

RESOLUTION No. 31092

A RESOLUTION relating to the development of Lake Union Park; endorsing principles to guide the potential development of a Regional History Museum in the former Naval Reserve Building at Lake Union Park; and requesting the Superintendent of the Department of Parks and Recreation to negotiate an agreement with the Museum of History and Industry for such development.

Tom Rosman

pass ^(C) as amended 3-0 TR, RC, TB

9-29-08 Adopted 9-0

Introduced: <u>9.22.08</u>	By:
Referred:	To: <u>Parks & Seattle Center (PSC)</u>
Referred:	To:
Reported: <u>9-29-08</u>	
Passed: <u>9-29-08</u>	Signed: <u>9-29-08</u>
Filed: <u>10.8.08</u>	Published: <u>Title 3</u>

US5171

LAW DEPARTMENT



City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

September 16, 2008

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

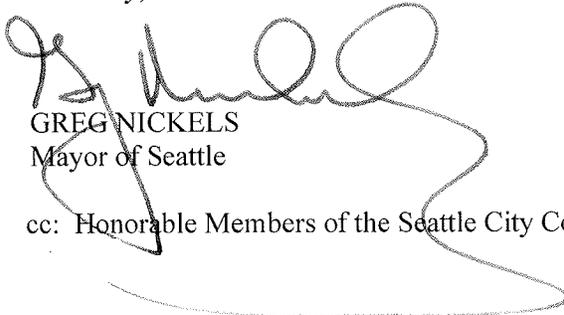
Dear Council President Conlin:

I am pleased to transmit the attached proposed Resolution that endorses negotiating principles and requests the Superintendent of Parks and Recreation to negotiate an agreement with the Museum of History and Industry (MOHAI) for its development of a regional history museum at the Lake Union Park Armory. A staff team with representatives from Parks, Department of Finance, Law Department, and City Council Central Staff has been working closely with representatives from MOHAI over the past year to complete the due diligence report and agreement principles.

The agreement principles are presented as an attachment to the Resolution. Subjects covered in the agreement principles include funding responsibilities, project schedule, future operations and maintenance responsibilities, integration with other maritime heritage organizations at Lake Union Park, and the public benefits to be provided. The agreement principles will guide the negotiations for a long-term agreement, which will be presented to the City Council for your review and action.

Approval of the proposed Resolution will enable the City and MOHAI to complete formal negotiations of a long-term agreement to keep this exciting project moving forward. Thank you for your consideration of this legislation. Should you have questions, please contact Tim Gallagher at 684-8022.

Sincerely,



GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council



RESOLUTION _____

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A RESOLUTION relating to the development of Lake Union Park; endorsing principles to guide the potential development of a Regional History Museum in the former Naval Reserve Building at Lake Union Park; and requesting the Superintendent of the Department of Parks and Recreation to negotiate an agreement with the Museum of History and Industry for such development.

WHEREAS, the City of Seattle (“City”) acquired the former Naval Reserve Building (“Armory”) at Lake Union Park in 2000 with the purpose of developing it into a community facility with special attention to maritime heritage; and

WHEREAS, Resolution 30917, adopted by the City Council on October 2, 2006, supported and encouraged negotiations between the City and the Historical Society of Seattle and King County, a Washington non-profit corporation d/b/a the Museum of History and Industry (“MOHAI”) to potentially develop the Armory into MOHAI’s primary public venue; and

WHEREAS, after preliminary negotiations with MOHAI were favorably concluded, on December 10, 2007, the City Council adopted Resolution 31011, which requested the Superintendent of Parks and Recreation to continue to investigate the feasibility of developing the Armory for MOHAI’s use consistent with certain principles that the City Council endorsed in that resolution; and

WHEREAS, during the course of the parties’ investigations, the State of Washington moved forward with plans to redevelop the SR 520 floating bridge that would require demolishing the City facility in McCurdy Park that MOHAI currently occupies; and

WHEREAS, both MOHAI and the City have now completed their due diligence and confirmed the viability and desirability of establishing a new regional history museum in the Armory inasmuch as it would perpetuate an important cultural function, restore a historically significant structure, and help anchor a major new public park; and

WHEREAS, the City recognizes that MOHAI is a vital Seattle institution whose future success will help ensure that future generations continue to learn the history of our region through public access to MOHAI’s collections, programs, and expertise; and

WHEREAS, because MOHAI is being displaced by another public project, it is appropriate that MOHAI receive the public compensation available for use of the site it currently occupies in order to help ensure that it can develop replacement facilities and continue to perform its important cultural role within the City; and



1 WHEREAS, even with City funding pledged to the development of a new regional history
2 museum in Seattle, MOHAI will bring substantial private as well as other public
resources to the project; and

3 WHEREAS, MOHAI's redevelopment of the Armory and its anticipated collaboration with
4 other maritime heritage organizations to form a Maritime Heritage Partnership at Lake
5 Union Park will create a unique maritime heritage experience at the Park for the benefit
6 of a broad cross section of the public and will symbolize and reinforce the ongoing
revitalization of the South Lake Union neighborhood;

7 NOW, THEREFORE,

8 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE**
9 **MAYOR CONCURRING, THAT:**

10 Section 1. The City endorses the principles contained in Attachment 1 hereto concerning
11 the potential development of a Regional History Museum at the Lake Union Park Armory. The
12 Superintendent of Parks and Recreation is hereby requested to negotiate with the Museum of
13 History and Industry (MOHAI) one or more agreements consistent with those principles and
14 necessary to implement the transactions contemplated therein for City Council review and
15 approval.
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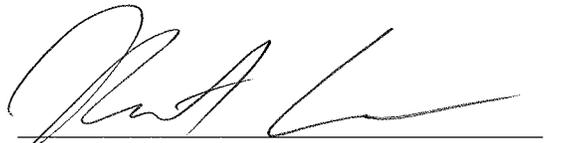
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18 Section 2. The City Council requests that MOHAI and the Executive provide the City
19 Council with updates to the due diligence study and business plan contained in Clerk's File
20 Number 309599, as well as current reports on the status of fundraising, financing, use of historic
21 tax credits, parking and access, and construction plans and costs when the project agreement is
22 submitted for City Council approval.
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24 Section 3. The Parks Superintendent and Finance Director, or their designees, are
25 requested to provide a briefing to the Chairs of the Finance and Budget and Parks and Seattle
26 Center Committees (or their successor committees) on the results of the City's review of
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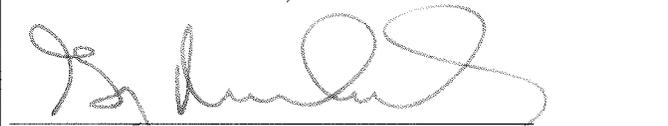


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2 MOHAI's finances with respect to the construction of the Armory project before MOHAI is
3 authorized to proceed with construction.
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5 Adopted by the City Council the 29th day of September, 2008, and signed
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7 by me in open session in authentication of its adoption this 29th day
8 of September, 2008.

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10 
11 President _____ of the City Council

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13 THE MAYOR CONCURRING:

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16 Gregory J. Nickels, Mayor
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19 Filed by me this 8th day of October, 2008.

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21 
22 City Clerk
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25 (Seal)

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27 Attachment 1: Principles for the Development of a Maritime Heritage Center at Lake Union
28 Park



Principles for the Development of a Maritime Heritage Center at Lake Union Park

Project Summary

MOHAI currently operates from a museum facility at McCurdy Park under a long-term agreement with the City. MOHAI financed and built the museum on City property and then transferred the building to the City for its care and maintenance. The building and its grounds have been used for decades for museum purposes but are now in the path of the State of Washington's project to replace the SR-520 floating bridge. Consequently, MOHAI will need to permanently relocate from McCurdy Park to allow the State to construct this essential public facility.

Following substantial due diligence investigations, MOHAI and the Executive propose that MOHAI relocate its museum to the former Naval Reserve Building at Lake Union Park, known as the "Armory." Under the proposal, MOHAI will substantially restore the landmark Armory building consistent with applicable historic preservation guidelines, transforming it into a new regional history museum. The Project is expected to cost approximately \$45.4 million (in 2010 dollars) and include comprehensive building systems upgrades, access and circulation improvements, and achieve life safety code compliance. Combined with the public investment in the Project described herein, MOHAI will bring major private funding to the Project. The Project will include exhibit galleries in the large open volume of the building that also will serve the community as a space for large gatherings and events. Traditional museum support spaces such as classrooms and a retail store; amenities including a café and restrooms available to both visitors to Lake Union Park and museum patrons; and work space for museum and Parks staff also will be provided. Along with other maritime heritage organizations already



Attachment 1

resident at South Lake Union, MOHAI will participate in a Maritime Heritage Partnership including the museum and the activities and organizations using the Historic Ships Wharf to serve area residents and visitors.

A significant source of funds for the Project is expected to be Historic Rehabilitation Tax Credits. To secure such credits requires that the City convey the Armory to MOHAI and grant MOHAI a long-term ground lease for its site.

In recognition of their shared interest in the Montlake facility and mutual commitment to create a new regional history museum at the Armory, the City proposes that MOHAI receives all the compensation from the State for the value of the Montlake facility and the use of the underlying land. The City will retain ownership of all areas of McCurdy Park that the State does not permanently require for the SR-520 project and will require that the site be restored for public park use at the conclusion of the State's construction project, at no cost to the City.

The next step is for the City and MOHAI to negotiate and present to City Council for its review and approval a Project Agreement governed by and consistent with the following principles.



Guiding Principles

The following guiding principles are intended to reflect the City's priorities in its relationship with MOHAI in the Armory project and are more fully discussed herein.

- The Armory is a valuable public asset that will return to City ownership at the end of the City's ground lease of the Armory site to MOHAI.
- The City's contribution to the Project shall be fixed and structured to minimize financial risk to the City.
- Recognizing that MOHAI is a regional history museum, MOHAI shall use its best efforts to secure other public funding to offset construction costs for the Project.
- The Armory and Lake Union Park shall be accessible to as broad a segment of the public as is possible.
- Parking and vehicular access at the Armory shall be consistent with existing Lake Union Park plans and policies and designed to minimize vehicular traffic in the park.
- Together with other maritime heritage organizations resident at South Lake Union, MOHAI will forge and manage the Maritime Heritage Partnership at its new Lake Union Park site.

I. Armory Ownership and Ground Lease

A. In order for MOHAI to pursue and provided it is able to secure Historic Rehabilitation Tax Credits as part of its financing package (*see* Section II.B), the City will convey the Armory building to MOHAI and lease to it the underlying land (the Ground Lease); otherwise, MOHAI will lease both the building and the land from the City. Under either scenario,

the building will be restricted to use as a regional history museum and the land will be restricted to use as a Maritime Heritage Partnership. The Partnership will reflect collaboration between MOHAI, the Center for Wooden Boats, Northwest Seaport, and the Virginia V Foundation and will create a regional history center with a focus on maritime heritage, including an integrated regional history museum in the Armory and historic ship visitor experience with facilities for public accommodation and convenience. At a minimum, the Ground Lease will include use rights to the Armory site as well as a portion of Terry Avenue as needed to accommodate a portico entrance at the west side of the Armory building. The City also will grant MOHAI access and use rights along the surface access road on the east side of Lake Union Park, necessary for the successful operation of the museum.

B. The Ground Lease term shall be consistent with the term necessary to secure Historic Rehabilitation Tax Credits, estimated to be 50 to 60 years.

II. Project Definition

The Project means the regional history museum to be developed in the Armory as described in the “Scope of Proposed Building Improvements/Design & Cost Estimate” attached hereto as Exhibit A.

III. Funding Sources.

Funding for the Project will come from a variety of public and private sources:



Attachment 1

- A. Proceeds from the Sale of MOHAI's 800 Pike Street Condominium. Both the City and the State provided financial support for MOHAI's acquisition of the condominium at 800 Pike Street. From the sale proceeds, \$5.75 million, representing the State's original contribution and \$1.2 million, representing the City's original contribution, plus interest, are required to be used for capital costs associated with development within the City of MOHAI's principal regional history museum, construction of which must begin by mid-2017.
- B. City Armory and Lake Union Park Investments. The City plans to undertake utility upgrades and make other improvements to the Armory and surrounding portions of Lake Union Park that are directly or indirectly beneficial to development of a regional history museum in the Armory and that may be completed before the parties have negotiated the next phase of project agreements.
- C. Additional City Contribution. In addition to the \$1.2 million reserved from MOHAI's 800 Pike Street condominium sale proceeds, the City's sole remaining contribution to the Project will be to assign to MOHAI all compensation for the Washington State Department of Transportation's (WSDOT) acquisition and/or condemnation of real property and improvements comprising the MOHAI building and grounds historically used for the museum and museum access and parking, to the extent owned, controlled, or in which use rights may have been reserved by the City of Seattle. The City will designate MOHAI to take lead



Attachment 1

responsibility for negotiating with WSDOT for such compensation but any final agreement shall require the City's consent. The City reserves the right to negotiate separately with WSDOT concerning the restoration of McCurdy Park following completion of the SR-520 project. Except for compensation available to MOHAI from WSDOT for relocation assistance, MOHAI shall reserve such compensation for capital costs associated with replacing the functions and facilities at its McCurdy Park location including but not limited to those facilities and functions included in the Project. Funding the Project shall be the first priority use of such compensation.

D. Historic Rehabilitation Tax Credits. MOHAI shall work to secure Historic Rehabilitation Tax Credits for the Project, including engaging consultants necessary for successfully participating in the program.

E. Regional Public Funding. MOHAI shall use its best efforts to secure additional county, state and federal funds for the Museum Project, in recognition of the fact that MOHAI is a museum of regional significance.

F. MOHAI's Share of Project Funding. MOHAI shall be responsible for all other costs to complete the Project, including publicly accessible restrooms, workspace for museum and Parks staff, and café.

G. Possible Recovery of Funding by City. Unless MOHAI and the City agree otherwise, in the event that MOHAI does not commence construction of a new regional history museum within the City by



mid-2017, it will return to the City the City's funds described in paragraph III above, except for that portion of such compensation it would have received in its own right as a tenant, including relocation assistance and compensation otherwise associated with displacement from its current facility.

IV. Schedule MOHAI shall use its best efforts to start construction of the Project within one year from the completion of the Lake Union Park Phase II renovations, but in no event later than January 1, 2012, unless compensation from the expansion of SR-520 is substantially delayed and the parties agree to extend that deadline.

V. Financial Risk Management

A. MOHAI will be responsible for all cost overruns that may be experienced by the Project, including those due to unforeseen conditions.

B. MOHAI will procure and execute design and construction contracts.

C. Sequential, major phase design documents, change orders that represent material changes to the final design, and all decisions that affect the construction or provision of public amenities are subject to the review and approval of the City Parks Superintendent, which approval shall not be unreasonably denied or delayed.

D. MOHAI responsibility for cost overruns notwithstanding, the City shall bear financial responsibility for any Project cost increases associated with additions to the Project that the City requests after the Superintendent



Attachment 1

approves the final project scope and design (excluding permitting or other regulatory requirements).

E. City-MOHAI project construction agreement will require MOHAI (or its contractor, as appropriate) to do the following to the Parks Superintendent's and City Finance Director's reasonable satisfaction:

1. Demonstrate dedicated financial resources adequate to complete construction, including appropriate construction contingency consistent with industry standards, and to pay associated construction financing debt service, before entering into a construction contract for the Project and before release of funds reserved for Project capital costs derived from either the City's participation in MOHAI's original acquisition of its 800 Pike Street condominium or assignment to MOHAI of compensation for the WSDOT acquisition of its McCurdy Park facility.
2. Provide assurances that MOHAI and its Project team can successfully manage the Project by engagement of professional Project management staff.
3. Ensure that the Project complies and that its general contractor monitors compliance with prevailing wage and other public works contracting requirements.
4. Ensure that the Project is free of construction-related liens before it is put in service as a regional history museum.



5. Ensure that the Project receives Leadership in Energy and Environmental Design (LEED) certification at the silver level or greater, under the U.S. Green Building Council's Rating System.

VI. Operations and Maintenance

- A. MOHAI will provide all routine and major building maintenance, including maintenance of special building systems installed for museum purposes and will develop a long -term maintenance plan for the building, subject to review and approval by the Superintendent and that demonstrates that it has or will have sufficient resources to meet its responsibilities as identified in its plans.
- B. City will contribute \$300,000.00, annually, towards building operating costs and/or major maintenance for the Armory. The City will remain responsible for costs associated with major maintenance of the site leased to MOHAI, including without limitation, the wharfs, docks and floats and all subsurface pilings, excluding any damage resulting from MOHAI's restoration of the Armory. MOHAI will hold the City harmless for and address at its expense any damage to or compromise of the site and existing subsurface support resulting from the restoration of the Armory for its intended purpose, regardless of when such damage is discovered.
- C. MOHAI will insure or require that any successors or lessees (such as tax credit investor assignees and the café operator) insure the building and tenant improvements and provide general liability insurance.



VII. Public Benefits

A. In exchange for and generally commensurate with the funding for the Project derived from the City and other public sources, MOHAI shall (i) make its own substantial investment in the Project; (ii) construct the Project consistent with these principles; (iii) operate its regional history museum as a publicly accessible facility consistent with these principles for the duration of its tenancy; and (iv) provide, at a minimum, additional public benefits at the Armory similar to those it had committed to provide at 800 Pike Street (see Exhibit B).

B. MOHAI shall operate the museum at least 50 hours per week, 50 weeks per year and regularly schedule days when admission to the museum is free of charge.

C. MOHAI agrees to develop and implement benefits, programs and enrichment opportunities of special interest to particular segments of the public, such as free admission on a regular basis for children less than 14 years old.

D. The Armory shall be available for a specified number of no-cost public events each year, identified by the City.

E. MOHAI will provide a meeting room space for community use by South Lake Union neighborhood groups for a minimum of 30 hours per month on a first-come first-served basis, at no cost, generally during MOHAI 's regular operating hours. MOHAI will be compensated for audio/visual, after-hours security, and other special needs at cost.



Attachment 1

F. Armory redesign shall include public restrooms accessible to the public without paying admission to the museum that will remain open, at a minimum, during normal café operating hours.

G. Armory redesign shall include work space for occasional use by museum staff and by City staff during MOHAI's normal museum operating hours in connection with the operation and maintenance of Lake Union Park and the functioning of the Maritime Heritage Partnership.

H. The museum café shall be designed, built, and operated so as to serve not only MOHAI but Lake Union Park users generally and shall provide public restrooms that will be available to Park users during the café's operating hours. The café's operating hours and access policies (if any) shall be subject to the review and approval of the Parks Superintendent, which may not be unreasonably withheld.

I. MOHAI shall not limit pedestrian access to the Historic Ships Wharf or around the Armory except as and only to the extent necessary to accommodate occasional Maritime Heritage Partnership-related functions or activities.

VIII. Future Facilities

A. MOHAI shall continue to investigate options for replacing facilities and functions that will be lost with the anticipated WSDOT acquisition of the McCurdy Park museum and that will not be accommodated at the Armory. MOHAI will keep the City informed of its planning, the schedule for and estimated cost of completing preferred



Attachment 1

alternatives identified by MOHAI, and MOHAI's plans for meeting such costs. Except for the possible application of a portion of the proceeds from the taking of MOHAI's current location for expansion of SR-520, as provided in Section III(C), the City shall in no way be obligated to assist MOHAI further in identifying or funding such replacement facilities or functions.

B. MOHAI may continue to use the McCurdy Park facility, including for administration, storage and public assembly purposes, after the Armory museum opens, until WSDOT removes the facility from service or MOHAI has secured facilities fully replacing all the facilities and functions currently provided at McCurdy Park, whichever first occurs. Following the opening of the Armory museum, MOHAI shall pay all operations and maintenance costs for the McCurdy Park facility during this time if it continues to be occupied exclusively by MOHAI or on a pro rata basis with the City if use is shared between MOHAI and the City. If WSDOT does not require the use of the facility immediately upon MOHAI's vacation or if, following the opening of the Armory museum, MOHAI agrees to shared use of the McCurdy Park facility with the City, the auditorium and the other primary public assembly spaces within the McCurdy Park facility shall be available for parks-related uses (including periodic use by MOHAI).



IX. Parking and Access

A. The City will continue to collaborate with MOHAI in developing a strategy to meet overall parking needs for Lake Union Park that is consistent with the approved Lake Union Master Plan and/or Phase II build-out.

B. MOHAI will provide staff to coordinate traffic and vehicle movements in and out of the north parking lot, including managing loading, special deliveries, and the ADA parking.

C. MOHAI acknowledges that Terry Walk, the central pedestrian walkway through Lake Union Park, shall function as a pedestrian-only facility and will not be used to access the Armory Building except in emergencies or other special circumstances acceptable to the City.

Service access to the Armory Building for loading, ADA parking, and other special needs shall routinely take place from the service road on the east side of the Park. Until improvements to the east side of the Historic Ships Wharf necessary to provide a bus turn-around to enable school bus drop-off/pick-up in the north parking lot adjacent to the museum can be funded and completed, bus drop-off/pick-up shall routinely take place from the temporary parking lot immediately adjacent to Valley Street.

The Parties will work collaboratively to identify the funding to make the wharf improvements needed to accommodate the bus turn-around adjacent to the museum, via the east side service road.



D. MOHAI shall be responsible, without any further City financial assistance, for the costs of obtaining or constructing any additional parking that it may deem necessary for the success of the museum.

X. Integration with other Maritime Heritage Organizations

A. MOHAI will cooperate with other maritime heritage organizations, including those currently resident at South Lake Union, in establishing and operating a Maritime Heritage Partnership on the property subject to its Ground Lease.

B. Under the Ground Lease, MOHAI will itself, or in collaboration with other maritime heritage organizations, manage the historic ships wharf and will be responsible for coordinating day-to-day activities and programming, including marine and pedestrian access and circulation at the premises.

C. MOHAI will enter into collaborative agreements with the Center for Wooden Boats, Northwest Seaport, and the Virginia V Foundation, and with similar organizations in the event such entities' occupancy ends, relating to, among other things, marketing, programming, and reasonable shared use of appropriate regional history museum facilities for public accommodations (such as ticketing, merchandizing, and way-finding facilities).

D. MOHAI will cooperate in the implementation of the Wawona Preservation Memorandum of Agreement, including good faith



Attachment 1

consideration of options for preservation of components of the vessel for display in the regional history museum.

Attachments: Exhibit A: Scope of Proposed Building Improvements/Design & Cost Estimates

Exhibit B: 800 Pike Street Public Benefits



EXHIBIT A

**Scope of Proposed Building Improvements/Design & Cost Estimate
MOHAI Regional History Museum at Lake Union Park**

The Project shall include but not be limited to the following elements:

Architectural Components. The following improvements will be provided:

- Installation of a new central elevator serving all four levels of the building;
- Conversion of the entire second floor to gallery space;
- Installation of a climate controlled temporary exhibit gallery to meet requirements for hosting national traveling exhibitions;
- Conversion of the perimeter of the first floor of the building to various uses including a café, gift shop, classrooms, offices and other support spaces;
- Installation of a new loading dock and lift to meet museum standards;
- Installation of a new roof top deck in the northeast corner of the building;
- Construction of a new portico and canopy on the west side of the building;
- ADA compliant restrooms serving the museum;
- Separate women and men's ADA compliant restrooms with a minimum of two fixtures each made available to park users without requiring museum admission; and
- Attainment of LEED Silver Certification as per standards of the United States Green Building Council (USGBC).

Systems. The following systems will also be installed, improved or replaced to standards applicable for a public museum use.

- Heating, air conditioning and ventilation;
- Electrical;
- Telecommunications;
- Fire Life Safety.

Program. The building will be programmed as follows:

- | | |
|---------------------------------|-----------|
| • Exhibit Galleries/Event Space | 26,150 sf |
| • Temporary Exhibit Gallery | 4,800 sf |
| • Other public spaces | 4,096 sf |
| • Administrative Spaces | 2,777 sf |
| • Support Spaces | 2,918 sf |
| • Utility | 2,345 sf |



EXHIBIT B

800 Pike Street Public Benefits

1. DEFINITIONS

Eligible School: An accredited primary or secondary school located in Seattle.

Eligible School Group: A group of not-to-exceed thirty (30) students, with accompanying teachers or other adults, from an Eligible School, attending the Facility as part of an organized Eligible School function.

Occasion: A four (4) hour period (or any part thereof) during which Grantee uses or has reserved the right to use the portions of the Facility described in Section 2 below. Grantee may schedule use of the Facility for a full eight hour day as two (2) Occasions. For example, Grantee's use of two meeting rooms for one three (3) hour period would constitute one Occasion.

Seattle Resident: A person whose primary residence is in Seattle.

2. Grantee Functions and Events

A. On ten (10) Occasions during each Use Year (with the number of Occasions prorated for Partial Use Years, rounded to the nearest whole number), upon making a reservation therefore, Grantee shall have the exclusive use of any conference rooms, meeting rooms, the auditorium/theater and similar rooms and other spaces in the Facility for City-sponsored functions and events.

B. For each use of the Facility by the Grantee under this Exhibit Section 2 during the regular hours of operation of the Facility, Grantor will not charge Grantee for Grantor's normal operation (during Grantor's business hours) of or overhead (including without limitation utilities, taxes, assessments) on the Facility. Normal operations include but are not limited to turning on and off all lighting, adjusting climate controls, turning on and adjusting the public address system, providing access to the Facility and its public rooms, locking and unlocking doors, HVAC and other systems as necessary, providing janitorial service and securing the Facility after each such use, and providing all necessary information concerning the operations and policies of the Facility. If Grantee desires to use the Facility on an Occasion that does not occur during the Facility's regular hours of operation or if Grantee desires technical or specialized assistance that Grantor agrees to provide, Grantor may charge Grantee the rates that normally would be charged by the Grantor for such space or services under arms-length arrangements.

C. Grantee shall observe rules adopted by Grantor respecting the manner of use of the Facility for all persons other than Grantor. Grantee shall be liable for any injury to persons, damage to the Facility or its contents, and any other claim, expense or liability



Exhibit B to Attachment 1

incurred by Grantor, other than normal wear and tear, caused by the acts or omissions of Grantee, its agents, employees, contractors or invitees in connection with uses by Grantee pursuant to this Exhibit Section 2.

D. The scheduling of Grantee functions and events at the Facility shall be arranged as follows:

(i) Grantor shall, at least thirty (30) days in advance of the start of each Use Year or Partial Use Year, provide to Grantee a written schedule showing the dates and times when conference and meeting rooms in the Facility will be available for use by Grantee pursuant to this Exhibit Section 2. Such schedule is subject to reasonable change by Grantor. If Grantor desires to change the schedule, it shall promptly inform Grantee. Once Grantee has made a reservation as provided below, Grantor shall not enter into any agreements or commitments for the use of the Facility that, individually or in the aggregate, would preclude it from reasonably accommodating the Grantee's use rights under this Exhibit Section 2, and Grantor shall not rescind a scheduled date after it has been reserved by Grantee pursuant to Exhibit Section 2D(ii).

(ii) The Grantee shall contact the Grantor before scheduling an event at the Facility, to confirm its availability. If the date, time and particular space are available, the Grantor shall confirm such availability and shall irrevocably reserve the date and time requested. If the date and time requested by the Grantee are not available, then unless otherwise agreed to by the Grantee, the Grantor shall offer an equivalent date and time within thirty (30) days after the date originally requested. Unless Grantee cancels its reservation at least thirty (30) days in advance, the reservation shall be considered an Occasion of use, whether or not Grantee actually uses the space.

E. If Grantee uses the Facility on fewer than ten (10) Occasions in any Use Year or the proportionate number of Occasions in any Partial Use Year, the balance shall carry forward and shall increase the minimum number of uses to which the Grantee is entitled in the following Use Year, but in no event shall the total number of uses by the Grantee under this Exhibit Section 2 exceed twelve (12) Occasions per Use Year.

3. Exhibits and Programs

A. Seattle Government Exhibit

For at least three (3) months of every two (2) Use Years throughout the Use Period, Grantor shall display at the Facility an exhibit (which may be part of a larger exhibit) on the governance of The City of Seattle, which exhibit shall be created and maintained by Grantor.

B. Exhibit in City Hall

If MOHAI becomes the Grantor hereunder, Grantor shall, at Grantee's request, prepare an exhibit for permanent display in Grantee's new City Hall, using materials



Exhibit B to Attachment 1

belonging to Grantee or Grantor. The topic, size and content of such exhibit shall be as agreed to by Grantor and the Archivist of The City of Seattle.

C. Cultural Diversity

Grantor shall create and maintain at the Facility, throughout the Use Period, an ongoing exhibit (which may be part of a larger exhibit) or periodic programs on the cultural diversity of Seattle. Such exhibit may consist of one permanent exhibit or a series of temporary exhibits provided that there is an exhibit on diversity on display at all times (except for brief periods necessary to change or refurbish such exhibit). Alternatively, Grantor may provide educational programs on cultural diversity, so long as such programs occur at least four times during each Use Year.

4. Use and Access by Seattle Residents and Schools

A. Free Days for All Seattle Residents

At least once a month throughout the Use Period, Grantor shall offer free all day admission (for the hours that the museum is open) to the Facility (including all open exhibits, but not including special private or fund-raising events) to all Seattle Residents. Grantor shall make good-faith efforts to publicize the free admission days. These efforts shall include, without limitation, prominently posting the schedule of free days at the Facility and including notice of free days in written museum advertising and literature. Free admission required under this Exhibit Section 4.A shall be in addition to all other obligations of Grantor under this Covenant and Easement.

B. Free Access by Eligible School Groups

(i) Throughout the Use Period Grantor shall offer half price admission (half the general public admission price for children of the same age) to the Facility to all Eligible School Groups, for up to and including five (5) such groups per day. If fifty percent (50%) of the students in an Eligible School meet the qualifications of the United States National School Lunch Program, there shall be no admission charge at any time.

(ii) Reduced price or free admission to Eligible School Groups shall include access to all exhibits and activities during normal hours of operation of the Facility. It shall be the responsibility of Eligible Schools to make arrangements for such admission. Such admission shall be granted, on a "first come, first served" basis, provided that the total number of Eligible School Groups shall not exceed five (5) per day. Grantor shall make good-faith efforts to publicize reduced price and free admission for Eligible School Groups. These efforts shall include without limitation prominently posting notice of this service at the Facility, and including such in written advertising and literature. The free and reduced price admissions required under this Exhibit Section 5.B shall be in addition to all other obligations of Grantor under this Covenant and Easement.



Exhibit B to Attachment 1

5. Donation Admission

Throughout the Use Period, Grantor shall have a policy of donation-based access for persons unable to pay the full entrance fee. Such donation admission shall mean that any person seeking admission on any day that the museum is open to the public shall be able to pay only what that person can afford for admittance.



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Parks and Recreation	Marshall Foster/684-8413	Jennifer Devore/615-1328

Legislation Title:

A RESOLUTION relating to the development of Lake Union Park; endorsing principles to guide the potential development of a Regional History Museum in the former Naval Reserve Building at Lake Union Park; and requesting the Superintendent of the Department of Parks and Recreation to negotiate an agreement with the Museum of History and Industry for such development.

• **Summary of the Legislation:**

This legislation endorses negotiating principles and requests the Superintendent of Parks and Recreation to negotiate an agreement with the Museum of History and Industry (MOHAI) for its development of a regional history museum at the Lake Union Park Armory. The principles are presented as an Attachment to the Resolution and will guide negotiation of a Project Agreement and long-term ground lease of the facility, both of which would be presented to the Seattle City Council for approval by Ordinance.

• **Background:**

The proposed legislation is a follow-up to Resolution 31011 adopted by Council on September 10, 2007 which outlined issues to be explored during a mutual due diligence effort, attached herein as Attachment A. Many of these issues were first identified in Resolution 30917 which was adopted by Council on October 2, 2006. Resolution 30917 supported and encouraged negotiations between the City and MOHAI to develop the Armory into MOHAI's primary public venue.

A staff team with representatives from Seattle Parks and Recreation (Parks), Department of Finance, Office of Policy and Management, Law Department, and Council Central Staff have been working closely with representatives from MOHAI over the past year to complete mutual due diligence and negotiate principles for the Project Agreement.

MOHAI and the City have had a successful relationship since 1948, when the Seattle-King County Historical Society established MOHAI and constructed the current MOHAI facility and donated it to the City. MOHAI has successfully operated the museum at McCurdy Park in the Montlake neighborhood since 1952 and has grown to become the largest private heritage organization in the State of Washington, attracting more than 60,000 visitors annually from the Northwest and beyond. MOHAI collects, preserves, and presents the rich history of the Pacific Northwest, and its engaging exhibits and programs create an appreciation for the Northwest's diverse cultural, social, and economic history. To reach a broader audience of Seattle residents and visitors, MOHAI has been actively pursuing



options to move to a more central location and expand its exhibit space since 1997. In 2004, MOHAI approached the City with a proposal to make the Armory its primary public venue.

The City acquired the former Armory at Lake Union Park in 2000 from the United States Navy with the purpose of developing it into a community facility. In 2004, Ron Wright Associates completed an assessment of the Armory on behalf of the City and determined that \$11 million (2004 dollars) would be necessary to renovate the building for community use similar to other Parks community centers. The City did not choose to renovate the Armory as a standard Parks Community Center and began to operate the facility as a special events venue. In 2007, 46,417 people used the facility for special events, and Parks generated gross revenues of \$302,821 from activities at the Armory.

Since the building was acquired from the Navy, Parks has completed seismic upgrades, replaced the upper roof, and made various tenant improvements.

The City has supported the development of Lake Union Park with special attention to maritime heritage, including redevelopment of the Historic Ships Wharf in 2004. Since 2003, MOHAI has been an active participant in planning for key elements of the development of Lake Union Park including the Historic Ships Wharf and the History Trail. This involvement has led, in part, to MOHAI's interest in the development of the Armory as the Museum's primary public venue.

MOHAI Proposal and City Funding

MOHAI proposes to renovate the Armory and convert it into a regional history museum which MOHAI will operate under a long-term ground lease from the City. The project includes a \$45.4 million upgrade to the Armory building which will replace all building systems, provide circulation improvements, make ADA upgrades, remediate lead paint and asbestos, and construct new public spaces including a public portico on the west side of the building and new public galleries on the third and fourth floors. Included in this budget are also \$15.2 million in new exhibits and media.

The City's contribution to the capital project is anticipated to include four components: 1) \$1.2 million in proceeds from MOHAI's sale of a condominium interest in 800 Pike Street, plus accrued interest; 2) City's agreement to enable MOHAI to pursue Historic Rehabilitation Tax Credits estimated at \$4.7 million by designating the Armory as a National Landmark and conveying the building to MOHAI for the 50-60 year ground lease term (with a requirement that it revert to the City thereafter); 3) up to \$750,000 in investments in utility upgrades to be completed as part of Lake Union Park Phase II construction; and 4) assignment to MOHAI of rights to the proceeds from Washington State Department of Transportation's anticipated acquisition/condemnation of MOHAI's current facility and the underlying land at McCurdy Park for the expansion of SR 520, estimated at \$13,590,000, which is owned by the City but has been leased to MOHAI since 1948.

The City is also anticipated to contribute \$300,000 annually to support the new museum's operations and public programs. The City currently provides MOHAI with \$230,192 in support for utility costs at the Montlake facility.

MOHAI will design, develop and manage the project, with responsibility for all unforeseen cost overruns and other project risks. The construction project budget includes a contingency of 11.4% of total project costs. Although this is lower than the 15% contingency that is typical of similar projects at this stage of development, city staff believe this level of contingency is acceptable given that MOHAI will accept 100% of the construction risk and because more detailed cost estimating has been completed at this stage of schematic design than is typical.

MOHAI and the City's mutual due diligence has generally confirmed that this project is viable and appropriate given the terms outlined in the proposed Principles. The attached due diligence report provides additional analysis of MOHAI's project costs, fundraising and business plans, project team, and other considerations.

- Please check one of the following:

This legislation does not have any financial implications. (Stop here and delete the remainder of this document prior to saving and printing.)

This legislation has financial implications. (Please complete all relevant sections that follow.)

Appropriations: N/A

Fund Name and Number	Department	Budget Control Level*	2008 Appropriation	2009 Anticipated Appropriation
TOTAL	N/A			

*See budget book to obtain the appropriate Budget Control Level for your department.

Note: If the City and MOHAI reach agreement, there will be financial impacts to the City. If approved, an agreement based on the Principles would commit the City to provide \$300,000 per year of financial support for the museum's operations. DPR would lose approximately \$302,000 in gross revenues from special events at the Armory. In addition, the City would forgo income from the State for its taking of the current MOHAI facility in McCurdy Park estimated at \$9,540,000 for the building and \$4,050,000 for the underlying land.



Anticipated Revenue/Reimbursement: Resulting From This Legislation: N/A

Fund Name and Number	Department	Revenue Source	2008 Revenue	2009 Revenue
TOTAL	N/A			

Notes: No revenue is anticipated as a result of this legislation.

Total Regular Positions Created, Modified, Or Abrogated Through This Legislation, Including FTE Impact: N/A

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2008 Positions	2008 FTE	2009 Positions *	2009 FTE*
TOTAL	N/A						

Notes: No staffing is requested as a result of this legislation.

- **Do positions sunset in the future?** N/A
- **What is the financial cost of not implementing the legislation?** The City would retain responsibility for the Lake Union Armory.
- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None.
- **Is the legislation subject to public hearing requirements:** No, however a CLEAN hearing will be required as part of the subsequent ordinance approving a Project Agreement.
- **Other Issues:**

Please list attachments to the fiscal note below:



RESOLUTION _____

1
2
3 A RESOLUTION relating to the development of Lake Union Park; endorsing principles to guide
4 the potential development of a Regional History Museum in the former Naval Reserve
5 Building at Lake Union Park; and requesting the Superintendent of the Department of
6 Parks and Recreation to negotiate an agreement with the Museum of History and Industry
7 for such development.

8 WHEREAS, the City of Seattle ("City") acquired the former Naval Reserve Building ("Armory")
9 at Lake Union Park in 2000 with the purpose of developing it into a community facility
10 with special attention to maritime heritage; and

11 WHEREAS, Resolution 30917, adopted by the City Council on October 2, 2006, supported and
12 encouraged negotiations between the City and the Historical Society of Seattle and King
13 County, a Washington non-profit corporation d/b/a the Museum of History and Industry
14 ("MOHAI") to potentially develop the Armory into MOHAI's primary public venue; and

15 WHEREAS, after preliminary negotiations with MOHAI were favorably concluded, on
16 December 10, 2007, the City Council adopted Resolution 31011, which requested the
17 Superintendent of Parks and Recreation to continue to investigate the feasibility of
18 developing the Armory for MOHAI's use consistent with certain principles that the City
19 Council endorsed in that resolution; and

20 WHEREAS, during the course of the parties' investigations, the State of Washington moved
21 forward with plans to redevelop the SR 520 floating bridge that would require
22 demolishing the City facility in McCurdy Park that MOHAI currently occupies; and

23 WHEREAS, both MOHAI and the City have now completed their due diligence and confirmed
24 the viability and desirability of establishing a new regional history museum in the Armory
25 inasmuch as it would perpetuate an important cultural function, restore a historically
26 significant structure, and help anchor a major new public park; and

27 WHEREAS, the City recognizes that MOHAI is a vital Seattle institution whose future success
28 will help ensure that future generations continue to learn the history of our region through
public access to MOHAI's collections, programs, and expertise; and

WHEREAS, because MOHAI is being displaced by another public project, it is appropriate that
MOHAI receive the public compensation available for use of the site it currently



1 occupies in order to help ensure that it can develop replacement facilities and continue to
2 perform its important cultural role within the City; and

3 WHEREAS, even with City funding pledged to the development of a new regional history
4 museum in Seattle, MOHAI will bring substantial private as well as other public
5 resources to the project; and

6 WHEREAS, MOHAI's redevelopment of the Armory and its anticipated collaboration with other
7 maritime heritage organizations to form a Maritime Heritage Partnership at Lake Union
8 Park will create a unique maritime heritage experience at the Park for the benefit of a
9 broad cross section of the public and will symbolize and reinforce the ongoing
10 revitalization of the South Lake Union neighborhood;

11 NOW, THEREFORE,

12 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE**
13 **MAYOR CONCURRING, THAT:**

14 Section 1. The City endorses the principles contained in Attachment 1 hereto concerning
15 the potential development of a Regional History Museum at the Lake Union Park Armory. The
16 Superintendent of Parks and Recreation is hereby requested to negotiate with the Museum of
17 History and Industry one or more agreements consistent with those principles and necessary to
18 implement the transactions contemplated therein for City Council review and approval.
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Adopted by the City Council the ____ day of _____, 2008, and signed
by me in open session in authentication of its adoption this _____ day
of _____, 2008.

President _____ of the City Council

THE MAYOR CONCURRING:

Gregory J. Nickels, Mayor

Filed by me this ____ day of _____, 2008.

City Clerk

(Seal)

Attachment 1: Principles for the Development of a Maritime Heritage Center at Lake Union
Park



Principles for the Development of a Maritime Heritage Center at Lake Union Park

Project Summary

MOHAI currently operates from a museum facility at McCurdy Park under a long-term agreement with the City. MOHAI financed and built the museum on City property and then transferred the building to the City for its care and maintenance. The building and its grounds have been used for decades for museum purposes but are now in the path of the State of Washington's project to replace the SR-520 floating bridge. Consequently, MOHAI will need to permanently relocate from McCurdy Park to allow the State to construct this essential public facility.

Following substantial due diligence investigations, MOHAI and the Executive propose that MOHAI relocate its museum to the former Naval Reserve Building at Lake Union Park, known as the "Armory." Under the proposal, MOHAI will substantially restore the landmark Armory building consistent with applicable historic preservation guidelines, transforming it into a new regional history museum. The Project is expected to cost approximately \$45.4 million (in 2010 dollars) and include comprehensive building systems upgrades, access and circulation improvements, and achieve life safety code compliance. Combined with the public investment in the Project described herein, MOHAI will bring major private funding to the Project. The Project will include exhibit galleries in the large open volume of the building that also will serve the community as a space for large gatherings and events. Traditional museum support spaces such as classrooms and a retail store; amenities including a café and restrooms available to both visitors to Lake Union Park and museum patrons; and work space for museum and Parks staff also will be provided. Along with other maritime heritage organizations already



resident at South Lake Union, MOHAI will participate in a Maritime Heritage Partnership including the museum and the activities and organizations using the Historic Ships Wharf to serve area residents and visitors.

A significant source of funds for the Project is expected to be Historic Rehabilitation Tax Credits. To secure such credits requires that the City convey the Armory to MOHAI and grant MOHAI a long-term ground lease for its site.

In recognition of their shared interest in the Montlake facility and mutual commitment to create a new regional history museum at the Armory, the City proposes that MOHAI receives all the compensation from the State for the value of the Montlake facility and the use of the underlying land. The City will retain ownership of all areas of McCurdy Park that the State does not permanently require for the SR-520 project and will require that the site be restored for public park use at the conclusion of the State's construction project, at no cost to the City.

The next step is for the City and MOHAI to negotiate and present to City Council for its review and approval a Project Agreement governed by and consistent with the following principles.



Guiding Principles

The following guiding principles are intended to reflect the City's priorities in its relationship with MOHAI in the Armory project and are more fully discussed herein.

- The Armory is a valuable public asset that will return to City ownership at the end of the City's ground lease of the Armory site to MOHAI.
- The City's contribution to the Project shall be fixed and structured to minimize financial risk to the City.
- Recognizing that MOHAI is a regional history museum, MOHAI shall use its best efforts to secure other public funding to offset construction costs for the Project.
- The Armory and Lake Union Park shall be accessible to as broad a segment of the public as is possible.
- Parking and vehicular access at the Armory shall be consistent with existing Lake Union Park plans and policies and designed to minimize vehicular traffic in the park.
- Together with other maritime heritage organizations resident at South Lake Union, MOHAI will participate in a Maritime Heritage Partnership at its new Lake Union Park site.

I. Armory Ownership and Ground Lease

A. In order for MOHAI to pursue and provided it is able to secure Historic Rehabilitation Tax Credits as part of its financing package (*see* Section II.B), the City will convey the Armory building to MOHAI and lease to it the underlying land (the Ground Lease); otherwise, MOHAI will lease both the building and the land from the City. Under either scenario,

the building will be restricted to use as a regional history museum and the land will be restricted to use as a Maritime Heritage Partnership. The Partnership will reflect collaboration between MOHAI, the Center for Wooden Boats, Northwest Seaport, and the Virginia V Foundation and will create a regional history center with a focus on maritime heritage, including an integrated regional history museum in the Armory and historic ship visitor experience with facilities for public accommodation and convenience. At a minimum, the Ground Lease will include use rights to the Armory site as well as a portion of Terry Avenue as needed to accommodate a portico entrance at the west side of the Armory building. The City also will grant MOHAI access and use rights along the surface access road on the east side of Lake Union Park, necessary for the successful operation of the museum.

B. The Ground Lease term shall be consistent with the term necessary to secure Historic Rehabilitation Tax Credits, estimated to be 50 to 60 years.

II. Project Definition

The Project means the regional history museum to be developed in the Armory as described in the "Scope of Proposed Building Improvements/Design & Cost Estimate" attached hereto as Exhibit A.

III. Funding Sources.

Funding for the Project will come from a variety of public and private sources:

Attachment 1

A. Proceeds from the Sale of MOHAI's 800 Pike Street

Condominium. Both the City and the State provided financial support for MOHAI's acquisition of the condominium at 800 Pike Street. From the sale proceeds, \$5.75 million, representing the State's original contribution and \$1.2 million, representing the City's original contribution, plus interest, are required to be used for capital costs associated with development within the City of MOHAI's principal regional history museum, construction of which must begin by mid-2017.

B. City Armory and Lake Union Park Investments. The City plans to undertake utility upgrades and make other improvements to the Armory and surrounding portions of Lake Union Park that are directly or indirectly beneficial to development of a regional history museum in the Armory and that may be completed before the parties have negotiated the next phase of project agreements.

C. Additional City Contribution. In addition to the \$1.2 million reserved from MOHAI's 800 Pike Street condominium sale proceeds, the City's sole remaining contribution to the Project will be to assign to MOHAI all compensation for the Washington State Department of Transportation's (WSDOT) acquisition and/or condemnation of real property and improvements comprising the MOHAI building and grounds historically used for the museum and museum access and parking, to the extent owned, controlled, or in which use rights may have been reserved by the City of Seattle. The City will designate MOHAI to take lead



Attachment 1

responsibility for negotiating with WSDOT for such compensation but any final agreement shall require the City's consent. The City reserves the right to negotiate separately with WSDOT concerning the restoration of McCurdy Park following completion of the SR-520 project. Except for compensation available to MOHAI from WSDOT for relocation assistance, MOHAI shall reserve such compensation for capital costs associated with replacing the functions and facilities at its McCurdy Park location including but not limited to those facilities and functions included in the Project. Funding the Project shall be the first priority use of such compensation.

D. Historic Rehabilitation Tax Credits. MOHAI shall work to secure Historic Rehabilitation Tax Credits for the Project, including engaging consultants necessary for successfully participating in the program.

E. Regional Public Funding. MOHAI shall use its best efforts to secure additional county, state and federal funds for the Museum Project, in recognition of the fact that MOHAI is a museum of regional significance.

F. MOHAI's Share of Project Funding. MOHAI shall be responsible for all other costs to complete the Project, including publicly accessible restrooms, workspace for museum and Parks staff, and café.

G. Possible Recovery of Funding by City. Unless MOHAI and the City agree otherwise, in the event that MOHAI does not commence construction of a new regional history museum within the City by



mid-2017, it will return to the City the City's funds described in paragraph III above, except for that portion of such compensation it would have received in its own right as a tenant, including relocation assistance and compensation otherwise associated with displacement from its current facility.

IV. Schedule MOHAI shall use its best efforts to start construction of the Project within one year from the completion of the Lake Union Park Phase II renovations, but in no event later than January 1, 2012, unless compensation from the expansion of SR-520 is substantially delayed and the parties agree to extend that deadline.

V. Financial Risk Management

A. MOHAI will be responsible for all cost overruns that may be experienced by the Project, including those due to unforeseen conditions.

B. MOHAI will procure and execute design and construction contracts.

C. Sequential, major phase design documents, change orders that represent material changes to the final design, and all decisions that affect the construction or provision of public amenities are subject to the review and approval of the City Parks Superintendent, which approval shall not be unreasonably denied or delayed.

D. MOHAI responsibility for cost overruns notwithstanding, the City shall bear financial responsibility for any Project cost increases associated with additions to the Project that the City requests after the Superintendent



approves the final project scope and design (excluding permitting or other regulatory requirements).

E. City-MOHAI project construction agreement will require MOHAI (or its contractor, as appropriate) to do the following to the Parks Superintendent's and City Finance Director's reasonable satisfaction:

1. Demonstrate dedicated financial resources adequate to complete construction, including appropriate construction contingency consistent with industry standards, and to pay associated construction financing debt service, before entering into a construction contract for the Project and before release of funds reserved for Project capital costs derived from either the City's participation in MOHAI's original acquisition of its 800 Pike Street condominium or assignment to MOHAI of compensation for the WSDOT acquisition of its McCurdy Park facility.
2. Provide assurances that MOHAI and its Project team can successfully manage the Project by engagement of professional Project management staff.
3. Ensure that the Project complies and that its general contractor monitors compliance with prevailing wage and other public works contracting requirements.
4. Ensure that the Project is free of construction-related liens before it is put in service as a regional history museum.



5. Ensure that the Project receives Leadership in Energy and Environmental Design (LEED) certification at the silver level or greater, under the U.S. Green Building Council's Rating System.

VI. Operations and Maintenance

- A. MOHAI will provide all routine and major building maintenance, including maintenance of special building systems installed for museum purposes and will develop a long-term maintenance plan for the building, subject to review and approval by the Superintendent and that demonstrates that it has or will have sufficient resources to meet its responsibilities as identified in its plans.
- B. City will contribute \$300,000.00, annually, towards building operating costs and/or major maintenance for the Armory. The City will remain responsible for costs associated with major maintenance of the site leased to MOHAI, excluding any damage resulting from MOHAI's restoration of the Armory. MOHAI will hold the City harmless for and address at its expense any damage to or compromise of the site and existing subsurface support resulting from the restoration of the Armory for its intended purpose, regardless of when such damage is discovered.
- C. MOHAI will insure or require that any successors or lessees (such as tax credit investor assignees and the café operator) insure the building and tenant improvements and provide general liability insurance.

VII. Public Benefits



Attachment 1

A. In exchange for and generally commensurate with the funding for the Project derived from the City and other public sources, MOHAI shall (i) make its own substantial investment in the Project; (ii) construct the Project consistent with these principles; (iii) operate its regional history museum as a publicly accessible facility consistent with these principles for the duration of its tenancy; and (iv) provide, at a minimum, additional public benefits at the Armory similar to those it had committed to provide at 800 Pike Street (see Exhibit B).

B. MOHAI shall operate the museum at least 50 hours per week, 50 weeks per year and regularly schedule days when admission to the museum is free of charge.

C. MOHAI agrees to develop and implement benefits, programs and enrichment opportunities of special interest to particular segments of the public, such as free admission on a regular basis for children less than 14 years old.

D. The Armory shall be available for a specified number of no-cost public events each year, identified by the City.

E. Armory redesign shall include public restrooms accessible to the public without paying admission to the museum that will remain open, at a minimum, during normal café operating hours.

F. Armory redesign shall include work space for occasional use by museum staff and by City staff during MOHAI's normal museum

operating hours in connection with the operation and maintenance of Lake Union Park and the functioning of the Maritime Heritage Partnership.

G. The museum café shall be designed, built, and operated so as to serve not only MOHAI but Lake Union Park users generally and shall provide public restrooms that will be available to Park users during the café's operating hours. The café's operating hours and access policies (if any) shall be subject to the review and approval of the Parks Superintendent, which may not be unreasonably withheld.

H. MOHAI shall not limit pedestrian access to the Historic Ships Wharf or around the Armory except as and only to the extent necessary to accommodate occasional Maritime Heritage Partnership-related functions or activities.

VIII. Future Facilities

A. MOHAI shall continue to investigate options for replacing facilities and functions that will be lost with the anticipated WSDOT acquisition of the McCurdy Park museum and that will not be accommodated at the Armory. MOHAI will keep the City informed of its planning, the schedule for and estimated cost of completing preferred alternatives identified by MOHAI, and MOHAI's plans for meeting such costs. Except for the possible application of a portion of the proceeds from the taking of MOHAI's current location for expansion of SR-520, as provided in Section III(C), the City shall in no way be obligated to assist



MOHAI further in identifying or funding such replacement facilities or functions.

B. MOHAI may continue to use the McCurdy Park facility, including for administration, storage and public assembly purposes, after the Armory museum opens, until WSDOT removes the facility from service or MOHAI has secured facilities fully replacing all the facilities and functions currently provided at McCurdy Park, whichever first occurs. Following the opening of the Armory museum, MOHAI shall pay all operations and maintenance costs for the McCurdy Park facility during this time if it continues to be occupied exclusively by MOHAI or on a pro rata basis with the City if use is shared between MOHAI and the City. If WSDOT does not require the use of the facility immediately upon MOHAI's vacation or if, following the opening of the Armory museum, MOHAI agrees to shared use of the McCurdy Park facility with the City, the auditorium and the other primary public assembly spaces within the McCurdy Park facility shall be available for parks-related uses (including periodic use by MOHAI).

IX. Parking and Access

A. The City will continue to collaborate with MOHAI in developing a strategy to meet overall parking needs for Lake Union Park that is consistent with the approved Lake Union Master Plan and/or Phase II build-out.



Attachment 1

B. MOHAI will provide staff to coordinate traffic and vehicle movements in and out of the north parking lot, including managing loading, special deliveries, and the ADA parking.

C. MOHAI acknowledges that Terry Walk, the central pedestrian walkway through Lake Union Park, shall function as a pedestrian-only facility and will not be used to access the Armory Building except in emergencies or other special circumstances acceptable to the City.

Service access to the Armory Building for loading, ADA parking, and other special needs shall routinely take place from the service road on the east side of the Park. Until improvements to the east side of the Historic Ships Wharf necessary to provide a bus turn-around to enable school bus drop-off/pick-up in the north parking lot adjacent to the museum can be funded and completed, bus drop-off/pick-up shall routinely take place from the temporary parking lot immediately adjacent to Valley Street. The Parties will work collaboratively to identify the funding to make the wharf improvements needed to accommodate the bus turn-around adjacent to the museum, via the east side service road.

D. MOHAI shall be responsible, without any further City financial assistance, for the costs of obtaining or constructing any additional parking that it may deem necessary for the success of the museum.



X. Integration with other Maritime Heritage Organizations

A. MOHAI will cooperate with other maritime heritage organizations, including those currently resident at South Lake Union, and participate in a Maritime Heritage Partnership on the property subject to its Ground Lease.

B. MOHAI will enter into collaborative agreements with the Center for Wooden Boats, Northwest Seaport, and the Virginia V Foundation, and with similar organizations in the event such entities' occupancy ends, relating to, among other things, marketing, programming, and reasonable shared use of appropriate regional history museum facilities for public accommodations (such as ticketing, merchandizing, and way-finding facilities).

C. MOHAI will cooperate in the implementation of the Wawona Preservation Memorandum of Agreement, including good faith consideration of options for preservation of components of the vessel for display in the regional history museum.

Attachments: Exhibit A: Scope of Proposed Building Improvements/Design & Cost Estimates

Exhibit B: 800 Pike Street Public Benefits



STATE OF WASHINGTON – KING COUNTY

--SS.

230157
CITY OF SEATTLE, CLERKS OFFICE

No.

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.

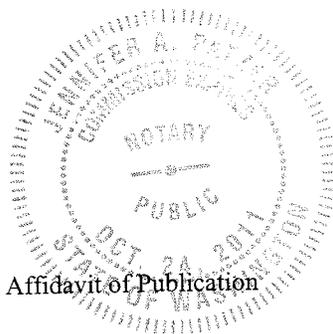
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:31083 & 31092 TITLES

was published on

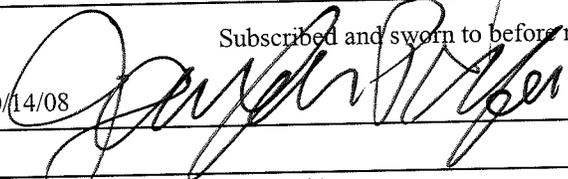
10/14/08

The amount of the fee charged for the foregoing publication is the sum of \$ 42.15, which amount has been paid in full.



Affidavit of Publication



Subscribed and sworn to before me on
10/14/08 

Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following resolutions, passed by the City Council on September 29, 2008, and published here by title only, will be mailed, at no cost, on request for two months after this publication. For further information, contact the Seattle City Clerk at 684-8344.

RESOLUTION NO. 31092

A RESOLUTION relating to the development of Lake Union Park; endorsing principles to guide the potential development of a Regional History Museum in the former Naval Reserve Building at Lake Union Park; and requesting the Superintendent of the Department of Parks and Recreation to negotiate an agreement with the Museum of History and Industry for such development.

RESOLUTION NO. 31083

A RESOLUTION adopting revised financial policies for the Cumulative Reserve Subfund of the General Subfund, and superseding Section 3 of Resolution 30379.

Publication ordered by JUDITH PIPPIN,
City Clerk

Date of publication in the Seattle Daily
Journal of Commerce, October 14, 2008.
10/14(230157)