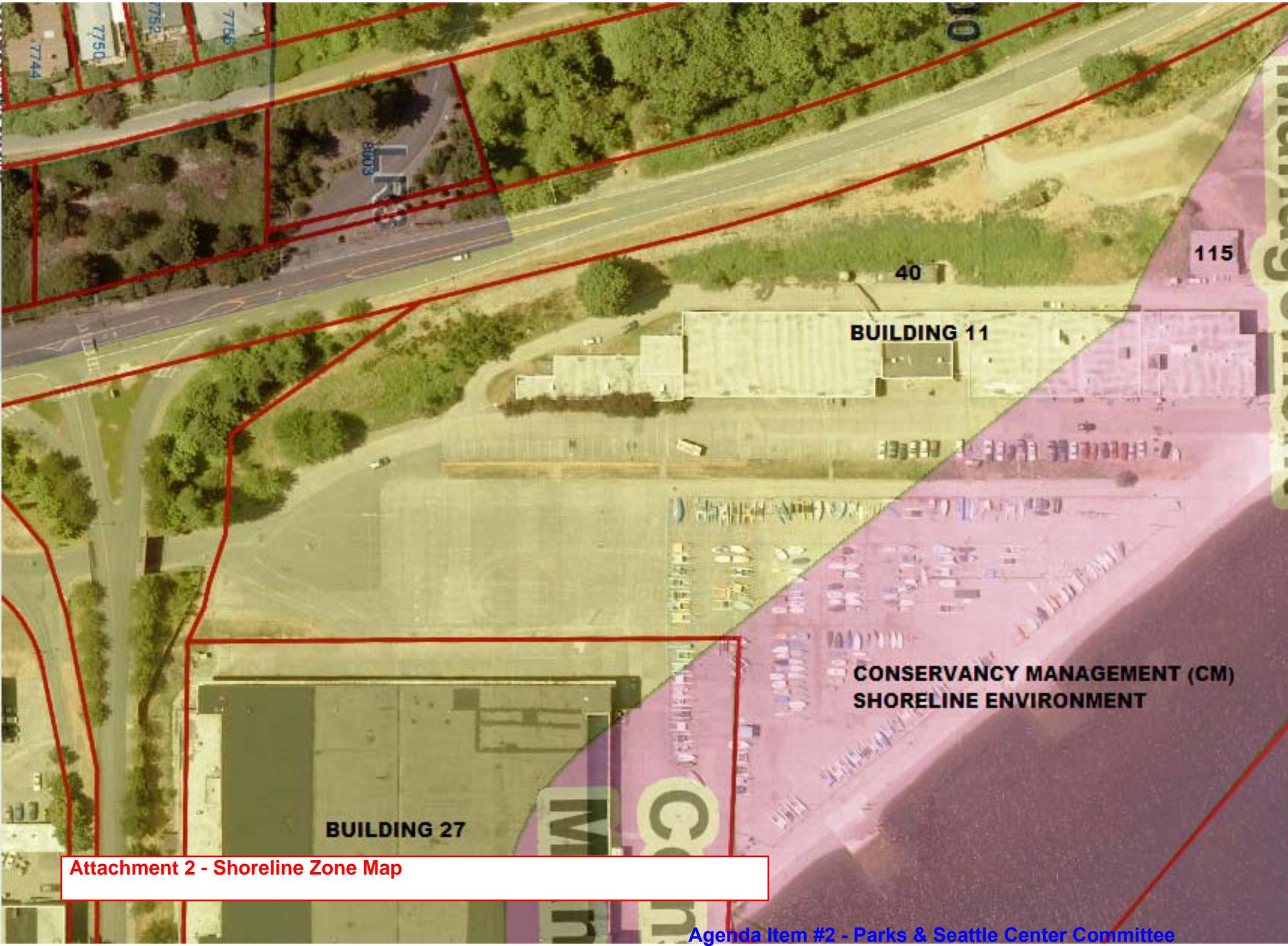




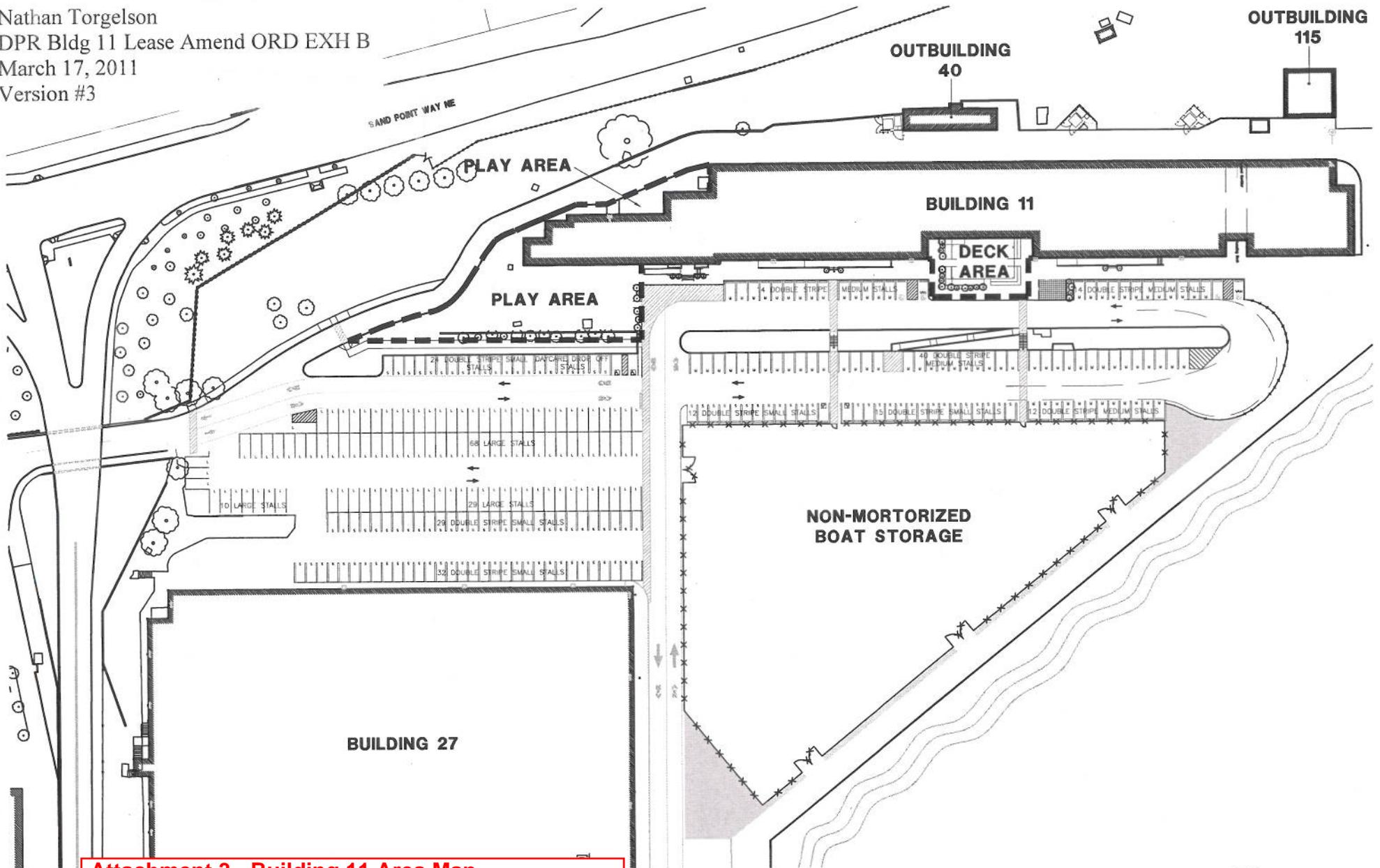
accompany this product.



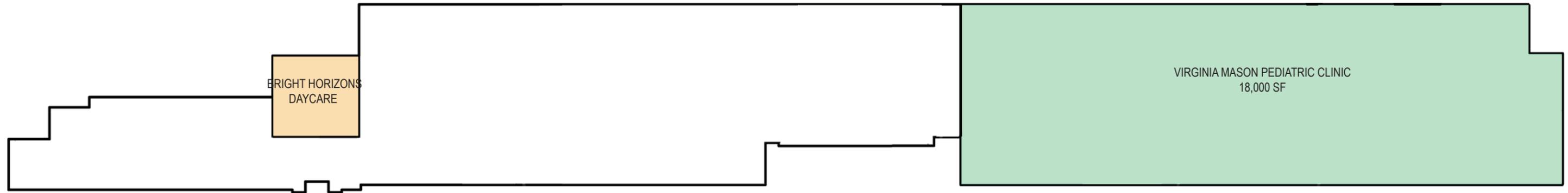
**Attachment 2 - Shoreline Zone Map**

# EXHIBIT B

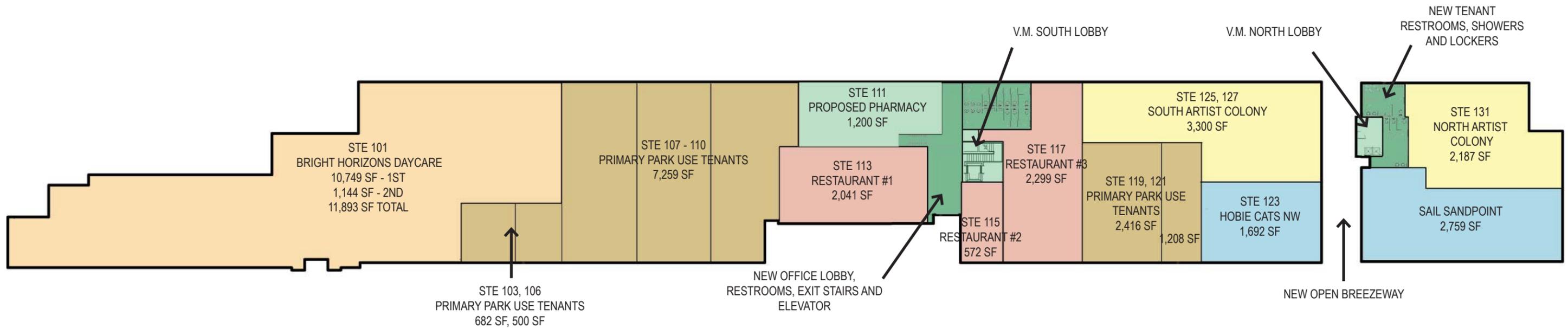
Nathan Torgelson  
DPR Bldg 11 Lease Amend ORD EXH B  
March 17, 2011  
Version #3



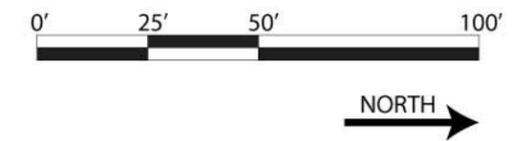
Attachment 3 - Building 11 Area Map



Second Floor Lease Plan



First Floor Lease Plan



Attachment 4 - Building 11 Lease Plan

Item	Space Leased	Lease Term	Public Benefits	Rent	Rent Offset	Contingency: Deed Restriction
Section	1.1; 2.9; 9; 12	1.4; 3.3	5.3; 8.7	1.6.1; 1.6.2; 4.2.1	5.1; 5.3	7.1.1
<b>EXISTING Lease (Second Proposal)</b>	<p>I) 58,780 square ft existing building,</p> <p>II) Two adjacent outbuildings, - may demolish or use, at no extra cost.</p> <p>Lessee responsible for all utilities, operational expenses and major/minor maintenance.</p>	<p>Initial Term: - Begins at Commencement Date. - Ends 30 years later.</p> <p>Extended Term: - Three 5-year Extensions allowed, if, - Lessee is not in default, and, - Lessee has provided, in aggregate, the maximum Public Benefit (23% of total Rent).</p> <p>Total Term Possible: - 45 years.</p> <p>Lessee may terminate lease after five years.</p>	<p>Minimum Public Benefits Required. - Must provide benefits equal to at least 10% of Rent due each year.</p> <p>Public Benefits described in Attachment 6 and include: - free or reduced-price pgms at Bldg 11, for members of the general public. - Must provide at Benefits of at least 10% of Rent due. - Proposed via Annual Mgmt &amp; Operations Plan. - Verified via Annual P.B. Report.</p> <p>Minimum Pub Benft: 10% of Rent. Maximum Offset: 23% of Rent. (Approx. \$25-70K per year.)</p>	<p>Base Rent: \$235,120 annually (\$19,593.33 monthly). - \$4 per SF, based on unimproved value.</p> <p>Additional Rent: 10% of Subtenant Rent.</p> <p>Rent Escalators: a) CPI, annually adjusted, or, b) After Year 10, percentage increase in Gross Rent charged to subtenants.</p> <p>- Rent cannot go down. - Add'l Rent: Est. \$60,000/year, after Year 3.</p>	<p>I) Lessee may offset all Capital expenses for a) Initial Improvements, and b) Subsequent Improvements, against Rent Due.</p> <p>- May not exceed 75% of Rent Due during first five years. - May not exceed 67% of Rent Due afterward.</p> <p>II) Lessee may offset cash value of Public Benefits provided, up to 23% of Rent Due.</p> <p>Maximum Rent Offset: - through Year 5: 98%. - after Year 5: 90%.</p>	<p>City req'd to work with National Park Service to permit Lessee to use up to 25,000 SF for Permitted Commercial Uses.</p>
<b>PROPOSED Lease (Third Proposal)</b>	<p>Same as above, PLUS:</p> <p>a) Provision for demolition of outbuildings removed, b) Two outdoor play areas added: - Area #1 - West Side. 10,000 SF. - Area #2 - East Side. 1,000 SF. - Exclusive use during Childcare business hours. - Open to public all other hours. c) One outdoor restaurant seating area added. 2,000 SF, East Side. - Open to restaurant patrons <u>and</u> the public, at all times.</p>	<p>Same as above, except:</p> <p>Initial Term: extended to 40 years.</p> <p>Extended Term: only one 5-year Extension allowed.</p> <p>- Historic Rehabilitation Tax Credits require a minimum 40-year lease period.</p> <p>- Five year termination clause eliminated.</p>	<p>No changes</p> <p>Council may wish to amend some provisions.</p> <p>- Described more fully in Section E of attached memorandum.</p>	<p>Same as above.</p>	<p>Same as above, except:</p> <p>5.1.1 Tax Credit Eligible Capital Expenditures. - Lessee may apply for tax credits equal to 20% of the value of "tax credit eligible" expenses. - Credits likely to be \$1.5 to \$1.8 million. - Capital offset reduced by 75% of net proceeds from Historic Rehabilitation Tax Credit.</p>	<p>Removed.</p> <p>- Condition satisfied via Ord. 123073, passed by Council in Aug 2009. - Transferred Deed Restriction in exchange for exclusive Parks &amp; Recreation Use at Crown Hill School property. - Allows Commerical Use at Building 11.</p>
Comments	<p>No add'l rent for outdoor areas. Public gains access to a) play areas, and b) outdoor dining deck.</p>	<p>Changes result in "maximum Public Benefits" test not being conducted until Year 40 of lease, instead of Year 30.</p>			<p>City receives \$1.125 to \$1.3 million from Historic Rehab. Tax Credits, via increased rent payments in Years 30 to 33.</p>	

Building 11 LLC - Lease /  
Summary Matrix - As of 15 Jur

Item	Other Contingencies	Start of Lease Term, Building "Handover"	Use of Space Primary Parks Uses	Use of Space Other Parks Uses	Use of Space Other Uses	Use of Space Water Related Use
Section	Section 7	1.3; 7.4; 7.5; 8.1	2.5.1; 2.5.4	2.5.2	2.5.3; SMC 23.72.008	2.5.4.
<b>EXISTING Lease (Second Proposal)</b>	<p>7.2.1 Lessee Financing. - Lessee must provide evidence of funding to complete all Building alterations req'd to obtain certificate of occupancy.</p> <p>7.2.2 Third Party User Commitments. - Lessee shall provide evidence (letters of intent) of sublease commitments for 50% of rentable SF.</p> <p>7.2.3 Building Permits. - Lessee shall apply for the Master Use Permit to undertake the Initial Capital Improvements.</p> <p>7.3.2 Park Access Improvements. - Discussed in concept only.</p>	<p>Lease Term begins at Commencement Date, 60 days after Lessee's Notice (or by specific date), that Contingencies have been fulfilled.</p> <p>City must, at Commencement Date: i) evict all tenants w/o continuing leases, ii) transfer building control to Lessee.</p> <p>Lessee must obtain Occupany Permit within 24 montrhs of Commencement Date.</p>	<p>At least 16,890 SF <u>must</u> be used for Primary Park and Recreation Uses.</p> <p>- focus on water-related recreation, and, - land-based recreation (biking, running, etc.), and, - recreation-oriented retail, - health and fitness sales and services, - environmental stewardship.</p> <p>Retail not to exceed 25% of Ground Floor space.</p>	<p>Up to 16,890 SF <u>may</u> be used for Other Park Uses.</p> <p>- Includes only: (i) childcare, (ii) artist studios / wkshops, and (iii) food and beverage services.</p> <p>- Food services not to exceed 10,000 SF total. - None over 2,500 SF.</p> <p>- Exclusivity provisions for Childcare and Restaurant Uses, if exercised.</p>	<p>Up to 25,000 SF <u>may</u> for any other Permitted Commercial Uses. Land Use Code (as of May 2011) allows: Principal Uses, plus: a. Custom and craft work. b. Dry boat storage. c. In/Outdoor sports and Rec. d. Institutions, except hospitals. e. Lecture and meeting halls. f. &lt;not applicable&gt; g. Offices (max: 86,000 SF in entire subarea). h. Performing arts theaters. i. R&amp;D laboratories. j. Restaurants (limits apply). k. Vehicle fleet mgmt. l. Warehouses. m. Retail (limits apply).</p>	<p>At least 8,000 SF at Ground Floor must be used for Water Related Uses.</p> <p>- Must include non-motorized boat rentals, at rates comparable to the Center for Wooden Boats.</p> <p>- Leases must be under eighty percent (80%) of the average of all rents in the building.</p> <p>- Must include Sail Sand Point as focal point of H2O-related use, consistent with 08.11.2008 Letter of Intent.</p>
<b>PROPOSED Lease (Third Proposal)</b>	<p>Contingency due dates changed: - Lessee Financing: by 04.23.2011. - User Commitmts: by 05.23.2011. - Bldg Permits: by 05.23.2011.</p> <p>PLUS: - Lessee must provide evidence of commitment for lease-up of at least 50% of water-related use tenants. - "Master Use Permit" changed to "necessary building permits." - 7.3.2 Park Access Improvements. Requires dvmt of Access Plan, and new Magnuson Park entry. - Costs 100% borne by Lessee. - Costs to be offset against Rent.</p>	<p>Same as above.</p> <p>- Specific date extended from 01.10.2010 to 05.23.2011.</p>	<p>Same as above.</p> <p>Adds one allowable use: - Studio and workshop space for artists.</p> <p>Requires at least 5,000 SF to be used for Artist Studio and Workshop Space.</p>	<p>Same as above, except: Increase limit to 18,890 SF. Remove artist studios and workshops as Other Parks Uses.</p>	<p>Same as above, except: Reduce maximum to 23,000 SF. Adds institutional uses, to include: - clinical, optical, pharmacy, imaging, pediatrics, adult care and laboratory uses.</p> <p>- Lessee has proposed Virginia Mason Pediatrics as subtenant.</p> <p>- Further detail provided in Section E of attached memorandum.</p>	<p>Same as above, except: - Reduce req't to 5,000 SF. - Eliminate Ctr for Wdn Boats affordability reference. - Increase affordability threshold to 75% of rents. - Changes rent comparison to 75% of "all non-Water Related and Studio Space".</p>
Comments	<p>Cost estimate - Access Road: \$150k. - City gains park entrance, but receives less rent, due to rent offset for Access Road.</p>					<p>Council may wish to disallow change to affordability threshold.</p>

Building 11 LLC - Lease /  
Summary Matrix - As of 15 Jur

Item	Water-Related Use Caveat	Subtenants Non-Disturbance Agreement	Default
Section	2.5.4.	17.3	21
EXISTING Lease (Second Proposal)	<p>If Lessee is unable to maintain water-related tenant and this space is vacant for 3+ months:</p> <p>a) Parks Dept may locate and propose water-related tenant. b) If Parks Dept does not do this, Lessee may waive water-related use req't and lease space for: - Parks Uses, or, - Other Parks Uses.</p>	None.	<p>Default conditions:</p> <p>(a) a failure to pay Rent (b) the abandonment or vacation of the Premises (c) a violation of lease terms (d) a violation of the Minimum Public Benefits Requirements (e) Lessee bankruptcy</p>
PROPOSED Lease (Third Proposal)	Provision removed.	<p>Parks Dept required to sign Non-Disturbance Agreement to guarantee continued operations of the daycare and pediatric doctor's office subtenants, if Lessee goes bankrupt.</p> <p>- Applies to any other lessee, if requested.</p>	<p>Same as above, except one added condition:</p> <p>(f) if Lessee fails to keep 16,890 square feet available for Park and Recreation Uses, 5,000 square feet of Studio Space, and 5,000 square feet of ground floor space for Water-Related Uses.</p>
Comments			

## **EXHIBIT G PUBLIC BENEFITS**

Building 11 LLC may apply to the Parks Superintendant for public benefit offsets for free and reduced-price programs and services offered to the general public. Applicable programs and services include, but are not limited to, the following:

- Open Sailing Programs that offer free sailing to youth and low-income individuals on a walk-up basis;
- Reduced-Price Season Passes issued at or below 80% of market rate;
- Youth and Adult Racing Team memberships at or below 80% of costs;
- Youth Scholarships for free boat rentals and sailing instruction;
- Partnership with YMCA and other youth recreation programs sponsored at or below 80% of costs;
- College Sailing Program Sponsorships at or below 80% of costs;
- Hobie 101 training offered free to participants;
- US Sailing Level One Instructor Safety Classes offered at an unreimbursed cost; and
- Hand-launched Boats stored in Dry Boat Storage at 50 - 75% of market rates.

Building 11 LLC will also encourage other tenants in the building to develop their own free or reduced-price programs and services for the general public, but until the tenants are identified, these specific programs cannot yet be described. As with offsets for the programs described above, any additional tenant programs will be submitted to the Parks Superintendant for approval as described in the lease.

**Building 11 LLC - Operating Proforma (Attachment B to Fiscal Note)**

1) WITH ZERO Historic Tax Credits				2012	2013	2014	2039	2040	2041	2042	2043	2044	2045	2056
				Year 1	Year 2	Year 3	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 45
(Same Fiscal Detail as Second Proposal / Existing Agmt)														
REVENUES	NOMINAL	NPV @ 2.3%	NPV @ 7.0%											
Gross Rent	\$19,166,073	\$10,754,796	\$4,469,134	\$235,120	\$240,998	\$247,023	\$457,967	\$469,416	\$481,151	\$493,180	\$505,510	\$518,147	\$531,101	\$696,851
Additional Rent	\$3,685,928	\$2,143,780	\$951,976	\$39,908	\$53,906	\$62,120	\$83,788	\$85,463	\$87,173	\$88,916	\$90,695	\$92,508	\$94,359	\$117,323
Total Rent	\$22,852,001	\$12,898,576	\$5,421,110	\$275,028	\$294,904	\$309,143	\$541,754	\$554,879	\$568,324	\$582,096	\$596,204	\$610,656	\$625,460	\$814,174
Cap Rent Offset	(\$9,400,000)	(\$6,305,876)	(\$3,300,925)	(\$206,271)	(\$221,178)	(\$231,857)	(\$362,975)	(\$371,769)	(\$380,777)	(\$390,005)	(\$399,457)	(\$133,608)	\$0	\$0
PB Rent Offset	(\$5,255,960)	(\$2,966,672)	(\$1,246,855)	(\$63,256)	(\$67,828)	(\$71,103)	(\$124,604)	(\$127,622)	(\$130,715)	(\$133,882)	(\$137,127)	(\$140,451)	(\$143,856)	(\$187,260)
<b>Net Rent</b>	<b>\$8,196,041</b>	<b>\$3,626,027</b>	<b>\$873,330</b>	<b>\$5,501</b>	<b>\$5,898</b>	<b>\$6,183</b>	<b>\$54,175</b>	<b>\$55,488</b>	<b>\$56,832</b>	<b>\$58,210</b>	<b>\$59,620</b>	<b>\$336,597</b>	<b>\$481,604</b>	<b>\$626,914</b>
				<b>Capital Account</b>										
				\$9,193,729	\$8,972,551	\$8,740,694	\$1,675,616	\$1,303,847	\$923,070	\$533,065	\$133,608	\$0	\$0	\$0
<b>\$9,400,000</b>				<b>Capital Account - Full Value</b>										
2) WITH \$1.5M Historic Tax Credits				2012	2013	2014	2039	2040	2041	2042	2043	2044	2045	2056
				Year 1	Year 2	Year 3	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 45
REVENUES	NOMINAL	NPV @ 2.3%	NPV @ 7.0%											
Gross Rent	\$19,166,073	\$10,754,796	\$4,469,134	\$235,120	\$240,998	\$247,023	\$457,967	\$469,416	\$481,151	\$493,180	\$505,510	\$518,147	\$531,101	\$696,851
Additional Rent	\$3,685,928	\$2,143,780	\$951,976	\$39,908	\$53,906	\$62,120	\$83,788	\$85,463	\$87,173	\$88,916	\$90,695	\$92,508	\$94,359	\$117,323
Total Rent	\$22,852,001	\$12,898,576	\$5,421,110	\$275,028	\$294,904	\$309,143	\$541,754	\$554,879	\$568,324	\$582,096	\$596,204	\$610,656	\$625,460	\$814,174
Cap Rent Offset	(\$8,275,000)	(\$5,758,149)	(\$3,166,354)	(\$206,271)	(\$221,178)	(\$231,857)	(\$362,975)	(\$371,769)	(\$178,847)	\$0	\$0	\$0	\$0	\$0
PB Rent Offset	(\$5,255,960)	(\$2,966,672)	(\$1,246,855)	(\$63,256)	(\$67,828)	(\$71,103)	(\$124,604)	(\$127,622)	(\$130,715)	(\$133,882)	(\$137,127)	(\$140,451)	(\$143,856)	(\$187,260)
<b>Net Rent</b>	<b>\$9,321,041</b>	<b>\$4,173,755</b>	<b>\$1,007,900</b>	<b>\$5,501</b>	<b>\$5,898</b>	<b>\$6,183</b>	<b>\$54,175</b>	<b>\$55,488</b>	<b>\$258,763</b>	<b>\$448,214</b>	<b>\$459,077</b>	<b>\$470,205</b>	<b>\$481,604</b>	<b>\$626,914</b>
				<b>Capital Account</b>										
<b>Benefit to City v. ORIGINAL:</b>				\$8,068,729	\$7,847,551	\$7,615,694	\$550,616	\$178,847	\$0	\$0	\$0	\$0	\$0	\$0
\$9,400,000				Capital Account - Full Value										
(\$1,125,000)				Less: City Share of Hist Tax Credits										
<b>\$8,275,000</b>				<b>DIFF from ORIG:</b>										
				<b>REVISED Capital Account for Rent Offset.</b>										
				((\$9.4M less 75% of HTC Value)										

**Assumptions:**

Initial Capital Improvement Account:	9,400,000	Rent Escalation, office leases:	3.0%
Rent Escalation, city lease:	2.5%	Cap improv Offset:	67.0%
Rent Escalation, retail leases:	2.0%	PB Offset:	23.0%
Net Present Value Discount Factor - High:	7.0%	Initial Cap Improv Offset:	75.0%
Net Present Value Discount Factor - Low:	2.3%	<i>(Average value - CPI-U for Seattle, 2000-2020 (est).)</i>	