SEATTLE CITY COUNCIL

Legislative Summary

CB 118787

Record No.: CB 118787 **Type:** Ordinance (Ord) **Status:** Passed

Version: 1 **Ord. no:** Ord 125129 **In Control:** City Clerk

File Created: 08/08/2016

Final Action: 09/16/2016

Title: AN ORDINANCE relating to property at Sand Point, authorizing the Housing Director to execute an amendment to and partial termination of the lease of City of Seattle land authorized by Ordinance 122459, as amended pursuant to Ordinance 123195, to remove three parcels from that lease; authorizing new leases of the removed parcels to YouthCare and Friends of Youth and deeds from the City to convey the buildings on those parcels to the lessees for the duration of the new leases; and authorizing related documents and actions.

Date

Notes:

Filed with City Clerk:

Mayor's Signature:

Sponsors: Burgess

Vetoed by Mayor:

Veto Overridden:

Veto Sustained:

Attachments: Att 1 - Form of Third Amended Lease, Att 2 - Form of New Leases, Att 3 – Legal Description of Land to Be Leased to YouthCare, Att 4 – Legal Description of Land to Be Leased to Friends of Youth, Att 5 - Form of Quit Claim Deed with Reversion

Drafter: kelly.gonzalez@seattle.gov

Filing Requirements/Dept Action:

History of Legislative File

Legal Notice Published: ☐ Yes ☐ No

Version:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Mayor	08/23/2016	Mayor's leg transmitted to Council	City Clerk			
1	City Clerk	08/23/2016	sent for review	Council President's Office			
	Action Text: The Council Bill (CB) was sent for review. to the Council President's Office **Notes:**						
1	Council President's Office	09/01/2016	sent for review	Affordable Housing, Neighborhoods, and Finance Committee			

Action Text: The Council Bill (CB) was sent for review. to the Affordable Housing, Neighborhoods, and Finance Committee
Notes:

1	Full Council	09/06/2016	referred	Affordable Housing, Neighborhoods, and Finance Committee	
1	Affordable Housing, Neighborhoods, and Finance Committee	09/07/2016	pass		Pass

Action Text: The Committee recommends that Full Council pass the Council Bill (CB).
Notes:

In Favor: 3 Chair Burgess, Vice Chair Herbold, Member Johnson

Opposed: 0

1	Full Council	09/12/2016	passed		Pass

Action Text: The Council Bill (CB) was passed by the following vote, and the President signed the Bill:
Notes:

In Favor: 8 Councilmember Burgess, Councilmember González , Council President Harrell, Councilmember Herbold, Councilmember Johnson, Councilmember Juarez, Councilmember O'Brien, Councilmember Sawant

Opposed: 0

Absent(NV): 1 Councilmember Bagshaw

1	City Clerk	09/14/2016	submitted for Mayor's signature	Mayor
1	Mayor	09/16/2016	Signed	

Action Text: The Council Bill (CB) was Signed.
Notes:

1	Mayor	09/16/2016	returned	City Clerk

Action Text: The Council Bill (CB) was returned. to the City Clerk
Notes:

1	City Clerk	09/16/2016	attested by City Clerk

Action Text: The Ordinance (Ord) was attested by City Clerk.
Notes:

Text of Legislative File CB 118787

CITY OF SEATTLE

ORDINANCE 125129

COUNCIL BILL 118787

AN ORDINANCE relating to property at Sand Point, authorizing the Housing Director to execute an amendment to and partial termination of the lease of City of Seattle land authorized by Ordinance 122459, as amended pursuant to Ordinance 123195, to remove three parcels from that lease; authorizing new leases of the removed parcels to YouthCare and Friends of Youth and deeds from the City to convey the buildings on those parcels to the lessees for the duration of the new leases; and authorizing related documents and actions.

WHEREAS, Ordinance 118770, passed November 3, 1997, and Ordinance 118963, passed April 13, 1998, authorized the acceptance of a deed from the United States to the City for land and buildings constituting a portion of the former Naval Station Puget Sound at Sand Point ("Sand Point") and acceptance of related personal property, and authorized the leasing of such land, and transfer of title to buildings, to Sand Point Community Housing Association (SPCHA); and

WHEREAS, the lease of such land from the City to SPCHA ("Ground Lease") and quit claim deed with reversion for the buildings thereon from the City to SPCHA were executed on April 22, 1998, the Ground Lease was subsequently assigned to and assumed by Sand Point Community Connections LLC (SPCC), and it was superseded by an Amended and Restated Lease ("Master Lease") as of April 23, 2008, all pursuant to Ordinance 122459, and was further amended and partially terminated pursuant to Ordinance 123195; and

WHEREAS, on July 1, 2002, SPCHA entered into subleases with Friends of Youth and YouthCare to operate Sand Point buildings 330, 331, and 332 ("Group Homes") as required by Section 7.1 of the Ground Lease; and

WHEREAS, SPCC presently holds title to the Group Homes, subject to reversion to the City on termination of the Master Lease as to the land where they are located; and

WHEREAS, in 2015 the City Office of Housing made conditional funding commitments to YouthCare of $562,382 and Friends of Youth of $294,605 for the rehabilitation of the Group Homes, and construction is scheduled to begin in September 2016; and

WHEREAS, in order to facilitate the rehabilitation of the Group Homes, the City has found it necessary to contract directly with Friends of Youth and YouthCare; NOW, THEREFORE;

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Director of The City of Seattle Office of Housing ("Director") is authorized to execute, acknowledge, deliver, and administer on behalf of the City a Third Amendment to Amended and Restated Lease and Partial Termination of Lease, substantially in the form attached to this ordinance as Attachment 1, amending the Amended and Restated Lease dated as of April 23, 2008, between City as lessor and Sand Point Community Connections LLC (SPCC) as lessee, as previously amended and partially terminated ("Master Lease"), and partially terminating the Master Lease as to the land described on Attachments 3 and 4 to this ordinance, where the group homes known as Buildings 330, 331, and 332 ("Group Homes") are located. The Mayor, Director, and their respective designees shall have the same authority with respect to the Master Lease, as so amended, as was granted to the Mayor, Director, and their respective designees with respect to the Master Lease by Ordinance 122459, in addition to any other authority granted by this ordinance or otherwise by ordinance.

Section 2. The Director is further authorized to execute, acknowledge, deliver, and administer on behalf of the City a new ground lease ("Lease") substantially in the form attached

to this ordinance as Attachment 2, with each of YouthCare and Friends of Youth. The Lease with YouthCare shall be for the land described on Attachment 3 to this ordinance and the Lease with Friends of Youth shall be for the land described on Attachment 4 to this ordinance. As conditions to delivery and recording of the Leases, each lessee shall assume obligations to serve the homeless under a new or amended regulatory agreement satisfactory to the Director and shall assume, subject to non-recourse provisions, an allocable portion, as determined by the Director, of the rehabilitation loan previously made by the City for all three Group Homes and assumed by SPCC under an Assumption Agreement dated as of April 23, 2008. Each lessee shall grant its interests in the leased land and Group Homes to the City as security. The Director may grant and request such releases and reconveyances as are reasonably required to allocate and divide the security and obligations for the existing loan between the lessees under the Leases, and to release SPCC. The Mayor, Director, and their respective designees shall have the same authority with respect to each Lease as was granted to the Mayor, Director, and their respective designees with respect to the Master Lease by Ordinance 122459, in addition to any other authority granted by this ordinance or otherwise by ordinance.

Section 3. In connection with the transactions authorized in Sections 1 and 2 of this ordinance, the Director may consent to the conveyance to YouthCare by SPCC of its title to and interest in the buildings on the land described in Attachment 3, known as Buildings 331 and 332, and to the conveyance to Friends of Youth by SPCC of its title to and interest in the building on the land described in Attachment 4 to this ordinance, known as Building 330, or the Director may accept deeds to the City of those buildings. The Director is further authorized to execute, acknowledge, and deliver on behalf of the City a Quit Claim Deed with Reversion, substantially

in the form attached to this ordinance as Attachment 5, to each lessee for the Group Home(s) and other improvements on the land subject to its Lease.

Section 4. The Mayor or Director is authorized to make such revisions to the forms of documents attached to this ordinance as do not materially impair the rights or interests of the City, consistent with applicable law and with legal requirements affecting the property involved, and is authorized to execute, deliver, acknowledge, accept, record, perform, enforce, and administer on behalf of the City such other documents as the Mayor or Director may deem necessary or appropriate to carry out the purpose of this ordinance and the documents authorized herein, and to grant such consents and approval, and perform such other acts on behalf of the City, as the Mayor or Director shall deem necessary or appropriate for such purposes.

Section 5. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the 12th day of September, 2016, and signed by me in open session in authentication of its passage this 12th day of September, 2016.

President _____ of the City Council

Approved by me this 16th day of September, 2016.

Edward B. Murray, Mayor

Filed by me this 16th day of September, 2016.

for Monica Martinez Simmons, City Clerk

(Seal)

Attachments:

Attachment 1 - Form of Third Amendment to Amended and Restated Lease and Partial Termination of Lease

Attachment 2 - Form of New Leases

Attachment 3 - Legal Description of Land to Be Leased to YouthCare

Attachment 4 - Legal Description of Land to Be Leased to Friends of Youth

Attachment 5 - Form of Quit Claim Deed with Reversion

Attachment 1 to Ordinance: Form of Third Amendment to Amended and Restated Lease and Partial Termination of Lease

After recording return to:

City of Seattle
Office of Housing
PO Box 94725
Seattle, WA 98124-4725
Attention: Elsa Kings

THIRD AMENDMENT TO AMENDED AND RESTATED LEASE AND PARTIAL TERMINATION OF LEASE

Reference numbers of documents amended or released:
9804240454, 9805221596, 19990916001595, 20080423001677; 20100205001263;-20121204001832

Grantor:
THE CITY OF SEATTLE
Sand Point Community Connections LLC
YouthCare
Friends of Youth
SPH ONE LLC
SAND POINT PHASE 2 LP

Grantee:
Sand Point Community Connections LLC
THE CITY OF SEATTLE

Legal Description:
1. Abbreviated form: Ptn. E. 1/2 SW 1/4, Sec. 2, TWP 25N, RNG 4 E, W.M., King County, WA

2. Additional legal description: N/A.
Assessor's Property Tax Parcel Account Nos.: 0225049070; 0225049069; 0225049068;

This Third Amendment to Amended and Restated Lease ("Amendment") is entered into as of the _____ day of _____, 2016 by The City of Seattle, a municipal corporation of the State of Washington ("City" or "Lessor") and Sand Point Community Connections LLC, a Washington limited liability company ("SPCC" or "Lessee") and amends that certain Amended and Restated Lease dated as of April 23, 2008 between City as lessor and Sand Point Community Connections LLC as lessee, recorded in King County, Washington under Recording No. 20080423001677, as amended by the First Amendment to Amended and Restated Lease and Partial Termination of Lease recorded under King County recording no. 20100205001263, and by the Second Amendment to Amended and Restated Lease recorded under King County recording no. 20121204001832 (as so amended, the "Lease"), which Lease amended and replaced the lease between the City and Sand Point Community Housing Association recorded under King County recording no. 9804240454, rerecorded under No. 9805221596, and amended by that certain First Amendment to Lease dated September 10, 1999 and recorded in King County, Washington under Recording No. 19990916001595. The City is acting through its Director of Housing (referred to herein, together with any official who may succeed to the authority or responsibility of such Director to act for the City under this Amendment or the Lease as hereby amended in the future, as the "Director").

In consideration of the termination of the Lease as to three parcels, as provided herein, and new ground leases of those parcels to other parties made on or about the date hereof, and for other consideration, the receipt and sufficiency of which are hereby acknowledged, the parties amend the Lease as follows:

A. The Lease, including all right, title and interest of Lessee pursuant to the Lease, is hereby terminated with respect to the following part of the Premises only, situate in the City of Seattle, County of King, State of Washington:

> Parcels C, D, and E of Seattle Short Subdivision No. 9904055, recorded under King County recording no. **19991214900007**, designated in Exhibit D to the Lease as "Parcels 6, 7 and 8.

Such partial termination and any terms of such Short Subdivision notwithstanding, SPCC agrees that as between SPCC and Lessor (together with Lessor's successors in interest as to such Parcels C, D and E), SPCC shall be solely responsible for, and shall indemnify Lessor and its successors for, all costs, including without limitation maintenance and repair, related to the easement and access serving Parcels A and B of said Short Subdivision during the term of the Lease.

B. Article 1 of the Lease is amended so that the definitions of the following terms read in their entirety as follows (all other definitions remain unchanged):

1. DEFINITIONS

"Buildings" means the buildings on the Premises identified in the Application as Buildings 224, 26S, 26N (including all fixtures therein or attached thereto), but does not include "building 310". Building numbers used in this Amended Lease correspond to the numbers in the Application.

"Navy Deed" means the deed conveying the Premises and other property from the United States Navy to the Lessor dated April 22, 1998 and recorded under King County recording no. 9804240453.

"Parcel" means one of the parcels of the Premises designated in Exhibit D that is included in the definition of "Premises", as the same may be modified by lot boundary adjustment or otherwise, but not including any parcel that is not within the Premises.

"Premises" means the portion of the land depicted in Exhibit C that is described in Exhibit D attached hereto and incorporated by this reference as PARCELS 1, 2, 3, 4 and 9, but not including PARCELS 5 through 8 on Exhibit D (other designations of Parcels in parentheses on Exhibit Cs and D are for purposes of reference to another document only, and of no effect).

C. Subsection 4.2(a) of the Lease is amended to read in its entirety as follows:

4.2 Property Management Costs and Grounds Maintenance Costs.

(a) Lessee shall pay to Lessor, as additional rent, an amount determined annually by Lessor to cover the share fairly allocable to the Premises of the costs of management of the Sand Point Property ("Management Costs") and the costs of the maintenance of the grounds of the Sand Point Property ("Grounds Maintenance Costs"). Management Costs shall include:

(i) costs of preparation and administration of the plans and guidelines identified in Article 32 of this Amended Lease;

(ii) related administrative costs (including the costs of maintaining an administrative office on the Sand Point Property).

For purposes of allocating Management Costs, Lessee agrees that any portion reasonably allocable to any of Parcels 5 through 8 as described in Exhibit D to this Lease may be allocated to Lessee, notwithstanding the termination of this Lease as to those Parcels.

The Lessor shall reasonably allocate Sand Point Property Management Costs and Grounds Maintenance Costs among Lessee and the users of other Sand Point Property, using any reasonable methods of cost allocation; provided, however (1) the total additional rental

cost charged to Lessee shall not exceed $100,000.00 per year; (2) the Premises' shares of Sand Point Property Management Costs and Grounds Maintenance Costs shall not exceed 25% of each in any year; and (3) in the event of any reduction in area of the Premises due to partial termination of this Amended Lease, the Lessee's share of Grounds Maintenance Costs shall be based on the reduced area and the 25% maximum for Grounds Maintenance Costs in clause (2) above shall be proportionately reduced. Lessor shall give a written statement to Lessee annually of Lessee's share of Management Costs and Grounds Maintenance Costs for the previous calendar year, and Lessee shall pay such Costs within thirty (30) days of receipt of such statement. Such payment shall be without prejudice to Lessee's right to make timely objection to the allocation or calculation of such Costs, or a portion thereof, by appeal as provided in Section 4.3 below.

In order to assist Lessee in budgeting expenditures, no later than November 30th of each year, the Lessor shall develop and provide to Lessee an estimate of Lessee's share of Sand Point Property Management Costs and Grounds Maintenance Costs for the next calendar year and a narrative describing the proposed method of allocation.

AGREEMENT OF SUBLESSEES

SPH ONE LLC, a Washington limited liability company ("SPH"), as assignee of Sand Point Housing Associates I Limited Partnership, a Washington limited partnership ("Partnership"); SAND POINT PHASE 2 LP, a Washington limited partnership, YouthCare, a Washington non-profit corporation, and Friends of Youth, a Washington non-profit corporation, all as Sublessees of certain portions of the Premises and as owners or tenants of portions of the Improvements, agree to the terms of this Amendment and to the termination of the Lease as to Parcels 6, 7 and 8 hereby, and that all references to the Lease or "Master Lease" in subleases to such Sublessees and in any deeds of the Improvements, shall mean the Amended and Restated Lease as further amended by this Amendment.

YouthCare and Friends of Youth understand and agree that the termination of the Lease as to Parcels 6, 7 and 8 terminates the subleases to them and all right title and interest they have in and to those parcels and any real property thereon or therein.

The Lessor and SPH further agree that the Lease as further amended by this Amendment shall constitute the "Ground Lease" under that certain Ground Lessor's Estoppel and Agreement signed by the Lessor, the Partnership and Sand Point Community Housing Association dated September 10, 1999, and that nothing herein shall modify the covenants of the Lessor contained therein.

Signed:

LESSOR:
THE CITY OF SEATTLE,
a Washington municipal corporation

By: _____
Print Name: Steve Walker
Title: Director, Office of Housing
Pursuant to Ordinance _____

LESSEE:
SAND POINT COMMUNITY CONNECTIONS LLC,
a Washington limited liability company
By: Solid Ground Washington, a Washington nonprofit corporation
Its Sole Member and Manager

By: _____
Print Name: _____
Title: _____

SUBLESSEE:

SPH ONE LLC,
a Washington limited liability company
By: Solid Ground Washington, a Washington nonprofit corporation, sole member[and manager]

By: _____
Print Name: _____
Title: _____

SUBLESSEE:

SAND POINT PHASE 2 LP, a Washington limited partnership

By: Sand Point Community Connections LLC, its general partner
By: Solid Ground Washington, a Washington nonprofit corporation, sole member[and manager]

By: _____
Print Name: _____
Title: _____

SUBLESSEE:

YOUTHCARE, a Washington nonprofit corporation

By: _____
Print Name: _____
Title: _____

SUBLESSEE:

FRIENDS OF YOUTH, a Washington nonprofit corporation

By: _____
Print Name: _____
Title: _____

LESSOR ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this _____ day of _____, 2016, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the Director of the Office of Housing of The **City of Seattle**, the municipal corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation, for the uses and purposes therein mentioned, and on oath stated that s/he was authorized to execute the said instrument.

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

_____
NOTARY PUBLIC in and for the State
of Washington, residing at _____
My commission expires: _____
Print Name: _____

LESSEE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the _____ of Solid Ground Washington, a Washington non-profit corporation, the sole member and manager of **Sand Point Community Connections LLC**, a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: _____, 201_

_____
NOTARY PUBLIC in and for the State
of Washington, residing at _____
My commission expires: _____
Print Name: _____

SUBLESSEE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the _____ of Solid Ground Washington, a Washington non-profit corporation, the sole member [and manager] of **SPH ONE LLC**, a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: _____, 2016

_____
NOTARY PUBLIC in and for the State
of Washington, residing at _____
My commission expires: _____
Print Name: _____

SUBLESSEE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that _____is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the _____ of Solid Ground Washington, a Washington nonprofit corporation, which is the sole member [and manager] of Sand Point Community Connections LLC, a Washington limited liability company, which is the general partner of Sand Point Housing Phase 2 LP, a Washington limited partnership, to be the free and voluntary act of such partnership for the uses and purposes mentioned in this instrument.

DATED: _____

_____
(Signature of Notary)

_____
(Legibly Print or Stamp Name of Notary)
Notary public in and for the State of Washington,
residing at _____

My appointment expires _____

_____

SUBLESSEE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

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

Date: _____, 2016

_____
NOTARY PUBLIC in and for the State
of Washington, residing at _____
My commission expires: _____
Print Name: _____

SUBLESSEE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that ___ signed this instrument, on oath stated that ____ was authorized to execute the instrument and acknowledged it as the _____ of **FRIENDS OF YOUTH**, a Washington non-profit corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: _____, 2016

_____
NOTARY PUBLIC in and for the State
of Washington, residing at _____
My commission expires: _____
Print Name: _____

After recording return to:

City of Seattle
Office of Housing
PO Box 94725
Seattle, WA 98124-4725
Attention: Elsa Kings

GROUND LEASE

(Sand Point Building(s)_____)

Grantor:
THE CITY OF SEATTLE

Grantee:

_____

Legal Description:
1. Abbreviated form: Parcel _____ Seattle Short Subdivision No. 9904055, Rec. No. 19991214900007

2. Additional legal description is on Exhibit C to document.

Assessor's Property Tax Parcel Account No.: Ptn. _____

GROUND LEASE

Between

The City of Seattle,
a municipal corporation
of the State of Washington and

_____,
a Washington non-profit corporation

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GROUND LEASE

Between

The City of Seattle,
a municipal corporation
of the State of Washington and

_____,
a Washington nonprofit corporation

FOR THE DEVELOPMENT AND OPERATION OF HOMELESS PROGRAMS AT SAND POINT

This Ground Lease ("Lease") is entered into as of the _____ day of _____, 2016 by The City of Seattle, a municipal corporation of the State of Washington ("City" or "Lessor") and _____ a Washington nonprofit corporation ("Lessee"). The City is acting through its Director of Housing (referred to herein, together with any official who may succeed to the authority or responsibility of such Director to act for the City under this Lease in the future, as the "Director").

RECITALS

On April 24, 1998, the City acquired title to portions of the Naval Station Puget Sound at Sand Point from the United States government under terms and conditions requiring, among other public and community uses, the development and management of housing for the homeless and related services.

The City entered into that certain Lease dated April 22, 1998 between City as lessor and Sand Point Community Housing Association ("SPCHA") as lessee (the "Original Lease"), with respect to all of the land conveyed by the United States under the Navy Deed, as defined below (collectively, the "Parcels"). SPCHA ultimately dissolved and transferred its interest in the Original Lease to Sand Point Community Connections LLC, a Washington limited liability company ("SPCC"), and the Original Lease was amended and restated by that certain Amended and Restated Lease dated as of April 23, 2008 (the "Amended Lease"). The Amended Lease was amended by that certain First Amendment to Amended and Restated Lease and Partial Termination of Lease, dated February 5, 2010, between the City and SPCC recorded under King County Recording No. 20100205001263, which removed Parcel B of Seattle Short Subdivision No. 9904055, from the Amended Lease. The Amended Lease was

amended by that certain Second Amendment to Amended and Restated Lease _____, and by a Third Amendment to Amended and Restated Lease and Partial Termination of Lease, dated _____, 2016, between the City and SPCC recorded under King County Recording No. _____, which terminated the Amended Lease as to Parcels C, D and E of Seattle Short Subdivision No. 9904055, which include the Premises leased hereby and other property.

The City Council of Lessor, by Ordinance _____, authorized the Director of the Office of Housing to lease the Premises to Lessee and to convey to Lessee title to the Improvements on the Premises for the duration of this Lease.

THEREFORE, in consideration of the lease of the Premises by the City to Lessee, and for other valuable consideration received and covenants made, the parties agree as follows:

1. DEFINITIONS

The following capitalized terms used in this Lease shall have the following meanings unless the context otherwise requires:

"Affiliate" of a Person means any Person that controls, is controlled by or is under common control with that Person. A Person shall be presumed to have control when it possesses the power, directly or indirectly, to direct, or cause the direction of, the management or policies of another Person, whether through ownership or voting securities, by contract or otherwise.

"Article" means a portion of this Lease designated by a number and a heading in all capital letters, and includes all Sections thereunder.

"Building" means a structure on the Premises containing space for residential use.

"Certificate of Occupancy" means a temporary certificate of occupancy issued by SDCI after the construction or renovation of Improvements, or, if no temporary certificate of occupancy is issued, then a permanent certificate of occupancy or, if no certificate of occupancy is required, a final approval of the work by SDCI for purposes of the building permit.

"Codes" include all land use, building, housing, fire, electrical, mechanical, plumbing and other codes applicable under City ordinances or State law, and all valid interpretations thereof issued by the agencies responsible for the administration thereof.

"Committees" means the advisory committees described in Article 32.

"Construction Plans" means plans and specifications for the construction of new Improvements, in sufficient detail for submission of a building permit application and in compliance with all applicable Codes.

"SDCI" means the Seattle Department of Construction and Inspections, and any successor agency.

"Director" means the City of Seattle Director of the Office of Housing and any official who may succeed to the authority or responsibility of such Director to act for the Lessor under this Lease in the future. In addition, in any instance in which action by the "Director" is contemplated by the terms of this Lease, "Director" shall include any other City employee authorized by the Director or by the Mayor of The City of Seattle to take such action.

"Effective Date" means the date when this Lease shall become effective as provided in Section 3.1.

"Fee Mortgage" means a mortgage, deed of trust or other lien or encumbrance against Lessor's fee interest in the Premises or in the Lessor's interests under this Lease.

"Foreclosure" means a judicial foreclosure sale of, or a trustee's sale of, the Leasehold Estate or a part thereof pursuant to a Leasehold Mortgage or any deed or assignment in lieu of such foreclosure or trustee's sale.

"Historic Property Reuse and Protection Plan" or "HPRP Plan" means the Sand Point Historic Properties Reuse and Protection (HPRP) Plan on file with City of Seattle Department of Parks and Recreation for the Sand Point Property [or portions thereof] approved by the Lessor and the State Historic Preservation Officer _____as the same may be amended from time to time.

"Homeless Person" means a family with children, or an unaccompanied youth that is unstably housed has not had a lease or ownership interest in a housing unit in the last 60 days; has had two or more moves in the last 60 days; and is likely to continue to be unstably housed because of disability or multiple barriers to employment.

(1) An individual or family who lacks a fixed, regular, and adequate nighttime residence; or

(2) An individual or family who has a primary nighttime residence that is:

(i) A supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters and transitional housing for the mentally ill);

(ii) An institution that provides a temporary residence for individuals intended to be institutionalized; or

(iii) A public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings; or

(3) An individual or family that is within another definition of "Homeless Person" hereafter approved in writing by the Lessor for purposes of this Lease; or

(4) An individual or family that was a Homeless Person immediately prior to the date of commencement of a period of occupancy of a housing unit on the Premises or on one of the other Parcels, and has resided in a housing unit on the Premises or on one of the other Parcels continuously since that date;

but does not include

(5) any individual imprisoned or otherwise detained under an Act of the Congress or a State law.

"Housing Advisory Committee" means the committee established by Lessee to advise Lessee on matters of interest to neighboring communities as described in the Physical Development Management Plan.

"HUD" means the United States Department of Housing and Urban Development and any successor department or agency.

"Improvements" means any structures or fixtures that shall be constructed or installed on the Premises during the Term of this Lease, including but not limited to infrastructure, utility, sidewalk and landscaping improvements; but shall not include any infrastructure or utility improvements (including but not limited to streets; light and power poles; signs; water, sewer, electric and gas lines) presently existing or hereafter installed and owned by the City or any other public utility.

"Institutional Investor" means a savings bank, savings and loan association, commercial bank, trust company, credit union, insurance company, mortgage company, college, university, state or local governmental authority, real estate investment trust, pension fund, commercial mortgage-backed security trustee and other investors of substance that are actively engaged in commercial real estate financing, and subsidiaries of any of the foregoing that are regularly engaged in the business of making real estate mortgage loans or other investments in commercial real estate

"Leasehold Estate" means the estate of Lessee created by this Lease upon and subject to all the terms and conditions of this Lease.

"Leasehold Mortgage" means a mortgage, a deed of trust, and any other security instrument or instruments by which the Leasehold Estate or any part thereof or any Sublease is mortgaged, conveyed, assigned, or otherwise transferred to secure a debt or other obligation toany lender approved by Lessor in writing; provided that no mortgage or deed of trust shall be a "Leasehold Mortgage" without the express written agreement of the Lessor.

"Leasehold Mortgagee" means a holder of a Leasehold Mortgage who has given notice to Lessor in accordance with all of the requirements of Subsection 38.3.1.

"Loan" means a loan made to Lessee or a Sublessee and secured by a Leasehold Mortgage.

"Loan Documents" means all of the documents evidencing, securing and guarantying a Loan, including, without limitation, all promissory notes, Leasehold Mortgages, assignments of leases, rents and contracts, payment and completion guaranties, environmental and other indemnities, and related bonds and surety agreements.

"New Lease" means a new lease of the Premises entered into pursuant to Section 38.8 below.

"Management and Operating Plan" or "MOP" means the plan for management and operation of the Premises dated _____ and submitted to the Director by _____, with such amendments as the Director may hereafter approve, provided that no modifications that could have the effect of expanding the obligations of Lessee or the events or circumstances that could result in a Termination Default shall become effective without the written consent of each Leasehold Mortgagee.

"Navy Deed" means the deed conveying the Premises and other property from the United States Navy to the Lessor dated April 22, 1998 and recorded under King County recording no. 9804240453.

"Person" means an individual, corporation, partnership, limited liability company, governmental body or agency, or other legal entity.

"Personal Property" means any personal property acquired for the operation or maintenance of the Premises with funding provided by or through the City, and any replacements for such property made by the Lessee as required by this Agreement.

"Physical Development Management Plan" means the plan by that name approved by the Seattle City Council in Resolution 29429, as now or hereafter amended.

"Premises" or "Property" means the land depicted in Exhibit B and described in Exhibit C attached hereto and incorporated by this reference, including any easements appurtenant thereto.

"Purchase Money Leasehold Mortgage" means a Leasehold Mortgage taken back, retained by, or granted to Lessee or a Sublessee upon a sale and assignment of the Leasehold Estate or a part thereof to secure payment of any portion of the purchase price or any other obligations of the purchaser and assignee in connection with such sale and assignment.

"Rent" means the rent fixed in Section 4.1.

"Sand Point Property" means the land generally depicted on Exhibit A, including both land acquired from the United States by the Lessor and land acquired or to be acquired by other parties, and all buildings and improvements now or hereafter located thereon, subject to any deletions, additions or adjustments as may have been or may be required by the United States government in connection with the transfers of property.

"Section" means a part of this Lease designated by a number with a numeral after a decimal point, such as "11.3", including all subsections, paragraphs and clauses therein.

"Sublease" shall mean any deed, lease, rental agreement, operating agreement or other agreement or instrument hereafter entered into by Lessee under which any Person shall become or continue as a "Sublessee", as defined below.

"Sublessee" shall include any Person that is granted a sublease on any portion of the Premises, or that leases any part of any Improvement from Lessee, directly or indirectly, but shall not include any Tenant. "Sublessee" also shall include (a) any Person to whom Lessee transfers fee title to any Improvements, or any part thereof; and (b) any Person entitled to possess, use, occupy or control the occupancy of any Building, or portion thereof, under an "operating agreement" or other agreement with Lessee or any Sublessee, except for (i) a Tenant; (ii) an individual client of a social service agency or initial user of a facility serving Homeless Persons; or (iii) a property manager paid by Lessee or a Sublessee to manage a portion of the Premises in accordance with the direction of Lessee or a Sublessee.

"Tenant" means any individual residential tenant or subtenant occupying a housing unit, and any member of any such individual's household, and shall include any residential client of a facility for Homeless Persons, whether or not such individual has the status of a tenant under applicable law.

"Term" means the term of this Lease specified in Section 3.1, without giving effect to any earlier termination.

"Termination Notice" means a notice given by Lessor to each Leasehold Mortgagee of Lessor's intention to terminate this Lease as a result of Lessee's default.

"Termination Default" means an Event of Default under Article 17 based on one or more of the following:

(i) Breach of Lessee's obligation to complete renovations required under any other agreement with Lessor;

(ii) Breach of the obligation to use the Premises solely for the benefit of Homeless Persons;

(iii) Breach of Section 18.1 or Article 21;

(iv) Breach of the obligation to restore or replace Improvements when funds are available for that purpose after a casualty loss, under Sections 15.1-15.3, or of the obligation to demonstrate the availability of funds for such purpose under Section 15.5(b); or

(v) Abandonment of the entire Premises or of any Building.

Certain additional terms are defined in the recitals to this Lease and in other Articles below.

2. {INTENTIONALLY OMITTED}

3. TERM

3.1 Term of Lease. Subject to the provisions of this Lease and the terms of the Navy Deed, Lessor leases to Lessee and Lessee leases from Lessor the Premises. This Lease shall be in effect from the date set forth on p. 1 of this Lease ("Effective Date") through _____ ("Term"), unless sooner terminated as provided elsewhere in this Lease.

3.2 Termination if Premises No Longer Used for Homeless. Subject to Articles 22, 37 and 38 and to the cure rights provided in Section 17, Lessor shall have the right to terminate this Lease by written notice to Lessee if, at any time the Premises cease to be used for the benefit of Homeless Persons. The Premises shall be deemed to be in use for the benefit of Homeless Persons for purposes of this Section if all of the Improvements on the Premises are used solely as residential housing for Homeless Persons on terms consistent with the MOP.

4. RENT

4.1 Rent. Lessee shall pay Lessor base rent for the Premises during the Term at the rate of ONE DOLLAR ($1.00) per year. Rent shall be due and payable by Lessee to Lessor on the execution date of this Lease for the first year of the Term and subsequently payable by Lessee on each anniversary of the execution date of this Lease. Lessee reserves the right to prepay the entire Term or portions thereof, but no acceptance of prepayment shall affect the right of the Lessor to terminate this Lease upon the circumstances set forth herein, and there shall be no right to any rebate of prepaid rent upon any such termination.

5. PREMISES; USE

5.1 Use of Premises.

(a) Lessee agrees that, except as otherwise expressly provided herein, the Premises shall be solely devoted to the development and operation of a residential living complex for Homeless Persons (including landscaping, gardens, playgrounds and other open and communal space available to such residents), and for related facilities and services for Homeless Persons and persons at risk of being homeless as may be approved by the Lessor and as may be consistent with applicable federal or state laws and regulations.

(b) Any nonresidential space in the Improvements on the Premises shall be used solely for services provided without charge to Homeless Persons unless otherwise expressly agreed in writing by the Lessor. Lessee shall maintain and produce for inspection and copying, upon demand by the Lessor or HUD, records demonstrating compliance with this Section.

6. OWNERSHIP OF IMPROVEMENTS

6.1 Ownership of Improvements. Subject to the terms of this Lease, Lessee shall hold title to all of the Improvements until the expiration of this Lease, and such title shall vest in Lessee, and/or its Sublessees, to the full extent permitted by law and the terms of any liens thereon (including any liens in favor of Lessor). Lessee and Lessor agree that Lessee shall be treated as the owner of the Improvements and shall be entitled to all tax benefits relating to the Improvements, including depreciation and federal low-income housing tax credits. Lessee and its Sublessees shall have no right to remove, destroy, damage or alter (except as otherwise provided in Section 10.4) any Improvement or portion thereof, without the express written consent of the Director, and Lessee shall not cause or consent to any action to remove, destroy, damage or alter (except as otherwise provided in Section 10.4) any Improvement or portion thereof without the express written consent of the Director. At the expiration of the Term, or if this Lease is earlier terminated as provided under this Lease, the Improvements, together with all related Personal Property, shall become the property of Lessor without any payment by Lessor; provided, that the Lessor may require the Lessee to remove, within sixty (60) days after notice to Lessee, at Lessee's sole expense, any fixtures or structures on or under the Premises that were constructed, affixed or substantially modified without the

approval of the Lessor or in violation of applicable laws, regulations or Codes, or that were permitted by Lessor on condition that they be removed upon expiration or termination of this Lease.

7. MANAGEMENT AND OPERATION

7.1 Management and Operating Plan. The operation and management of the Premises by Lessee shall be conducted consistent with the MOP, and consistent with the plans and guidelines referred to in Article 32, subject to the express provisions of this Lease and to requirements of applicable laws, regulations and ordinances.

7.2 Property Manager. Lessee may contract with one or more property managers to manage the operation of the Premises consistent with this Lease and the MOP, but no delegation of any duty or obligation to any property manager shall limit the responsibility or liability of Lessee hereunder.

7.3 Rules and Regulations. The Lessee agrees to observe, and to take all reasonable measures to cause Sublessees, Tenants and other Persons allowed on the Premises to observe, such reasonable rules and regulations governing the Premises as the Lessor as landlord may promulgate from time to time.

8. DELAY IN PERFORMANCE

8.1 Force Majeure. Lessee shall not be considered in breach of its obligations under this Lease, including but not limited to the commencement and completion of construction of the Improvements, or the development or operation thereof, in the event of delays in the performance of its obligations due to causes beyond Lessee's reasonable control, including but not restricted to, any delays or suspensions of construction, development or operations compelled by court order, acts of God, acts of the public enemy, reasonably unforeseeable acts of a unit of local, state or federal government, reasonably unforeseeable acts or omissions by other parties, fires, floods, strikes, embargoes, delays in essential utility services and unusually severe weather or delays of contractors or subcontractors due to such causes. The time for the performance of the obligation shall be extended for the period of the enforced delay if Lessee shall give notice of the delay within thirty (30) days after Lessee becomes aware of the cause of any such delay.

9. TAXES AND UTILITY CHARGES

9.1 Taxes. The Lessee shall pay, before delinquency, all taxes, levies, and assessments arising from its activities on or occupancy of the Premises, including, but not limited to taxes arising out of the activity or business conducted on the Premises such as the rental or sale of goods or services; taxes levied on its property, equipment, and improvements on the Premises; and taxes on the Lessee's interest under this Lease and any leasehold interest deemed to have been created thereby under Ch. 82.29A RCW. In the event the State of

Washington makes any demand upon the City as Lessor for payment of leasehold excise taxes resulting from the Lessee's occupation of the Premises or withholds funds due to the Lessor to enforce collection of leasehold excise taxes, the Lessee shall, at its sole expense, contest such action and indemnify the Lessor for all sums expended by, or withheld by the State from~~,~~ the Lessor in connection with such taxation.

9.2 Utility Charges. The Lessee, at the Lessee's sole expense, shall pay for, when due, all costs for providing all utilities and other services on or to the Premises, including but not limited to, elevator service, electricity, gas, water, telephone, sewer, garbage, heating and janitorial, and shall also pay all charges for utility installation and modifications thereto within or in the immediate area of any of the buildings on the Premises, including new connections to water or sewer mains required in connection with the construction, rehabilitation, modification or use thereof as contemplated hereby. The Lessor shall not be responsible for connections, meters and related installations that would be the responsibility of the owner or developer of a building on private property according to standard policies of Lessor for utilities. The Lessor shall not be liable for any injury, loss or damage caused by or resulting from any interruption or failure of utility services due to any causes whatsoever except the Lessor's gross negligence or breach of this Lease. The Lessee shall not be entitled to an offset, reduction, or return of Rent as a result of any interruption or failure of said services.

9.3 No Charges for Service to Other Property. Nothing contained herein shall require Lessee to pay any gas, electrical, water, sewer or any other charge for utility service furnished to property other than the Premises.

9.4 Lessee's Right to Contest. Lessee shall have the right to contest or review by legal proceedings or in such other manner as may be legal, any tax, assessment, utility charge or other governmental imposition mentioned above and to pay such items under protest; provided, that nothing in this Section shall be construed to restrain the exercise of any remedy by any City utility for nonpayment, and provided further that notwithstanding any protest or challenge Lessee shall timely pay such amounts as are necessary to avoid interruption in service, including any interruption that would occur from application of the normal policy or procedure of any City utility.

10. ALTERATIONS; CONDITION AND CARE OF PREMISES

10.1 General Condition. The Lessee shall at all times keep the Premises in a neat, clean, safe and sanitary condition, and shall use and maintain the Premises in accordance with the laws of the State of Washington and Charter, ordinances and Codes of The City of Seattle, and in accordance with all valid rules and regulations of the Health Officer, Fire Marshal, Director of SDCI and other appropriate officers of The City of Seattle. The Lessee shall comply with the previous sentence at the sole cost and expense of the Lessee, except as otherwise expressly provided herein. The Lessee shall not cause or permit any waste, damage, or injury to the Premises; maintain anything on the Premises that may be dangerous

to life or limb; permit any objectionable noise or odor to escape or to be emitted from said Premises; or permit anything to be done upon said Premises that in any way will tend to create a nuisance.

10.2 Lessee Accepts Premises **AS IS**; Maintenance-Repairs:

(a) Lessee has fully inspected the Premises. Lessee has occupied and operated the Premises as a sublessee since 1998 and is fully familiar with the condition of the Premises. Lessee accepts the Premises **AS IS,** in their condition on the Effective Date, and **ASSUMES THE RISK** of any defects in the condition of the Premises and of all the matters set forth below. Lessor makes **NO WARRANTIES OR REPRESENTATIONS OF ANY KIND**. Lessee agrees that any express or implied representations or warranties made by or on behalf of the Lessor prior to the date hereof, unless expressly set forth in this Lease, are hereby revoked and canceled and shall have no force or effect. Lessee further agrees that no representations or warranties are implied by any provision of this Lease or any other words or conduct in connection with this transaction.

(b) Without limiting the generality of the foregoing paragraph, Lessee agrees that, except as may be specifically set forth in this Lease, neither Lessor nor any Person for whom Lessor may have any responsibility makes any representation, warranty or promise of any kind with regard to any of the following: (1) the physical condition of the Premises or improvements (land, buildings, fixtures, or infrastructure), whether or not readily determined by inspection; (2) the presence or absence of any underground tanks or any hazardous or defective substances or conditions on or about the Property, or on adjacent properties; (3) the history of the Property or activities that may have occurred or been conducted thereon or thereunder; (4) soils conditions or drainage; (5) square footage of land or buildings; (6) encroachments; or (7) location or condition of utility lines.

(c) Except as otherwise expressly provided in this Lease, Lessee hereby irrevocably releases and waives any and all claims that Lessee has or may have hereafter against Lessor with respect to the condition of the Property or arising pursuant to the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or the Washington State Model Toxics Control Act, as amended.

(d) Lessee agrees that the Lessor shall have no liability or obligation as a result of any defect or condition of the Premises, including without limitation latent defects. The Lessor shall have no obligation for any repairs, maintenance, or work of any kind except as expressly set forth in this Lease.

(e) Notwithstanding the foregoing, the Lessor and Lessee intend that Lessee shall have the right to enforce the provisions of the Navy Deed with respect to Hazardous Substances and the indemnity contained in Section 5 of the Navy Deed.

(f) Lessee and Lessor acknowledge that this Section has been specifically bargained for and that Lessor would not be willing to lease the Premises on the terms and conditions set forth herein without Lessee's agreement to the terms of this Section.

10.4 Alterations.

(a) The Lessee shall not make, or cause to be made, any alteration, addition or improvement in the Premises, including without limitation installation, removal or modification of fencing or landscaping, without first obtaining the written consent of the Director for such work, except in each case alterations or improvements required to maintain the Property in safe condition and in compliance with applicable laws and ordinances. The Director's approval of alterations, additions or improvements expressly contemplated by this Lease shall not be unreasonably withheld, conditioned or delayed. Ordinary repairs and any non-structural alteration of any structure that, together with all other items of the same nature during the calendar year, cost less than $100,000.00, and emergency repairs immediately necessary for the usual and customary usage of the Premises, in each case if at the sole expense of Lessee, shall not require such prior written consent. All alterations, additions and improvements made shall be at the sole cost and expense of the Lessee, and unless otherwise agreed in writing by the Director, shall remain in and be surrendered with the Premises as a part thereof at the expiration or termination of this Lease, without disturbance, molestation or injury. This subsection and any consent under this subsection shall not affect or substitute for any requirement for approvals, permits or consents under any law, ordinance, regulation, or any document other than this Lease.

(b) The Lessor reserves an unqualified right to make repairs or alterations to the Premises or to the buildings thereon (i) where conditions deemed by the Director to constitute an emergency exist, or (ii) after prior written notice to Lessee requesting Lessee to make such repair or alteration in order to correct deficiencies in compliance with any applicable law, regulation or Code. Lessee shall reimburse Lessor on demand for the cost of any such repairs or alterations if made after the Lessee shall have failed or refused to do so. The Lessor also reserves the right to make general alterations to the Premises at no cost to Lessee, where such general alterations will not unreasonably interfere with the ordinary operation of the Premises by the Lessee or its permitted Sublessees, but not the right to construct any Buildings or to modify any buildings except as provided in Article 16 below.

10.5 Access, Keys.

(a) The Lessor reserves for itself, its officers, employees, agents and contractors, free access to said Premises, including the buildings thereon, at all reasonable times for the purpose of inspecting, cleaning, or making repairs, additions or alterations to the Premises or any other property owned by or under the control of the Lessor, but this right shall not be construed as an agreement on the part of the Lessor to make said inspections, or to clean or make repairs, additions or alterations.

(b) Lessee acknowledges that it has keys to all locking doors of each Building, exterior and interior. Lessee shall provide Lessor with one copy of each such key on request. Any change in locks shall be at the sole expense of the Lessee. If a lock change is made to the exterior door of any Building, Lessee shall provide the Director with one (1) key for each lock changed immediately after such change has been completed.

10.6 Signs. Lessee shall not display, inscribe, paint or affix to any part of the Premises any sign except those indicating the name of Lessee or its Sublessee and the names and nature of the programs, services and facilities provided by Lessee and Sublessees on the Premises, without approval in writing by the Director prior to such placement.

10.7 Installation of Artwork.

(a) Prohibition against Installation or Integration of Works of Visual Art on Premises. Lessee shall not permit the installation or integration on or in the Premises of any "work of visual art," as that term is defined in the Visual Artists Rights Act of 1990, as now existing or as later amended, if the removal of such artwork is reasonably likely to result in its distortion, mutilation, modification or destruction unless Lessee delivers to City an executed waiver of the creator's right of integrity regarding such art work, for the benefit of City and its successors and assigns, in a form that satisfies both City and the requirements of 17 U.S.C. section106A(e), as the same now exists or is hereafter modified.

(b) Lessee's Indemnification of City against Liability under Visual Artists Rights Act of 1990. Lessee shall protect, defend, and hold City harmless from and against any and all claims, suits, actions or causes of action, damages and expenses (including attorneys' fees and costs) arising as a consequence of (a) the installation or integration of any work of visual art on or into the Premises; or (b) the destruction, distortion, mutilation or other modification of the art work that results by reason of its removal; or (c) any breach of subsection (a) of this Section; or (d) any violation of the Visual Artists Rights Act of 1990, as now existing or hereafter amended; by Lessee or any of its officers, employees or agents. This indemnification obligation shall exist regardless of whether City or any other person employed by City has knowledge of such installation, integration, or removal or has consented to any such action or is not required to give prior consent to any such action. The indemnification obligation of this subsection shall survive the expiration or earlier termination of this Lease.

10.8 Equipment; Personal Property. All equipment and all appliances such as dishwashers, stoves, refrigerators, washers, and dryers located on the Premises shall be maintained, repaired and replaced as necessary by the Lessee at no cost to the Lessor.

10.9 Contracting for Alterations, Maintenance, Repairs, and Construction. Lessee shall ensure that all contracts and subcontracts for any alterations, maintenance, repairs, and construction activities (including contracts for related professional services) shall be made,

entered into, and performed in full compliance with all applicable laws, regulations, ordinances, fund source requirements, and the terms of this Lease (collectively, "requirements"), whether such contracts are let or made by the Lessee or by a Sublessee or other Person. Lessee shall ensure, under all such contracts and subcontracts, that work shall be performed by licensed and qualified contractors, and that wages and benefits shall be paid in compliance with all applicable requirements. Lessee shall defend, indemnify and hold harmless the Lessor and its officers and employees from any claim, demand, liability, or cost (including attorneys fees) resulting from any failure by Lessee to ensure compliance as set forth in this Section.

10.10 Hazardous Waste or Materials.

(a) Restriction on Use; Definitions. Lessee shall not dispose of or otherwise allow the release of any Hazardous Substances in, on or under the Premises, or any adjacent property, or in any Improvements placed on the Premises, except as expressly permitted under this Section. Lessee represents, warrants and agrees that Lessee's uses of the Premises (including uses by Tenants, invitees or licensees) shall not involve the use, production, disposal, release or bringing onto the Premises of any Hazardous Substances, except for the proper storage and use of De Minimis Amounts of paint, cleaning and maintenance supplies normally used in the operation of similar buildings and commercially reasonable amounts of gasoline and motor oil used in connection with lawn maintenance equipment. Any Hazardous Substances shall be used, stored and disposed of in compliance with all applicable laws, regulations and prudent practices.

(i) The term "De Minimis Amount" means an amount of a Hazardous Substance either being used or being stored for use by Lessee or its Sublessees or their contractors or subcontractors on the Property within a year from its original arrival on the Property in connection with such parties' current or anticipated operations as permitted under this Lease, that both (i) does not constitute a violation or threatened violation of any Environmental Law or require any reporting or disclosure under any Environmental Law or present any risk to the health or safety of occupants of the Premises, and (ii) is consistent with customary and prudent business practice for such operations in the state and locality where the Premises are located.

(ii) "Environmental Law" means and includes any of the Federal Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901 et seq., Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., Federal Hazardous Materials Transportation Control Act of 1980, 42 U.S.C. Section 1801 et seq., Federal Clean Air Act, 42 U.S.C. Section 7401 et seq., Federal Water Pollution Control Act, Federal Water Act of 1977, 93 U.S.C. Section 1251 et seq., Federal Insecticide, Fungicide and Rodenticide Act, Federal Pesticide Act of 1978, 7 U.S.C. Section 136 et seq., Federal Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., Federal Safe Drinking Water Act, 42 U.S.C. Section 300f et seq.,

Washington Water Pollution Control Act, RCW Chapter 90.48, Washington Clean Air Act, RCW Chapter 70.94, Washington Solid Waste Management Recovery and Recycling Act, RCW Chapter 70.95, Washington Hazardous Waste Management Act, RCW Chapter 70.105, Washington Hazardous Waste Fees Act, RCW Chapter 70.95E, Washington Model Toxics Control Act, RCW Chapter 70.105D, Washington Nuclear Energy and Radiation Act, RCW Chapter 70.98, Washington Radioactive Waste Storage and Transportation Act, RCW Chapter 70.99, Washington Underground Petroleum Storage Tanks Act, RCW Chapter 70.148, any regulations promulgated under any of the foregoing from time to time, and any other federal, state or local law, whether common law, statute, ordinance, rule, regulation, or judicial or administrative decision or policy or guideline, pertaining to Hazardous Substances, health, industrial hygiene, environmental conditions, or the regulation or protection of the environment, and all amendments thereto as of this date and or made the future and any successor statute or rule or regulation promulgated under any of them.

(iii) As used herein, the term "Hazardous Substance" means and includes any of the following:

(A) Any substance, material, or waste that is included within the definitions of "Hazardous Substances," "hazardous materials," "hazardous waste," "toxic substances," "toxic materials," "toxic waste," "dangerous" or words of similar import in any Environmental Law;

(B) Those substances listed as Hazardous Substances by the United States Department of Transportation (or any successor agency) (49 C.F.R. 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) (40 C.F.R. Part 302 and amendments thereto);

(C) Any substance, material, or waste that is petroleum, petroleum-related, or a petroleum by-product, asbestos or asbestos-containing material, polychlorinated biphenyls, flammable, explosive, radioactive, freon gas, radon, paint, resins, solvents, or a pesticide, herbicide, or any other agricultural chemical.

(b) Receipt of Information; Treatment of Existing Hazardous Substances.

Lessee acknowledges that it has received a copy of the report of the "Lead Inspection Data, NAVSTA Puget Sound, Seattle, Washington" prepared by Environmental Engineering Branch, Code 414, Navy Public Works Center, Norfolk, Virginia (undated), the Department of the Navy's Finding of Suitability to Lease dated July 1, 1996; the Washington Department of Ecology's "No Further Action" Letter dated May 16, 1996 (including Appendix I thereto); the Department of the Navy's Draft Environmental Impact Statement dated November 1996 and the lead-based paint disclosure document and that all documents referred to in the foregoing, plus the materials compiled by the Department of the Navy regarding asbestos-

containing material ("ACM") on the Premises, have been made available to the Lessee. Prior to the removal of ACM and lead-based paint, Lessee shall use due care not to disturb or cause the deterioration or release of any such ACM or lead-based paint. Lessee shall, in connection with any work done on the buildings containing the lead-based paint and ACM, cause all lead-based paint hazards to be abated, and shall cause ACM to be removed and disposed of, or professionally encapsulated if such alternative is in accordance with applicable laws, regulations, and prudent practices. Lessee shall cause all abatement and encapsulation work to be performed, and all disposal activities to be performed, in full compliance with all applicable laws, regulations and guidelines, including without limitation 24 CFR Part 35 and the most recent edition of the "Guidelines for Evaluation and Control of Lead-Based Paint in Housing" issued by the United States Department of Housing and Urban Development ("HUD"), as in effect at the time such work is performed, and Lessee shall maintain adequate documentation to demonstrate such compliance. Lessee represents and warrants that during the term of the Prior Sublease, as defined in Section 31 below, the Lessee complied and ensured compliance with all requirements of applicable laws and regulations regarding lead-based paint hazards and with the terms of the Original Lease or Amended Lease, as then in effect, regarding lead-based paint hazards and related disclosures.

(c) Compliance. Lessee shall promptly comply at Lessee's expense with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, treatment, disposal, storage, control, removal or cleanup of Hazardous Substances in, on or under any other part of the Premises or any adjacent property if resulting from a release caused by the act or omission of Lessee, any Sublessee, or any of their respective employees, agents, contractors, Tenants, licensees or invitees.

(d) Rights of Lessor. After notice to Lessee and a reasonable opportunity for Lessee to effect such compliance, Lessor may, but is not obligated to, enter upon the Premises and take such actions and incur such costs and expenses to comply with any applicable laws, regulations or guidelines regarding Hazardous Substances as the Lessor deems advisable to protect its interest in the Premises, provided, however, that Lessor shall not be obligated to give Lessee notice and an opportunity to effect such compliance if such delay may reasonably result in material harm to the City, the Tenants, providers, the public or the United States and, (i) Lessee has already had actual knowledge of the situation and a reasonable opportunity to effect such compliance, or (ii) an emergency exists. Whether or not Lessee has actual knowledge of the release of Hazardous Substances, Lessee shall reimburse Lessor on demand for the actual costs and expenses incurred by Lessor in connection with compliance activities with respect to Hazardous Substances for which Lessee has responsibility under subsection 10.10(b) or (c) of this Lease, and such obligation shall continue even after the termination of this Lease.

(e) Lessee's Duty to Notify and Cooperate; Response to Release. Lessee agrees to cooperate in any environmental assessments conducted by the Lessor's staff or

independent third parties. Lessee agrees to provide the Lessor with notice of every governmental inspection of the Premises, notice of violation, and order to clean up contamination, within five (5) days after the receipt thereof by Lessee. Lessee agrees to permit the Lessor to participate in all settlement or abatement discussions. In addition, Lessee shall notify Lessor immediately of the presence or release of any Hazardous Substances as described in subsection (c) of this Section (other than Hazardous Substances permitted under subsection (a) that are stored, used, handled and disposed or in compliance herewith) and shall take timely and appropriate steps to protect Persons and property from, and remedy the effects of, any such Hazardous Substances, which steps shall include immediate action in the case of any material release of Hazardous Substances.

(f) Removal Upon Surrender. Upon surrender of the Premises to the Lessor, whether upon expiration or earlier termination of this Lease, Lessee shall remove and properly dispose of any Hazardous Substances that were introduced into, or released on, in or under, the Premises at any time during the Term hereof, whether by Lessee, any Sublessee, or any of their respective employees, agents, contractors, Tenants, licensees or invitees, or any other Person except for the Lessor or its employees, agents or contractors.

(g) Indemnity. Lessee agrees to defend, indemnify and hold harmless Lessor against any and all losses, liabilities, suits, obligations, fines, damages, judgments, penalties, claims, charges, clean-up costs, remedial actions, costs and expenses (including, without limitation, consultants' fees, attorneys' fees and disbursements) that may be imposed on, incurred or paid by, or asserted against Lessor or the Premises by reason of, or in connection with (i) any misrepresentation, breach of warranty or other default by Lessee under this Lease; (ii) the acts or omissions of Lessee, any Sublessee or any of their respective employees, agents, contractors, Tenants, licensees or invitees, resulting in the release of any Hazardous Substances; (iii) any actual or alleged injury, illness, death or damage to any Person resulting from the presence or release of any Hazardous Substance in, on, or under the Premises, whether or not present at the inception of this Lease; or (iv) any off-site disposal, handling, treatment, storage, or transportation of any Hazardous Substances, including petroleum products, removed from the Premises by Lessee or its Sublessees, or their respective Tenants, invitees, contractors or subcontractors. Notwithstanding the foregoing, Lessee shall have no obligation to defend, indemnify or hold harmless Lessor for any loss, liability, suit, obligation, fine, damage, judgment, penalty, claim, charge, clean-up cost, remedial action, cost or expense (including, without limitation, consultants' fees, attorneys' fees and disbursements) that may be imposed on, incurred or paid by, or asserted against Lessor by reason of, or in connection with (i) any misrepresentation, breach of warranty or other default by Lessor under this Lease; (ii) the acts or omissions of Lessor or any of its employees, agents, contractors, licensees or invitees after the date hereof that causes the presence or release of any Hazardous Substance in, on, or under the Premises. These indemnity provisions shall survive termination or expiration of this Lease.

(h) No Waiver of Federal Obligations; Notices and Enforcement by Lessee. Nothing in this Section shall be construed to relieve the United States government or

any department thereof from any liability or responsibility with respect to Hazardous Substances. In the event that Lessee becomes aware of any Hazardous Substance condition, or any complaint, notice or claim related to any Hazardous Substance(s), with respect to which the United States or a department thereof may have any obligation pursuant to the terms of the Navy Deed or pursuant to applicable law, the Lessee shall give written notice of the pertinent facts, together with a copy of any written complaint, notice or claim, to the Director and to the United States Department of the Navy as soon as practicable and in any event not later than ninety (90) days after learning of any such condition or fifteen (15) days after receipt of any such complaint, notice or claim, whichever is earlier. Lessee shall provide the United States Navy, and any other agency responsible for investigation, remediation, or defense of the matter, all additional documents and cooperation requested or required by the terms of the Navy Deed or by law. To the full extent permitted by the terms of the Navy Deed and applicable law, the Lessee shall have the right, after consultation with Lessor, to make demand on the United States to fulfill its obligations with respect to any Hazardous Substances discovered in, on or under the Premises and to enforce such obligations in its own name, provided that (i) Lessee shall not waive or release any rights without the express written consent of the Director; (ii) Lessee shall send copies of all related correspondence to the Director immediately upon sending or receipt thereof by Lessee; (iii) Lessee shall not request or authorize any excavation, demolition or other response action without the written consent of the Director if such action could reasonably adversely affect any Improvements on the Premises or any utilities on, in, or under the Premises, or if such action could reasonably interfere materially with the use of any portion of the Premises for the purposes intended by this Lease.

(i) Mutual Obligations to Cooperate Regarding Federal Environmental Obligations. If any circumstances arise that would provide reasonable grounds for the enforcement of any obligations (including without limitation indemnities) of the United States regarding environmental matters in the Navy Deed, or any obligations of the United States with respect to the Premises under applicable laws regarding environmental matters (either generally or with respect to base closures), and if Lessee or Lessor gives notice to the other of such circumstances and requests cooperation in pursuing such enforcement, then the other party shall cooperate in securing the benefits of such obligations. Nothing in this subsection 10.10(i) shall require either party (A) to expend funds except as authorized by its governing body, in its discretion, nor (B) to bring or join in any legal or administrative action if such party determines in good faith that such action would not be in the best interests of such party.

11. MAINTENANCE

11.1 Protection and Maintenance Obligations of Lessee.

(a) Lessee shall at all times keep the Improvements in a neat, clean, safe and sanitary condition; shall not cause or permit waste, damage or injury; and shall use and maintain the Improvements in accordance with the laws of the State of Washington and Charter, ordinances and Codes of The City of Seattle, and in accordance with all valid rules

and regulations of the Health Officer, Fire Marshal, Director of the Seattle Department of Construction and Inspections or its successor ("SDCI") and other appropriate officers of The City of Seattle.

(b) Unless otherwise agreed in writing by Lessor, Lessee shall be responsible for the prompt removal of any rubbish deposited on the Premises by Lessee or its Sublessees or their respective Tenants, licensees or invitees, including without limitation any abandoned automobiles or appliances. Lessee shall comply and ensure compliance with City of Seattle ordinances and regulations regarding trash, recycling and composting.

11.2 Grounds Maintenance Obligation; City Obligation for Streets. Lessee shall be responsible for all maintenance of the grounds on the Premises, including lawn mowing, trimming or removal of plants when required, control of noxious weeds, clearing of leaves and other natural debris, and street, parking area and general access maintenance. Lessee shall be responsible for clearing snow, ice, obstructions and hazards from sidewalks, driveways, parking areas, walkways, steps, ramps and other paved surfaces in the Premises, or for repair of holes, cracks, or other defects in such surfaces. With regard to the streets serving the Premises, the City shall have only such obligations as the City has generally for all streets, and shall have no special obligations under this Lease.

12. COMPLIANCE WITH LAWS AND FEDERAL REQUIREMENTS

12.1 General Requirement. The Lessee, at its sole cost and expense, shall perform all obligations imposed on the owner, occupant or operator of the Premises under, and shall comply with, all applicable laws of the United States and the State of Washington; the Charter, ordinances and Codes of The City of Seattle and permits issued thereunder; the rules, regulations, orders, and directives of their administrative agencies and officers thereof, in each case as now in effect or hereafter amended or enacted, relating to or affecting the condition, use, operation or occupancy of the Premises; and all requirements associated with any fund source for the improvement of, or operations on, the Premises. Lessee shall cause each Sublessee and Tenant, and each of their invitees and licensees, to comply with all requirements of all of the foregoing, and shall not use or permit the Premises or any part thereof to be used for any purpose or in any manner in violation of any municipal, county, state or federal law, regulation, rule, ordinance or permit.

12.2 Licenses and Similar Authorizations. The Lessee, at no expense to the Lessor, shall secure and maintain in full force and effect during the term of this Lease, all required licenses, permits, and similar legal authorizations, and comply with all requirements thereof

12.3 Nondiscrimination and Affirmative Action.

(a) Fair Housing and Other Nondiscrimination Laws. Lessee agrees to and shall comply with, and shall require all Sublessees to comply with, all Federal, State and local laws and ordinances, including without limitation Fair Housing laws, now in effect or

hereafter enacted or amended, prohibiting discrimination with regard to race, color, national origin, age, "families with children status," ancestry, creed, religion, political ideology, sex, sexual orientation, gender identity, marital status, the presence of any sensory, mental or physical handicap or the use of a guide or service animal by a person with a disability.

(b) Equal Employment Opportunity and Nondiscrimination. The Lessee shall comply with, and shall require all Sublessees to comply with, all applicable equal employment opportunity and nondiscrimination laws of the United States, the State of Washington, and the City of Seattle, including but not limited to Chapters 14.04, 14.10, and 20.42 of the Seattle Municipal Code (SMC), as they may be amended; and rules, regulations, orders, and directives of the associated administrative agencies and their officers.

12.4 Lead-based Paint. Lessee shall comply with all requirements of applicable laws and regulations with regard to lead-based paint. Without limiting the foregoing, Lessee shall comply with all requirements of federal regulations at 24 CFR Part 35. In accordance with such regulations, Lessee shall provide all required information to, and shall obtain signed acknowledgments from, each residential Tenant of any Building, and shall provide copies of such documents to the Lessor upon the Lessor's request. To the extent that the Premises are subleased other than directly to residential Tenants, Lessee shall cause each Sublessee to comply with the terms of this Section.

12.5 Historic Preservation. Lessee shall comply, and shall cause each Sublessee and Tenant (and the invitees and licensees of any of the foregoing) to comply, with all applicable laws, regulations and ordinances concerning historic preservation, and with all provisions in the Navy Deed with respect to historic preservation. In addition, Lessee shall comply with all provisions of the Historic Property Reuse and Protection Plan to the extent it applies to the Premises. It shall be the sole responsibility of Lessee to make timely application for, and to obtain, any and all permits and approvals related to historic preservation in connection with any renovation, repairs, construction or excavation.

12.6 U.S. Government and Funding Agency Restrictions. Lessee agrees to comply, and to cause each Sublessee and Tenant, and all invitees or licensees of any of the foregoing, to comply with (a) the terms and conditions of all covenants and restrictions imposed by the United States contained in the Navy Deed to the extent they apply to the Premises, and (b) all agreements now or hereafter entered into by the Lessee or any Sublessee for the funding of the Improvements; the construction, maintenance, repair, or rehabilitation thereof; or the operations thereof. Without limiting the foregoing, Lessee agrees that as between Lessee and Lessor, each and every covenant of "Grantee" in the Navy Deed, as such covenant relates to the Premises, for so long as this Lease remains in effect, shall be the obligation of Lessee, and that Lessee shall defend and indemnify Lessor from any liability, loss, damage or expense (including attorneys' and experts fees) arising from Lessee's breach of any such obligation. Lessee acknowledges that prior to the execution of this Lease the Lessee has reviewed the Navy Deed.

13. LIENS

13.1 If, because of any act or omission of Lessee or any Sublessee, any mechanic or other lien or order for payment of money shall be filed against the Premises or the Improvements, Lessee shall at its sole expense cause the same to be discharged or bonded within thirty (30) days after the date of such filing.

14. LIABILITY AND INSURANCE.

14.1 Indemnity: The Lessee hereby releases the Lessor from, and shall indemnify and hold the Lessor harmless from, any and all losses, claims, actions, damages and expenses arising or that may arise in the future out of or resulting from any occurrence in or on the Premises, except to the extent, if any, that such losses, claims, actions, damages and expenses are proximately caused by either (a) the negligent or otherwise wrongful act of the Lessor or its employees, agents or contractors in violation either of a duty of care owed to the third party making a claim or of a duty owed by the Lessor to Lessee; or (b) the failure of the Lessor to perform an express obligation of the Lessor under this Lease. Neither the approval by the Lessor of any action, omission or policy proposed by Lessee, nor the failure by the Lessor to enforce any obligation of Lessee or a Sublessee, shall give rise to an exception from the foregoing release and indemnity. In the event that any suit based upon such losses, claims, actions, damages, or expenses is brought against the Lessor, the Lessee, upon notice of the commencement thereof, shall defend the same by counsel reasonably satisfactory to the Lessor at Lessee's sole cost and expense (provided that the Lessor shall have the right to appear in and defend any such action by its own counsel); and if final judgment be adverse to the Lessor, or the Lessor and the Lessee jointly, or if the Lessor shall enter into a reasonable settlement of any such claim or action after notice to and consultation with Lessee, the Lessee shall promptly satisfy the same. Except as stated in clauses (a) and (b) of the first sentence of this Section, the obligation of Lessee to indemnify the Lessor described in this Section shall not be diminished by the fact, if it be a fact, that any such death, injury, damage, loss, cost or expense may have been contributed to, or may be alleged to have been contributed to, in part, by an act or omission of Lessor, its officers, employees or agents, provided that to the extent that RCW 4.24.115 (or successor provision) applies, (1) this indemnity shall not apply in case of any liability for damages arising out of bodily injury to persons or damage to property caused or resulting from the sole negligence of the Lessor, its agents or employees, and (2) in case of liability for damages arising out of bodily injury to persons or damage to property caused by or resulting from the concurrent negligence of (a) Lessor or its agents or employees, and (b) Lessee or its agents or employees, this indemnity shall apply only to the extent of Lessee's negligence.

14.2 {Intentionally Omitted}

14.3 Worker's Compensation. **Solely with respect to claims for indemnification under this Lease, Lessee waives its immunity under Industrial Insurance laws. This**

Section has been negotiated by the parties as indicated by their initials below, and Lessee acknowledges that the Lessor would not enter into this Lease absent this Section. Lessee shall ensure that the provisions of this Section are incorporated in any Sublease and are binding on the Sublessee for the benefit of the Lessor.

Lessor: _____ Lessee: _____

14.4 Insurance.

(a) Construction or Renovation. The Lessee shall, at all times during the term of this Lease when any renovation or construction activity is in process on the Premises, obtain and maintain continuously, at its own expense, insurance as specified in this subsection (a), and shall file with the Director and the Lessor's Risk Manager, evidence of a policy or policies of insurance as enumerated below, covering such activity and each Improvement affected by such activity:

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

- Premises/Operations Liability
- Products/Completed Operations
- Personal/Advertising Injury
- Contractual Liability
- Independent Contractors Liability
- Stop Gap or Employers Contingent Liability
- Explosion, Collapse, or Underground (XCU), (as applicable)*
- Liquor Liability/Host Liquor Liability (as applicable)*
- Fire Damage Legal
- Per Location Aggregate CG2504

*These coverages are required only when the work on the Premises may include exposures to which these specified coverages respond.

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

Bodily Injury and Property Damage -

$ 2,000,000	General Aggregate
$ 2,000,000	Products & Completed Operations Aggregate
$ 1,000,000	Personal & Advertising Injury
$ 1,000,000	Each Occurrence
$ 100,000	Fire Damage

Stop Gap or Employers Contingent Liability

$ 1,000,000	Each Accident
$ 1,000,000	Disease - Policy Limit
$ 1,000,000	Disease - Each Employee

Lessee shall be responsible for any deductibles and any amounts of losses not covered due to coinsurance provisions. There shall be no deductible or self-insured retention except as expressly approved in writing by the Lessor's Risk Manager after consultation with Lessee. The cost of any claim payments falling within the deductible shall be the responsibility of the Lessee.

(2) A policy of **Business Automobile Liability**, including coverage for owned, non-owned, leased or hired vehicles written on an insurance industry standard form (CA 00 01) or equivalent.

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

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

(3) A policy of **Pollution Liability** providing coverage for claims (A) involving remediation, disposal or other handling of pollutants arising out of operations of Lessee or its Sublessees or their respective contractors and subcontractors, including coverages generally known as "contractor's operations for others", and "contractor's site (owned)"; (B) arising from the transportation of hazardous materials; or (C) involving remediation, abatement, repair, maintenance or other work with lead-based paint or materials and/or with asbestos or materials containing asbestos. Such Pollution Liability policy(ies) shall provide the following minimum limit:

Bodily Injury and Property Damage:
$1,000,000 per occurrence

If any such policy is written on a claims made form, the policy shall state that coverage is claims made, and state the retroactive date, which shall be prior to or coincident with the date of this Lease. Claims made form coverage shall be maintained by the Lessee for a minimum of three years following the termination of the contract for the renovation or construction work, and the Lessee shall annually provide the Lessor with proof of renewal, on or before each anniversary of the Effective Date of this Lease. If renewal of the claims made form of coverage becomes unavailable, or economically prohibitive, the Lessee shall purchase an extended reporting period ("tail") or provide another form of security acceptable to the Lessor to assure financial responsibility for liability that would be covered by such policy.

Such insurance, as provided under subsections (1), (2) and (3) above, shall be endorsed to include as additional insureds Lessee, its officers, directors, employees, agents, volunteers and the City of Seattle, its officers, elected and appointed officials, employees, agents and volunteers, and shall not be reduced or canceled without forty-five (45) days prior written notice to Lessee and to the Lessor's Risk Manager. In addition, the Lessee's insurance shall be primary as respects the Lessor, and any other insurance maintained by the Lessor shall be excess and not contributing insurance with the Lessee's insurance.

(4) A policy of **Worker's Compensation.** As respects Workers' Compensation insurance in the state of Washington, Lessee shall secure its liability for industrial injury to its employees in accordance with the provisions of Title 51 of the Revised Code of Washington. If Lessee is qualified as a self-insurer in accordance with Chapter 51.14 of the Revised Code of Washington, Lessee shall so certify by letter signed by a corporate officer indicating that it is a qualified self insured, and setting forth the limits of any policy of excess insurance covering its employees.

(5) A policy of **Builder's Risk Insurance - Physical Damage Insurance:**
Unless otherwise directed in writing by Lessor, the Lessee shall purchase and maintain property insurance, with Lessor as an additional insured, to include the perils of "All Risk", including Earthquake and Flood coverage to the extent required by the City's Risk Manager, for the full replacement value of the Improvements. Lessee shall be responsible for any deductibles and any amounts of losses not covered due to coinsurance provisions.

Lessor reserves the right to purchase Builder's Risk insurance to include the perils of "All Risk" including (in Lessor's discretion) Earthquake & Flood coverages. If Lessor gives notice to Lessee that Lessor shall maintain Builder's Risk insurance, then Lessee shall be responsible for the Lessor's policy deductible (currently $10,000) and Lessee shall pay on demand to Lessor the amount of each premium billed to Lessor for such insurance. Lessee will be added as an additional insured to the policy.

Lessor and Lessee waive all subrogation rights against each other, any Sublessees, contractors, subcontractors, architects, architects' sub-consultants, separate contractors, if

any, and any of their subcontractors, for damages caused by fire or other perils to the extent that the loss that would be the basis for a subrogation claim is covered by property insurance obtained pursuant to this subsection or other property insurance, except that Lessor and Lessee do not waive such rights as they have to proceeds of such insurance held by any Person as fiduciary. This waiver shall not apply to the portion of any loss within the deductible of the applicable insurance policy. This waiver of subrogation shall be effective as to a Person even though that Person would otherwise have a duty of indemnification, contractual or otherwise, whether or not the Person paid the insurance premium directly or indirectly, and whether or not the Person had an insurable interest in the property damaged.

(6) **Insurance to Protect Lessee's/Contractor's Equipment:** Lessee shall purchase and maintain physical damage insurance upon Lessee's and contractors' equipment for the actual cash value of such equipment as of the time of any loss. This insurance shall insure against loss from the perils of Fire, and other risks of direct physical loss or damage, also known as "All Risk" perils protection.

Lessee shall be responsible for any deductibles and any amounts of losses not covered due to coinsurance provisions.

(b) General Insurance Requirements. Lessee shall, at all times during the Term of this Lease, obtain and maintain continuously, at its own expense, insurance as required by this subsection (b), and shall file with the Director and the Lessor's Risk Manager, evidence of a policy or policies of insurance as enumerated below:

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

- Premises/Operations Liability
- Products/Completed Operations
- Personal/Advertising Injury, to include
  - Sexual Molestation*
  - Discrimination*
  - Sexual Harassment*
- Contractual Liability
- Independent Contractors Liability
- Stop Gap or Employers Contingent Liability
- Explosion, Collapse, or Underground (XCU) (as applicable)**
- Liquor Liability/Host Liquor Liability (as applicable)**
- Fire Damage Legal
- Per Location Aggregate CG2504

* Any reductions of limits for these coverages are subject to the Lessor's Risk Manager's and Lessee's agreement based on commercial availability and costs.

**These coverages are required only when the operations on the Premises may include exposures to which these specified coverages respond.

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

Bodily Injury and Property Damage -

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

Stop Gap Employers Liability

$ 1,000,000	Each Accident
$ 1,000,000	Disease - Policy Limit
$ 1,000,000	Disease - Each Employee

There shall be no deductible or self-insured retention except as expressly approved in writing by the Lessor's Risk Manager after consultation with Lessee. The cost of any claim payments falling within the deductible shall be the responsibility of the Lessee.

(2) A policy of **Business Automobile Liability**, including coverage for owned, non-owned, leased or hired vehicles written on an insurance industry standard form (CA 00 01) or equivalent. Such policy(ies) must provide the following minimum limit:

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

(3) A policy of **Excess Insurance** above the primary general and automobile liability policies that will provide a total limit of insurance of $5,000,000. The excess policy must be at a minimum as broad as the primary policies.

Such insurance, as provided under items (1), (2), and (3) above, shall be endorsed to include The City of Seattle, its officers, elected and appointed officials, employees, agents and volunteers as additional insureds, and shall not be reduced or canceled without forty-five (45) days prior written notice to the Lessor's Risk Manager. In addition, Lessee's insurance shall be primary as respects the Lessor, and any other insurance maintained by the Lessor shall be excess and not contributing insurance with the Lessee's insurance.

(4) A policy of **Worker's Compensation.** As respects Workers' Compensation insurance in the state of Washington, the Lessee shall secure its liability for industrial injury to its employees in accordance with the provisions of Title 51 of the Revised Code of Washington. If the Lessee is qualified as a self-insurer in accordance with

Chapter 51.14 of the Revised Code of Washington, Lessee shall so certify by a letter signed by a corporate officer setting forth the limits of any policy of excess insurance covering its employees.

(5) A policy of **Property Insurance** - the Lessee shall keep the Improvements and Personal Property on the Premises insured throughout the term of this Lease, for their full replacement value, with Lessor named as an additional insured, against the following hazards:

(A) Loss or damage by fire and such other risks as the Lessor shall require (including earthquake and flood damage to the extent required by the City's Risk Manager) in an amount sufficient to permit such insurance to be written at all times on a replacement cost basis;

(B) Loss or damage from leakage or sprinkler systems now or hereafter installed in any structure on the Premises;

(C) Loss or damage by explosion of steam boilers, pressure vessels, oil or gasoline storage tanks or similar apparatus now or hereafter installed in any structure on the Premises.

(D) Business Interruption with sufficient coverage to provide for the payment of rent and other fixed costs during any interruption of Lessee's business because of fire or other cause.

Lessor and Lessee waive all subrogation rights against each other, any Sublessees, contractors, subcontractors, architect, architect's sub-consultants, separate contractors, if any, and any of their subcontractors, for damages caused by fire or other perils to the extent that the loss that would be the basis for a subrogation claim is covered by property insurance obtained pursuant to this subsection or other property insurance applicable to the Premises, except that Lessor and Lessee do not waive such rights as they have to proceeds of such insurance held by any Person as fiduciary. This waiver shall not apply to the portion of any loss within the deductible of the applicable insurance policy. This waiver of subrogation shall be effective to a Person even though that Person would otherwise have a duty of indemnification, contractual or otherwise, whether or not the Person paid the insurance premium directly or indirectly, and whether or not the Person had an insurable interest in the property damaged.

(c) Sublessees, Contractors and Subcontractors. Lessee shall include all Sublessees, contractors and subcontractors as insureds under its policies or shall furnish separate evidence of insurance as stated above for each Sublessee, contractor or subcontractor. All coverages for Sublessees, contractors and subcontractors shall be subject to all applicable requirements stated herein. Lessee may satisfy its obligations under this Section with respect to Pollution Liability (a)(3), Builder's Risk Insurance (a)(5), Lessee's/Contractor's Equipment

(a)(6) and Property Insurance (b)(5) by causing insurance to be maintained by its Sublessees or (to the extent applicable) the contractors of Lessee or Sublessees, provided that such insurance satisfies all of the requirements of this Section and that evidence of insurance as set forth below is timely provided to Lessor and is satisfactory to the Lessor's Risk Manager.

(d) Evidence of Insurance. The following documents must be provided to Lessor as evidence of insurance coverage at the following times if such documents are then available to, or in the possession of, Lessee: (i) prior to the Effective Date of this Lease, as to coverage required under subsection (b); (ii) prior to commencement of work, as to coverage required under subsection (b) of this Section; (iii) with respect to any renewal or substitute policy, promptly upon issuance thereof, but in any event no later than ten (10) days before the expiration or termination of any previous policy:

(1) A copy of the policy's declarations pages, showing the Insuring Company, policy effective dates, limits of liability and the Schedule of Forms and Endorsements. (Lessor reserves the right to request certified copies of all insurance policies.)

(2) A copy of the endorsement naming The City of Seattle (and, with respect to liability policies, Lessor's officers, elected and appointed officials, agents, employees, and volunteers) as an Additional Insured, showing the policy number, and signed by an authorized representative of the insurance company on a form CG2026 (ISO), or such other form as the City's Risk Manager may require or deem acceptable.

(3) A copy of the "Endorsements Form List" to the policy or policies showing endorsements issued on the policy, and including full copies of any company-specific or manuscript endorsements.

(4) A copy of an endorsement stating that the coverages provided by the policy to Lessor or any other named insured shall not be terminated, reduced or otherwise materially changed without providing at least forty-five (45) days prior written notice to the Lessor.

(5) A copy of a "Separation of Insureds" or "Severability of Interests" clause, indicating essentially that, except with respect to the limits of insurance and any rights or duties specifically assigned to the first named insured, this insurance applies as if each named insured were the only named insured, and separately to each insured against whom claim is made or suit is brought (Commercial General Liability, Business Automobile Liability Insurance, and Excess Insurance).

If any of the above documents is not available when required as stated above, the Lessor's Risk Manager may accept, in his or her discretion, a binder showing the stated requirements. In such case Lessee shall cause all the above documents to be delivered to the City as soon as available, and in any event within such period as the Lessor's Risk Manager shall specify.

In addition, within five (5) days of any request by Lessor, the Lessee shall provide full copies of all insurance policies for the Premises, together with all amendments and endorsements and proof of premiums paid.

(e) Approval of Risk Manager; Adjustments. All policies shall be subject to approval by the Lessor's Risk Manager as to company (must be (i) issued by a company rated A- or better and with a size rating of VII or higher in the A.M. Best's Key Rating Guide and (ii) licensed to do business in the State of Washington or issued as a surplus line by a Washington Surplus lines broker), form and coverage, and shall be primary to all other insurance. If Lessor shall determine that the required coverages and/or limits are not reasonably adequate for any reason, including without limitation inflation or changes in the nature or scope of activities on the Premises, then Lessee shall procure such coverage and/or increase in policy limits as the Lessor shall require, within sixty (60) days of written notice from Lessor.

(f) Definitions. Capitalized terms used in this Section and not otherwise defined in this Lease shall have the meanings commonly ascribed to such terms in the insurance industry.

14.5 Contractors' Bonds. Unless otherwise expressly permitted in writing by the Lessor or not required by law, the Lessee shall require each contractor used by the Lessee or any Sublessee for any demolition, rehabilitation, repair or construction work in connection with any improvement, alteration, or addition to be made on the Premises, to secure and maintain, at no cost to the Lessor, a performance and payment bond with dual obligee rider payable to the Lessee and the Lessor in the full and just sum of the total amount of the contract, conditioned that all the provisions of the contract shall be faithfully performed by the contractor, or the surety if so required, and for the payment of all laborers, mechanics, subcontractors and material suppliers, and all Persons who shall supply such Person or Persons or subcontractors with provisions or supplies for the carrying on of such work. Each such bond shall be provided to Lessor within ten days of the award of the contract and in any event prior to commencement of any work. Each such bond shall be issued by a properly licensed surety company acceptable to the Lessor and shall be in form and content acceptable to Lessor.

14.6 Assumption of Risk. The placement and storage of personal property on said Premises shall be the responsibility, and at the sole risk, of the Lessee.

14.7 Adjustments of Claims; Proceeds of Hazard Insurance. The Lessee shall provide for the prompt and efficient handling of all claims for bodily injury, property damage or theft arising out of the activities of the Lessee under this Lease. Any amounts paid under any policy of hazard insurance shall be payable jointly to the Lessor and the Lessee, and such amounts shall be deposited in an account requiring the signature of both the Lessor and Lessee for disbursement. Unless otherwise approved in writing by the Director, all funds in such account, including interest earned thereon, shall be used solely for the restoration, repair or replacement of the damaged or destroyed Improvements according to Construction Plans to

be prepared by the Lessee subject to the approval of the Lessor in accordance with Section 10.4, and according to a construction contract acceptable to Lessor. If a Leasehold Mortgage encumbers the damaged or destroyed Improvements, the requirements of this Section including any obligation to have insurance proceeds paid jointly to Lessor and Lessee or held in an account under the control of Lessor, are subject to the rights of the Leasehold Mortgagee.

14.8 Compliance by Lessee. Lessee shall not violate or permit to be violated any of the conditions or provisions of any insurance policies affecting the Premises or the Improvements.

14.9 Contractor's Indemnification. Lessee shall ensure that every contract executed by it pertaining to any construction, renovation or other work on the Premises shall contain the following indemnification provision:

> The contractor agrees to protect, defend, indemnify, and hold harmless the City and City's officials, employees, and agents from and against all claims, demands, and causes of action (including all costs and fees for defense thereof), judgments and/or awards of damage arising from or in connection with the performance of this agreement by the contractor or from the activities of any subcontractor or other Person employed by or having a contract with the contractor:
>
> *(a) Arising out of bodily injury or death to persons or damage to property, except this obligation shall not apply when such injury or damage is solely and entirely the fault of the City, or when such injury or damage results from the concurrent negligence of the City and the contractor, in which case the contractor shall protect, defend, indemnify and hold the City harmless to the extent of the contractor's negligence.*
>
> *(b) Arising out of other than bodily injury or death to persons or damage to property, except this obligation shall not apply when such injury or damage is solely and entirely the fault of the City.*
>
> *(c) Arising from the use of any design, process, or equipment which constitutes, or is alleged to constitute, an infringement of any United States patent presently issued, or violates any other proprietary interest, including copyright, trademark, or trade secret.*
>
> *Contractor shall also hold the City harmless from any expense incurred to enforce the City's rights under this Section.*
>
> *In the event that any action is brought against the City by any employee of contractor, its subcontractors, sub-subcontractors, agents, or anyone*

directly or indirectly employed by any of them the indemnification obligation of the contractor set forth in this Section shall not be limited by a limit on the amount or type of damages, compensation, or benefits payable by or for contractor or any subcontractor under RCW Title 51, the Industrial Insurance Act, or any other employee benefit acts. In addition, as to actions arising out of the performance of this agreement, contractor waives its immunity under RCW Title 51.

This indemnification agreement has been negotiated by the parties and shall survive the termination of this agreement.

14.10 Survival. Any liability of the Lessee hereunder for acts or omissions occurring during the Term of this Lease, or arising under any indemnity provision of this Lease, shall survive termination and surrender (whether or not any claim giving rise to such liability shall have accrued).

15. CASUALTY

15.1 Notice of Casualty; Reconstruction. If any Improvements or alterations or additions thereto, standing or erected, are destroyed or damaged in whole or in part as a result of any casualty, Lessee shall give prompt written notice to Lessor. If sufficient insurance proceeds are available, together with any capital reserves for the Premises, not restricted under Leasehold Mortgages or agreements with third parties approved by Lessor, Lessee shall promptly repair, replace or rebuild the Improvements in substantial conformity with the character of the building and alterations or additions existing immediately prior to such occurrence. If available funds are insufficient for complete repair, restoration or replacement, but partial repair, restoration or replacement is feasible, then unless otherwise agreed by Lessor, the Lessee shall proceed with such partial repair, restoration or replacement. Lessee shall be obligated to provide for such purposes funds equal to any deductible or co-insurance amount for which Lessee is responsible under Article 14 or under any Leasehold Mortgage. Repairs, replacement or rebuilding shall be made by Lessee in accordance with the terms and conditions of this Lease and subject to the requirements of any Leasehold Mortgage.

15.2 Notice Prior to Commencement of Work. Lessee shall give Lessor at least thirty (30) days written notice prior to the commencement of such work described in Section 15.1.

15.3 Time for Commencement of Work. The work described in Section 15.1 shall be commenced by Lessee within one hundred twenty (120) days after the date of any loss, damage or destruction or as soon as funds are available and shall be completed within a reasonable time.

15.4 Disbursements. For the cost of the repairs, replacement or rebuilding, Lessor shall authorize disbursement of funds from the account, if any, established pursuant to Section

14.7, as Lessee shall make such repair, replacement or rebuilding, and during the progress of the work, upon Lessee's written requisitions accompanied by certificates of an architect or engineer reasonably satisfactory to Lessor certifying that the work is in accordance with Construction Plans approved by Lessor and the percentage completion thereof, upon delivery of such other evidence as Lessor may reasonably require that such work is in place and paid for, and subject to holdback of five percent (5%) of the amount of each requisition until completion of the work. If, during the course of the work, any lien or order for the payment of money shall be filed against the Premises or Improvements thereon, or against Lessor, or if Lessee shall be in default of the performance of any of the terms, covenants or conditions of this Lease, Lessor shall not be obligated to authorize any payment to Lessee of insurance proceeds until and unless the liens or orders have been fully bonded, satisfied or discharged of record and until the default has been cured by Lessee. If a Leasehold Mortgage encumbers the Improvements to be repaired, replaced or rebuilt, the authorizations and approvals under this Section 15.4 must also be made by the Leasehold Mortgagee.

15.5 Termination for Certain Casualties.

(a) In the event that the Improvements now or hereafter erected on the Premises shall be damaged or destroyed to the extent in excess of fifty (50%) percent of the then-insurable value of all Improvements on the Premises and the damage or destruction shall occur during the last five (5) years of the Term, then either party may at its option cancel and terminate this Lease by giving the other party ninety (90) days notice within sixty (60) days after the date of any loss, damage or destruction. If such options are exercised by either party, this Lease shall wholly cease and expire on the date specified in the notice in which event Lessee shall not be obligated to rebuild, provided, that any such insurance proceeds received or receivable under any and all policies of insurance shall be paid first to any Leasehold Mortgagee holding a Leasehold Mortgage the encumbered the damaged or destroyed Improvements to the extent of its unpaid loan balance and the excess, if any, shall belong to and be retained by Lessor, provided that any termination shall be subject to the provisions of Articles 37 or 38, or both, if applicable.

(b) If at any time during the Term any Building shall be destroyed or damaged so as to be uninhabitable, or if 50% or more of the dwelling units or bedrooms in any Building on the Premises shall be destroyed or rendered uninhabitable by fire or other casualty, the Lessee shall be obligated to demonstrate to the reasonable satisfaction of the Lessor within one year after the date of casualty that there are sufficient funds available from insurance proceeds, Lessee's reserves, and any other financing obtained by Lessee or a Sublessee, to substantially restore or replace the destroyed or damaged Building or units to substantially its prior condition. Failure to demonstrate the availability of such funds shall be a Termination Default and the Lessor shall then have the right, by ninety (90) days' notice to Lessee, to terminate this Lease, provided that any termination shall be subject to the provisions of Article 38, if applicable. If the Lessee does demonstrate within such one year period the availability of sufficient funds for the purpose stated in this subsection (b), then Sections 15.1 through 15.3 shall apply.

15.6 Proceeds not Used to Restore. Subject to the rights of any Leasehold Mortgagee, if all or a portion of the Improvements are destroyed, damaged or injured and insurance proceeds are not used to repair, restore or replace Improvements, then such portion of insurance proceeds as Lessee shall be entitled to receive, after repayment by the Lessee or Sublessee of all amounts owed to a Leasehold Mortgagee that held a Leasehold Mortgage that included the destroyed, damaged or injured Improvements, shall be deposited in a special reserve account requiring Lessor's approval for disbursements, and such funds shall be used solely for acquisition, construction, renovation, or capital improvements to housing for low-income persons as shall be proposed by Lessee and approved by the Lessor.

16. INSPECTION

16.1 Premises. Lessee shall permit Lessor, its agents and employees, to enter the Premises and Improvements at reasonable hours for the purpose of inspecting them or (at Lessor's sole option) making repairs that Lessee may neglect or refuse to make in accordance with the terms, covenants and conditions of this Lease, provided that except in case of emergency, Lessee shall not make any entry to make repairs unless the Lessee shall have failed to make them after 30 days notice from the City identifying the repairs required. Lessee's permission shall not constitute any indemnity nor create any liability concerning claims or causes of action by Sublessees or Tenants related to such entering or inspection, except that Lessee shall indemnify Lessor for any liability, loss, damage or expense to Lessor resulting from any failure by Lessee to include, in any Sublease or other agreement with a Sublessee, the rights of Lessor contemplated by this Section. Except as stated in the previous sentence, Lessor shall hold harmless, defend and indemnify Lessee from any liability for injury or death to persons or damage to property, in each case to the extent directly resulting from the wrongful or negligent actions (not omissions) of the Lessor, its agents and employees in the course of such entering or inspection.

16.2 Records. To the extent allowed by law, Lessee shall also permit Lessor, its agents and employees, to inspect and copy all records of the Premises and Improvements as may be compiled or maintained by Lessee for purposes of Lessee's operations under this Lease or by Sublessees for purposes of Sublessee's operations under their respective Subleases. Lessor shall have the right to inspect and copy such records maintained on or outside the Premises upon reasonable advance notice to Lessee.

17. DEFAULT

17.1 Default; Cure Periods, Termination. Upon the occurrence of any of the Events of Default described in this Section, Lessor, at Lessor's option, may terminate this Lease by giving Lessee at least ninety (90) days notice in writing of said termination, provided that any termination shall be subject to the provisions of Articles 37 or 38, or both, if applicable. Subject to the provisions of those Articles, as applicable, upon the expiration of the date and time fixed

in the notice of termination, all right, title and interest of Lessee under this Lease, and unless otherwise directed by Lessor all rights of Sublessees, shall wholly cease and expire. Lessee shall then immediately surrender to Lessor the Premises and all Improvements and Personal Property, as more fully set forth in Article 20. Whether or not Lessor has the right to terminate this Lease upon an Event of Default, and whether or not Lessor gives notice of termination, Lessor may pursue and enforce all other legal rights and remedies set forth in this Lease or otherwise available at law or in equity. If the Premises include more than one Building, each on a separate lot or parcel of Land, then the Lessor may, at its option, exercise the remedy of termination with respect to fewer than all such parcels or lots. Each of the following is an Event of Default:

A. Failure to pay when due any amount of Rent owing on this Lease, that is not cured within thirty (30) days after written notice to Lessee;

B. Any failure to pay when due any other charge required by this Lease other than amounts referred to in subsection A. above, that is not cured within thirty (30) days after written notice to Lessee;

C. Any failure to submit the annual report required by Article 35 of this Lease that is not cured within thirty (30) days after written notice to Lessee;

D. Any breach of Article 18 or Article 21 of this Lease (relating to subleases and transfers of the Premises without consent and certain other matters) that is not cured within sixty (60) days after written notice to Lessee;

E. Any breach or nonperformance of any provision of this Lease not included within any of subsections A.- D. above that is not cured within sixty (60) days after written notice to Lessee of such breach or nonperformance, or such longer cure period as may be permitted under the specific terms of this Lease, provided that if any such breach or nonperformance cannot reasonably be cured within sixty days but can be cured within a reasonable time, there shall be no Event of Default under this subsection E. for a period of up to one year so long as Lessee shall diligently pursue a cure;

F. The filing of a voluntary petition for bankruptcy or reorganization by Lessee or any managing member or general partner of Lessee; the filing against Lessee or any managing member or general partner of Lessee of any complaint for receivership or involuntary petition for bankruptcy or for reorganization (unless such complaint or petition be dismissed within forty-five (45) days of such filing); or if Lessee or managing member or general partner of Lessee shall become insolvent, or make a general assignment for the benefit of creditors, or consent to the appointment of a receiver of all or any of its assets, or voluntarily suspend its usual business, or if the Lessee or its managing member or general

partner shall be dissolved or file a petition for dissolution, without the express written consent in advance from the Director;

G. Any material misrepresentation by Lessee or its managing member in this Lease or in any information submitted by Lessee to Lessor or to any government agency in connection with this Lease or the Premises, or any material breach of any warranty made by this Lease that is not cured within sixty (60) days after written notice to Lessee;

H. Any abandonment of the entire Premises or of any Building by Lessee; or

I. Any default under, breach of, failure to comply with, or failure to satisfy any condition of any capital funding related to the Premises by Lessee or Sublessee unless such default, breach or failure is waived in writing by all interested parties or is cured within an applicable cure period permitted by those declaring the default in question.

17.2 Remedies Cumulative. The remedies under this Article 17, subject to the provisions of Articles 37 or 38, or both, if applicable, are in addition to, and not in limitation of, any other remedies provided in this Lease.

18. SUBLEASES AND ASSIGNMENTS

18.1 General Rules. Lessee shall not assign all or any part of this Lease or sublease any portion of the Premises, nor renew any Sublease, nor consent to the assignment or further subletting thereunder, without the prior written consent of the Director. The Director shall use his or her best efforts to complete the review and notify Lessee of approval or disapproval within thirty (30) days. In no event shall Lessee enter into a Sublease that permits any use not expressly permitted hereunder or a Sublease that reasonably could impair the ability of the Lessee to perform obligations to the Lessor under this Lease or any other agreement, or to perform obligations to any other government agency. The following requirements shall apply to all Subleases unless otherwise approved by the Director in writing:

(a) Use of the portion of the Premises subject to the Sublease and Improvements thereon shall be restricted to specified uses consistent with this Lease.

(b) Sublessee must provide reports and maintain records as may be necessary to demonstrate compliance with (a), above.

(c) All Subleases shall be subject to, and shall incorporate by reference, the terms and conditions of this Lease.

18.2 Sublease Revenue. Lessee shall use all revenue from rents or operating subsidies to pay Rent hereunder, necessary operating costs of the Premises, such as utilities, insurance, and maintenance and administrative expenses, and debt service on any debt incurred for the Premises if the debt is owed to a Leasehold Mortgagee or was incurred with the written consent of the Lessor, all in accordance with annual budgets set forth in annual updates to the MOP approved by the Director, and any remaining balance shall be used to fund capital reserves for the Premises.

19. POSSESSION

19.1 Upon the effective date of this Lease, the Lessee shall have possession of the Premises subject to the rights reserved by the Lessor herein, and the rights reserved by the United States in the Navy Deed.

20. SURRENDER

20.1 Obligations of Lessee. On the expiration date of the Term, or on the earlier termination as provided in this Lease, Lessee shall surrender the Premises in reasonably clean condition together with all Improvements and all alterations, changes and additions thereto which may have been made upon the Premises (except moveable furniture and equipment or moveable trade fixtures paid for solely by Lessee), in good repair, good order and safe condition and shall, if so requested by the Lessor, convey to the Lessor by special warranty deed all Improvements, subject only to such encumbrances and Subleases as shall have been specifically approved in writing by the Lessor. On such date the Lessee shall deliver to the Lessor (a) all keys to any structures, fixtures or Personal Property on the Premises; (b) all plans, blueprints, surveys, diagrams, leases, contracts and documents relating to the Premises or the Improvements; and (c) all security deposits, prepaid rent and any other deposits from Sublessees still in possession (but nothing herein shall be construed as the Lessor's consent to any such continued possession), and the balances in an reserve accounts maintained for the Premises or Improvements pursuant to any grant agreement, loan documents, or other financing or subsidy arrangements for the Premises or any Improvements; and (d) all Personal Property. Lessee, on or before said termination date, shall remove from the Premises all of Lessee's personal property other than Personal Property as defined in Article 1 hereof. All property not removed by Lessee shall be deemed to have been abandoned by Lessee and may be appropriated, sold, stored, destroyed or otherwise disposed of by Lessor without notice to Lessee and without obligation to account for it. Lessor may require Lessee to remove, within sixty (60) days after notice to Lessee, at Lessee's sole expense, any fixtures or structures in or on the Improvements or otherwise on or under the Premises that were constructed, affixed or substantially modified without the approval of the Lessor or in violation of applicable laws, regulations or Codes, or that were permitted by Lessor on condition that they be removed upon expiration or termination of this Lease. Lessee shall repair any damage to the Premises caused by removal of any fixtures or other property.

20.2 Transfer of Contracts. Upon any termination of this Lease prior to expiration of its term, Lessee shall assign and transfer to Lessor or Lessor's designee, immediately upon Lessor's demand, any and all contracts relating to the Premises that Lessor may specify, including without limitation any contracts for operating subsidies, rent supplements, or other support of the Premises or the operation thereof, unless the contracts relate to the operation of, or services performed for the benefit of, a portion of the Premises as to which such termination is not effective pursuant to Articles 37, 38, or 22, or applicable law. Lessee shall take actions reasonably necessary or appropriate to complete the transfer of such contracts, promptly upon the demand of Lessor.

20.3 Re-entry by Lessor. If the Premises shall be vacated or abandoned by Lessee, or in the event of the termination of this Lease under any provision hereof, Lessor may re-enter the Premises in such manner as Lessor may deem necessary in its sole discretion, and Lessor may repossess the Premises by force, summary proceedings or by any other procedure provided by law or equity.

20.4 Partial Termination. If this Lease shall be terminated as to a portion of the Premises only then the above provisions of this Article shall apply only to the portion of the Premises as to which this Lease is terminated and all Improvements thereon, together with all related Personal Property.

20.5 Survival of Liabilities. Any liability of Lessee or Lessor hereunder for negligent or intentional acts or omissions occurring during the Term of this Lease, or arising under the indemnity provisions of this Lease, shall survive termination and surrender (whether or not any claim giving rise to such liability shall have accrued).

22. QUIET ENJOYMENT

22.1 In General. Lessor covenants that, subject to the express provisions of this Lease, to the interests of Sublessees and Tenants, and to the terms of the conveyance of the Premises from the United States, if and so long as Lessee pays the Rent and other charges required by this Lease, and performs all of its obligations pursuant to the terms, covenants and conditions of this Lease, Lessee shall quietly enjoy the Premises. Notwithstanding the foregoing or any other provision of this Lease, Lessor's covenants and warranty as to title to the Premises are limited to the agreement of Lessor to warrant and defend such title, subject to the express provisions of this Lease, against all Persons lawfully claiming or to claim by, through or under Lessor (other than through Lessee), and Lessor expressly disclaims all other covenants and warranties.

22.2 Easements and Covenants. Lessee accepts the Premises subject to the easements, covenants, terms and restrictions set forth or incorporated in the plat of Seattle Short Subdivision No. 9904055 recorded under King County recording no. 19991214900007

and to all other encumbrances now of record against the Premises. Lessee shall comply at its sole expense with all of the foregoing as they apply to the Premises or to the owner thereof.

23. LESSOR'S CONSENT OR APPROVAL

23.1 Consent Expressly for Lease Purposes; Discretion of Lessor. Whenever Lessor's consent or approval in writing to any act to be performed by Lessee is required under this Lease, (a) Lessee must obtain a consent or approval in writing expressly for purposes of this Lease, regardless of whether a consent or approval shall have been granted by the Lessor in its regulatory, public utility, or other capacity; and (b) unless otherwise expressly stated herein, such consent or approval may be withheld in the Lessor's sole discretion, exercised in good faith. In any case in which it is stated that the Lessor's consent or approval shall not be unreasonably withheld, the Lessee agrees that valid reasons for withholding consent or approval shall include the Lessor's desire to maintain or ensure compliance with any of the following: any law, regulation, ordinance, or grant agreement; any Comprehensive Plan policy; any provision of the Sand Point Physical Development Management Plan or of the Community Preferred Re-use Plan for Sand Point (except as the same shall have been modified or superseded by any of the foregoing); any of the plans or guidelines described in Section 32.2 below; any City of Seattle adopted neighborhood plan policy; any provision of the Lessor's Consolidated Plan; or any condition attached to any federal, state, or county funding, provided such withholding is reasonably related to such purpose. Any obligation of the Lessor not unreasonably to withhold or delay consent applies only when consent is requested in writing prior to the action for which consent is required.

23.2 Consents Under Lease Not for Regulatory Purposes. Any permission, consent, or approval of the Lessor contained herein or given pursuant to this Lease is or shall be granted solely in the Lessor's capacity as owner and lessor of the Premises, and not in its regulatory or public utility capacity, nor in its capacity as grantor of funds or lender. No such consent or approval shall be construed as any representation or assurance that the matter consented to or approved complies with applicable laws, regulations, ordinances or Codes, nor shall any such consent or approval be construed to authorize any failure to comply with any of the foregoing. It shall be the sole obligation of the Lessee to obtain, at its own expense, all regulatory approvals, consents, permits, and licenses necessary or convenient for the development of the Premises from all relevant authorities, including without limitation any permits from SDCI. Nothing herein shall be construed as assurance that any such approvals will be granted or that the City, as Lessor, will grant consents, approvals or modifications hereunder for the purpose of compliance with the conditions of any permit, approval, license or funding agreement sought or obtained by Lessee.

24. NO DISQUALIFICATION

24.1 Lessor and Lessee represent and warrant that they are not disqualified under federal, state or other laws, or under the rules or regulations of any governmental department or authority, from acquiring, owning, leasing and holding any interest in real property or from obtaining any government contract.

25. BENEFIT

25.1 Successors and Assigns. The terms, covenants and conditions contained in this Lease and in the Exhibits annexed thereto shall bind Lessee and its successors, assigns, and Sublessees, and shall inure to the benefit of Lessor and its successors and assigns. The terms, covenants and conditions of this Lease shall inure to the benefit of Lessee's successors, assigns, including Sublessees, only if the assignment, Sublease, or other transfer (whether voluntary or involuntary) of Lessee's interests shall have received the express written consent of Lessor.

25.2 No Third Party Beneficiary. Except as expressly set forth in Section 25.1, no Person other than Lessor or Lessee (and Leasehold Mortgagees) is intended to have any legal right or interest under this Lease.

26. NOTICE

26.1 Addresses. Any notice called for in this Lease shall be in writing and shall be hand-delivered to the respective parties at the addresses below, or deposited in the United States mail certified, return receipt requested, postage prepaid, addressed as follows:

If hand-delivered to Lessor:

Director, Office of Housing
700 5th Avenue, Suite _____
Seattle, WA 98104

If mailed to Lessor:

Director, Office of Housing
PO Box 94725
Seattle, WA 98124-4725

If to Lessee:
Melinda Giovengo
Executive Director
YouthCare

2500 NE 54th Street
Seattle, WA 98105

The parties, by written notice, may designate any further or different addresses to which some or all notices, certificates or other communications shall be sent.

26.2 Effectiveness of Notice. Notices shall be deemed to have been received by the parties three (3) business days after mailing to the proper address in accordance with Section 26.1 above or upon actual delivery to such address during normal business hours, whichever first occurs.

27. TERMINOLOGY

27.1 Headings. The headings of the various Articles and Sections of this Lease have been inserted for convenient reference only and shall not in any manner be construed as modifying, amending or affecting in any way the express terms and provisions herein.

27.2 Gender and Number. Words of any gender utilized in this Lease shall be held to include any other gender and words in singular numbers shall be held to include the plural when the context so requires.

28. SEVERABILITY

28.1 If any provision of this Lease, or any Section, sentence or clause, or its application to particular circumstances, is held invalid, this Lease shall be construed as if the invalid part were never included or were expressly made inapplicable to such circumstances, as the case may be, and this Lease shall remain valid and in force to the fullest extent permitted by law.

29. APPLICABLE LAW

29.1 This Lease shall be governed by and construed in accordance with the laws of the State of Washington. Venue for any legal action under this Lease shall be King County Superior Court.

30. NEGOTIATED AGREEMENT; ENTIRE AGREEMENT

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

30.2 Entire Agreement. This Lease, and the terms and provisions herein, contain the entire agreement and understanding between the parties with respect to the leasing of the Premises and any other negotiations, agreements, or understandings with respect to the leasing of the Premises are hereby expressly merged and subsumed within the terms and provisions of this Lease. No negotiations, communications, agreements or understanding with respect to this Lease shall have any effect in the construction, application or enforcement of this Lease. Nothing herein shall supersede any written agreement with respect to the grant or loan of funds for the Premises.

31. PRIOR OPERATIONS AS SUBLESSEE.

The parties acknowledge that immediately prior to the commencement of this Lease, the Lessee was in possession of the Premises as the sublessee of SPCC under a sublease, now terminated by agreement, which was dated _____, ____ ("Prior Sublease") and was granted by SPCHA pursuant to the Original Lease, and that the present occupants of the Property were Lessee's subtenants. Lessee represents and warrants that Lessee was in compliance with the Prior Sublease in all material respects at the time of the termination thereof. Without limiting the foregoing, Lessee represents and warrants that during the term of the Prior Sublease it did not cause or permit the release, use, storage or disposal of any Hazardous Substances in any manner contrary to the terms of the Prior Sublease, the Original Lease, or the Amended Lease.

32. ADVISORY COMMITTEES; COMPLIANCE WITH PLANS AND GUIDELINES

32.1 Magnuson Park Community Communications Committee; Representation; Provision of Information. Lessee acknowledges that the Lessor has established a committee, which includes representatives of Lessee, owners, tenants and users of other portions of the Sand Point Property, as well as representatives of the Lessor and neighborhood interests, to coordinate activities on the Sand Point Property and community involvement therein (the "Magnuson Park Community Communications Committee"). Lessee shall be entitled to representation on the Magnuson Park Community Communications Committee and shall participate and cooperate in good faith in the processes established by the Magnuson Park Community Communications Committee. Lessee shall keep the Magnuson Park Community Communications Committee informed of proposed activities on the Premises, including without limitation any changes in uses, any construction or rehabilitation activities, changes in Sublessees, changes in landscaping, and any changes in rules, policies or procedures that might reasonably affect or concern the tenants or users of other portions of the Sand Point Property or residents in the area.

32.2 Compliance with Plans and Guidelines. Subject to the express terms of this Lease and to applicable laws and regulations, the Lessee shall comply, and cause its Sublessees to comply, with the terms of the Physical Development Management Plan and the

Historic Property Reuse and Protection Plan and any amendments to any of the foregoing that shall be approved by the Lessor as owner of the Premises.

32.3 Housing Advisory Committee. In addition to the committee described in Section 32.1, a Housing Advisory Committee has been established. That committee is composed of not less than seven (7) members and not more than fifteen (15) members, at least a majority of whom are residents of neighborhoods near Sand Point. The purpose of the Housing Advisory Committee is to advise the Lessee on matters of interest to neighboring communities including, but not limited to:

(a) Establishment, monitoring of screening criteria and procedures;
(b) Review of management and operation plan;
(c) General supervision and security issues;
(d) General maintenance, fencing, and landscaping;
(e) Design and siting of new construction of family housing; and
(f) Transportation and noise.

33. RIGHTS RESERVED BY LESSOR

33.1 Access for Inspection. The Lessor reserves for itself, its officers, employees, agents and contractors, access to the Premises, including the Improvements, at all reasonable times to verify compliance with this Lease. Lessor's access rights shall at all times be subject to the rights of Lessee's residential tenants to quiet enjoyment. Upon request by Lessor for access to individual dwelling units for inspection, the Lessor shall give such notice as is required for such access by a landlord under the Washington Residential Landlord-Tenant Act and any other applicable law.

33.2 Access for Other Purposes The Lessor reserves the right to enter onto the Premises and, with reasonable advance notice to Lessee, to use any portion of the Premises for any purpose not inconsistent with or disruptive of Lessee's use and operation of the Premises for the purposes set forth in this Lease, subject to the rights of Tenants. Without limiting the foregoing, Lessor's fire, police, and other public safety officers shall have the right to enter the Premises at all times, subject to the privacy rights of Tenants under applicable law.

33.3 Manner of Exercise. The rights reserved under this Article shall be exercised in such manner as does not unreasonably interfere with Lessee's and authorized Sublessees' access to, operation of, and use of the Improvements.

34. EXISTING EASEMENTS; LESSEE TO COOPERATE IN AND CONSENT TO ACTIONS BY LESSOR

34.1 Easements. This Lease, and all rights of Lessee with respect to the Premises, are subject to all outstanding easements and rights of way identified on Exhibit E of this Lease for location of any type of facility over, across, in and upon the Premises, or any portion thereof, and to the right of the Lessor to grant such additional easements and rights of way over, under, across, in and upon the Premises as it shall determine to be in the public interest; provided, that any such additional easement or right of way shall be conditioned on the assumption by the grantee thereof of liability to the Lessee for such damages as the Lessee shall suffer for property destroyed or property rendered unusable as a result of the Lessor's exercise of its rights thereunder; provided further that such additional easements and rights of way do not disrupt Lessee's use and operation of the Premises as intended under the terms of this Lease. There is hereby reserved to the holders of such easements and rights of way as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair, or replacement of facilities located thereon pursuant to the terms of such easements, and to any Federal, State or local official engaged in the official inspection thereof, such reasonable rights of ingress and egress over the Premises as shall be necessary for the performance of their duties with regard to such facilities.

34.2 Cooperation in Actions by Lessor. Lessee acknowledges that in order to carry out the intent of this Lease, it may be necessary or convenient for the Lessor as owner to effect or create various actions such as subdivisions, boundary line adjustments, easements, dedications or transfers of jurisdiction for utility and other purposes, concerning or affecting the Premises. Lessee irrevocably agrees, promptly on the request of the Lessor, to join in, consent to, and cooperate in, any and all such actions, and to execute and deliver such documents as the Lessor shall deem reasonably required for such purpose, provided that such actions are not fundamentally inconsistent with the use of the Premises for the purposes described in this Lease for the Term of this Lease; and provided further that such actions do not disrupt or interfere with Lessee's use and operation of the Premises or impair the collateral, security or rights of any Leasehold Mortgagee.

35. RECORDS AND ANNUAL REPORTING

35.1 Records. Lessee and its Sublessees shall prepare and maintain in good order, accurate and up-to-date records demonstrating compliance with the terms of this Lease and documenting the operation of the Premises, and shall make all such records available for inspection and copying promptly upon the Lessor's request.

35.2 Annual Reporting. Lessee covenants and agrees that, for the term of this Lease, it will furnish to Lessor annually on or before June 30 of each year, or another date agreed to in writing by Lessor and Lessee, commencing in the first calendar year beginning after the date hereof, a written report showing Lessee's compliance with all the terms and conditions of this Lease during the previous calendar year. This report shall include but not be limited to:

(1) description of compliance with Physical Development Plan and Historic Properties Reuse and Protection Plan pursuant to Section 32.2 of this Lease;

(2) a description of ongoing security activities for the Premises;

(3) status of any Subleases and copies of any modifications thereto;

(4) status of any development activities for the Premises;

(5) certification that no hazardous materials are being stored on site, except in accordance with applicable laws;

(6) insurance certificate showing the Lessor as loss payee and/or additional insured;

(7) explanation of any alterations occurring to the Premises during the prior year;

(8) full financial statements for Lessee, prepared in accordance with Generally Accepted Accounting Principles, which shall be audited or reviewed by an independent certified public accountant if so requested (an audit satisfying federal OMB Circular A-133 will suffice);

(9) explanations of any changes in tenant population and services provided to residents (changes to the MOP require Lessor's advance consent);

(10) a description of any neighborhood issues or complaints raised during the prior year to include a description of any resolutions or outcomes; and

(11) a description of any community or neighborhood meetings attended by any representative of the Lessee or Sublessee and issues discussed regarding the Premises;

(12) a description of any issues discussed by the Magnuson Park Community Communications Committee or the Housing Advisory Committee regarding the Premises during the prior year including a description of any resolutions or outcomes;

(13) such other information as may be required by any provision of this Lease; and

(14) provided that Lessor gives such advance notice as is necessary to collect or prepare the information, such other information as may be reasonably requested by Lessor.

In addition, the Lessor shall have the right to perform, or to commission a consultant to perform, audits or reviews of Lessee and of the operations of its Sublessees on the Premises at any time. Lessee and Sublessees shall cooperate fully with any such audit and allow the Lessor or its consultant to review and copy all relevant documents and records, including without limitation computerized records and data.

36. MANAGEMENT AND OPERATING PLAN

36.1 Plan. Lessee shall operate the Premises in accordance with, and shall take all reasonable measures to cause its Sublessees to comply with, the MOP. All changes or amendments to the MOP shall be subject to the restrictions contained in the definition thereof.

37. {INTENTIONALLY OMITTED}

38. LEASEHOLD FINANCING

38.1 {Intentionally Omitted}.
38.2 Leasehold Mortgages Authorized.

38.2.1 Leasehold Mortgages. On one or more occasions Lessee or a Sublessee may take back a Purchase Money Leasehold Mortgage upon a sale and assignment of the Leasehold Estate or a part thereof or may mortgage or otherwise encumber the Leasehold Estate or a part thereof pursuant to a Leasehold Mortgage to one or more Institutional Investors providing financing for the construction and development of the Improvements or to any other lender approved by Lessor in writing under one or more Leasehold Mortgages and assign this Lease or a part thereof as security for such Leasehold Mortgage or Mortgages; provided, that any encumbrance of the Leasehold Estate shall require the prior written consent of the Lessor. Lessor agrees that notwithstanding anything to the contrary contained in this Lease that so long as a Leasehold Mortgage encumbers the Leasehold Estate or any portion thereof including a Sublease, Lessor may terminate this Lease only for a Termination Default that is not cured within any applicable cure or grace period by Lessee or by a Leasehold Mortgagee within any additional period granted under this Article 38.

38.2.2 Fee Mortgages. Lessee shall not place or create any mortgage, deed of trust, or other lien or encumbrance against Lessor's fee interest in the Premises or in or under Lessor's interest in this Lease.

38.3 Notice to Lessor.

38.3.1 Notice. Each time Lessee or a Sublessee shall take back a Purchase Money Leasehold Mortgage upon a sale and assignment of the Leasehold Estate or shall grant a deed of trust or mortgage on Lessee's Leasehold Estate or a portion thereof, the holder of such deed of trust or mortgage shall provide Lessor with written notice thereof, which notice, to be effective to cause such Person to be eligible to be a Leasehold Mortgagee under this Lease, must include (a) a true and complete copy of the deed of trust or mortgage, (b) the holder's name, and (c) the holder's address for notices. Following receipt of such notice by Lessor, if the deed of trust or mortgage is a Leasehold Mortgage as defined herein, the provisions of this Article shall apply with respect to such Leasehold Mortgage as to all notices, acts, rights and obligations relating to any matters occurring thereafter. In the event of any assignment of a Leasehold Mortgage or in the event of a change of address of a Leasehold Mortgagee or of an assignee of such Leasehold Mortgage, such assignment or change shall not be binding upon Lessor nor shall such assignee become a Leasehold Mortgagee under this Lease unless it gives Lessor written notice, which notice, to be effective to cause such assignee to be a Leasehold Mortgagee under this Lease, must (i) include a true and complete copy of such assignment, (ii) the assignee's name, and (iii) the assignee's address for notices. Following receipt of such notice by Lessor, the provisions of this Article shall apply with respect to such assignee as to all notices, acts, rights and obligations relating to any matters occurring thereafter.

38.3.2 Documents. After Lessor has received the notice provided for by subsection 38.3.1 above with respect to any Leasehold Mortgage, Lessee shall with reasonable promptness provide Lessor with copies of all related Loan Documents. Lessee shall thereafter also provide Lessor with a copy of each amendment or other modification or supplement to Loan Documents promptly after the same are entered into. All documents shall be accompanied by a certification by Lessee that such documents are true and correct copies of the originals. Copies of all recorded documents shall show the recording data.

38.4 Consent of Leasehold Mortgagee Required. Except as otherwise stated in this Article 38, no cancellation, surrender, or modification of this Lease shall be effective as to any Leasehold Mortgagee unless consented to in writing by such Leasehold Mortgagee.

38.5 Default Notice. Lessor, upon providing Lessee any written notice of (i) a default under this Lease, or (ii) a Termination Default under this Lease, shall provide a copy of such notice to every Leasehold Mortgagee. No such notice by Lessor to Lessee shall be deemed to have been duly given unless and until a copy thereof has been provided to every Leasehold Mortgagee. After such notice has been given to a Leasehold Mortgagee, such Leasehold Mortgagee shall have the same period after the giving of such notice upon it for remedying any default or causing the same to be remedied as is given Lessee in this Lease after the giving of such notice to Lessee plus, in each instance, the additional periods of time specified in Sections 38.6 and 38.7, to remedy, commence remedying, or cause to be remedied the nonmonetary defaults specified in any such notice. Lessor shall accept such performance by or at the instigation of such Leasehold Mortgagee as if the same had been done by Lessee. Lessee authorizes each Leasehold Mortgagee to take any such action at such Leasehold

Mortgagee's option and does hereby authorize entry upon the Premises by the Leasehold Mortgagee for such purpose. The foregoing authorization by Lessee is in addition to, and not in substitution of, any other rights of a Leasehold Mortgagee under its applicable Leasehold Mortgage and related documents, instruments and agreements with respect to the Lessee or any Sublessee.

38.6 Notice to Leasehold Mortgagee; Right to Cure.

38.6.1 Notice. Anything contained in this Lease to the contrary notwithstanding, if a Leasehold Mortgage is then in effect, Lessor shall have no right to terminate this Lease based on a Termination Default unless, following the expiration of the period of time given Lessee to cure such default, if any, pursuant to Article 17, Lessor shall give a Termination Notice to every Leasehold Mortgagee of Lessor's intent to so terminate at least sixty (60) days in advance of the proposed effective date of such termination. Except in the case of a Termination Default that results from the decision of a Leasehold Mortgagee not to permit the use of insurance proceeds for repair, restoration or replacement of Improvements after a casualty loss described in subsection 15.5(b), the Lessor agrees that it shall not terminate this Lease until after all of the following have occurred:

(A) the Termination Notice shall specify the actions that must be taken to cure such default;

(B) The Termination Default shall not have been cured within sixty (60) days after the Termination Notice shall have been provided;

(C) After such sixty (60) day period, Lessor shall have provided written notice to each Leasehold Mortgagee of such continuing default;

(D) Ninety (90) days after notice of continuing default as described in subsection (C), the Termination Default shall not have been cured;

(E) If the Termination Default could not reasonably have cured within the sixty (60) day period described above, then both

(1) Lessee shall not have begun cure within the sixty (60) day period referred to in subsection (B) above; or having begun such cure Lessee shall not have proceeded diligently and continuously to complete such cure; or cure shall not have been completed within twelve (12) months after the notice described in subsection (A) above, or such longer period as may be allowed by the Director in his or her discretion; and

(2) a Leasehold Mortgagee shall not have begun cure before the end of the ninety (90)-day period referred to in subsection (D) above, or the Leasehold Mortgagee, having begun cure, shall not have proceeded diligently and continuously to complete such cure; or cure shall not have been completed within twelve (12) months after the notice described in subsection (C) above, or such longer period as may be applicable under Section 38.7 below or may be allowed by the Director in his or her discretion.

Lessor agrees to accept performance by a Sublessee or the Leasehold Mortgagee as curing Lessee's defaults under this Lease. For purposes of this Section, commencement of cure by a Sublessee shall be treated as commencement of cure by Lessee. The Leasehold Mortgagee shall not have any obligation to cure any default.

38.6.2 Notice Address. Any notice to be given by Lessor to a Leasehold Mortgagee pursuant to any provision of this Section shall be deemed properly given if sent to the address provided by the Leasehold Mortgagee pursuant to subsection 38.3.1 unless notice of a change of address or of Leasehold Mortgage ownership has been given to Lessor setting forth the new address, or the address of the party or parties to whom the Leasehold Mortgage was assigned.

38.7 Further Protections.

38.7.1 Extension. If Lessor shall elect to terminate this Lease by reason of a Termination Default of Lessee, and if the Lessor would have the right to terminate the Lease under Section 38.6 solely because a Leasehold Mortgagee, having begun cure, shall not have completed cure of the Termination Default within 12 months, then if such Leasehold Mortgagee(s) shall, during such twelve-month period and thereafter:

(a) Pay or cause to be paid the Rent and other monetary obligations of Lessee under this Lease as and when the same become due, and continue good faith efforts to perform all of Lessee's other obligations under this Lease, including during any period during which a Leasehold Mortgagee has possession of any portion of the Premises the obligation to operate, maintain and repair the Improvements thereon and that portion of the Premises in accordance with the standards set forth in this Lease, excepting (i) obligations of Lessee to satisfy or otherwise discharge any lien, charge, or encumbrance against Lessee's interest in this Lease that is junior in priority to the lien of the mortgage held by such Leasehold Mortgagee and (ii) past nonmonetary obligations then in default so long as they are not reasonably susceptible of being cured by such Leasehold Mortgagee, and

(b) If and to the extent not enjoined or stayed, take steps to acquire or sell Lessee's interest or part thereof in this Lease by Foreclosure of the Leasehold

Mortgage or other appropriate means and prosecute the same to completion with reasonable diligence,

then at the end of such twelve-month period this Lease shall not then terminate, and the time for completion by such Leasehold Mortgagee of proceedings pursuant to this subsection 38.7.1 shall continue so long as such Leasehold Mortgagee is enjoined or stayed, and, following the expiration of any stay or injunction, or in the absence of a stay or injunction, for so long as such Leasehold Mortgagee proceeds to complete steps to acquire or sell Lessee's interest in this Lease or a portion thereof by Foreclosure of the Leasehold Mortgage or by other appropriate means with reasonable diligence and continuity. Nothing in this Article, however, shall be construed to extend this Lease beyond the original Term hereof, nor to require a Leasehold Mortgagee to continue such Foreclosure proceedings after the default has been cured. If each Termination Default under this Lease shall be cured and the Leasehold Mortgagee shall discontinue such Foreclosure proceedings, this Lease shall continue in full force and effect as if Lessee had not defaulted under this Lease.

38.7.2 {Intentionally omitted}

38.7.3 Continuation. If a Leasehold Mortgagee is complying with subsection 38.7.1, upon the acquisition of the Leasehold Estate by such Leasehold Mortgagee or its Affiliate or any other purchaser at any Foreclosure and the discharge by the Foreclosure or the acquiring Person of any lien, charge or encumbrance against the Lessee's interest in this Lease that is junior in priority to the lien of the Leasehold Mortgage held by such Leasehold Mortgagee and that the Lessee 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 Lessee had not defaulted under this Lease.

38.7.4 Not Assignment. The making of a Leasehold Mortgage as permitted by this Article shall not be deemed to constitute an assignment or transfer of this Lease or of the Leasehold Estate hereby created or any part thereof, nor shall any Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of this Lease or of the Leasehold Estate hereby created or any part thereof so as to require such Leasehold Mortgagee, as such, to assume the performance of any of the terms, covenants, or conditions on the part of the Lessee to be performed hereunder. Any Person acquiring this Lease and the Leasehold Estate hereby created, or an interest therein, by any Foreclosure shall be deemed to be an assignee or transferee within the meaning of this Section, and shall be deemed to have assumed and agreed to perform all of the terms, covenants, and conditions on the part of the Lessee to be performed hereunder from and after such acquisition, but only for so long as such Person is the owner of the Leasehold Estate and only to the extent of the interest so acquired. If the Leasehold Mortgagee or its Affiliate shall become the holder of the Leasehold Estate or any part thereof and if any Building or other Improvements on the Premises, or portion thereof included in that portion of the Leasehold Estate, shall have been or become materially damaged, the Leasehold Mortgagee or its Affiliate shall be obligated to repair, replace, or

reconstruct the Building or other Improvements as and to the extent required by the terms of this Lease.

38.7.5 Further Assignment. Any Leasehold Mortgagee (or its Affiliate) who acquires the Leasehold Estate or a part thereof by Foreclosure or is granted a New Lease as herein provided may, with prior written notice to but without further consent of Lessor, sell and assign the Leasehold Estate or such part thereof on such terms and to such Persons as are acceptable to such Leasehold Mortgagee or Affiliate, and upon closing such sale or assignment shall be relieved of all obligations under this Lease or the New Lease accruing thereafter, provided that any other Person that acquires the Leasehold Estate or part thereof at or by any Foreclosure or from any Leasehold Mortgagee or its Affiliates, and any assignee of this Lease or any New Lease, or a part thereof, from any Leasehold Mortgagee or any other Person, shall, as a condition to such assignment, deliver to Lessor its written agreement to be bound by all of the provisions of this Lease or the New Lease to the same extent as the original Lessee, to the extent they apply to the part of the Leasehold Estate so acquired, including any and all restrictions on the permitted uses of the Premises and upon further assignments, subleases or other transfers of its interests hereunder.

38.7.6 Permitted Transfers. Notwithstanding any other provision of this Lease, any sale of this Lease and of the Leasehold Estate hereby created or any part thereof in any Foreclosure shall be deemed to be a permitted sale, transfer, or assignment of this Lease and of the Leasehold Estate hereby created. After any such transfer the requirements of Article 21 shall apply but shall be deemed satisfied if, at all times commencing six months after the transfer, either (a) the Lessee thereunder or the Sublessee of each portion of the Premises is a Seattle-based non-profit corporation or public entity approved in writing by the Lessor, or is a Person controlled by a Seattle-based non-profit corporation or public entity approved in writing by the Lessor, such approval not to be unreasonably withheld for a non-profit corporation or public entity with substantial successful experience managing housing for Homeless Persons; or (b) the Premises or any portion thereof not satisfying clause (a) of this Section are operated, under one or more management agreements or other contracts reasonably acceptable to the Lessor, by one or more Seattle-based nonprofit or public entities approved in writing by the Lessor, such approval not to be unreasonably withheld or delayed for an entity with substantial successful experience in operating housing for Homeless Persons..

38.8 New Lease. Subject to the restrictions on rejection contained in Section 38.16, in the event of the termination of this Lease, other than as a result of a Termination Default that is not cured within the applicable cure or grace period provide herein, in connection with any bankruptcy, insolvency or similar proceeding involving either Lessor or Lessee, including any termination resulting from rejection under Section 365 of the Bankruptcy Code or a termination otherwise decreed by any judge in any state or federal bankruptcy or insolvency proceeding, Lessor shall provide each Leasehold Mortgagee with written notice that the Lease has been terminated, together with a statement of all sums that would at the time be due under the Lease but for such termination, and of all other defaults, if any, then known to Lessor.

Lessor agrees to enter into a New Lease of the Premises with such Leasehold Mortgagee or its Affiliate for the remainder of the Term of this Lease, effective as of the date of termination, at the same Rent and upon the terms, covenants, and conditions (but excluding requirements that have already been fulfilled) of this Lease, provided:

38.8.1 Request. Such Leasehold Mortgagee shall make written request upon Lessor for such New Lease within sixty (60) days after the date such Leasehold Mortgagee receives Lessor's Notice of Termination of this Lease. If no such request is given to Lessor within that period, such Leasehold Mortgagee's and its Affiliates' rights to a New Lease shall automatically terminate.

38.8.2 Payment. Such Leasehold Mortgagee or its Affiliate shall pay or cause to, be paid to Lessor at the time of the execution and delivery of such New Lease, any and all sums that are at the time of execution and delivery thereof due pursuant to this Lease regardless of such termination and, in addition thereto, all reasonable expenses, including reasonable attorneys' fees, that Lessor shall have incurred by reason of such termination and the preparation, execution and delivery of the New Lease and that have not otherwise been received by Lessor from Lessee or other party in interest under Lessee. Upon the execution of such New Lease, Lessor shall allow to the tenant named therein as an offset against the sums otherwise due under this Section or under the New Lease, an amount equal to the rent paid by any other Person to Lessor for the use of the Premises during the period from the date of termination of this Lease to the date of the execution of such New Lease. In the event of a controversy as to the amount to be paid to Lessor pursuant to this Section, the payment obligation shall be satisfied if Lessor shall be paid the amount not in controversy and the Leasehold Mortgagee or its Affiliate shall agree to pay any additional sum ultimately determined to be due plus interest at the rate of twelve percent (12%) per annum. The parties shall cooperate to determine any disputed amount promptly in accordance with the terms of this Lease.

38.8.3 Other Defaults. Such Leasehold Mortgagee or its Affiliate shall agree to remedy any of Lessee's defaults of which said Leasehold Mortgagee was notified by Lessor in or with its Notice of Termination and that are reasonably susceptible of being so cured by Leasehold Mortgagee or its Affiliate. The requirements of Article 21 shall apply but shall be deemed satisfied if, at all times commencing six months after the commencement of the New Lease, either (a) the Lessee thereunder or the Sublessee of each portion of the Premises is a Seattle-based non-profit corporation or public entity approved in writing by the Lessor, or is a Person controlled by a Seattle-based non-profit corporation or public entity approved in writing by the Lessor, such approval not to be unreasonably withheld for a non-profit corporation or public entity with substantial successful experience managing housing for Homeless Persons; or (b) the Premises or any portion thereof not satisfying clause (a) of this subsection are operated, under one or more management agreements or other contracts reasonably acceptable to the Lessor, by one or more Seattle-based nonprofit or public entities approved in writing by the Lessor, such approval not to be unreasonably withheld or delayed for an entity with substantial successful experience in operating housing for Homeless Persons.

38.8.4 Priority. Any New Lease made pursuant to this Section 38.8 and any extension of this Lease exercised by a Leasehold Mortgagee shall be prior to any mortgage or other lien, charge, or encumbrance on the fee of the Premises, and the tenant under such New Lease shall have the same right, title, and interest in and to any subleases, licenses, concessions or similar rights or interests therein, and to the Premises and the Buildings and other Improvements thereon as Lessee had under this Lease; provided, however, that Lessor shall not make any warranty of title, express or implied, with respect to any New Lease, and shall have no obligation to deliver possession of the Premises under the New Lease except for any liens, claims or encumbrances created by Lessor or arising through Lessor.

38.9 New Lease Priorities. If more than one Leasehold Mortgagee shall request a New Lease pursuant to subsection 38.8.1, Lessor shall enter into such New Lease with the Leasehold Mortgagee whose mortgage is prior in lien, or with an Affiliate of such Leasehold Mortgagee. Lessor, without liability to Lessee or any Leasehold Mortgagee with an adverse claim, may rely upon a title insurance policy or report issued by a responsible title insurance company doing business in the county in which the Premises are located, or on the terms of a recorded priority agreement, as the basis for determining the appropriate Leasehold Mortgagee that is entitled to such New Lease. The New Lease shall be subject to all covenants and regulatory agreements in favor of any governmental body or agency that formerly encumbered the Lease with priority over the Leasehold Mortgage held by the Leasehold Mortgagee requesting the New Lease, and the lessee under the New Lease shall, as a condition to effectiveness thereof, execute a recordable assumption agreement in form reasonably acceptable to the Lessor, by which the new lessee and the leasehold estate under the New Lease shall be bound by and subject to the terms of such covenants, to the same extent as if the Lease had passed to such new lessee by Foreclosure.

38.10 Leasehold Mortgagee Need Not Cure Specified Defaults. Nothing herein contained shall require any Leasehold Mortgagee or its Affiliate as a condition to its exercise of rights hereunder to cure any nonmonetary default of Lessee not reasonably susceptible of being cured by such Leasehold Mortgagee or its Affiliate in order to comply with the provisions of Section 38.6 or 38.7 or as a condition of entering into the New Lease provided for by Section 38.8. The financial condition of any Leasehold Mortgagee or successor to Lessee's interest under this Lease or a New Lease shall not be a consideration in the determination of the reasonable susceptibility of cure of any default hereunder. No default, the cure of which, and no obligation of Lessee, the performance of which, requires possession of the Premises or a portion thereof shall be deemed reasonably susceptible of cure or performance by any Leasehold Mortgagee or successor to Lessee's interest under this Lease or a New Lease until it has acquired the right to such possession of the Premises or portion thereof or can otherwise effect such cure through the appointment of a receiver (if such receiver can be so appointed), provided such holder is complying with the requirements described in Sections 38.6 and 38.7 above, nor shall any Leasehold Mortgagee be required to cure the bankruptcy, insolvency or any similar financial condition of Lessee. No Leasehold Mortgagee or any Person that acquires the Leasehold Estate or a portion thereof at Foreclosure shall be deemed in default of

any construction obligation under this Lease so long as such Person is diligently pursuing the completion of construction (taking into account any delays caused by the Lease and Loan defaults and the Foreclosure) or is diligently pursuing the sale of the Lease to a Person who is capable of completing construction.

38.11 Limits on Indemnification by a Leasehold Mortgagee. Notwithstanding anything to the contrary contained in the Lease, upon acquisition of the Leasehold Estate or any portion therof by a Leasehold Mortgagee as a result of a Forcelosure or an assignment of the Leasehold Estate or portion thereof to such Leasehold Mortgagee in lieu of a Foreclosure, the obligations set forth in the Lease that pertain to indemnification of Lessor for certain claims or losses contained shall be limited to events, conditions claims or losses that (a) are caused by the Leasehold Mortgagee its officers, employees, agents and representatives; or (b) result from a breach of or failure to perform Lessee's obligations under this Lease occurring while such Leasehold Mortgagee holds the Leasehold Estate hereunder as Lessee (or the portion thereof pertaining to the part of the Premises where or with respect to which the breach or failure occurs); or (c) result from a condition of the Premises created while such Leasehold Mortgagee holds the Leasehold Estate hereunder as Lessee (or the portion thereof pertaining to the part of the Premises where the condition is created).

38.12 Casualty Loss. A standard mortgagee clause naming each Leasehold Mortgagee may be added to any and all insurance policies required to be carried by Lessee hereunder.

38.13 Arbitration or Litigation. Lessor shall give each Leasehold Mortgagee prompt notice of any arbitration or legal proceedings between Lessor and Lessee involving Lessee's obligations under this Lease. Each Leasehold Mortgagee shall have the right to intervene in any such proceedings and be made a party to such proceedings, and the parties do hereby consent to such intervention; provided that no Leasehold Mortgagee which intervenes shall be entitled to an award of any costs or attorneys' fees from Lessor.

38.14 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 Premises and the Leasehold Estate of Lessee therein created by this Lease shall not merge but shall remain separate and distinct, notwithstanding the acquisition of said fee title by Lessee or by a third party, by purchase or otherwise.

38.15 Erroneous Payments. No payments made to Lessor by a Leasehold Mortgagee shall constitute an agreement that such payment was, in fact, due under the terms of this Lease, and a Leasehold Mortgagee having made any payment to Lessor pursuant to Lessor's wrongful, improper, or mistaken notice or demand shall be entitled to the return of any such payment or portion thereof provided such Mortgagee shall have made demand therefor not later than one (1) year after the date of such payment.

38.16 Bankruptcy. In the event of any proceeding by either Lessor or Lessee under the United States Bankruptcy Code (Title 11 U.S.C.) as now or hereafter in effect:

38.16.1 Rejection by Lessee. If the Lease or a part hereof is rejected in connection with a bankruptcy proceeding by Lessee or a Sublessee, or by a trustee in bankruptcy for Lessee or a Sublessee, such rejection shall be deemed an assignment by Lessee or the Sublessee to the Leasehold Mortgagee holding a Leasehold Mortgage on all or a part of the part of the Leasehold Estate as to which the Lease is rejected (or if there is more than one such Leasehold Mortgagee, to the one highest in priority, and if there are Leasehold Mortgagees of different parts of the Leasehold Estate as to which the Lease is rejected, then to the Leasehold Mortgagee with highest priority as to each such part, as their interests appear) of the Leasehold Estate and all of Lessee's or such Sublessee's interest under this Lease, or part thereof so rejected, in the nature of an assignment by Foreclosure, and this Lease shall not terminate and the Leasehold Mortgagee shall have all the rights of the Leasehold Mortgagee under this Article as if such bankruptcy proceeding had not occurred, unless such Leasehold Mortgagee shall reject such deemed assignment by notice in writing to Lessor within thirty (30) days following the later of (i) rejection (or deemed rejection) of the Lease by Lessee or Lessee's trustee in bankruptcy; or (ii) approval of such rejection by the bankruptcy court. If any court of competent jurisdiction shall determine that this Lease or any part hereof shall have been terminated notwithstanding the terms of the preceding sentence as a result of rejection by Lessee, Sublessee or the trustee in connection with any such proceeding, the rights of any Leasehold Mortgagee to a New Lease from Lessor pursuant to Section 38.8 hereof shall apply.

38.16.2 Rejection by Lessor. If the Lease is rejected by Lessor or by Lessor's trustee in bankruptcy:

(a) Lessee shall not have the right to treat this Lease as terminated except with the prior written consent of all Leasehold Mortgagees, and the right to treat this Lease as terminated in such event shall be deemed assigned to each and every Leasehold Mortgagee, whether or not specifically set forth in any such Leasehold Mortgage, so that the concurrence in writing of Lessee and each Leasehold Mortgagee shall be required as a condition to treating this Lease as terminated in connection with such proceeding.

(b) If this Lease is not treated as terminated in accordance with subsection 38.16.2(a) above, then this Lease shall continue in effect upon all the terms and conditions set forth herein, including Rent, and all options to renew, but excluding requirements that are not then applicable or pertinent to the remainder of the term hereof. Thereafter, Lessee or its successors shall be entitled to any offsets against rent payable hereunder for any damages arising from such rejection and any such offset properly made shall not be deemed a default under this Lease. If Lessee shall fail to pay to Lessor any amount previously offset within ten (10) days after a final and nonappealable order or judgment that Lessee is required to pay such amount, then Lessor shall have all rights and remedies (subject to all other terms and conditions) provided in this Lease with

respect to the nonpayment of Rent. The lien of any Leasehold Mortgage then in effect shall extend to the continuing possessory rights of Lessee following such rejection with the same priority with respect to each such Leasehold Mortgage as it would have enjoyed had such rejection not taken place.

(c) If, in any bankruptcy or similar proceeding in which Lessor is the debtor, the Premises are sold or proposed to be sold free and clear of the interests of Lessee under this Lease, each of Lessee and any Leasehold Mortgagees shall be entitled to notice thereof, to contest such sale or proposed sale, and shall be entitled to petition for and to receive adequate protection of their respective interests under this Lease.

38.17 Rights Against Lessee. The rights of a Leasehold Mortgagee hereunder shall not diminish any right or claim of Lessor against Lessee pursuant to this Lease.

38.18 Estoppel Statement. Lessor shall at any time upon not less than thirty (30) days prior written notice from a Leasehold Mortgagee execute, acknowledge and deliver to Leasehold Mortgagee a written statement (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent, security deposit, and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Lessor's knowledge, any uncured defaults on the part of Lessee hereunder, or specifying such defaults, if any, which are claimed.

39. BINDING EFFECT; CHOICE OF LAW

This Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the state where the Premises are located.

Signed:

LESSOR:
THE CITY OF SEATTLE,
a Washington municipal corporation

By: _____
Print Name: Steve Walker
Title: Director, Office of Housing

LESSEE:
YouthCare, a Washington nonprofit corporation

By: _____
Print Name: Melinda Giovengo
Title: Executive Director

List of Exhibits:

A. Map of Sand Point Property
B. Map of the Premises
C. Legal Description of Premises

LESSOR ACKNOWLEDGMENT

STATE OF WASHINGTON)
)ss.
COUNTY OF KING)

On this _____ day of _____, 201_, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the Director of the Office of Housing of **The City of Seattle**, the municipal corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument.

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

_____
NOTARY PUBLIC in and for the State
of Washington, residing at _____
My commission expires: _____
Print Name: _____

LESSEE ACKNOWLEDGMENT

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

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

Date: _____, 2016

_____
NOTARY PUBLIC in and for the State
of Washington, residing at _____
My commission expires: _____
Print Name: _____

Exhibit A
Map of Sand Point

[attached]

Exhibit B
Map of Premises

[attached]

Exhibit C
Legal Description of Premises

PARCEL____ OF CITY OF SEATTLE SHORT SUBDIVISION NUMBER 9904055, RECORDED UNDER RECORDING NUMBER 19991214900007; BEING A PORTION OF THE EAST ONE-HALF OF THE SOUTHWEST QUARTER OF SECTION 2, TOWNSHIP 25 NORTH, RANGE 4 EAST, W.M., IN KING COUNTY, WASHINGTON;

EXCEPT THE FOLLOWING BUILDING LOCATED THEREON:

BUILDING _____ (ALSO KNOWN AS BUILDING 330A*), AS DEFINED AND/OR DEPICTED IN LEASE RECORDED UNDER RECORDING NUMBER 9805221596 AND IN QUIT CLAIM DEED RECORDED UNDER RECORDING NUMBER 9804240455.

PARCEL 5E-1:
That portion of the east one-half of the southwest quarter of Section 2, Township 25 North, Range 4 East, W. M., in King County, Washington, said east one-half being acquired by the U. S. Navy on behalf of the United States of America by deed recorded in the records of King County, Washington in Volume 1306 at page 455, described as follows:

Commencing at the west one-sixteenth corner common to Sections 2 and 11, Township 25 North, Range 4 East, W. M., in King County, Washington, accepted as being the same as the center-line intersection of NE 65th Street and Sand Point Way NE;
thence north 00° 48' 49" west on the centerline of Sand Point Way NE a distance of 60.01 feet;
thence leaving said centerline south 89° 35' 06" east a distance of 40.01 feet to a point on the east marginal boundary of said Sand Point Way NE, said point being 60.00 feet north of the south line of Section 2 as measured at right angles thereto;
thence continuing south 89° 35' 06" east parallel with the south line of said Section 2 a distance of 489.94 feet;
thence north 00° 19' 00" West a distance of 331.50 feet;
thence North 23° 24' 06" West a distance of 164.37 feet to the TRUE POINT OF BEGINNING of this description;
thence continuing north 23° 24' 06" west a distance of 138.90 feet;
thence North 67° 06' 04" east a distance of 105.72 feet;
thence south 23° 24' 06" east a distance of 138.42 feet;
thence south 66° 50' 36" west a distance of 105.71 to the TRUE POINT OF BEGINNING.
EXCEPT Building 332, also known as Building 332C, located thereon.

PARCEL 5E-2:
Building 332, also known as Building 332C, located on the following described land:

That portion of the east one-half of the southwest quarter of Section 2, Township 25 North, Range 4 East, W. M., in King County, Washington, said east one-half being acquired by the U. S. Navy on behalf of the United States of America by deed recorded in the records of King County, Washington in Volume 1306 at page 455, described as follows:

Commencing at the west one-sixteenth corner common to Sections 2 and 11, Township 25 North, Range 4 East, W. M., in King County, Washington, accepted as being the same as the center-line intersection of NE 65th Street and Sand Point Way NE;
thence north 00° 48' 49" west on the centerline of Sand Point Way NE a distance of 60.01 feet;
thence leaving said centerline south 89° 35' 06" east a distance of 40.01 feet to a point on the east margin of said Sand Point Way NE; said point being 60.00 feet north of the south line of Section 2 as measured at right angles thereto;
thence continuing south 89° 35' 06" east parallel with the south line of said Section 2 a distance of 489.94 feet;
thence North 00° 19' 00" West a distance of 331.50 feet;
thence North 23° 24' 06" west a distance of 163.47 feet to the TRUE POINT OF BEGINNING of this description;

thence continuing North 23° 24' 06" west a distance of 138.90 feet;
thence North 67° 06' 04" east a distance of 105.72 feet;
thence South 23° 24' 06" east a distance of 138.42 feet;
thence South 66° 50' 36" West a distance of 105.72 feet to the TRUE POINT OF BEGINNING.

PARCEL 5G-1:
That portion of the east one-half of the southwest quarter of Section 2, Township 25 North, Range 4 East, W. M., in King County, Washington, said east one-half being acquired by the U. S. Navy on behalf of the United States of America by deed recorded in the records of King County, Washington in Volume 1306 at page 455, described as follows:

Commencing at the west one-sixteenth corner common to Sections 2 and 11, Township 25 North, Range 4 East, W. M., in King County, Washington, accepted as being the same as the center-line intersection of NE 65th Street and Sand Point Way NE;
thence North 00° 48' 49" west on the centerline of Sand Point Way NE a distance of 60.01 feet;
thence leaving said centerline south 89° 35' 06" east a distance of 40.01 feet to a point on the east margin of said Sand Point Way NE, said point being 60.00 feet north of the south line of Section 2 as measured at right angles thereto;
thence continuing south 89° 35' 06" east parallel with the south line of said Section 2 a distance of 489.94 feet;
thence north 00°19' 00" West a distance of 331.50 feet to the TRUE POINT OF BEGINNING of this description;
thence North 23° 24' 06" West a distance of 164.37 feet;
thence North 66° 50' 36" East a distance of 105.71 feet;
thence south 23° 24' 06" east a distance of 209.76 feet;
thence North 89° 57' 29" east a distance of 115.22 feet to the TRUE POINT OF BEGINNING.
EXCEPT Building 331, also known as Building 331B, located thereon.

Parcel 5G-2:
Building 331, also known as Building 331B, located on the following described land:

That portion of the east one-half of the southwest quarter of Section 2, Township 25 North, Range 4 East, W. M., in King County, Washington, said east one-half being acquired by the U. S. Navy on behalf of the United States of America by deed recorded in the records of King County, Washington in Volume 1306 at page 455, described as follows:

Commencing at the west one-sixteenth corner common to Sections 2 and 11, Township 25 North, Range 4 East, W. M., in King County, Washington, accepted as being the same as the center-line intersection of NE 65th Street and Sand Point Way NE;
thence North 00° 48' 49" west on the centerline of Sand Point Way NE a distance of 60.01 feet;
thence leaving said centerline south 89° 35' 06" east a distance of 40.01 feet to a point on the east margin of said Sand Point Way NE, said point being 60.00 feet north of the south line of Section 2 as measured at right angles thereto;
thence continuing south 89° 35' 06" east parallel with the south line of said Section 2 a distance of 489.94 feet;
thence north 00°19' 00" West a distance of 331.50 feet to the TRUE POINT OF BEGINNING of this description;
thence North 23° 24' 06" West a distance of 164.37 feet;
thence North 66° 50' 36" East a distance of 105.71 feet;
thence south 23° 24' 06" east a distance of 209.76 feet;
thence North 89° 57' 29" west a distance of 115.22 feet to the TRUE POINT OF BEGINNING.

PARCEL 5H-1:
That portion of the east one-half of the southwest quarter of Section 2, Township 25 North, Range 4 East, W. M., in King County, Washington, said east one-half being acquired by the U. S. Navy on behalf of the United States of America by deed recorded in the records of King County, Washington in Volume 1306 at page 455, described as follows:

Commencing at the west one-sixteenth corner common to Sections 2 and 11, Township 25 North, Range 4 East, W. M., in King County, Washington, accepted as being the same as the center-line intersection of NE 65th Street and Sand Point Way NE;
thence north 00° 48' 49" west on the centerline of Sand Point Way NE a distance of 60.01 feet;
thence leaving said centerline south 89° 35' 06" east a distance of 40.01 feet to a point on the east marginal boundary of said Sand Point Way NE;
said point being 60.00 feet north of the south line of Section 2 as measured at right angles thereto;
thence continuing south 89° 35' 06" east parallel with the south line of said Section 2 a distance of 489.94 feet;
thence North 00°19' 00" West a distance of 331.50 feet to the TRUE POINT OF BEGINNING of this description;
thence South 89° 57' 29" East a distance of 115.22 feet;
thence South 01° 14' 46" West a distance of 183.51 feet;
thence South 89° 41' 00" West a distance of 110.22 feet;
thence North 00° 19' 00" West a distance of 184.16 feet to the TRUE POINT OF BEGINNING.
EXCEPT Building 330, also known as Building 330A, located thereon.

PARCEL 5H-2:
Building 330, also known as Building 330A, located on the following described land:

That portion of the east one-half of the southwest quarter of Section 2, Township 25 North, Range 4 East, W. M., in King County, Washington, said east one-half being acquired by the U. S. Navy on behalf of the United States of America by deed recorded in the records of King County, Washington in Volume 1306 at page 455, described as follows:

Commencing at the west one-sixteenth corner common to Sections 2 and 11, Township 25 North, Range 4 East, W. M., in King County, Washington, accepted as being the same as the center-line intersection of NE 65th Street and Sand Point Way NE;
thence north 00° 48' 49" west on the centerline of Sand Point Way NE a distance of 60.01 feet;
thence leaving said centerline south 89° 35' 06" east a distance of 40.01 feet to a point on the east margin of said Sand Point Way NE, said point being 60.00 feet north of the south line of Section 2 as measured at right angles thereto;
thence continuing south 89° 35' 06" east parallel with the south line of said Section 2 a distance of 489.94 feet;
thence North 00°19' 00" West a distance of 331.50 feet to the TRUE POINT OF BEGINNING of this description;
thence South 89° 57' 29" East a distance of 115.22 feet;
thence South 01° 14' 46" West a distance of 183.51 feet;
thence South 89° 41' 00" West a distance of 110.22 feet;
thence North 00° 19' 00" West a distance of 184.16 feet to the TRUE POINT OF BEGINNING;

After recording return to:

The City of Seattle
Office of Housing
700 Fifth Avenue, Suite 5700
Seattle, WA 98104-5070
Attn: Elsa Kings

_____

FORM OF
QUIT CLAIM DEED WITH REVERSION

(Sand Point Group Homes – Building[s] Only)

Reference numbers of related documents:
NOT APPLICABLE
Grantor:
THE CITY OF SEATTLE
Grantee:

_____

Legal Description:
1. Abbreviated form: _____

2. Additional legal description is on page 1 of document.

Assessor's Property Tax Parcel Account Nos.: [0225049070] [0225049069; 0225049068]

1. Grant. The City of Seattle, a Washington municipal corporation ("Grantor"), hereby conveys and quitclaims to _____, a Washington nonprofit corporation ("Grantee"), for and in consideration of the sum of TEN DOLLARS ($ 10.00) and other valuable consideration and the covenants of Grantee contained in that certain Lease dated as of _____, 201__ and recorded under King County recording number _____ between Grantor as Lessor and Grantee as Lessee ("Lease"), and subject to the terms and conditions of the Lease and the reservation set forth below, the following real property (the "Property", which term shall include any and all modifications, improvements, additions, and fixtures hereafter made or affixed to the Property):

> BUILDING[S] ___, AS DEFINED AND/OR DEPICTED IN LEASE RECORDED UNDER RECORDING NUMBER 9805221596 AND IN QUIT CLAIM DEED RECORDED UNDER RECORDING NUMBER 9804240455, WHICH BUILDING[S] [IS][ARE] LOCATED UPON THE FOLLOWING DESCRIBED LAND:
>
> PARCEL[S] __ OF CITY OF SEATTLE SHORT SUBDIVISION NUMBER 9904055, RECORDED UNDER RECORDING NUMBER 19991214900007; BEING A PORTION OF THE EAST ONE-HALF OF THE SOUTHWEST QUARTER OF SECTION 2, TOWNSHIP 25 NORTH, RANGE 4 EAST, W.M., IN KING COUNTY, WASHINGTON;

to have and to hold for so long as Grantee shall be the Lessee, pursuant to the Lease, of the land on which such building[s] [are][is] situated, which is the land described above ("Premises"). Nothing herein shall be construed as conveyance of any such land. The conveyance of the Property is subject to all of the restrictions set forth in that certain deed to Grantor recorded under King

County recording no. 9804240453 ("Navy Deed"). Grantee agrees, for itself and its successors and assigns, to comply with all provisions of the Navy Deed that by their terms bind the successors and assigns of the grantee thereunder, including without limitation provisions with respect to historic preservation.

2. **Reservation and Reversion.** This deed and all rights of Grantee hereunder are subject to the rights of the Grantor as set forth in the Lease. Upon expiration of the Lease, or termination of the Lease in accordance with any of its terms, all right, title and interest of Grantee and its successors and assigns in and to the Property shall immediately and automatically terminate and the Property shall revert back to the Grantor or its successors or assigns. If the Lease shall terminate with respect to any portion of the Premises, then all right, title and interest of Grantee in and to all of the Property located on that portion of the Premises shall immediately and automatically terminate and revert back to the Grantor or its successors or assigns. Grantee agrees that no compensation shall be due or owing to Grantee or its successors or assigns upon such reversion, whether by expiration of the Lease or earlier termination, regardless of any improvements or additions made by Grantee.

Executed this _____ day of _____, 2016, pursuant to Ordinance No. _____.

THE CITY OF SEATTLE

By: _____
Steve Walker, Director
Office of Housing

GRANTEE:

_____

_____
Print Name:_____
Title:_____

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this _____ day of _____, 2016, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Steve Walker, to me known to be the Director of the Office of Housing of The **City of Seattle**, the municipal corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said municipal corporation, for the uses and purposes therein mentioned, and on oath stated that s/he was authorized to execute the said instrument.

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

_____
Print Name:_____
NOTARY PUBLIC in and for the State
(seal or stamp) of Washington, residing at_____
My commission expires _____

CORPORATE ACKNOWLEDGMENT

STATE OF WASHINGTON)
)ss.
COUNTY OF KING)

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

Date: _____

_____
NOTARY PUBLIC in and for the State
of Washington, residing at _____
My commission expires: _____
Print Name: _____

STATE OF WASHINGTON -- KING COUNTY

--ss.

342129

No. 125126,127,28,29,30,31,32

CITY OF SEATTLE,CLERKS OFFICE

Affidavit of Publication

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

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

CT:TITLE ONLY ORDINANCES

was published on

10/03/16

The amount of the fee charged for the foregoing publication is the sum of $127.60 which amount has been paid in full.

JENNIFER A BARNES
COMMISSION EXPIRES
NOTARY PUBLIC
10-24-19
STATE OF WASHINGTON

Subscribed and sworn to before me on

10/03/2016

Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

Title Only Ordinances

The full text of the following legislation, passed by the City Council on September 12, 2016, and published below by title only, will be mailed upon request, or can be accessed at https://seattle.legistar.com/Legislation.aspx. For information on upcoming meetings of the Seattle City Council, please visit http://www.seattle.gov/council/calendar.

Contact: Office of the City Clerk at (206) 684-8344.

Ordinance 125126

AN ORDINANCE relating to historic preservation; imposing controls upon the Gaslight Inn, a landmark designated by the Landmarks Preservation Board under Chapter 25.12 of the Seattle Municipal Code, and adding it to the Table of Historical Landmarks contained in Chapter 25.32 of the Seattle Municipal Code.

Ordinance 125127

AN ORDINANCE relating to historic preservation; imposing controls upon the J.W. Bullock House, a landmark designated by the Landmarks Preservation Board under Chapter 25.12 of the Seattle Municipal Code, and adding it to the Table of Historical Landmarks contained in Chapter 25.32 of the Seattle Municipal Code.

Ordinance 125128

AN ORDINANCE relating to City employment, adopting a 2016 Citywide Position List.

Ordinance 125129

AN ORDINANCE relating to property at Sand Point, authorizing the Housing Director to execute an amendment to and partial termination of the lease of City of Seattle land authorized by Ordinance 122459, as amended pursuant to Ordinance 123195, to remove three parcels from that lease; authorizing new leases of the removed parcels to YouthCare and Friends of Youth and deeds from the City to convey the buildings on those parcels to the lessees for the duration of the new leases; and authorizing related documents and actions.

Ordinance 125130

AN ORDINANCE relating to the disposition of two City Urban renewal properties in the Yesler-Atlantic Redevelopment Project Area; adopting competitive procedures for disposition of the properties; authorizing the Director of the Office of Housing to dispose of the properties designated Parcel 7B and Parcel 5G in the project area; designating the disposition of sales proceeds; superseding Ordinance 122017 and Resolutions 27260, 28866, and 29852 with respect to the sale of the properties; and ratifying and confirming certain prior acts.

Ordinance 125131

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

Ordinance 125132

AN ORDINANCE relating to the regulation of the for-hire industry, amending Sections 6.310.110 and 6.310.735 of the Seattle Municipal Code to add clarity to the qualifying driver description and extend the commencement date, and ratifying and confirming certain prior acts.

Date of publication in the Seattle Daily Journal of Commerce, October 3, 2016.

10/3(342129)