

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
FAS	Bill Craven 733-9238	Jennifer Devore 615-1328 (FAS) Melissa Lawrie 684-5805 (SFD)

AN ORDINANCE authorizing the Director of Finance and Administrative Services to execute an amendment to a lease agreement between the City of Seattle and MUSREF Spokane Street, L.P. a Washington corporation; combining two leases for warehouse space the City leases at the southeast corner of 2nd Avenue South and South Spokane Street in Seattle, Washington; extending the term to 2024 with an option to extend; and ratifying and confirming certain prior acts.

Summary of the Legislation:

This legislation authorizes the Director of Finance and Administrative Services (FAS) to amend a lease agreement with MUSREF Spokane Street, LP for approximately 59,504 square feet of warehouse space, located at 3601, 3641 and 3807 Second Avenue South in Seattle (the entirety is contiguous warehouse space in one building with multiple addresses.) This action amends two existing leases by combining them into one lease document and adds an additional ten years to the lease term. The Fourth Amendment to Lease is effective June 1, 2013, and will terminate on January 31, 2024. The legislation is required, because the amount of leased space exceeds FAS's leasing authority (under Seattle Municipal Code 3.127 020.C.2) of 9,000 square feet for improved space other than office space in a single industrial building in one calendar year, and exceeds the length of term that the Director is authorized to approve by Seattle Municipal Code 3.127.010.

Background:

The City has leased space at the building located at the southeast corner of Second Avenue South and South Spokane Street since 1993. Over the years, City departments including Seattle Fire Department (SFD), Seattle Public Utilities (SPU) and FAS and its predecessor departments have occupied space at this location. Currently, SFD's total leased area is approximately 27,372 square feet, and FAS has approximately 32,132 square feet. SPU is no longer a tenant in the building.

SFD uses the warehouse to store equipment for the 2003 Fire Levy, firefighting equipment, and for other uses needed for SFD operations. The current location provides easy and necessary access to SR 99, I-5 and the West Seattle Bridge. The site includes sufficient space for pickup and delivery of goods by SFD personnel. There is no alternate suitable space available in City-owned buildings presently or in the foreseeable future.

FAS's portion is also used for storage and distribution -- FAS coordinates ordering of paper City departments through this location and provides long-term storage of City files and records. This

location is also the site of the surplus property program, where surplus furniture, office equipment and other items of the City. There is no suitable space available in City-owned buildings at the present time or in the foreseeable future.

The original Lease Agreement (Attachment 1) as authorized by Ordinance 116571 was executed February 8, 1993 and allowed for a ten year lease for warehouse space at 3601 Second Avenue South, for SFD. Subsequent amendments extended the term of the lease and expanded the leased area, to include the facility that is currently under lease.

The proposed Fourth Amendment authorized by this Ordinance combines the current leases into a single document, extends the term of an additional 10 years, ending on January 31, 2024; provides free rent for four months; reduces the initial rental rate by approximately 27%; and allows for very modest 3% annual increases. No real estate brokers were used to represent the City or the Landlord, the savings will be split between both parties, a credit to the City of approximately \$50,660.

X This legislation has financial implications.

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2013 Appropriation	2014 Anticipated Appropriation
TOTAL				

Appropriations Notes:

No new appropriation is needed for this legislation as the lease amounts are already included in the 2013 Adopted and 2014 Endorsed budgets.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
TOTAL				

No new revenues are anticipated from this lease renewal as these were anticipated in the 2013 Adopted and Endorsed Budgets.

Revenue/Reimbursement Notes:

Table 1 illustrates the rental rate and FAS overhead for the initial nineteen months of the lease term starting in June 2013.

**Table 1:
 Rent Payments for FAS and SFD for 2013 and 2014**

	2013	2014
	June - December	Jan – Dec
Total New Lease Amount	\$109,452.00	\$485,260.56
FAS Share of Rent (54% of total)	\$59,104.08	\$259,446.24
SFD Share of Rent (46% of total)	\$50,347.92	\$221,009.76
+ FAS Overhead at 3%	\$1,510.44	\$6,630.29
SFD Annual Rent	\$51,858.36	\$227,640.05
FAS Annual Rent	\$59,104.08	\$259,446.24

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
 This legislation will obligate the City to pay to the landlord the monthly rental amount as described above for a period of ten years.

- b) **What is the financial cost of not implementing the legislation?**
 If the lease is not extended for the warehouse space, FAS and SFD will need to relocate its warehousing operations to another leased warehousing property and incur substantial moving costs, and potentially higher lease rates. The move could be time consuming and temporarily interrupt FAS' warehouse enforcement of State and City statutes for surplus property disposal and City department access to public records stored at the current site.

- c) **Does this legislation affect any departments besides the originating department?**
 Yes, FAS occupies approximately 54% of the leased space, while SFD occupies the remaining 46%. As noted above, FAS manages the lease payments on a pass-through basis for SFD.

- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
 The only viable alternative would be to secure similar warehouse space at a property that would likely be inferior to this warehouse space, while not achieving any financial advantage.

- e) **Is a public hearing required for this legislation?**
 No.

- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle***

Times required for this legislation?

No.

g) Does this legislation affect a piece of property?

Yes, this legislation authorizes the Director of Finance and Administrative Services to execute a lease agreement on a portion of property located at 3601, 3641 and 3807 Second Avenue South. Please see Attachment 2, proximity map of the leased warehouse space.

h) Other Issues:

None

List attachments to the fiscal note below:

Attachment 1: Original Lease

Attachment 2: Proximity map of leased property

ORIGINAL

LEASE AGREEMENT
PART A - SIGNATURE FORM

PARTIES THIS LEASE AGREEMENT, entered into by and between Schnitzer Investment Corp. (hereinafter referred to as the "Lessor"), and THE CITY OF SEATTLE, a municipal corporation duly organized and existing under the laws of the State of Washington (hereinafter referred to as the "Lessee"), WITNESSES THAT:

PREMISES The Lessor hereby leases to the Lessee, and the Lessee hereby leases from the Lessor, a portion of that certain real property commonly known as 3601 Second Avenue South in Seattle, King County, Washington that may be further described as follows:

That portion of Lots 1 through 12, inclusive, Block B, Northern Pacific's First Avenue Industry Sites, according to the plat recorded in Volume 34 of Plats, page 44, in King County, Washington, described as follows:

Commencing at the Northwest corner of Lot 1, Block A, of said plat; thence South along the East margin of First Avenue South, as presently established 100 feet in width, 533.02 feet to a point, hereinafter referred to as "Point A";

thence East from said "Point A", along a line perpendicular to said East margin, 333.50 feet to a point, said point hereinafter referred to as "Point B"; said point also being the TRUE POINT OF BEGINNING of the parcel herein described;

thence North from said "Point B", along a line parallel to the East margin of said First Avenue South, 639.73 feet to the North Line of said Block B, being a point on a curve, the center of which bears North 34°59'49" West, 590.20 feet;

thence Easterly along the Northerly line of said Block B, being a 590.20 foot radius curve to the left, an arc distance of 141.56 feet to the most Northerly corner of said Block B, being a point on a curve the center of which bears South 26°31'56" West, 100 feet;

thence Easterly along the Northerly line of said Block B, being a 100.00 foot radius curve to the right, an arc distance of 34.08 feet to the West margin of Second Avenue South, as conveyed to the City of Seattle by deed recorded under King County Recording Number 3568115;

thence South, along said West margin, 713.9 feet, more or less, to an intersection with the Easterly production of the Line connecting said "Points A and B";

thence West, along said production, 132.5 feet, more or less, to the TRUE POINT OF BEGINNING.

(Also known as portion of Parcel 2, King County Short Plat No. 133, as recorded under King County Recording Number 7411060348.)

which portion consist of approximately 13,950 square feet of warehouse and office space outlined on Exhibit A (hereinafter referred to as the "Premises").

PURPOSES Premises shall be used as warehouse and associated office space with maximum occupancy of 25 persons and for no other business or purpose without the written consent of Lessor.

TERM The term of this lease shall commence on February 8, 1993 or upon execution on behalf of the Lessee pursuant to ordinance authority, whichever is later; provided, however, that this Lease will be of no effect unless Lessee has executed same and Lessor has received said executed copy on or before the close of business on February 8, 1993. The Lease will expire on January 31, 2003.

RENT In consideration of this Lease and the Lessor's performance of all covenants and agreements contained herein, the Lessee shall pay to the Lessor as the monthly rental for said Premises, the sum of

For each of the first twelve (12) months, \$4,750.00
For each of the second twelve (12) months, \$5,285.00

Commencing with the second anniversary of the commencement date of the Lease, and on each anniversary date thereafter, the monthly rent shall be increased by the percentage increase in the Seattle-Tacoma area All Urban Consumer Price Index (CPI-U) (1982-84 = 100, as compiled by the U.S. Department of Labor, Bureau of Labor Statistics) that occurred between the calendar year immediately prior to the first anniversary of the commencement date of the Lease and the calendar year immediately prior to the adjustment date. In the event the aforementioned index is discontinued, the parties shall select a similar index that reflects consumer price increases; and in the event of a change in the index base (1982-84 = 100), the parties shall apply whatever conversion factor is necessary to establish the true percentage change in the CPI-U for any period in which the index base is changed, and shall thereafter apply the revised base index. The monthly rent of \$5,285.00 per month shall be used as the base for all such rent adjustments. In no event shall Lessee's rent decrease. Said rent shall be absolutely net to Lessor.

INSURANCE

The policy of public liability insurance required of the Lessor in Part B hereof shall be in at least the following amounts:

\$1,000,000.00	for injury to, or loss of life of, any individual person;
\$1,000,000.00	in the aggregate for personal injuries suffered in each occurrence;
\$1,000,000.00	property damage suffered in each occurrence.

UTILITIES AND OTHER SERVICES

(a) **Utilities.** The Lessee shall pay all utility charges including but not limited to water, sewer, gas, electricity, telephone, and garbage removal. If Lessor is billed directly and pays for any of these charges, Lessor shall be reimbursed for same by Lessee no later than fifteen (15) days after receipt of Lessor's invoice. All charges to be based on square footage basis if not separately metered.

(b) **Taxes.** Lessee shall be responsible for all taxes, fees, assessments, levies and other similar charges imposed by any governmental jurisdiction against the Premises either directly or indirectly. Such taxes will be paid before delinquency by Lessor and shall then be reimbursed by Lessee no later than thirty (30) days after receipt of Lessor's invoice.

(c) **Fire Insurance.** The Lessor shall secure and maintain fire insurance covering ninety (90) percent of the replacement cost value of the building in which the Premises are located, with extended coverage, and coverage for vandalism, and malicious mischief, upon such terms as it determines appropriate; such insurance shall not, however, cover any improvement or betterment that any Lessee has made to the premises it uses or occupies. Landlord may, at its election, provide any of the insurance contemplated hereunder by self-insurance. Lessee, at its option, may elect to be charged at a rating for a deductible of up to \$2,500 per occurrence, in which case Lessee shall be bound to pay any loss for which it is responsible up to the deductible amount; provided, however, that the cost to Lessee for such self-insurance shall not exceed the average cost of insurance provided by insurers admitted to do business in the locale in which the Premises are located. Lessee shall pay to Lessor the Lessee's share of the cost of the insurance provided by Lessor pursuant hereto, which shall be determined as if the Premises were insured without a deductible or self-insurance, and by prorating such insurance cost among all tenants and other users of the building in which the Premises are located on the basis of the square footage used or occupied by each. The Lessor and the Lessee each waive all right to recover from the other party and no insurance carrier for either party shall have a subrogated claim against the other party arising out of any such loss.

AGREEMENT CONTENTS

This lease consists of this Part A - Signature Form plus Part B - General Terms and Conditions, Exhibit A and Exhibit B, all of which, by this reference, are incorporated herein, and embody the entire agreement of the parties hereto. There are no other understandings or agreements, written or oral, between the parties relating to the subject matter hereof.

EFFECTUATION OF AGREEMENT In order to be effective, this lease must be (1) signed by an authorized representative of the Lessor and returned to the Lessee at the address set forth below and (2) signed by the City's Director of Administrative Services pursuant to ordinance authority, before the close of business on February 8, 1993.

IN WITNESS WHEREOF, the parties hereto have affixed their signature below:

THE CITY OF SEATTLE

Kenneth J. Nakatsu
Kenneth J. Nakatsu, Director
Dept. of Administrative Svcs.

City of Seattle

SCHNITZER INVESTMENT CORP.

Linda M. Wakefield
(Name)
Vice President
(Title)

(Name)

(Title)

City's address for all communications:

Dept. of Admin. Services
Property Management
14th Floor, Alaska Building
618 Second Avenue
Seattle, Washington 98104

Lessor's address for all communications:

Linda Wakefield
Schnitzer Investment Corp.
3200 Northwest Yeon Avenue
P.O. Box 10047
Portland, OR 97210

STATE OF WASHINGTON)
)ss.
COUNTY OF KING)

THIS IS TO CERTIFY that on this 8 day of Feb., 1993, before me, the undersigned, a Notary Public in and for the State of Washington, personally appeared Kenneth J. Nakatsu, to me personally known to be the Director of the Department of Administrative Services of THE CITY OF SEATTLE, a municipal corporation, that executed the foregoing instrument and acknowledged to me that he signed the same as the free and voluntary act and deed of said municipal corporation and on oath stated that he was authorized to execute said instrument.

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

Lisa D. Peyer
Notary Public in and for the
State of Washington, residing at *Seattle*
My appointment expires *5/29/95*

STATE OF OREGON)
)ss.
COUNTY OF *Multnomah*)

THIS IS TO CERTIFY that on this 4th day of Feb., 1993, before me the undersigned, a Notary Public in and for the State of Oregon, duly commissioned and qualified, personally appeared *Linda M. Wakefield* to me known to be of the Schnitzer Investment Corp. who executed the within and forgoing instrument, and acknowledged to me that *she* signed and sealed the same as the free and voluntary act and deed of such corporation, for the uses(s) and purpose(s) therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year first above written.

Dorothy L. Rudinger
Notary Public in and for the
State of Oregon, residing at *Clackamas*
My appointment expires *2/16/93*

LEASE AGREEMENT

PART B - GENERAL TERMS AND CONDITIONS

1. **POSSESSION.** In the event of the inability of the Lessor to deliver possession of the Premises to Lessee at the time of the commencement of the term of this lease, Lessor shall not be subject to any liability therefor, but in such case Lessee shall not be obligated to pay rent until possession of the Premises is tendered to Lessee; provided, however, that if Lessor shall not have delivered possession of the Premises within sixty (60) days from said commencement date, Lessee may, at Lessee's option, by notice in writing to Lessor within ten (10) days thereafter, cancel this lease, in which event the parties shall be discharged from all obligations hereunder. If Lessee occupies the Premises prior to said commencement date, such occupancy shall be subject to all provisions hereof, such occupancy shall not advance the expiration date, and Lessee shall pay prorated rent for such period at the initial monthly rate set forth in Part A - RENT.
2. **ACCESS.** Lessee will allow Lessor's agents free access at all reasonable times to said premises for the purpose of inspection or of making repairs, additions or alterations to the premises or any property owned by or under the control of Lessor, but this right shall not be construed as an agreement on the part of the Lessor to make repairs, which are the responsibility of the Lessee as provided herein.
3. **CARE OF PREMISES.** The Lessor shall not be called upon to make any improvements or repair of any kind, except roof, walls, and foundation upon said premises. Premises shall at all times be kept and used in accordance with the laws of the State of Washington and ordinances of the City of Seattle, and in accordance with all directions, rules and regulations of the health officer, fire marshal, building inspector, or other proper officer of the City of Seattle, at the sole cost and expense of said Lessee and Lessee will permit not waste, damage or injury to the premises, and at Lessee's own cost and expense, will keep all drainage pipes free and open and will protect water, heating and other pipes so that they will not freeze or become clogged, and will repair all damages caused by reason of Lessee's failure to protect and keep free, open and unfrozen any of the pipes and plumbing on said premises.
4. **MAINTENANCE - REPAIRS.** The premises have been inspected and are accepted by Lessee in their present condition, without reservation except for latent defects or faulty construction of the Premises not discoverable at the time of taking of possession, and Lessee will at all times keep the premises neat, clean and in a sanitary condition, and will replace any glass of all windows and doors as may become cracked or broken, and except for reasonable wear and tear and damage by fire or other unavoidable casualty, will at all times preserve said premises in as good repair as they now are or may hereafter be put to. All repairs excepting those due to latent defects or faulty construction shall be at Lessee's sole cost and expense, except outside walls, roof and foundation, and Lessee agrees that at the expiration of this lease, Lessee will quit and surrender the said premises without notice, and in a neat and clean condition, and will deliver up all keys belonging to said premises to the Lessor or Lessor's agents.
5. **DAMAGE OR DESTRUCTION.** In the event the Premises are damaged by fire, earthquake, act of war, or other extraordinary casualty to such an extent as to render the same untenable in whole or in a substantial part thereof, or are destroyed, it shall be optional with the Lessor to repair or rebuild the same, and after the happening of any such event, the Lessee shall give the Lessor or the Lessor's agent written notice thereof within forty-eight (48) hours of such occurrence. The Lessor shall have not more than thirty (30) days after the date of such notification to notify the City in writing of the Lessor's intentions to repair or rebuild said Premises; and if the Lessor elects to repair or rebuild said Premises, the Lessor shall prosecute the work of such repairing or rebuilding without unnecessary delay. During any period in which the Premises are rendered unfit for occupancy because of any such casualty, the rent of said Premises shall be abated in the same ratio that the portion of the Premises rendered for the time being unfit for occupancy shall bear to the whole of the Premises. In the event the building in which the Premises are located is destroyed or is damaged (even though the Premises hereby leased shall not be damaged thereby) to such an extent that, in the opinion of the Lessor, it is not practicable to repair or rebuild, then the Lessor may, at its option, terminate the lease by providing written notice thereof to the Lessee within thirty (30) days after such damage or destruction has been determined to be irreparable.

6. COMPLIANCE WITH LAW

(a) General Requirement. The Lessee shall perform and comply with all applicable laws of the United States and the State of Washington; the Charter and ordinances of The City of Seattle; and rules, regulations, orders, and directives of their administrative agencies and the officers thereof. Lessor shall not be responsible for compliance with the Americans with Disabilities Act or the regulations promulgated thereunder (the "ADA") or with any similar federal, state or municipal statute, rule or regulation.

(b) Licenses and Similar Authorizations. The Lessor and/or the Lessee, when applicable, shall secure and maintain in full force and effect during the term of this Agreement, all required licenses, permits, and similar legal authorizations, and comply with all requirements thereof.

(c) Taxes. The Lessor shall pay, before delinquency, all taxes, levies and assessments to the Premises. The Lessee shall reimburse Lessor for the pro rata share of said taxes applicable to the Premises.

(d) Nondiscrimination and Affirmative Action.

(1) The Lessor agrees to and shall comply with all Federal, State and local laws and ordinances prohibiting discrimination with regard to race, color, national origin, ancestry, creed, religion, political ideology, sex, sexual orientation, marital status, or the presence of any sensory, mental or physical handicap.

(2) Women's and Minority Business Enterprise Utilization:

- (a) Reference: The provisions of Seattle Municipal Code Ch. 20.46 (Women's and Minority Business Enterprise Utilization Ordinance), as amended, are hereby incorporated by reference and made a part hereof as if fully set forth herein.
- (b) Compliance: During the term of this Lease, the Lessor shall:
1. Continue to make every effort to utilize minority business enterprises ("MBEs") and women's business enterprises ("WBEs") in subcontracting under this Lease;
 2. Require every contractor and subcontractor utilized by the Lessor for work in fulfillment of the Lessor's obligations under this Agreement to make every effort to utilize WBEs and MBEs; and
 3. Maintain records reasonably necessary for monitoring compliance with the provisions of Seattle Municipal Code Ch. 20.46, as amended.

Inasmuch as the Seattle Human Rights Department is authorized and empowered by Seattle Municipal Code Ch. 20.46, as amended, to monitor compliance with the Lessor's WBE and MBE commitment during the term of this Lease, the Lessor shall furnish to such department within a reasonable time after a request has been made for the same, whatever reports or other information is reasonably necessary to determine compliance.

The failure of the Lessor to comply with applicable provisions of Seattle Municipal Code Ch. 20.46, as amended, shall be a material breach of contract.

7. INDEMNIFICATION. The Lessor shall hold Lessee harmless from all claims for accident or injury caused to persons or property by the sole fault or neglect of the Lessor, its employees or agents; or occurring in, about, or by the areas of the structure of which the Premises form a part that are under the sole control of the Lessor; or caused by faults or defects inherent in said structure or defects in or malfunctions thereof not discernable by reasonable inspection. The Lessee will hold the Lessor harmless from all claims for accident or injury caused to persons or property by the fault or neglect of the Lessee, its employees or agents. All personal property of the Lessee on said Premises shall be at the risk of and the responsibility of the Lessee. Reasonable attorney fees and other court costs and expenses are included within the scope of this indemnity.

8. INSURANCE. The Lessor shall secure and maintain in effect during the full term of this lease and any extensions thereof, public liability insurance having policy limits in the amount set forth in Part A hereof, under which the City of Seattle shall be named as an additional insured. A copy of a certificate of insurance documenting such action shall be filed with the Property Management Division of the Department of Administrative Services of The City of Seattle. The Lessor shall provide the City with written notice of the cancellation, termination, reduction or any other change in such insurance coverage not less than twenty-five (25) days prior to the effective date of such change.

9. SIGNS. The Lessee may place identification signs upon the Premises, subject to specifications and prior approval of the Lessor; and permission to place such signs shall not be unreasonably withheld by the Lessor. The Lessor shall have the right to place and maintain "For Rent" signs in a conspicuous place on said Premises and to show the Premises to prospective tenants for thirty (30) days prior to the expiration of this lease.

10. ALTERATIONS, ADDITIONS AND IMPROVEMENTS.

(a) Lessee shall not make any alterations, additions or improvements in said premises, without the consent of Lessor in writing first had and obtained, and all alterations, additions and improvements which shall be made, shall be at the sole cost and expense of Lessee, and shall become the property of the Lessor, and shall remain in and be surrendered with the premises as a part hereof at the termination of this lease, without disturbance, molestation or injury.

(b) The Lessor shall pay the cost of all alterations, additions, and improvements initiated for the Lessor's convenience, and save the City free and harmless from damage, loss or expense arising out of said alterations performed by the Lessor or on its behalf.

(c) If the said improvements as installed by the City may be removed without disturbance, molestation, or injury to the Premises, the City at its option, may remove or cause to be removed said improvements at the City's own expense or may surrender the same with Premises to remain as a part thereof and to become the property of the Lessor upon the expiration or termination of this lease. In the event said improvements are surrendered, the Lessor and the City shall agree as to their value, and if they constitute a benefit to the Premises, compensation in the agreed amount therefor shall be made to the City within fifteen (15) days of said surrender. If the City and the Lessor cannot agree upon compensation for said benefit to the Premises, the City shall remove said improvements, exercising due caution and care to minimize damage to the Premises. The Lessor shall accept responsibility for the minimal repair resulting from said improvement removal.

11. TERMINATION.

Notwithstanding any other provision herein, in the event that either party to this lease defaults in the performance of any of the terms, provisions, covenants and agreements to be kept, observed and performed as provided in the following sections:

Part A - TERM RENT UTILITIES AND OTHER SERVICES	Part B - Subsection 3 Subsection 4	CARE OF PREMISES MAINTENANCE-REPAIRS
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and such default is not corrected within thirty (30) days after the receipt of written notice thereof from the other party, then the non-breaching party may, at its option, immediately terminate this lease, without notice or other proceedings, and in such event the Lessor may also re-enter and take possession of the Premises. Damages may be claimed for a default in the performance of the other lease obligations, but such default shall not be cause for termination of this lease unless such default is repeated upon three or more occasions and a notice to comply is provided after each such instance.

12. SURRENDER OF PREMISES. Upon the expiration or termination of this lease, including any extensions thereof, whichever is earlier, the Lessee shall quit and surrender said Premises and all keys thereto, without notice and in as good condition as received at the commencement of the term hereof except for ordinary wear and tear; damage or destruction by fire or other casualty or circumstances uncontrollable by the Lessee; property damaged, removed, or destroyed by the Lessor or its agents; latent defects or faulty construction of the structure of which the Premises comprise a part, not discoverable by inspection at the time of taking possession.

13. **ADJUDICATION.** This lease shall be construed under all of the applicable laws, statutes, ordinances, rules and regulations of the United States of America, the State of Washington, and The City of Seattle. In the case of a dispute between the parties, jurisdiction over such dispute shall be with the Superior Court of King County, Washington.

14. **NOTICES.** All notices to be given by either of the parties hereto to the other party, including but not limited to invoices, shall be in writing and may either be delivered personally or may be deposited in the United States Mail, postage prepaid, as either certified or regular mail, addressed as specified in Part A hereof or to such other respective addresses as either party may from time to time designate in writing. Notice by facsimile will also constitute acceptable notice hereunder.

15. **RELATIONSHIP.** In no event shall the Lessee be construed or held to have become in any way or for any purpose a partner, associate, or joint venturer of the Lessor or any party associated with the Lessor in the conduct of the Lessor's business or otherwise. This lease does not constitute the Lessor the agent or legal representative of the Lessee for any purpose whatsoever.

16. **AMENDMENTS.** The parties hereto expressly reserve the right to renegotiate any and all of the provisions hereof from time to time as may be necessary and to amend this lease accordingly; Provided, however, that no alteration or modification of the terms or conditions hereof shall be valid and binding unless made in writing and signed by the authorized representative of the parties hereto.

17. **NO WAIVER OF DEFAULT.** No action other than a written document from the Director of Administrative Services specifically so stating shall constitute a waiver by the City of any particular breach or default by the Lessor, nor shall such a document waive the Lessor's failure to fully comply with any other term or condition of this Lease, irrespective of any knowledge any City Officer or employee may have of such breach, default, or noncompliance. The City's failure to insist upon full performance of any provision of this Lease shall not be deemed to constitute consent to or acceptance of such incomplete performance in the future.

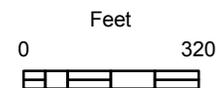
18. **BINDING EFFECT.** This lease shall be binding upon the heirs, successors, assigns, and all other parties legally empowered with signatory rights of any or all of the parties hereto.

19. **INVALIDITY OF PROVISIONS.** Should any term, provision, condition or other portion of this lease be held to be inoperative, invalid or void, the same shall not affect any other term, provision, condition or other portion of this lease; and the remainder of this lease shall be effective as if such term, provision, condition or portion had not been contained herein.

20. **HAZARDOUS MATERIALS.** During the term of this Lease, Lessee shall not cause or permit any Hazardous Materials to be placed, held, located or disposed of on, in or under the Premises or to otherwise affect the Premises in any manner that violates federal, state or local laws, ordinances, rules, regulations or policies now in effect or hereafter adopted governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials (collectively, the "Environmental Laws"). For purposes of this section, "Hazardous Materials" shall mean any flammable substances, explosives, radioactive materials, hazardous wastes, toxic substances, pollutants, pollution or related materials specified as such in, or regulated under, any of the Environmental Laws. Lessor shall have neither the ability nor the duty to direct Lessee's activities with respect to Hazardous Materials or its compliance with Environmental Laws. At the expiration or earlier termination of this Lease, Lessee shall cause any Hazardous Materials permitted or caused by the Lessee, to be placed, held, located or disposed of on, in, under or affecting the Premises in any manner that violates the Environmental Laws to be cleaned up and removed from the Premises at Lessee's expense in such manner as to comply with the Environmental Laws. Lessee shall indemnify, defend and hold Lessor and the present and future owners of the property harmless from and against any and all losses, liabilities, claims and expenses (including reasonable attorney fees through appeal and fees of environmental engineers) arising out of or in any way relating to any default by Lessee pursuant to this section, and the agreements by Lessee in this section shall survive the expiration or earlier termination of this Lease. Lessee shall immediately advise Lessor in writing of any and all enforcement, cleanup, remedial, removal or other governmental or regulatory actions instituted, completed or threatened pursuant to any Environmental Laws affecting the Premises. Lessor shall indemnify, defend and hold harmless Lessee from and against any and all losses, liabilities, claims and expenses arising out of, or in any way related to the actual or alleged violation of any environmental laws by any person or entity other than the Lessee, its employees, agents, subcontractors, invitees or any third party in a contractual relationship with Lessee, (other than the Lessor), that has occupied or presently or in the future may occupy the Premises or any portion thereof or any part of the building in which the Premises are located.



FAS & SFD Warehouse Lease
3601, 3641 & 3807 Second Ave S.



FAS Facility Operations Division
WCraven February 2013

All rights reserved. No guarantee of any sort is implied,
including accuracy, completeness, of fitness for use.