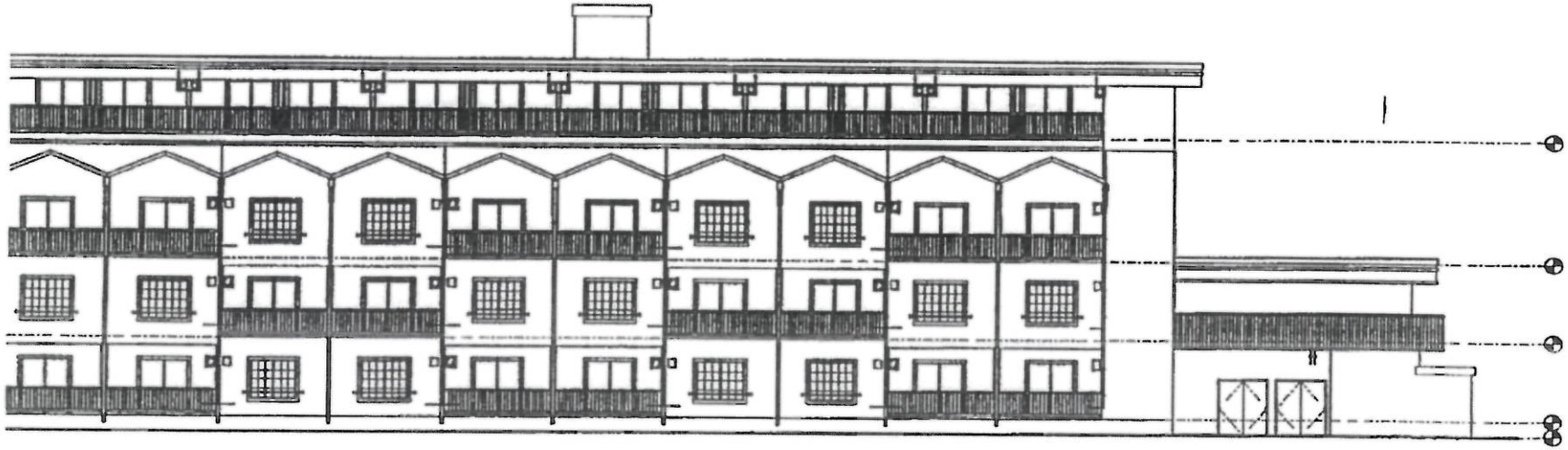
Elevation Northeast
Cityside




2001 030 7000418

Exhibit C-

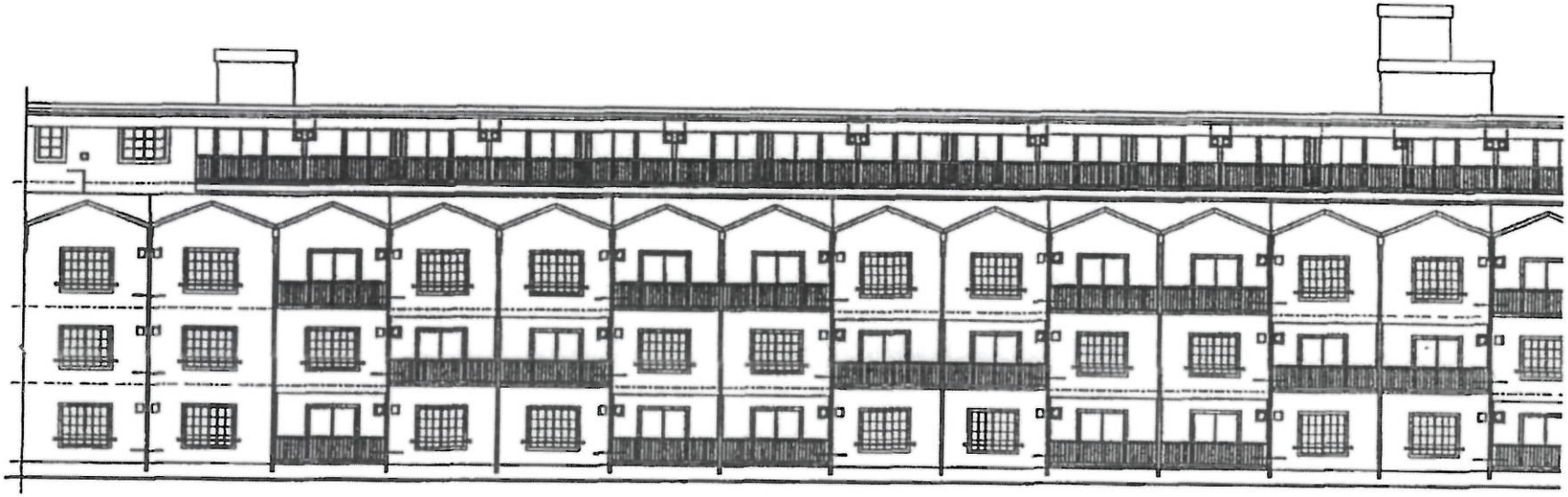
Elevation Southwest
Waterside



2001 030 7000418

Exhibit C -

Elevation Center-West
Waterside



2001 030 7000416

Exhibit C -

Elevation Northwest
Waterside

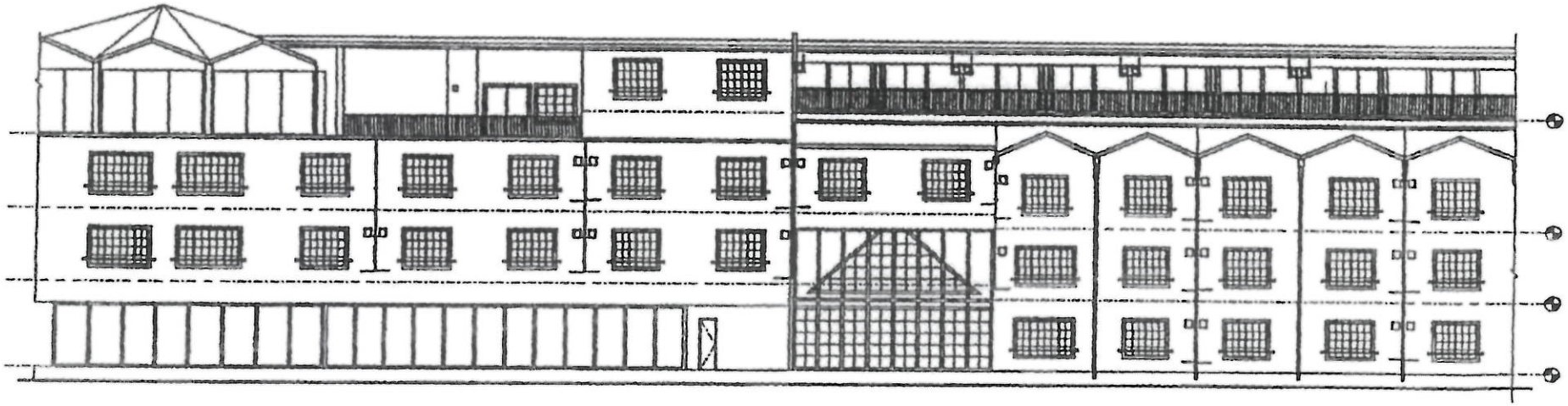


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Exhibit C -

Elevation Northwest
Waterside

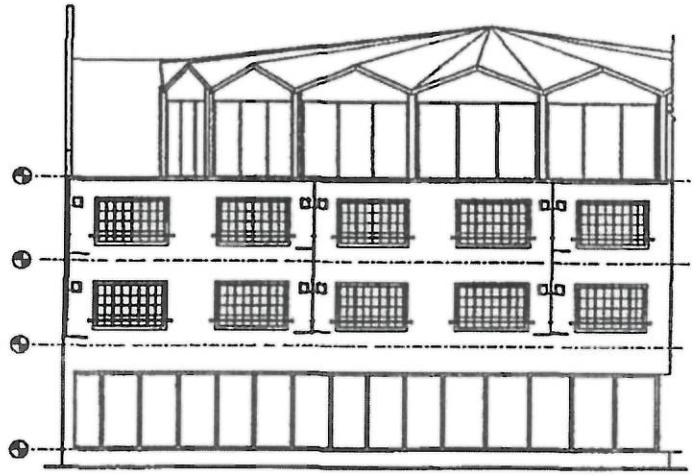

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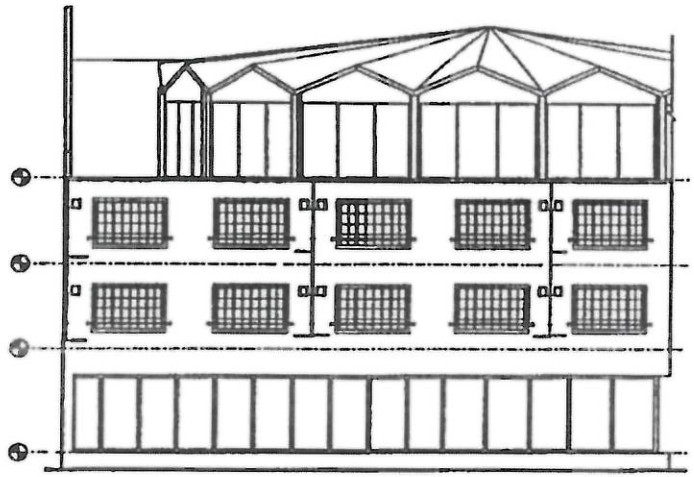
Exhibit C -

Elevation Northwest
Waterside



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# EXHIBIT D

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Seattle Regional Office

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Clayton
ENVIRONMENTAL
CONSULTANTS

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# PHASE I ENVIRONMENTAL SITE ASSESSMENT
# THE EDGEWATER INN
# 2411 ALASKAN WAY
# SEATTLE, WASHINGTON
# CLAYTON PROJECT NO. 20-98293.00
# For
# NATIONSBANC MORTGAGE CAPITAL CORP.
# % NATIONSBANK OF TEXAS, N.A.
# DALLAS, TEXAS

March 10, 1998

Linda Cochran
Site Inspector

Signature

Jay R. Prestera, PE
Project Manager

Signature

Harlan Borow, PE
Technical Review

Signature

Prepared by:

Clayton Environmental Consultants
Seattle, Washington
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APPENDICES

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# 1.0 EXECUTIVE SUMMARY

## 1.1 Introduction

Kent Polenz, Assistant Vice President, NationsBank of Texas, N.A., retained Clayton Environmental Consultants, a division of Clayton Group Services, Inc. (Clayton), to conduct a Phase I Environmental Site Assessment (ESA) of The Edgewater Inn, 2411 Alaskan Way, Seattle, Washington 98121. Ms. Linda Cochran, Staff Environmental Consultant, and Mr. Eric Ross, Environmental Engineer, from Clayton's Seattle Regional Office, accompanied by Ms. Becki Trout, Vice President of Asset Management, Noble House Hotels and Resorts (Noble House), and Mr. Chuck Miller, Director of Maintenance for Noble House, conducted the site walkthrough portion of the assessment on February 26, 1998.

## 1.2 Summary of Findings

The subject property is located at 2411 Alaskan Way, Seattle, Washington, in a commercial setting (Figure 1). The subject property is located on Piers 67 and 68 over Elliot Bay and contains one building and a parking lot. Edgewater Associates owns the hotel, parking lot and portions of real property east of Pier 67 along Alaskan Way and leases the tidelands and portions of real property east of Pier 68 from the Washington State Department of Natural Resources. A four-story hotel built in 1961, the Edgewater Inn, and several retail and food service facilities occupy the 38,775-square foot building. The building includes 122,300 square feet of rentable space throughout four floors. The asphalt-paved parking lot occupies 4,905 square feet of the pier. Access to the Edgewater Inn is via Alaskan Way, which borders the eastern property boundary.

According to information obtained from review of historical records and interviews, fill was used in the late 1800's to extend Seattle's waterfront westward. The pier (Pier 12 later renamed Pier 67) in 1901, remodeled in 1910, and occupied by Galbraith and Company (building materials supplier), several fish wholesale companies, a restaurant, and a service station prior to the construction of the Edgewater Inn in 1961. After 1960, a broadcasting company, lounges, restaurants, a barber shop, and a coffee shop also occupied Pier 67. Currently the hotel, parking lot, a gift shop, and Ernie's bar and grill occupy the subject property.

There was readily visible evidence in the Fire Insurance Maps and Seattle Directories reviewed of a service station operating in the southeast corner of the subject property that may have used, stored, or disposed of hazardous materials on the subject property. The use of creosoted pilings during construction of Pier 67 and 68 was recorded in historical tax records. Creosoted pilings can potentially release contaminants to the sediment.

The subject property is currently a hotel with barber shops, coffee shops, and a bar and grill. Puget Sound Energy provides electric and gas service to the subject property. The City of Seattle provides water and sewer service.

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Potentially hazardous materials observed onsite included the following: a 55-gallon drum of water treatment chemicals (nitrate slush for cleaning boiler lines) in the first floor boiler room and one (approximately) 5-gallon container of chlorodifluoromethane used for the chiller unit in the first floor boiler room, 2 cylinders of compressed carbon dioxide in the kitchen area, several compressed nitrogen cylinders chained to the fence outside the southeast end of the hotel, flammables such as paint and paint thinners in a labeled cabinet outside the southeast end of the hotel, and damaged asbestos-containing material (ACM).

No evidence of distressed vegetation or stained soil was observed at the time of the assessment. A slight oily residue was observed around elevator pulleys in rooftop elevator mechanical rooms.

No evidence of USTs or ASTs was observed during the onsite assessment. According to records, no USTs were registered at the subject property; however, historical research indicates a service station operated on the property and was likely to contain one or more gasoline USTs. These USTs are not likely to be present on current real property or to have impacted the subject property based on probable size of tanks, and lack of visible signs of petroleum product spills at the subject property.

Two unlabeled pad-mounted electrical transformers, owned by Edgewater Associates, Inc., were observed on the subject property roof. One was labeled dry-type, which does not contain dielectric fluid or PCBs. Thus, no evidence of dielectric fluid spills was observed around this transformer. The other transformer was locked in a box and no labels or stains were observed. Since the transformer is on the roof and privately owned, it is probably a dry-type, and the likelihood of containing PCBs is low; however, only closer examination and testing of dielectric fluid, if present, could conclude PCB content.

Under federal regulations (40 CFR 761.3), electrical equipment whose PCB concentration is unknown, must be assumed to be PCB contaminated (contain between 50 and 500 parts per million [ppm] PCB). Federal regulations (40 CFR 761 Subpart G) require any release of material containing greater than 50 ppm PCB and occurring after May 4, 1987, be cleaned up by the Owner (Edgewater Associates, Inc.) following the USEPA's PCB spill cleanup policy.

Sixty-nine regulated facilities were identified within project-specified search distances from the subject property, several of which were listed more than once. Most of these facilities do not appear to present an environmental concern to the subject property, at this time, based on distance and surface topography. However, Pier 66, adjacent to the south across Elliot Bay, is the site of metal- and petroleum-contaminated soil and groundwater. Cleanup of petroleum contamination is completed, with most of the contaminated soil and groundwater removed, except near utility lines. Pier 69, adjacent

to the north across Elliot Bay, also contains contaminated soil, and cleanup is in progress, according to the Department of Ecology. Piers 48 to 59 contain metal- and petroleum-contaminated groundwater, soil and sediment, mostly of undetermined origin. The extent and complete identification of sources of this contamination is uncertain and cleanup has not begun. The Department of Ecology has not decided how to determine potentially liable parties. Impact to the subject property from these piers is unlikely due to distance and status of cleanup; however, sediment contamination appears to be widespread along the Central Seattle Waterfront and may include the subject property sediments.

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Other sources of contamination besides industrial facilities that operated along the Seattle Waterfront over the years include stormwater runoff, suspect fill material used to extend the waterfront westward and Duwamish River contaminants. There is potential that the Department of Natural Resources will conduct a characterization study upon renewal of waterfront property leases. The subject property pier was built with creosoted piers according to historical records, which may potentially have contributed to sediment contamination, and maintained a service station, which is unlikely to have impacted the subject property. No characterization studies were discovered regarding the subject property during this investigation.

Suspect ACM observed onsite included popcorn ceiling surfacing material, thermal system insulation, wall packing material, and wallboard surfacing material. Ten bulk samples of suspected building material were collected for asbestos analysis, including thermal system insulation, wall packing material, popcorn ceiling and damaged wallboard with surfacing texture. The laboratory analyses indicated asbestos in popcorn ceiling surfacing material (2% and 3% Chrysotile) and in wallboard surfacing material (2% Chrysotile). The popcorn surfacing material appeared water-damaged and cracked with some delamination visible in hallway areas throughout the hotel. Wallboard appeared water-damaged and torn in the first floor boiler room and in elevator mechanical rooms on the roof.

## 2.0 OBJECTIVES

The objective of the assessment was to provide an independent professional opinion regarding recognized environmental conditions, as described in our proposal, associated with the property. The findings of this site assessment will be used in conjunction with financial transactions involving the property.

The assessment was performed in accordance with our February 9, 1998, proposal and the NationsBank Phase I Environmental Site Assessment Guidance Document (October 1, 1995) and the terms and conditions set forth therein.

Factual information has been obtained from the United States Geological Survey (USGS), United States Environmental Protection Agency (USEPA), United States Department of Agriculture (USDA)/Natural Resource and Conservation Service (NRCS), Environmental Data Resources, Inc. (EDR), King County, City of Seattle, and others. This information, to the extent it was relied on to form our opinion, is assumed to be correct and complete.

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The information and opinions rendered in this report are exclusively for use by NationsBanc Mortgage Capital Corporation c/o NationsBank of Texas, N.A. Clayton will not distribute this report without consent except as may be required by law or court order. The information and opinions expressed in this report are given in response to a limited assignment as specified by NationsBank Contract Number 62485 and should be evaluated and implemented only in light of that assignment.

We accept responsibility for competent performance of our duties in executing the assignment and preparing this report in accordance with the normal standards of our profession, but disclaim any responsibility for consequential damages.

## 3.0 SITE OVERVIEW

The subject property is located at 2411 Alaskan Way, Seattle, Washington, in a commercial setting (Figure 1). The subject property is located on Piers 67 and 68 over Elliot Bay and contains one building and a parking lot. Edgewater Associates owns the hotel, parking lot and portions of real property east of Pier 67 along Alaskan Way and leases the tidelands and portions of real property east of Pier 68 from the Washington State Department of Natural Resources. A four-story hotel built in 1961, the Edgewater Inn, and several retail and food service facilities occupy the 38,775-square foot building. The building includes 122,300 square feet of rentable space. The asphalt-paved parking lot occupies 4,905 square feet of the pier. Access to the Edgewater Inn is via Alaskan Way, which borders the eastern property boundary. Only cars are allowed on the Pier, monitored by a gatekeeper.

The subject property is further described as "Block 170, Lots 3 through 8, Seattle Tide LDS Area in front of POR lot 3 & lots 4 thru 8; Seattle Tide LDS Less N ½ of Lot 3; and Block 170, Lots 1 through 3, Seattle Tide LDS Less S ½ of Lot 3". A legal description for the subject property is included in Appendix A.

According to information obtained from review of historical records and interviews, fill was used in the late 1800's to extend Seattle's waterfront westward. The pier (Pier 12 later renamed Pier 67) was constructed in 1901, remodeled in 1910, and occupied by Galbraith and Company (building materials supplier), several fish wholesale companies, a restaurant, and a service station prior to the construction of the Edgewater Inn in 1961.

After 1960, a broadcasting company, lounges, restaurants, a barber shop, and a coffee shop also occupied Pier 67. Currently the hotel, parking lot, a gift shop, and Ernie's bar and grill occupy the subject property.

## 4.0 SITE BACKGROUND/OPERATING HISTORY

### 4.1 Current Ownership

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According to interviews and property records, the State of Washington currently owns the tidelands and Lots 1, 2 and north half of Lot 3 along Alaskan Way. Edgewater Associates (a.k.a. Mr. Phil Brown, President of Noble House Hotels and Resorts) owns a small patch of real estate (Lots 4 through 8 and south half of Lot 3) along Alaskan Way, and the piers, hotel and parking lot, which they purchased from Pier 67, Inc. (a.k.a. Mr. Ernie Tratch) in 1987. Edgewater Associates leases the tidelands and Lots 1 through 3 from the State of Washington Department of Natural Resources.

### 4.2 Prior Ownership

Historical research indicated Galbraith and Company, Richfield Oil Company, and Mr. Ernie Tratch as previous property owners. The search consisted of all property records maintained by the Washington State Archives, Puget Sound Branch, Tukwila, Washington and a previous Phase I ESA by the Lambert Group in 1995. A 50-year chain-of-title was not provided or obtained. The tax records also indicate the pier was constructed of creosoted piles.

There was evidence in the property records reviewed of previous use, storage, or disposal of hazardous materials at the subject property (Appendix A). A service station occupied the southeast corner of the Pier throughout the 1940's and 1950's.

### 4.3 Aerial Photograph Review

Walker and Associates, Inc., Tukwila, Washington, maintains aerial photographs for King County, which include the subject and adjacent properties. Summaries of the photographs reviewed are presented below:

- Aerial Photograph No. 585; King County; Date: 1936; Scale 1" = 800'
  The subject property pier is visible. A ship appears docked at the pier. Several buildings and a parking area are visible. The adjacent pier (north) also has boats docked and a building with a foot bridge extending across a street to the east, north of which is the bay and another pier. Adjacent east across a street and railroad tracks are several buildings. To the south across Elliot Bay is another pier with structures and boats docked. Elliot Bay extends west from the subject property pier.

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- Aerial Photograph No. A46-186; King County; Date; 1946; Scale 1" = 1000'
  Unchanged from 1936.

- Aerial Photograph No. S56-14-20; King County; Date: 1956; Scale 1" = 1000'
  Increased development of Seattle is visible, including the construction of the Battery Street Tunnel three blocks east. White storage boxes are visible on the subject property which otherwise looks unchanged. Adjacent properties appear similar to 1946.

- Aerial Photograph No. C60-22-20, King County; Date: 1960; Scale 1" = 1000'
  The subject property appears unchanged from 1956. An adjacent building to the southeast across the tracks appears smaller.

- Aerial Photograph No. 5-13; King County; Date; 1969; Scale 1" = 1500'
  The current hotel and parking lot are in place on the subject property. The foot bridge at the adjacent pier to the north is no longer visible. Adjacent property to the southeast has been partly cleared and a parking lot is in place next to one of the adjacent buildings.

- Aerial Photograph No. 1-5-15; King County; Date: 1974; Scale 1" = 1500'
  Unchanged from 1969.

- Aerial Photograph No. 9N78; King County; Date; 1980; Scale 1" = 1500'
  Unchanged from 1974.

- Aerial Photograph No. 12-17; King County; Date; 1985; Scale 1" = 1500'
  The subject property appears unchanged. The adjacent property to the southeast across the tracks is now all parking (building removed). A building adjacent to the northeast is still present.

- Aerial Photograph No. 9-23; King County; Date; 1990; Scale 1" = 1000'
  Unchanged from 1985.

- Aerial Photograph No. 5-10; King County; Date; 1995; Scale 1" = 2000'
  The subject property appears unchanged from 1990. The pier buildings adjacent to the south across the bay have been remodeled. Other adjacent properties appear unchanged from 1990.

There was no readily visible evidence in the aerial photographs reviewed of the use, storage, or disposal of hazardous materials on the subject property. The service station was not readily identifiable. A current aerial photograph is included in Appendix B.

## 4.4 Fire Insurance Maps and Historical Seattle Directories

### 4.4.1 Fire Insurance Maps

Sanborn Map Company Fire Insurance Maps for the years 1888, 1893, 1905, 1916, 1949, 1950 and 1969 were reviewed (Appendix C). A summary of this review is included below:

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1888 - The subject property pier is not built, nor is the land present. The shoreline is short of the railroad tracks, which are on a trestle; Alaskan Way does not exist. A lumber company occupies Mannings Wharf, near the subject property area of Pier 68. Several dwellings occupy the block east of the subject property area across the railroad tracks and Water Street (currently Elliot Avenue). Elliot Bay is to the south.

1893- The subject property area contains a small dock along Railroad Avenue (currently Alaskan Way). Adjacent to the east, across the tracks, is Seattle Siding Mill, which also treats lumber. A shingle mill occupies the north adjacent pier across Elliot Bay. Elliot Bay surrounds the southern section of the subject property area also; south of this is off the map.

1905- The subject property is developed as Wall Street Dock and occupied by Galbraith Bacon and company cement and brick storage. An office occupies the southeast corner of the pier along Railroad Avenue. Across the railroad tracks to the east are Galbraith warehouses for hay, bricks and cement. The north adjacent pier operates as a fish packing and storage facility. South across Elliot Bay is a small boathouse on a float attached to the shoreline.

1916- The subject property pier appears expanded and contains a long building along the south and west sides. A small building occupies the lower southeast corner. An extra section of pier joins what was Mannings Wharf (Pier 68) to Pier 67. A large pier to the north is present (Pier 69). Four structures, different from 1905, appear adjacent to the southeast across the railroad tracks (what was Galbraith). Adjacent to the south across Elliot Bay is a long pier with several structures (Pier 66).

1949- The subject property is labeled Pier 12 and contains at least five buildings, including a grease, gas and oil station in the southeast corner, wholesale fish occupancies, a cannery, a general store and a restaurant. The adjacent pier and joining section of pier are occupied by Galbraith and Company cement, plaster and lumber, and Booth Fisheries Corporation. Building materials and hay storage still occupy adjacent property to the east across Alaskan Way and the railroad tracks. A luggage company occupies the north east block from the

subject property (currently present). A railroad spur extends from the main tracks onto the north end of the dock on either side of the joining section of pier. South is Pier 66, Bell Street Wharf, Port of Seattle.

1950- The subject and adjacent properties appear unchanged from 1949.

1969- The subject property is now occupied by the Edgewater Inn which includes a restaurant and parking lot. The adjoining pier (Pier 68) is unlabeled. The south adjacent Pier 66 is unchanged from 1950. The south half of the adjacent block to the east across the railroad tracks is now a parking lot.

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There was evidence in the Sanborn Maps reviewed of the use, storage, or disposal of hazardous materials on the subject property at the grease, gas and oil station in the southeast corner of the pier.

### 4.4.2 Seattle Directories

Seattle Directories were reviewed at the Seattle Public Library. From 1939 to 1959 the address 2411 Alaskan Way was occupied by a cafe and Galbraith and Company dock. In 1959 the address was listed as vacant, with Galbraith and Company addressed at 2405 Alaskan Way. In 1965 and 1970, KMCS-FM Broadcast Company and Pier 67, Inc. occupied 2411 Alaskan Way. After 1970, The Edgewater Inn and associated restaurants, barber shops and lounges were the sole occupants. Other listings within the same block and same pier included a fish company and service station in 1943, 1948, and 1954. There was evidence in the Seattle Directories reviewed of the use, storage, or disposal of hazardous materials on the subject property at the service station at 2401 Alaskan Way. Pier 66, adjacent to the south, was listed as fish packers and products since at least 1939, and also listed as ship repair in 1954. Ship repair may have potentially used, stored or disposed of hazardous materials throughout its operation.

## 4.5 History of Property Use

According to information obtained from review of historical records and interviews, the subject property was developed as Pier 12 in approximately 1901 and occupied for commercial use by a building materials storage company. The later uses of the property included a restaurant, general store, gasoline service station, fish wholesalers, canning company, and finally, a hotel with restaurant, gift shop, and parking lot. Since the subject property was built over water and on fill used to extend the Seattle waterfront west, the subject property did not previously exist on land prior to 1893. The original shoreline was one street closer east of the railroad tracks in the 1800's.

## 5.0 ENVIRONMENTAL SETTING

### 5.1 Surface Water Characteristics

The subject property is level and built on wooden, creosote-treated piles and deck planks. Adjacent properties to the east are up-gradient to the subject property. According to the Department of Ecology, the direction of flow of Elliot Bay water is north-northwest towards Puget Sound, but local influences can be variable. Elevation at the subject property is zero feet above sea level (USGS South Seattle, Washington, 1983).

The subject property pier is built directly over and surrounded on north, west, and south sides by a surface water body (Elliot Bay). The subject property, up on the pier, is in a 500-year flood plain (FEMA 1996) and the real property (Lots 1 through 8) is within the Puget Sound Drainage Basin. There are no delineated wetlands on the subject or adjacent properties (Sensitive Areas Map Folio, King County, 1990).

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### 5.2 Subsurface Geological Characteristics

According to the USGS Geologic Map of Surficial Deposits in the Seattle 30'x60' Quadrangle, Washington, the properties along the shoreline are all fill material of unknown origin from approximately the 1890's. The fill found on and around the subject property is labeled as a mixture of clay, sand, silt and gravel. This area was filled approximately at the turn of the century.

### 5.3 Groundwater Characteristics

The general direction of groundwater flow at the subject property would be immediately west; however, groundwater flow throughout the Seattle Metropolitan area is variable. Groundwater at a site a few blocks to the east flows east, and flow at a site to the north is west, according to file review at the Department of Ecology.

## 6.0 SITE INSPECTION

Ms. Linda Cochran, Staff Environmental Consultant, and Eric Ross, Environmental Engineer, from Clayton's Seattle Regional Office, conducted the site walkthrough portion of the Assessment February 26, 1998. Ms. Becky Trout, Vice President of Asset Management for Noble House, and Mr. Chuck Miller, Director of Maintenance for Noble House, accompanied Clayton staff during the onsite assessment.

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## 6.1 Site Observations and Inquires

A visual assessment was used to evaluate the subject property for visible evidence of environmental contamination and identify potential environmental concerns from onsite and offsite sources. The onsite assessment was limited to the building, the property, and surrounding areas. Site photographs taken during the site assessment are provided as Appendix D.

The subject property is currently a hotel, the Edgewater Inn (Figure 2). Puget Sound Energy provides electric and gas service to the subject property. The City of Seattle provides water and sewer service. Emerald City Garbage collects non-hazardous refuse and recyclables. A garbage compactor is used outside on the pier near the first floor kitchen. According to Ms. Trout, utilities from the street run through conduits under the pier.

Potentially hazardous materials observed onsite included the following hazardous materials used and stored onsite: a 55-gallon drum of water treatment chemicals (nitrate slush for cleaning boiler lines) and one (approximately) 5-gallon container of chlorodifluoromethane used for the chiller unit in the first floor boiler room, 2 cylinders of compressed carbon dioxide in the kitchen area, several compressed nitrogen cylinders chained to the fence outside the southeast end of the hotel, flammables such as paint and paint thinners in a labeled cabinet outside the southeast end of the hotel, and damaged ACM.

No evidence of distressed vegetation or stained soil was observed at the time of the assessment.

Miscellaneous Observations

| | |
|---|---|
| Wooded areas and variations of vegetation | Not observed |
| Water bodies, springs, lagoons, stamps, rivers, lakes etc. | Located over Elliot Bay |
| Railroad spurs and electrical tower transmission lines | Adjacent |
| Utilities, drains, vent pipes, wells, cisterns | Transformers, storm drains in parking lot to Bay, no vent pipes |
| Buildings, other structures, foundations, old | Not observed |
| Heavy equipment, tankers or spray rigs | Garbage compactor--no stains observed |
| Smells of chemical gases, petroleum products or foul odors | Not observed |
| Landfill, dumping disturbed soils or direct burial activity | Not observed |

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| | |
|---|---|
| Surface impoundments or holding ponds | Not observed |
| Air emissions or waste water discharge | Not observed |
| Industrial or manufacturing activities | Not observed |
| Monitoring wells or remedial activities | Not observed |
| Stained or discolored soils | Not observed |
| Leachate or seeps | Not observed |
| Areas of distressed, discolored, or stained vegetation | Not observed |
| Evidence of chemical spills or releases | Small oil stains from elevator pulleys in rooftop mechanical rooms |
| Evidence of groundwater or surface water contamination | Not observed |
| Evidence of oil or gas well exploration, abstraction or refinery activities | Not observed |
| Evidence of farm, waste concerns | Not observed |

## 6.2 AST/UST Systems and Pipelines

The subject property was inspected for evidence of underground storage tanks (USTs) (e g., vent piping, dispensing equipment, abandoned tanks) and aboveground storage tanks (ASTs). If not properly maintained, USTs or ASTs are potential sources of groundwater and soil contamination.

No evidence of USTs or ASTs was observed during the onsite assessment. According to Ms. Trout, to the best of her knowledge no USTs have ever existed at the subject property during its operation as a hotel. Clayton assumes the former service station may have had USTs along the real property boundary near Alaskan Way.

Four UST sites and 18 LUST sites exist within 0.50 miles of the subject property. Sites lie northwest to southeast from the subject property. One LUST site is adjacent to the southwest, across Elliot Bay waterfront at Pier 66. A complete list of UST and LUST facilities within 0.25 miles is included in Table 1.

## 6.3 Transformers and PCB Equipment

The subject property was inspected for the presence of liquid cooled electrical units (transformers and capacitors). Such units are notable because they may be potential PCB

sources. The release of PCB containing fluids or their combustion products (in the event of a fire) are potential environmental liabilities and may require costly remediation.

Two unlabeled pad-mounted electrical transformers, owned by Edgewater Associates, Inc., were observed on the subject property roof. One was labeled dry-type, which does not contain dielectric fluid or PCBs. Thus, no evidence of dielectric fluid spills was observed around these transformer. The other transformer was locked in a box and no labels were observed. Since the transformer is on the roof and privately owned, it is probably a dry-type, and the likelihood of containing PCBs is low; however, only closer examination and/or testing could conclude PCB content.

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Under federal regulations (40 CFR 761.3), electrical equipment whose PCB concentration is unknown must be assumed to be PCB-contaminated (contain between 50 and 500 parts per million [ppm] PCB). Federal regulations (40 CFR 761 Subpart G) require any release of material containing greater than 50 ppm PCB and occurring after May 4, 1987, be cleaned up by the Owner following the USEPA's PCB spill cleanup policy.

### 6.4 Onsite Regulated Substance Identification/Inventory

Potentially hazardous materials observed onsite included the following hazardous materials used and stored onsite: a 55-gallon drum of water treatment chemicals (nitrate slush for cleaning boiler lines) and one (approximately) 5-gallon container of chlorodifluoromethane used for the chiller unit in the first floor boiler room, 2 cylinders of compressed carbon dioxide in the kitchen area, several compressed nitrogen cylinders chained to the fence outside the southeast end of the hotel, flammables such as paint and paint thinners in a labeled cabinet outside the southeast end of the hotel, general cleaning supplies and paints in maintenance closets throughout, and damaged ACM in certain areas of the hallways.

### 6.5 Area Reconnaissance

Available information indicates adjacent properties were mostly commercial and industrial, ranging from lumber and fisheries to luggage manufacturing and parking lots in this century and residential in the 1800's. Adjacent properties are currently commercial or industrial and include (Figure 2):

North - Pier 69, across Elliot Bay, occupied by retail, office space and the Victoria Clipper boat dock.

South - Pier 66, across Elliot Bay, Bell Street Pier, owned and occupied by the Port of Seattle, including: office and retail spaces, a fish market, and a marina.

West - Elliot Bay.

East - Alaskan Way Streetcar tracks, Burlington Northern Railroad tracks and Skyway Luggage manufacturing facility, across Alaskan Way, north of Wall Street. Wall street is adjacent running east to west, beginning at Alaskan Way. Also across the tracks, south of Wall Street, is an asphalt paved pay-parking lot.

The facilities do not appear to present an environmental concern to the subject property at this time.

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## 6.6 Limited Asbestos Survey

The subject property was inspected for the presence of suspect asbestos containing material (ACM), such as ceiling tiles and roofing materials, and presumed asbestos containing materials (PACM) as defined by Occupational Safety and Health Administration (OSHA) construction industry standard for occupational exposure to asbestos (29 CFR 1910.1101); which includes thermal system insulation (TSI), surfacing materials, and asphalt/vinyl flooring material found in buildings constructed prior to 1981.

The limited asbestos survey portion of the Phase I ESA was conducted by Ms. Linda Cochran, an AHERA Accredited Building Inspector (Accreditation No. 096462236). Suspect ACM observed onsite included floor tiles, sheet vinyl flooring, stair tread, popcorn ceiling surfacing material, ceiling acoustical tiles, wall packing material, wallboard, thermal system insulation, elevator brake pads, roofing material, patch plaster and patch cement, fire doors, fire wall insulation, Heating, Ventilating, Air-Conditioning system (HVAC) insulation and cement asbestos board. A complete list of materials is included in Table 2.

Sampling Strategy

The inspector identified suspect homogeneous areas of ACM during the survey. Suspect materials are either assumed to contain asbestos or are sampled to determine whether asbestos is present. The latter involves extracting or removing a small piece or core of the suspect material and submitting it to an accredited laboratory for analysis. The samples collected were chosen based on the homogenous materials identified and a random, representative selection process. A total of 10 samples were collected and submitted for laboratory analysis.

Sample Collection Methods

To avoid disturbing the suspected ACM more than necessary and to minimize any unnecessary release of asbestos fibers during sample collection, the inspector performed bulk sampling in accordance with U.S. EPA guidelines. Each sample was collected and placed in a clean sealable plastic container and labeled with a unique sample

identification number. Bulk samples were submitted to Clayton Environmental Consultants Laboratory, Seattle, Washington, at the end of the survey and accompanied by a Chain of Custody form. No destructive sampling was performed.

Sampling Analysis

Bulk samples were analyzed for asbestos content using polarized light microscopy (PLM) and dispersion staining (Method Reference: 40 CFR Part 763, Subpart F, Appendix A, pages 293299). The fibrous composition of the bulk sample is reported in percentages of asbestos and nonasbestos materials (*e.g.*, cellulose, fibrous glass, synthetic).

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Clayton Environmental Consultants Laboratory, Seattle, Washington, is accredited for PLM analysis under the National Voluntary Laboratory Accreditation Program (NVLAP) of the National Institute of Standards and Technology (Lab I.D. No. 112500 ). The laboratory is also accredited by the American Industrial Hygiene Association (AIHA Lab I.D. No. 9074) and participates regularly in the Proficiency Analytical Testing (PAT) Program administered by the AIHA.

Results of Sampling Analysis

Ten bulk samples of suspected building material were collected for asbestos analysis, including thermal system insulation, wall packing material, popcorn ceiling and damaged wallboard with surfacing texture. The laboratory analyses indicated asbestos in popcorn ceiling surfacing material (2% and 3% Chrysotile) and in wallboard surfacing material (2% Chrysotile). The popcorn surfacing material appeared water-damaged and cracked with some delamination visible in hallway areas throughout the hotel. Popcorn surfacing material in the observed hotel rooms appeared in good condition. Wallboard appeared water-damaged and torn in the first floor boiler room (parts of ceiling and support posts) and in elevator mechanical rooms on the roof (several walls). The laboratory analyses indicated no asbestos detected in any of the thermal system insulation sampled or the wall packing material. Ceiling tiles, floor tiles, stair tread, sheet vinyl flooring, some thermal system insulation, elevator brake pads, roofing material, patch plaster and patch cement, fire doors, fire wall insulation, HVAC insulation and cement asbestos board were not sampled and are assumed ACM. Data for all suspect ACM observed was noted and is summarized in Table 2. The analytical report is presented in Appendix E.

## 6.7 RADON GAS POTENTIAL

Radon is a naturally occurring radioactive gas formed by the decay of uranium in bedrock and soil. The potential adverse health effects associated with radon gas depend on various factors, such as the concentration of the gas and duration of exposure. The concentration of radon gas in a building depends on subsurface soil conditions, the integrity of the building's foundation, and the building's ventilation system.

Radon concentrations in King County were assessed using information supplied by the US EPA Map of Radon Zones (no date) and EDR (1998). King County is located in

Zone 3 which has predicted average indoor screening levels less than (<) 2 picocuries of radon per liter of air (pCi/l) (EPA no date; EDR 1998). The EPA recommended action level is 4.0 pCi/l.

## 7.0 ENVIRONMENTAL / REGULATORY AGENCY INQUIRIES

Available government database information prepared by Environmental Data Resources (EDR 1998), was reviewed to evaluate both the target (*i.e.*, subject) property and listed sites within NationsBank recommended search distances, which could potentially impact the target property (Appendix F). Database information reviewed included the following:

| Database | Search Distance (miles) |
|---|---|
| Coal Gas | 1.00 |
| National Priority List (NPL) | 1.00 |
| Records of Decision (ROD) | 1.00 |
| Superfund (CERCLA) Consent Decrees (CONSENT) | 1.00 |
| Washington Hazardous Waste Sites (CSCSL, SHWS, HSL) | 1.00 |
| Resource Conservation and Recovery Information System (RCRIS) Transport, Storage, or Disposal Facilities (TSD) | 0.50 |
| Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) | 0.50 |
| Solid Waste Facility/Landfills (SWF/LS) | 0.50 |
| Washington Interim Cleanup Report (WA ICR) | 0.50 |
| Washington Leaking Underground Storage Tanks (LUST) | 0.50 |
| Washington List of Registered USTs (UST) | 0.25 |
| RCRIS - Large Quantity Generators (LQG) | 0.25 |
| RCRIS - Small Quantity Generators (SQG) | 0.25 |
| RCRA Administrative Action Tracking System (RAATS) | 0.25 |
| No Further Remedial Action Planned Sites (NFRAP) | Target Property |
| Washington Air Emissions (EMI) | Target Property |
| Civil Enforcement Docket (DOCKET) | Target Property |
| Facility Index System (FINDS) | Target Property |
| Federal Reporting Data System (FRDS) | Target Property |
| Material Licensing Tracking System (MLTS) | Target Property |
| Permit Compliance System (PCS) | Target Property |
| Toxic Release Inventory System of 1994 (TRIS) | Target Property |
| Emergency Response Notification System (ERNS) | Target Property |
| Hazardous Materials Information Reporting System (HMIRS) | Target Property |
| Toxic Substance Control Act (TSCA) | Target Property |
| NPL Liens | Target Property |

Sixty-nine regulated facilities were identified within NationsBank recommended search distances from the subject property. EDR also listed orphan sites which were not plotted but included in the report. Clayton attempted to plot the orphans and included them in the listing below if they fell within the recommended ASTM search distances.

| Facility | Database | Search Distance (miles) |
|---|---|---|
| Edelstein Assoc Advertising Bell St | RCRIS-SQG, FINDS | ⅛-¼ |
| Rossman Industrial Supply Co. | RCRIS-SQG, FINDS | ⅛-¼ |
| Oening Co 81 Vine | RCRIS-SQG, FINDS | ⅛-¼ |
| Port of Seattle-Bell St Pier 66 | WA ICR | ⅛-¼ |
| Bell St. Terminal (Pier 66) | UST, LUST | ⅛-¼ |
| Seattle Port of Pier 66 Marine Term | RCRIS-SQG, FINDS | ⅛-¼ |
| Backstrom Residence | WA ICR | ⅛-¼ |
| Washington Transit Advertising | RCRIS-SQG, FINDS | ⅛-¼ |
| Western & Vine Heating Fuel Tank | WA ICR | ⅛-¼ |
| Symetrix Inc | RCRIS-SQG, FINDS | ⅛-¼ |
| Sailor's Union of the Pacific Bldg | LUST | ⅛-¼ |
| Sailor's Union of the Pacific Bldg | WA ICR | ⅛-¼ |
| Seattle Port of Pier 69 | RCRIS-SQG, FINDS | ⅛-¼ |
| Northwest Protective Service Inc | UST, LUST | ⅛-¼ |
| Northwest Protective Service Inc | RCRIS-SQG | ⅛-¼ |
| Northwest Protective Service Inc | WA ICR | ⅛-¼ |
| Consolidated Press Prtg Co | RCRIS-SQG, FINDS | ⅛-¼ |
| Queen City Plating Co Inc | RCRIS-SQG, FINDS | ⅛-¼ |
| Bell Center 070880 | UST | ⅛-¼ |
| Port of Seattle, Pier 66 | WA ICR | ⅛-¼ |
| WDOE NRO 2nd Ave Bell Drums | RCRIS-SQG, FINDS | ⅛-¼ |
| Holman Body & Repair | WA ICR | ⅛-¼ |
| Holmans Body & Fender Shop | RCRIS-SQG, FINDS | ⅛-¼ |
| Holman Body and Fender | UST, LUST | ⅛-¼ |
| Import Doctors | RCRIS-SQG, FINDS | ⅛-¼ |
| US Postal Service | UST, LUST | ¼-½ |
| Port of Seattle Central Waterfront Proje | WA ICR | ¼-½ |
| Cornelius Apartments | WA ICR | ¼-½ |
| One Pacific Tower W Constr Site | UST, LUST | ¼-½ |
| Intrawest | WA ICR, LUST | ¼-½ |
| Fountain Court Apartments | LUST | ¼-½ |
| I Pacific Place | WA ICR | ¼-½ |
| Key Lock Parking Lot | UST, LUST | ¼-½ |
| Stonecliff Apartments | WA ICR | ¼-½ |
| Stonecliff Apts | LUST | ¼-½ |
| Pacific Heights Ltd. Partnership Bldg. | WA ICR | ¼-½ |

| | | |
|---|---|---|
| Unocal Seattle Market SED | SHWS | ¼-½ |
| Unocal Seattle Market Off Site | SHWS | ¼-½ |
| Unocal Seattle Market Lower | SHWS | ¼-½ |
| Unocal Seattle Market Elliot | SHWS | ¼-½ |
| Unocal Seattle Market Upland | SHWS | ¼-½ |
| Unocal Seattle Marketing Term | SHWS | ¼-½ |
| Bill Bailey for Times of Seattle | UST, LUST | ¼-½ |
| Bristol Myer Squibb | WA ICR | ¼-½ |
| Graphicolor Inc | RCRIS-SQG, FINDS, UST, LUST | ¼-½ |
| Oncogen | LUST | ¼-½ |
| Neuffer Construction Co. | WA ICR, LUST | ¼-½ |
| Edwards on 5th Bldg | LUST | ¼-½ |
| Minit Lube #1113 | WA ICR | ¼-½ |
| Minit Lube #1113 | UST, LUST | ¼-½ |
| Elephant Car Wash | UST, LUST | ¼-½ |
| Unocal Elliot Av N of Bay St | SHWS | ½-1 |
| Central Seattle Waterfront, Piers 53-58 | SHWS | ½-1 |
| Seattle Steam Co Western Av | SHWS | ½-1 |
| Mercer Bus Barn Seattle Center | SHWS | ½-1 |
| Seattle City/Seattle Ctr Prop | SHWS | ½-1 |
| Seattle Lighting Co. | Coal Gas | ½-1 |
| Colman Dock Sediments | SHWS | ½-1 |
| Monterey Apartments Site | SHWS | ½-1 |
| Seattle Steam Co Post Av | SHWS | ½-1 |
| Unocal Myrtle Edwards Park (orphan) | SHWS | ½-1 |
| Elephant Car Wash (orphan) | WA ICR | ¼-½ |
| Parson's Block/Former Selig Prop (orphan) | WA ICR | ¼-½ |

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Several files for the above-listed sites were reviewed at the Department of Ecology (Ecology). Pier 69 listed above as a RCRIS-SQG also had a cleanup report on file at Ecology, but the file was unavailable for review. This site does not appear to represent a concern to the subject property based on distance and estimated flow of bay and groundwater. However, past operations at Pier 66, adjacent to the south across Elliot Bay, resulted in contamination at this property from a LUST which was remediated. A small amount of contaminated soil remained near utility lines following excavation of contaminated soil.

The Central Waterfront Project and Colman Dock sites include Piers 48 through 59, south of the subject property. Piers 48 to 59 contain metal- and petroleum-contaminated groundwater, soil and sediment of undetermined origin. According to Martha Turvey of Ecology's Toxic Cleanup Program, the extent and complete identification of sources of this contamination is uncertain and cleanup has not begun. Ecology has not decided how

to determine potentially liable parties in order to commence cleanup. No independent cleanups are allowed for these Seattle Central waterfront properties. Ms. Turvey indicated that a waterfront-wide cleanup would best control contaminated sediments; however, Ms. Turvey did indicate that piles were rotting in Colman Dock piers that would require replacement in the near future which may initiate full characterization and cleanup at that pier first. She indicated that as other piers replaced deteriorated piles, simultaneous investigation and cleanup would be most economical. However, cross-contamination from sediment drift from other piers would need to be considered if cleaned up one pier at at time. Impact to the subject property directly from these piers is unlikely due to distance; however, sediment contamination appears to be widespread along the Central Seattle Waterfront and may include the subject property sediments.

Other sources of contamination besides industrial facilities that operated along the Seattle Waterfront over the years include stormwater runoff, suspect fill material used to extend the waterfront westward and Duwamish River contaminants. There is potential that the Department of Natural Resources will conduct a characterization study upon renewal of waterfront property leases The subject property pier was built with creosoted piers according to historical records and maintained a service station, which may potentially have contributed to soil, sediment or groundwater contamination at the subject property. No characterization studies were discovered regarding the subject property during this investigation.

The US Postal Service site contained solvent-contaminated groundwater and soil. This site is directly east up Battery Street. According to file review at Ecology, the direction of groundwater flow is east, away from the subject property. This site does not appear to impact the subject property.

The Unocal site over a quarter mile north of the subject property is undergoing remedial excavation monitoring according to Ecology file review; however, groundwater flow is reportedly west into Elliot Bay and is unlikely to impact the subject property.

The other facilities do not appear to present an environmental concern to the subject property at this time based on their distance from the subject property and estimated direction of groundwater flow.

## 8.0 REFERENCES

### 8.1 Records of Communication

Information regarding the subject property was obtained from interviews with the following people (Exhibit 1):

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- Miller, Chuck, Director of Maintenance, Noble House
- Records Clerk, Seattle Fire Department
- Safioles, Sally, Department of Ecology
- Staff, Seattle/King County Health Department, North Section
- Trout, Becki, Vice President of Asset Management, Noble House
- Turvey, Martha, Toxics Cleanup Program, Department of Ecology
- Williams, Marietta, Environmental Inspector, Seattle City Light

## 8.2 Regulatory/ Historical Records

To evaluate the regulatory status and develop a historical database, documents were researched from the following sources:

- Department of Ecology, Northwest Region, Bellevue, Washington
- Environmental Data Resources, Inc. (EDR), Southport, Connecticut
- King County Assessor's Office, Seattle, Washington
- Seattle Public Library
- United States Geological Survey (USGS), Reston, Virginia
- Washington State Archives, Puget Sound Branch, Tukwila, Washington
- Walker & Associates, Inc., Tukwila, Washington

## 8.3 PUBLISHED REFERENCES

AGRA. 1995. Soil Sampling and Excavation Results; Pier 66 Central Waterfront.

EDR-Sanborn, Inc. 1998. Sanborn & Historical Maps Report. Southport, Connecticut.

Environmental Data Resources. 1998. EDR-Radius Map with GeoCheck. Southport, Connecticut.

HAZCON, Inc. 1987. Asbestos Survey. Seattle, Washington.

FEMA. 1996. The National Flood Insurance Program Flood Insurance Rate Map (No. 135157 0017).

GeoEngineers. 1998. Interim Cleanup Report; Remedial Excavation Monitoring.

King County Planning Department. 1990. Sensitive Areas Map Folio.

Lambert Group. 1995. Phase I Environmental Site Assessment for Edgewater Inn Property. Auburn, Washington.

USGS. 1983. 7.5 minute Topographic Map - Seattle South Quadrangle.

Yount, James C., Minard, James P., Dembroff, Glenn R. 1993. Geologic Map of Surficial Deposits in the Seattle 30' x 60' Quadrangle, Washington.

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City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED
FILE# CWF-0133-0135, 1-0353 134
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## Hotel Vintage

| | |
|---|---|
| Map Nos. | D-243 |
| Tax Parcel Nos. | 094200-0265 |
| Address | 1100 5th Avenue |
| Zoning: | DOC1 U/450/U |
| Proximity to park | 1,900± feet to park (via Spring Street), 11-minute walk |
| Ownership | Wolfpack Owner, LLC |

| INCOME ANALYSIS Before | Year Built | 1922 | | | |
|---|---|---|---|---|---|
| | Rooms | 125 | | | |
| | Parking | 65 | on-site stalls | | |
| Potential Gross Income | | | | | |
| Hotel rooms | 125 | rooms @ | $425 | per night = | $19,390,625 |
| Event space* | 660 | SF @ | $30.00 | per SF = | $19,800 |
| Restaurant/retail space | 1,950 | SF @ | $30.00 | per SF = | $58,500 |
| Gross building rental income | 67,390 | | | | $19,468,925 |
| Total parking income | 65 | stalls @ | $42.00 | /day | $996,450 |
| Moorage income | | 0.0% | of PGI | | $0 |
| Total potential gross income | 67,390 | SF @ | $303.69 | /SF = | $20,465,375 |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($3,878,125) |
| | 20.0% | of parking revenue | | | ($199,290) |
| | 5.0% | of other space | | | ($3,915) |
| Effective gross income | | | | | $16,384,045 |
| Less: Operating expenses | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,023,269) | |
| Parking operating expenses @ | 60.0% | of parking EGI | | ($478,296) | |
| Hotel operating expenses @ | 60.0% | of hotel EGI | | ($11,634,375) | |
| Structural maintenance/reserve | $0.25 | per SF of GBA | | ($16,848) | |
| Total operating expenses | | | | ($13,152,787) | |
| NET OPERATING INCOME | | | | | $3,231,258 |
| CAPITALIZED @ | | | 7.50% | | $43,083,437 |
| | | $639.31 | per SF | | (R) **$43,083,000** |
| | | $344,664 | per room | | |
| Land Value | | | | | |
| | 14,400 | SF @ | $1,000.00 | | $14,400,000 |
| Residual Improvements | 67,390 | SF @ | $425.63 | per SF = | $28,683,000 |

| **Average without LID** | | | | |
|---|---|---|---|---|
| Contributory value of improvements | 67,390 | SF @ | $425.63 | $28,683,000 |
| Land value | 14,400 | SF @ | $1,000.00 | $14,400,000 |
| Total | | | | **$43,083,000** |

## Hotel Vintage

| INCOME ANALYSIS After | Year Built | 1922 | | | | | |
|---|---|---|---|---|---|---|---|
| Potential Gross Income | | | | | | | |
| Hotel rooms | 125 | rooms @ | $429 | per night = | $19,584,531 | 1.0% | 1.0% |
| Event space* | 660 | SF @ | $30.30 | per SF = | $19,998 | 1.0% | 1.0% |
| Restaurant/retail space | 1,950 | SF @ | $30.30 | per SF = | $59,085 | 1.0% | 1.0% |
| Gross building rental income | 67,390 | | | | $19,663,614 | | 1.0% |
| Total parking income | 65 | stalls @ | $42.42 | /day | $1,006,415 | 1.0% | |
| Moorage income | | 0.0% | of PGI | | $0 | | |
| Total potential gross income | 67,390 | SF @ | $306.72 | /SF = | $20,670,029 | | 1.0% |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($3,916,906) | | |
| | 20.0% | of parking revenue | | | ($201,283) | | |
| | 5.0% | of other space | | | ($3,954) | | |
| Effective gross income | | | | | $16,547,885 | | |
| Less: Operating expenses | | | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,033,501) | | | |
| Parking operating expenses @ | 60.0% | of parking EGI | | ($483,079) | | | |
| Hotel operating expenses @ | 60.0% | per SF | | ($11,750,719) | | | |
| Structural maintenance/reserve | $0.25 | per SF of GBA | | ($16,848) | | | |
| Total operating expenses | | | | ($13,284,147) | | | |
| NET OPERATING INCOME | | | | | $3,263,739 | | |
| CAPITALIZED @ | | | 7.50% | | $43,516,517 | | |
| | | $645.75 | per SF | | (R) **$43,517,000** | | |
| | | $348,136 | per room | | | | |
| Land Value | | | | | | | |
| | 14,400 | SF @ | $1,010.00 | | $14,544,000 | 1.0% | |
| Residual Improvements | 67,390 | SF @ | $429.93 | per SF = | $28,973,000 | | |

| **Average with LID** | | | | | |
|---|---|---|---|---|---|
| Contributory value of improvements | 67,390 | SF @ | $429.93 | $28,973,000 | 1.0% |
| Land value | 14,400 | SF @ | $1,010.00 | $14,544,000 | 1.0% |
| Total | | | | **$43,517,000** | |

**Special benefit summary**

| | | | | | |
|---|---|---|---|---|---|
| Contributory value of improvements | 67,390 | SF @ | $4.30 | $290,000 | 67% |
| Land | 14,400 | SF @ | $10.00 | $144,000 | 33% |
| Total | | | | $434,000 | |
| | | | | | |
| Assessed value land | 14,400 | SF @ | $775.00 | $11,160,000 | |
| Assessed value building | 67,390 | SF @ | $372.00 | $25,069,200 | |
| Assessed value total | 67,390 | SF @ | $537.60 | $36,229,200 | |
| | | | | $289,834 | |
| | | | | per room | |

| **Rates** | Rate | Type |
|---|---|---|
| June during week | $355 | Queen |
| | $375 | King |
| | $495 | Double queen |
| | $525 | King Premier |
| June weekend | $355 | Queen |
| | $375 | King |
| | $395 | Double queen |
| | $405 | King Premier |
| Blend | $355 | Queen |
| | $375 | King |
| | $466 | Double queen |
| | $491 | King Premier |
| | $422 | Blended average |

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
FILE# CWF-0133-0135, 4-0353 133
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## Hotel Monaco

| | |
|---|---|
| Map Nos. | C-125 |
| Tax Parcel Nos. | 094200-0145 |
| Address | 1101 4th Avenue |
| Zoning: | DOC1 U/450/U |
| Proximity to park | 1,300± feet to park (via Spring), 6-minute walk |
| Ownership | Running Rebels Owner, LLC |

| INCOME ANALYSIS Before | Year Built | 1969 | | | |
|---|---|---|---|---|---|
| | Rooms | 189 | | | |
| | Parking | 56 | on-site stalls | | |
| Potential Gross Income | | | | | |
| Hotel rooms | 189 | rooms @ | $500 | per night = | $34,492,500 |
| Event space | 6,040 | SF @ | $30.00 | per SF = | $181,200 |
| Restaurant/retail space | 12,685 | SF @ | $32.00 | per SF = | $405,920 |
| Gross building rental income | 153,163 | | | | $35,079,620 |
| Total parking income | 56 | stalls @ | $43.00 | /day | $878,920 |
| Moorage income | | 0.0% | of PGI | | $0 |
| Total potential gross income | 153,163 | SF @ | $234.77 | /SF = | $35,958,540 |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($6,898,500) |
| | 20.0% | of parking revenue | | | ($175,784) |
| | 5.0% | of other space | | | ($29,356) |
| Effective gross income | | | | | $28,854,900 |
| Less: Operating expenses | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,797,927) | |
| Parking operating expenses @ | 60.0% | of parking EGI | | ($421,882) | |
| Hotel operating expenses @ | 60.0% | of hotel EGI | | ($20,695,500) | |
| Structural maintenance/reserve | $0.25 | per SF of GBA | | ($38,291) | |
| Total operating expenses | | | | ($22,953,599) | |
| NET OPERATING INCOME | | | | | $5,901,301 |
| CAPITALIZED @ | | | 7.00% | | $84,304,295 |
| | | $550.42 | per SF | | (R) **$84,304,000** |
| | | $446,053 | per room | | |
| Land Value | 12,957 | SF @ | $900.00 | | $11,661,000 |
| Residual Improvements | 153,163 | SF @ | $474.29 | per SF = | $72,643,000 |

**Average without LID**

| | | | | |
|---|---|---|---|---|
| Contributory value of improvements | 153,163 | SF @ | $474.29 | $72,643,000 |
| Land value | 12,957 | SF @ | $899.98 | $11,661,000 |
| Total | | | | **$84,304,000** |

## Hotel Monaco

| INCOME ANALYSIS After | Year Built | 1969 | | | | | |
|---|---|---|---|---|---|---|---|
| Potential Gross Income | | | | | | | |
| Hotel rooms | 189 | rooms @ | $505 | per night = | $34,837,425 | 1.0% | 1.0% |
| Event space | 6,040 | SF @ | $30.30 | per SF = | $183,012 | 1.0% | 1.0% |
| Restaurant/retail space | 12,685 | SF @ | $32.32 | per SF = | $409,979 | 1.0% | 1.0% |
| Gross building rental income | 153,163 | | | | $35,430,416 | | 1.0% |
| Total parking income | 56 | stalls @ | $43.43 | /day | $887,709 | 1.0% | |
| Moorage income | | 0.0% | of PGI | | $0 | | |
| Total potential gross income | 153,163 | SF @ | $237.12 | /SF = | $36,318,125 | | 1.0% |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($6,967,485) | | |
| | 20.0% | of parking revenue | | | ($177,542) | | |
| | 5.0% | of other space | | | ($29,650) | | |
| Effective gross income | | | | | $29,143,449 | | |
| Less: Operating expenses | | | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,815,906) | | | |
| Parking operating expenses @ | 60.0% | of parking EGI | | ($426,100) | | | |
| Hotel operating expenses @ | 60.0% | per SF | | ($20,902,455) | | | |
| Structural maintenance/reser | $0.25 | per SF of GBA | | ($38,291) | | | |
| Total operating expenses | | | | ($23,182,752) | | | |
| NET OPERATING INCOME | | | | | $5,960,697 | | |
| CAPITALIZED @ | | | 7.00% | | $85,152,808 | | |
| | | $555.96 | per SF | | (R) **$85,153,000** | | |
| | | $450,545 | per room | | | | |
| Land Value | 12,957 | SF @ | $909.00 | | $11,778,000 | 1.0% | |
| Residual Improvements | 153,163 | SF @ | $479.06 | per SF = | $73,375,000 | | |

**Average with LID**

| | | | | | |
|---|---|---|---|---|---|
| Contributory value of improvements | 153,163 | SF @ | $479.06 | $73,375,000 | 1.0% |
| Land value | 12,957 | SF @ | $909.01 | $11,778,000 | 1.0% |
| Total | | | | **$85,153,000** | |

**Special benefit summary**

| | | | | | |
|---|---|---|---|---|---|
| Contributory value of improvements | 153,163 | SF @ | $4.78 | $732,000 | 86% |
| Land | 12,957 | SF @ | $9.03 | $117,000 | 14% |
| Total | | | | $849,000 | |
| | | | | | |
| Assessed value land | 12,957 | SF @ | $1,195.07 | $15,484,500 | |
| Assessed value building | 153,163 | SF @ | $249.56 | $38,223,500 | |
| Assessed value total | 153,163 | SF @ | $350.66 | $53,708,000 | |
| | | | | $284,169 | |
| | | | | per room | |

**Rates**

| | | |
|---|---|---|
| June during week | $435 | King |
| | $455 | Premier King |
| | $462 | Deluxe King |
| | $799 | Premier Monte Carlo |
| June weekend | $323 | King |
| | $400 | Premier King |
| | $400 | Deluxe King |
| | $430 | Premier Monte Carlo |
| Blend | $403 | King |
| | $439 | Premier King |
| | $444 | Deluxe King |
| | $694 | Premier Monte Carlo |
| | $495 | Blended average |

**Other**

http://www.monaco-seattle.com/downtown-seattle-hotels/

| | | | | |
|---|---|---|---|---|
| Sold in April 2011 for | $41,477,000 | $309.80 | per SF NRA | |
| | | $219,455 | per room | |
| Sold in July 1996 for | $6,500,000 | $48.55 | per SF NRA | Subsequently converted to hotel use |
| | | $34,392 | per room | |

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
FILE# CWF-0 353
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**Hilton Seattle Downtown**

| | |
|---|---|
| Map Nos. | D-235-001, D-235-002 |
| Tax Parcel Nos. | 780292-0010, -0020 |
| Address | 1301 6th Avenue |
| Zoning: | DOC1 U/450/U |
| Proximity to park | 1,900± feet to park, 10-minute walk, 1½ blocks from Pike |
| Ownership | 10-1301 HSW Owner, LLC (780292-0010) and PF Seattle Hilton, LLC (780292-0020) |

| **INCOME ANALYSIS Before** | Year Built | 1969 | | | | |
|---|---|---|---|---|---|---|
| | Rooms | 250 | | | | |
| | Parking | 526 | on-site stalls | | | |
| Potential Gross Income | | | | | | |
| Hotel rooms | 250 | rooms @ | $400 | per night = | $36,500,000 | |
| Event space | 6,384 | SF @ | $30.00 | per SF = | $191,520 | |
| Restaurant/retail space | 6,000 | SF @ | $30.00 | per SF = | $180,000 | |
| Gross building rental income | 332,210 | | | | $36,871,520 | |
| Monthly parking | 175 | stalls @ | $320.00 | /month | $673,280 | |
| Overnight parking | 175 | stalls @ | $43.00 | /day | $2,751,857 | |
| Daily parking | 175 | stalls @ | $15.00 | /day | $959,950 | |
| Total parking income | 526 | stalls | | | $4,385,087 | |
| Moorage income | | 0.0% | of PGI | | $0 | |
| Total potential gross income | 332,210 | SF @ | $124.19 | /SF = | $41,256,607 | |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($7,300,000) | Hotel Unit $29,552,944 |
| | 20.0% | of parking revenue | | | ($877,017) | Garage Unit $3,508,069 |
| | 5.0% | of other space | | | ($18,576) | |
| Effective gross income | | | | | $33,061,013 | |
| Less: Operating expenses | | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,653,051) | | Hotel Unit $11,983,737 |
| Parking operating expenses @ | 50.0% | of parking EGI | | ($1,754,035) | | Garage Unit $1,527,139 |
| Hotel operating expenses @ | 55.0% | of hotel EGI | | ($16,060,000) | | |
| Structural maintenance/reserve | $0.25 | per SF of GBA | | ($83,053) | | |
| Total operating expenses | | | | ($19,550,138) | | |
| NET OPERATING INCOME | | | | | $13,510,876 | |
| CAPITALIZED @ | | | 8.00% | | $168,885,944 | |
| | | $508.37 | per SF | | (R) **$168,886,000** | |
| | | $675,544 | per room | | | |
| Land Value | | | | | | |
| | 21,593 | SF @ | $1,400.00 | | $30,230,000 | |
| Allocation to 780292-0010 | 8,229 | 38.11% | | | $11,521,000 | |
| Allocation to 780292-0020 | 13,364 | 61.89% | | | $18,709,000 | |
| Residual Improvements | 332,210 | SF @ | $417.37 | per SF = | $138,656,000 | |
| Allocation to 780292-0010 | 89% | | | | $122,984,000 | |
| Allocation to 780292-0020 | 11% | | | | $15,672,000 | |
| | | | | land | improvements | |
| **Average without LID** | | | | | | |
| Contributory value of improvements | | 332,210 | SF @ | $417.37 | $138,656,000 | |
| Land value | | 21,593 | SF @ | $1,399.99 | $30,230,000 | |
| Total | | | | | **$168,886,000** | |

**Hilton Seattle Downtown**

| **INCOME ANALYSIS After** | Year Built | 1969 | | | | | |
|---|---|---|---|---|---|---|---|
| Potential Gross Income | | | | | | | |
| Hotel rooms | 250 | rooms @ | $404 | per night = | $36,865,000 | 1.0% | 1.0% |
| Event space | 6,384 | SF @ | $30.30 | per SF = | $193,435 | 1.0% | 1.0% |
| Restaurant/retail space | 6,000 | SF @ | $30.30 | per SF = | $181,800 | 1.0% | 1.0% |
| Gross building rental income | 332,210 | | | | $37,240,235 | | 1.0% |
| Monthly parking | 175 | stalls @ | $323.20 | /month | $680,013 | 1.0% | 1.0% |
| Overnight parking | 175 | stalls @ | $43.43 | /day | $2,779,375 | 1.0% | |
| Daily parking | 175 | stalls @ | $15.15 | /day | $969,550 | 1.0% | 1.0% |
| Total parking income | 526 | stalls | | | $4,428,938 | | 1.0% |
| Moorage income | | 0.0% | of PGI | | $0 | | |
| Total potential gross income | 332,210 | SF @ | $125.43 | /SF = | $41,669,173 | | 1.0% |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($7,373,000) | | |
| | 20.0% | of parking revenue | | | ($885,788) | | |
| | 5.0% | of other space | | | ($18,762) | | |
| Effective gross income | | | | | $33,391,623 | | |
| Less: Operating expenses | | | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,669,581) | | | |
| Parking operating expenses @ | 50.0% | of parking EGI | | ($1,771,575) | | | |
| Hotel operating expenses @ | 55.0% | per SF | | ($16,220,600) | | | |
| Structural maintenance/reserve | $0.25 | per SF of GBA | | ($83,053) | | | |
| Total operating expenses | | | | ($19,744,809) | | | |
| NET OPERATING INCOME | | | | | $13,646,815 | | |
| CAPITALIZED @ | | | 8.00% | | $170,585,185 | | |
| | | $513.49 | per SF | | (R) **$170,585,000** | 1.0% | |
| | | $682,340 | per room | | | | |
| Land Value | | | | | | | |
| | 21,593 | SF @ | $1,414.00 | | $30,533,000 | 1.0% | |
| Allocation to 780292-0010 | | | | | $11,636,000 | | |
| Allocation to 780292-0020 | | | | | $18,897,000 | | |
| Residual Improvements | 332,210 | SF @ | $421.58 | per SF = | $140,052,000 | | |
| Allocation to 780292-0010 | 89% | | | | $124,222,000 | | |
| Allocation to 780292-0020 | 11% | | | | $15,830,000 | | |
| | | | | land | improvements | | |
| **Average with LID** | | | | | | | |
| Contributory value of improvements | | 332,210 | SF @ | $421.58 | $140,052,000 | 1.0% | |
| Land value | | 21,593 | SF @ | $1,414.02 | $30,533,000 | 1.0% | |
| Total | | | | | **$170,585,000** | 1.0% | |

**Special benefit summary**

| | | | | | | |
|---|---|---|---|---|---|---|
| Contributory value of improvements | 332,210 | SF @ | $4.20 | $1,396,000 | 82% | Total |
| Land | 21,593 | SF @ | $14.03 | $303,000 | 18% | |
| Total | | | | $1,699,000 | | |
| | | | | | | |
| Contributory value of improvements | 126,240 | SF @ | $9.81 | $1,238,000 | 92% | 780292-0010 |
| Land | 8,229 | SF @ | $13.97 | $115,000 | 8% | |
| Total | | | | $1,353,000 | | |
| | | | | | | |
| Contributory value of improvements | 208,970 | SF @ | $0.76 | $158,000 | 46% | 780292-0020 |
| Land | 13,364 | SF @ | $14.07 | $188,000 | 54% | |
| Total | | | | $346,000 | | |
| | | | | | | |
| Assessed value land | 21,593 | SF @ | $1,100.00 | $23,752,200 | Total | |
| Assessed value building | 332,210 | SF @ | $256.89 | $85,342,000 | | |
| Assessed value total | 332,210 | SF @ | $328.39 | $109,094,200 | $436,377 | per room |
| | | | | | | |
| Assessed value land | 8,229 | SF @ | $1,100.00 | $9,052,000 | 780292-0010 | |
| Assessed value building | 126,240 | SF @ | $500.81 | $63,222,200 | | |
| Assessed value total | 126,240 | SF @ | $572.51 | $72,274,200 | | |
| | | | | | | |
| Assessed value land | 13,364 | SF @ | $1,099.99 | $14,700,200 | 780292-0020 | |
| Assessed value building | 208,970 | SF @ | $105.85 | $22,119,800 | | |
| Assessed value total | 208,970 | SF @ | $176.20 | $36,820,000 | | |

**Rates**

| | | |
|---|---|---|
| June during week | $369 | King |
| | $389 | King partial bay/city |
| | $409 | King Executive bay/city |
| June weekend | $389 | King |
| | $409 | King partial bay/city |
| | $429 | King Executive bay/city |
| Blend | $375 | King |
| | $395 | King partial bay/city |
| | $415 | King Executive bay/city |
| | $395 | Average |

**Other**

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
FILE# CWF-0 168
15

**Thompson Hotel**

| | |
|---|---|
| Map Nos. | B-225 and B-227 |
| Tax Parcel Nos. | 197720-0955 and -0960 |
| Address | 110 Stewart Street |
| Zoning: | DMC-125 |
| Proximity to park | 600 feet, 4-minute walk to waterfront park, one block north of Pine Street improvements |
| Ownership | Thielen Chase, LLC |

| **INCOME ANALYSIS Before** | Year Built | 2015 | | | |
|---|---|---|---|---|---|
| | Rooms | 158 | | | |
| | Parking | 56 | on-site stalls* | | |
| Potential Gross Income | | | | | |
| Hotel rooms | 148 | rooms @ | $538 | per night = | $29,062,760 |
| Suites | 10 | rooms @ | $807 | per night = | $2,945,550 |
| Event space | 3,854 | SF @ | $30.00 | per SF = | $115,620 |
| Restaurant space | 6,000 | SF @ | $30.00 | per SF = | $180,000 |
| Spa | 4,645 | SF @ | $30.00 | per SF = | $139,350 |
| Gross building rental income | 125,310 | ** | | | $32,443,280 |
| Parking income | 56 | stalls @ | $45.00 | /night | $919,800 |
| Moorage income | | 0.0% | of PGI | | $0 |
| Total potential gross income | 125,310 | SF @ | $266.24 | /SF = | $33,363,080 |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($6,401,662) |
| | 20.0% | of parking revenue | | | ($183,960) |
| | 5.0% | of other space | | | ($21,749) |
| Effective gross income | | | | | $26,755,710 |
| Less: Operating expenses | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,668,154) | |
| Parking operating expenses @ | 60.0% | of parking EGI | | ($441,504) | |
| Hotel operating expenses @ | 60.0% | of hotel EGI | | ($19,204,986) | |
| Structural maintenance/reserve | $0.25 | per SF of GBA | | ($31,328) | |
| Total operating expenses | | | | ($21,345,972) | |
| NET OPERATING INCOME | | | | | $5,409,738 |
| CAPITALIZED @ | | | 7.50% | | $72,129,840 |
| | | $575.61 | per SF | | (R) **$72,130,000** |
| | | $487,365 | per room | | |
| Land Value | | | | | |
| | 19,620 | SF @ | $850.00 | | $16,677,000 |
| Allocated to -0955 | 6,540 | | | | $5,559,000 |
| Allocated to -0960 | 13,080 | | | | $11,118,000 |
| Residual Improvements | 125,310 | SF @ | $442.53 | per SF = | $55,453,000 |

**Average without LID**

| | | | | |
|---|---|---|---|---|
| Contributory value of improvements | 125,310 | SF @ | $442.53 | $55,453,000 |
| Land value | 19,620 | SF @ | $850.00 | $16,677,000 |
| Total | | | | **$72,130,000** |

**Thompson Hotel**

| **INCOME ANALYSIS After** | Year Built | 2015 | | | | | |
|---|---|---|---|---|---|---|---|
| Potential Gross Income | | | | | | | |
| Hotel rooms | 148 | rooms @ | $551 | per night = | $29,789,329 | 2.5% | 2.5% |
| Suites | 10 | rooms @ | $827 | per night = | $3,019,189 | 2.5% | |
| Event space | 3,854 | SF @ | $30.75 | per SF = | $118,511 | 2.5% | 2.5% |
| Restaurant space | 6,000 | SF @ | $30.75 | per SF = | $184,500 | 2.5% | |
| Spa | 4,645 | SF @ | $30.75 | per SF = | $142,834 | 2.5% | |
| Gross building rental income | 125,310 | | | | $33,254,362 | | |
| Parking income | 56 | stalls @ | $46.13 | /night | $942,795 | 2.5% | 2.5% |
| Moorage income | | 0.0% | of PGI | | $0 | | |
| Total potential gross income | 125,310 | SF @ | $272.90 | /SF = | $34,197,157 | | 2.5% |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($6,561,704) | | |
| | 20.0% | of parking revenue | | | ($188,559) | | |
| | 5.0% | of other space | | | ($22,292) | | |
| Effective gross income | | | | | $27,424,602 | | |
| Less: Operating expenses | | | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,709,858) | | | |
| Parking operating expenses @ | 60.0% | of parking EGI | | ($452,542) | | | |
| Hotel operating expenses @ | 60.0% | per SF | | ($19,685,111) | | | |
| Structural maintenance/reser | $0.25 | per SF of GBA | | ($31,328) | | | |
| Total operating expenses | | | | ($21,878,838) | | | |
| NET OPERATING INCOME | | | | | $5,545,765 | | |
| CAPITALIZED @ | | | 7.50% | | $73,943,528 | | |
| | | $590.09 | per SF | | (R) **$73,944,000** | 2.5% | |
| | | $499,622 | per room | | | | |
| Land Value | | | | | | | |
| | 19,620 | SF @ | $875.50 | | $17,177,000 | 3.0% | |
| Allocated to -0955 | 6,540 | | | | $5,726,000 | | |
| Allocated to -0960 | 13,080 | | | | $11,452,000 | | |
| Residual Improvements | 125,310 | SF @ | $453.01 | per SF = | $56,767,000 | | |

**Average with LID**

| | | | | | |
|---|---|---|---|---|---|
| Contributory value of improvements | 125,310 | SF @ | $453.01 | $56,767,000 | 2.4% |
| Land value | 19,620 | SF @ | $875.48 | $17,177,000 | 3.0% |
| Total | | | | **$73,944,000** | 2.5% |

**Special benefit summary**

| | | | | | | |
|---|---|---|---|---|---|---|
| Contributory value of improvements | 125,310 | SF @ | $10.49 | $1,314,000 | 72% | Total |
| Land | 19,620 | SF @ | $25.48 | $500,000 | 28% | |
| Total | | | | $1,814,000 | | |
| | | | | | | |
| Contributory value of improvements | 0 | SF @ | | $0 | 0% | B-225, 197720-0955 |
| Land | 6,540 | SF @ | $25.54 | $167,000 | 100% | |
| Total | | | | $167,000 | | |
| | | | | | | |
| Contributory value of improvements | 125,310 | SF @ | $10.49 | $1,314,000 | 80% | B-227, 197720-0960 |
| Land | 13,080 | SF @ | $25.54 | $334,000 | 20% | |
| Total | | | | $1,648,000 | | |
| | | | | | | |
| Assessed value land | 19,620 | SF @ | $176.67 | $3,466,200 | Total | |
| Assessed value building | 253,664 | SF @ | $45.69 | $11,590,600 | | |
| Assessed value total | 253,664 | SF @ | $59.36 | $15,056,800 | | |
| | | | | $95,296 | per room | |
| | | | | | | |
| Assessed value land | 6,540 | SF @ | $340.00 | $2,223,600 | | B-225, 197720-0955 |
| Assessed value building | 0 | SF @ | | $0 | | |
| Assessed value total | 0 | SF @ | | $2,223,600 | | |
| | | | | | | |
| Assessed value land | 13,080 | SF @ | $340.00 | $4,447,200 | | B-227, 197720-0960 |
| Assessed value building | 125,310 | SF @ | $761.53 | $95,427,500 | | |
| Assessed value total | 125,310 | SF @ | $797.02 | $99,874,700 | | |

**Rates**

| | | |
|---|---|---|
| June during week | $419 | Superior King |
| | $530 | Deluxe city view |
| | $529 | Deluxe water view |
| | N/Av. | Suites |
| June weekend | $419 | Superior King |
| | $559 | Deluxe city view |
| | $669 | Deluxe water view |
| | N/Av. | Suites |
| Blend | $419 | Superior King |
| | $538 | Deluxe city view |
| | $569 | Deluxe water view |

**Other**

| | | | | | | |
|---|---|---|---|---|---|---|
| * Parking | 45,000 | SF total | 50% | allocated to hotel | 400 | SF per stall, including load |

** Building square footage: 98,165 SF hotel, 4,645 SF restaurant and ½ of the 45,000 SF parking area

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
FILE# CWF-0133-0135, 4-0353 133
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## Hotel Monaco

| | |
|---|---|
| Map Nos. | C-125 |
| Tax Parcel Nos. | 094200-0145 |
| Address | 1101 4th Avenue |
| Zoning: | DOC1 U/450/U |
| Proximity to park | 1,300± feet to park (via Spring), 6-minute walk |
| Ownership | Running Rebels Owner, LLC |

| INCOME ANALYSIS Before | Year Built | 1969 | | | |
|---|---|---|---|---|---|
| | Rooms | 189 | | | |
| | Parking | 56 | on-site stalls | | |
| Potential Gross Income | | | | | |
| Hotel rooms | 189 | rooms @ | $500 | per night = | $34,492,500 |
| Event space | 6,040 | SF @ | $30.00 | per SF = | $181,200 |
| Restaurant/retail space | 12,685 | SF @ | $32.00 | per SF = | $405,920 |
| Gross building rental income | 153,163 | | | | $35,079,620 |
| Total parking income | 56 | stalls @ | $43.00 | /day | $878,920 |
| Moorage income | | 0.0% | of PGI | | $0 |
| Total potential gross income | 153,163 | SF @ | $234.77 | /SF = | $35,958,540 |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($6,898,500) |
| | 20.0% | of parking revenue | | | ($175,784) |
| | 5.0% | of other space | | | ($29,356) |
| Effective gross income | | | | | $28,854,900 |
| Less: Operating expenses | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,797,927) | |
| Parking operating expenses @ | 60.0% | of parking EGI | | ($421,882) | |
| Hotel operating expenses @ | 60.0% | of hotel EGI | | ($20,695,500) | |
| Structural maintenance/reserve | $0.25 | per SF of GBA | | ($38,291) | |
| Total operating expenses | | | | ($22,953,599) | |
| NET OPERATING INCOME | | | | | $5,901,301 |
| CAPITALIZED @ | | | 7.00% | | $84,304,295 |
| | | $550.42 | per SF | | (R) **$84,304,000** |
| | | $446,053 | per room | | |
| Land Value | 12,957 | SF @ | $900.00 | | $11,661,000 |
| Residual Improvements | 153,163 | SF @ | $474.29 | per SF = | $72,643,000 |

**Average without LID**

| | | | | |
|---|---|---|---|---|
| Contributory value of improvements | 153,163 | SF @ | $474.29 | $72,643,000 |
| Land value | 12,957 | SF @ | $899.98 | $11,661,000 |
| Total | | | | **$84,304,000** |

## Hotel Monaco

| INCOME ANALYSIS After | Year Built | 1969 | | | | | |
|---|---|---|---|---|---|---|---|
| Potential Gross Income | | | | | | | |
| Hotel rooms | 189 | rooms @ | $505 | per night = | $34,837,425 | 1.0% | 1.0% |
| Event space | 6,040 | SF @ | $30.30 | per SF = | $183,012 | 1.0% | 1.0% |
| Restaurant/retail space | 12,685 | SF @ | $32.32 | per SF = | $409,979 | 1.0% | 1.0% |
| Gross building rental income | 153,163 | | | | $35,430,416 | | 1.0% |
| Total parking income | 56 | stalls @ | $43.43 | /day | $887,709 | 1.0% | |
| Moorage income | | 0.0% | of PGI | | $0 | | |
| Total potential gross income | 153,163 | SF @ | $237.12 | /SF = | $36,318,125 | | 1.0% |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($6,967,485) | | |
| | 20.0% | of parking revenue | | | ($177,542) | | |
| | 5.0% | of other space | | | ($29,650) | | |
| Effective gross income | | | | | $29,143,449 | | |
| Less: Operating expenses | | | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,815,906) | | | |
| Parking operating expenses @ | 60.0% | of parking EGI | | ($426,100) | | | |
| Hotel operating expenses @ | 60.0% | per SF | | ($20,902,455) | | | |
| Structural maintenance/reser | $0.25 | per SF of GBA | | ($38,291) | | | |
| Total operating expenses | | | | ($23,182,752) | | | |
| NET OPERATING INCOME | | | | | $5,960,697 | | |
| CAPITALIZED @ | | | 7.00% | | $85,152,808 | | |
| | | $555.96 | per SF | | (R) **$85,153,000** | | |
| | | $450,545 | per room | | | | |
| Land Value | 12,957 | SF @ | $909.00 | | $11,778,000 | 1.0% | |
| Residual Improvements | 153,163 | SF @ | $479.06 | per SF = | $73,375,000 | | |

**Average with LID**

| | | | | | |
|---|---|---|---|---|---|
| Contributory value of improvements | 153,163 | SF @ | $479.06 | $73,375,000 | 1.0% |
| Land value | 12,957 | SF @ | $909.01 | $11,778,000 | 1.0% |
| Total | | | | **$85,153,000** | |

**Special benefit summary**

| | | | | | |
|---|---|---|---|---|---|
| Contributory value of improvements | 153,163 | SF @ | $4.78 | $732,000 | 86% |
| Land | 12,957 | SF @ | $9.03 | $117,000 | 14% |
| Total | | | | $849,000 | |
| | | | | | |
| Assessed value land | 12,957 | SF @ | $1,195.07 | $15,484,500 | |
| Assessed value building | 153,163 | SF @ | $249.56 | $38,223,500 | |
| Assessed value total | 153,163 | SF @ | $350.66 | $53,708,000 | |
| | | | | $284,169 | |
| | | | | per room | |

**Rates**

| | | |
|---|---|---|
| June during week | $435 | King |
| | $455 | Premier King |
| | $462 | Deluxe King |
| | $799 | Premier Monte Carlo |
| June weekend | $323 | King |
| | $400 | Premier King |
| | $400 | Deluxe King |
| | $430 | Premier Monte Carlo |
| Blend | $403 | King |
| | $439 | Premier King |
| | $444 | Deluxe King |
| | $694 | Premier Monte Carlo |
| | $495 | Blended average |

**Other**

http://www.monaco-seattle.com/downtown-seattle-hotels/

| | | | | |
|---|---|---|---|---|
| Sold in April 2011 for | $41,477,000 | $309.80 | per SF NRA | |
| | | $219,455 | per room | |
| Sold in July 1996 for | $6,500,000 | $48.55 | per SF NRA | Subsequently converted to hotel use |
| | | $34,392 | per room | |

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
FILE# CWF-0 353
14

**Hilton Seattle Downtown**

| | |
|---|---|
| Map Nos. | D-235-001, D-235-002 |
| Tax Parcel Nos. | 780292-0010, -0020 |
| Address | 1301 6th Avenue |
| Zoning: | DOC1 U/450/U |
| Proximity to park | 1,900± feet to park, 10-minute walk, 1½ blocks from Pike |
| Ownership | 10-1301 HSW Owner, LLC (780292-0010) and PF Seattle Hilton, LLC (780292-0020) |

| **INCOME ANALYSIS Before** | Year Built | 1969 | | | | |
|---|---|---|---|---|---|---|
| | Rooms | 250 | | | | |
| | Parking | 526 | on-site stalls | | | |
| Potential Gross Income | | | | | | |
| Hotel rooms | 250 | rooms @ | $400 | per night = | $36,500,000 | |
| Event space | 6,384 | SF @ | $30.00 | per SF = | $191,520 | |
| Restaurant/retail space | 6,000 | SF @ | $30.00 | per SF = | $180,000 | |
| Gross building rental income | 332,210 | | | | $36,871,520 | |
| Monthly parking | 175 | stalls @ | $320.00 | /month | $673,280 | |
| Overnight parking | 175 | stalls @ | $43.00 | /day | $2,751,857 | |
| Daily parking | 175 | stalls @ | $15.00 | /day | $959,950 | |
| Total parking income | 526 | stalls | | | $4,385,087 | |
| Moorage income | | 0.0% | of PGI | | $0 | |
| Total potential gross income | 332,210 | SF @ | $124.19 | /SF = | $41,256,607 | |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($7,300,000) | Hotel Unit $29,552,944 |
| | 20.0% | of parking revenue | | | ($877,017) | Garage Unit $3,508,069 |
| | 5.0% | of other space | | | ($18,576) | |
| Effective gross income | | | | | $33,061,013 | |
| Less: Operating expenses | | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,653,051) | | Hotel Unit $11,983,737 |
| Parking operating expenses @ | 50.0% | of parking EGI | | ($1,754,035) | | Garage Unit $1,527,139 |
| Hotel operating expenses @ | 55.0% | of hotel EGI | | ($16,060,000) | | |
| Structural maintenance/reserve | $0.25 | per SF of GBA | | ($83,053) | | |
| Total operating expenses | | | | ($19,550,138) | | |
| NET OPERATING INCOME | | | | | $13,510,876 | |
| CAPITALIZED @ | | | 8.00% | | $168,885,944 | |
| | | $508.37 | per SF | | (R) **$168,886,000** | |
| | | $675,544 | per room | | | |
| Land Value | | | | | | |
| | 21,593 | SF @ | $1,400.00 | | $30,230,000 | |
| Allocation to 780292-0010 | 8,229 | 38.11% | | | $11,521,000 | |
| Allocation to 780292-0020 | 13,364 | 61.89% | | | $18,709,000 | |
| Residual Improvements | 332,210 | SF @ | $417.37 | per SF = | $138,656,000 | |
| Allocation to 780292-0010 | 89% | | | | $122,984,000 | |
| Allocation to 780292-0020 | 11% | | | | $15,672,000 | |
| | | | | land | improvements | |
| **Average without LID** | | | | | | |
| Contributory value of improvements | | 332,210 | SF @ | $417.37 | $138,656,000 | |
| Land value | | 21,593 | SF @ | $1,399.99 | $30,230,000 | |
| Total | | | | | **$168,886,000** | |

**Hilton Seattle Downtown**

| **INCOME ANALYSIS After** | Year Built | 1969 | | | | | |
|---|---|---|---|---|---|---|---|
| Potential Gross Income | | | | | | | |
| Hotel rooms | 250 | rooms @ | $404 | per night = | $36,865,000 | 1.0% | 1.0% |
| Event space | 6,384 | SF @ | $30.30 | per SF = | $193,435 | 1.0% | 1.0% |
| Restaurant/retail space | 6,000 | SF @ | $30.30 | per SF = | $181,800 | 1.0% | 1.0% |
| Gross building rental income | 332,210 | | | | $37,240,235 | | 1.0% |
| Monthly parking | 175 | stalls @ | $323.20 | /month | $680,013 | 1.0% | 1.0% |
| Overnight parking | 175 | stalls @ | $43.43 | /day | $2,779,375 | 1.0% | |
| Daily parking | 175 | stalls @ | $15.15 | /day | $969,550 | 1.0% | 1.0% |
| Total parking income | 526 | stalls | | | $4,428,938 | | 1.0% |
| Moorage income | | 0.0% | of PGI | | $0 | | |
| Total potential gross income | 332,210 | SF @ | $125.43 | /SF = | $41,669,173 | | 1.0% |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($7,373,000) | | |
| | 20.0% | of parking revenue | | | ($885,788) | | |
| | 5.0% | of other space | | | ($18,762) | | |
| Effective gross income | | | | | $33,391,623 | | |
| Less: Operating expenses | | | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,669,581) | | | |
| Parking operating expenses @ | 50.0% | of parking EGI | | ($1,771,575) | | | |
| Hotel operating expenses @ | 55.0% | per SF | | ($16,220,600) | | | |
| Structural maintenance/reserve | $0.25 | per SF of GBA | | ($83,053) | | | |
| Total operating expenses | | | | ($19,744,809) | | | |
| NET OPERATING INCOME | | | | | $13,646,815 | | |
| CAPITALIZED @ | | | 8.00% | | $170,585,185 | | |
| | | $513.49 | per SF | | (R) **$170,585,000** | 1.0% | |
| | | $682,340 | per room | | | | |
| Land Value | | | | | | | |
| | 21,593 | SF @ | $1,414.00 | | $30,533,000 | 1.0% | |
| Allocation to 780292-0010 | | | | | $11,636,000 | | |
| Allocation to 780292-0020 | | | | | $18,897,000 | | |
| Residual Improvements | 332,210 | SF @ | $421.58 | per SF = | $140,052,000 | | |
| Allocation to 780292-0010 | 89% | | | | $124,222,000 | | |
| Allocation to 780292-0020 | 11% | | | | $15,830,000 | | |
| | | | | land | improvements | | |
| **Average with LID** | | | | | | | |
| Contributory value of improvements | | 332,210 | SF @ | $421.58 | $140,052,000 | 1.0% | |
| Land value | | 21,593 | SF @ | $1,414.02 | $30,533,000 | 1.0% | |
| Total | | | | | **$170,585,000** | 1.0% | |

**Special benefit summary**

| | | | | | | |
|---|---|---|---|---|---|---|
| Contributory value of improvements | 332,210 | SF @ | $4.20 | $1,396,000 | 82% | Total |
| Land | 21,593 | SF @ | $14.03 | $303,000 | 18% | |
| Total | | | | $1,699,000 | | |
| | | | | | | |
| Contributory value of improvements | 126,240 | SF @ | $9.81 | $1,238,000 | 92% | 780292-0010 |
| Land | 8,229 | SF @ | $13.97 | $115,000 | 8% | |
| Total | | | | $1,353,000 | | |
| | | | | | | |
| Contributory value of improvements | 208,970 | SF @ | $0.76 | $158,000 | 46% | 780292-0020 |
| Land | 13,364 | SF @ | $14.07 | $188,000 | 54% | |
| Total | | | | $346,000 | | |
| | | | | | | |
| Assessed value land | 21,593 | SF @ | $1,100.00 | $23,752,200 | Total | |
| Assessed value building | 332,210 | SF @ | $256.89 | $85,342,000 | | |
| Assessed value total | 332,210 | SF @ | $328.39 | $109,094,200 | $436,377 | per room |
| | | | | | | |
| Assessed value land | 8,229 | SF @ | $1,100.00 | $9,052,000 | 780292-0010 | |
| Assessed value building | 126,240 | SF @ | $500.81 | $63,222,200 | | |
| Assessed value total | 126,240 | SF @ | $572.51 | $72,274,200 | | |
| | | | | | | |
| Assessed value land | 13,364 | SF @ | $1,099.99 | $14,700,200 | 780292-0020 | |
| Assessed value building | 208,970 | SF @ | $105.85 | $22,119,800 | | |
| Assessed value total | 208,970 | SF @ | $176.20 | $36,820,000 | | |

**Rates**

| | | |
|---|---|---|
| June during week | $369 | King |
| | $389 | King partial bay/city |
| | $409 | King Executive bay/city |
| June weekend | $389 | King |
| | $409 | King partial bay/city |
| | $429 | King Executive bay/city |
| Blend | $375 | King |
| | $395 | King partial bay/city |
| | $415 | King Executive bay/city |
| | $395 | Average |

**Other**

City of Seattle Hearing Examiner
EXHIBIT
ADMITTED ✓
DENIED ___
FILE# CWF-0 168
15

**Thompson Hotel**

| | |
|---|---|
| Map Nos. | B-225 and B-227 |
| Tax Parcel Nos. | 197720-0955 and -0960 |
| Address | 110 Stewart Street |
| Zoning: | DMC-125 |
| Proximity to park | 600 feet, 4-minute walk to waterfront park, one block north of Pine Street improvements |
| Ownership | Thielen Chase, LLC |

| **INCOME ANALYSIS Before** | Year Built | 2015 | | | |
|---|---|---|---|---|---|
| | Rooms | 158 | | | |
| | Parking | 56 | on-site stalls* | | |
| Potential Gross Income | | | | | |
| Hotel rooms | 148 | rooms @ | $538 | per night = | $29,062,760 |
| Suites | 10 | rooms @ | $807 | per night = | $2,945,550 |
| Event space | 3,854 | SF @ | $30.00 | per SF = | $115,620 |
| Restaurant space | 6,000 | SF @ | $30.00 | per SF = | $180,000 |
| Spa | 4,645 | SF @ | $30.00 | per SF = | $139,350 |
| Gross building rental income | 125,310 | ** | | | $32,443,280 |
| Parking income | 56 | stalls @ | $45.00 | /night | $919,800 |
| Moorage income | | 0.0% | of PGI | | $0 |
| Total potential gross income | 125,310 | SF @ | $266.24 | /SF = | $33,363,080 |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($6,401,662) |
| | 20.0% | of parking revenue | | | ($183,960) |
| | 5.0% | of other space | | | ($21,749) |
| Effective gross income | | | | | $26,755,710 |
| Less: Operating expenses | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,668,154) | |
| Parking operating expenses @ | 60.0% | of parking EGI | | ($441,504) | |
| Hotel operating expenses @ | 60.0% | of hotel EGI | | ($19,204,986) | |
| Structural maintenance/reserve | $0.25 | per SF of GBA | | ($31,328) | |
| Total operating expenses | | | | ($21,345,972) | |
| NET OPERATING INCOME | | | | | $5,409,738 |
| CAPITALIZED @ | | | 7.50% | | $72,129,840 |
| | | $575.61 | per SF | | (R) **$72,130,000** |
| | | $487,365 | per room | | |
| Land Value | | | | | |
| | 19,620 | SF @ | $850.00 | | $16,677,000 |
| Allocated to -0955 | 6,540 | | | | $5,559,000 |
| Allocated to -0960 | 13,080 | | | | $11,118,000 |
| Residual Improvements | 125,310 | SF @ | $442.53 | per SF = | $55,453,000 |

**Average without LID**

| | | | | |
|---|---|---|---|---|
| Contributory value of improvements | 125,310 | SF @ | $442.53 | $55,453,000 |
| Land value | 19,620 | SF @ | $850.00 | $16,677,000 |
| Total | | | | **$72,130,000** |

**Thompson Hotel**

| **INCOME ANALYSIS After** | Year Built | 2015 | | | | | |
|---|---|---|---|---|---|---|---|
| Potential Gross Income | | | | | | | |
| Hotel rooms | 148 | rooms @ | $551 | per night = | $29,789,329 | 2.5% | 2.5% |
| Suites | 10 | rooms @ | $827 | per night = | $3,019,189 | 2.5% | |
| Event space | 3,854 | SF @ | $30.75 | per SF = | $118,511 | 2.5% | 2.5% |
| Restaurant space | 6,000 | SF @ | $30.75 | per SF = | $184,500 | 2.5% | |
| Spa | 4,645 | SF @ | $30.75 | per SF = | $142,834 | 2.5% | |
| Gross building rental income | 125,310 | | | | $33,254,362 | | |
| Parking income | 56 | stalls @ | $46.13 | /night | $942,795 | 2.5% | 2.5% |
| Moorage income | | 0.0% | of PGI | | $0 | | |
| Total potential gross income | 125,310 | SF @ | $272.90 | /SF = | $34,197,157 | | 2.5% |
| Less: Vacancy/credit loss @ | 20.0% | of hotel revenue | | | ($6,561,704) | | |
| | 20.0% | of parking revenue | | | ($188,559) | | |
| | 5.0% | of other space | | | ($22,292) | | |
| Effective gross income | | | | | $27,424,602 | | |
| Less: Operating expenses | | | | | | | |
| Management fee @ | 5.0% | of total EGI | | ($1,709,858) | | | |
| Parking operating expenses @ | 60.0% | of parking EGI | | ($452,542) | | | |
| Hotel operating expenses @ | 60.0% | per SF | | ($19,685,111) | | | |
| Structural maintenance/reser | $0.25 | per SF of GBA | | ($31,328) | | | |
| Total operating expenses | | | | ($21,878,838) | | | |
| NET OPERATING INCOME | | | | | $5,545,765 | | |
| CAPITALIZED @ | | | 7.50% | | $73,943,528 | | |
| | | $590.09 | per SF | | (R) **$73,944,000** | 2.5% | |
| | | $499,622 | per room | | | | |
| Land Value | | | | | | | |
| | 19,620 | SF @ | $875.50 | | $17,177,000 | 3.0% | |
| Allocated to -0955 | 6,540 | | | | $5,726,000 | | |
| Allocated to -0960 | 13,080 | | | | $11,452,000 | | |
| Residual Improvements | 125,310 | SF @ | $453.01 | per SF = | $56,767,000 | | |

**Average with LID**

| | | | | | |
|---|---|---|---|---|---|
| Contributory value of improvements | 125,310 | SF @ | $453.01 | $56,767,000 | 2.4% |
| Land value | 19,620 | SF @ | $875.48 | $17,177,000 | 3.0% |
| Total | | | | **$73,944,000** | 2.5% |

**Special benefit summary**

| | | | | | | |
|---|---|---|---|---|---|---|
| Contributory value of improvements | 125,310 | SF @ | $10.49 | $1,314,000 | 72% | Total |
| Land | 19,620 | SF @ | $25.48 | $500,000 | 28% | |
| Total | | | | $1,814,000 | | |
| | | | | | | |
| Contributory value of improvements | 0 | SF @ | | $0 | 0% | B-225, 197720-0955 |
| Land | 6,540 | SF @ | $25.54 | $167,000 | 100% | |
| Total | | | | $167,000 | | |
| | | | | | | |
| Contributory value of improvements | 125,310 | SF @ | $10.49 | $1,314,000 | 80% | B-227, 197720-0960 |
| Land | 13,080 | SF @ | $25.54 | $334,000 | 20% | |
| Total | | | | $1,648,000 | | |
| | | | | | | |
| Assessed value land | 19,620 | SF @ | $176.67 | $3,466,200 | Total | |
| Assessed value building | 253,664 | SF @ | $45.69 | $11,590,600 | | |
| Assessed value total | 253,664 | SF @ | $59.36 | $15,056,800 | | |
| | | | | $95,296 | per room | |
| | | | | | | |
| Assessed value land | 6,540 | SF @ | $340.00 | $2,223,600 | | B-225, 197720-0955 |
| Assessed value building | 0 | SF @ | | $0 | | |
| Assessed value total | 0 | SF @ | | $2,223,600 | | |
| | | | | | | |
| Assessed value land | 13,080 | SF @ | $340.00 | $4,447,200 | | B-227, 197720-0960 |
| Assessed value building | 125,310 | SF @ | $761.53 | $95,427,500 | | |
| Assessed value total | 125,310 | SF @ | $797.02 | $99,874,700 | | |

**Rates**

| | | |
|---|---|---|
| June during week | $419 | Superior King |
| | $530 | Deluxe city view |
| | $529 | Deluxe water view |
| | N/Av. | Suites |
| June weekend | $419 | Superior King |
| | $559 | Deluxe city view |
| | $669 | Deluxe water view |
| | N/Av. | Suites |
| Blend | $419 | Superior King |
| | $538 | Deluxe city view |
| | $569 | Deluxe water view |

**Other**

| | | | | | | |
|---|---|---|---|---|---|---|
| * Parking | 45,000 | SF total | 50% | allocated to hotel | 400 | SF per stall, including load |

** Building square footage: 98,165 SF hotel, 4,645 SF restaurant and ½ of the 45,000 SF parking area