Michael P. Katz
CEN Pottery Northwest Lease ORD
November 14, 2012
Version # 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 117689

AN ORDINANCE relating to the Seattle Center Department; authorizing execution of a ten-year lease agreement with two five-year options to extend with Pottery Northwest, Inc., for use of space on the Seattle Center campus.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Seattle Center Director or his designee is authorized to execute, for and on behalf of The City of Seattle, a lease agreement with Pottery Northwest, Inc., substantially in the form of the Lease Agreement Between the City of Seattle and Pottery Northwest, Inc. attached hereto as Attachment 1 under which Pottery Northwest, Inc., will lease space on the Seattle Center campus for a term of ten years, with options to extend for two additional five-year terms.

Section 2. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ____ day of _____, 2012, and signed by me in open session in authentication of its passage this _____ day of _____, 2013.

_____

President _____ of the City Council

Approved by me this ____ day of _____, 2013.

_____

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2013.

_____

Monica Martinez Simmons, City Clerk

(Seal)

Attachment 1: Lease Agreement between the City of Seattle and Pottery Northwest, Inc.

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Attachment 1

LEASE AGREEMENT BETWEEN

THE CITY OF SEATTLE

AND

POTTERY NORTHWEST, INC.

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LEASE AGREEMENT BETWEEN THE CITY OF SEATTLE AND POTTERY NORTHWEST, INC.

THIS LEASE AGREEMENT ("Lease") is entered into by THE CITY OF SEATTLE ("City"), a municipal corporation of the State of Washington, acting by and through the Seattle Center Department and its Director (the "Director"), and POTTERY NORTHWEST, INC. ("Lessee"), a Washington non-profit corporation.

In consideration of the mutual promises herein, the parties covenant and agree as follows:

1. PREMISES

A. Grant: The City hereby leases to Lessee and Lessee leases from City those certain premises consisting of approximately 10,800 square feet (the "Premises") in a portion of the building located at 226 First Avenue North, Seattle, WA (the "Building"), situated on real property legally described as Lot Eleven (11), Block Thirty (30), D. T. Denny's Plan of North Seattle, according to plat recorded in Volume One of Plats, Page 41, Records of King County, Washington. The site plan depicting the Premises is attached to this Lease as Exhibit A.

B. Condition: The City leases the Premises and Lessee accepts the Premises in "AS IS" condition.

C. Permitted Use: Lessee shall use the Premises only for the Permitted Use and for no other use without the Director's prior written consent. As used in this Lease, "Permitted Use" means and includes use for the following purposes:

(1) to provide regular pottery classes open to the general public, and to provide presentations, workshops, master classes and the like by regionally or nationally recognized potters;

(2) to provide a work-space for potters, including but not limited to facilities and equipment for clay making, the wheel-throwing and hand-building of pots and other clay objects, and the glazing and firing of such objects, which facilities and equipment shall be available for use by potters on a by-request basis; and

(3) to provide a gallery for the display and sale of pottery objects.

D. Expansion of the Premises: During the Term, if the City vacates the portion

of the Building currently used by Seattle Center staff and the City does not intend to use the space for an alternative purpose, then Lessee shall have the first right to lease the vacated portion of the Building for the Permitted Use. The Director will provide Lessee with written notice of the availability of the space and the estimated date of availability. If Lessee wishes to lease the additional space, Lessee must notify the Director in writing no later than one hundred-twenty (120) days after the date of Director's notice. If Lessee does not provide the Director with notice of intent to lease within the time required, Lessee's right to lease the space shall be void and the City shall be free to pursue other tenants for the space. Otherwise, Director and Lessee will amend the Lease to include the expanded area and to provide for additional rent at the then current fair market rate and any additional terms and conditions the parties may agree upon. If Lessee has defaulted under this Lease and if such default remains uncured at the time when the Lessee is required to provide notice of its intention to lease the expanded space, Lessee's right under this section shall be void.

E. Redevelopment: The City reserves the right to terminate this Lease without liability in order to redevelop the Building or adjacent areas of Seattle Center. Lessee agrees and acknowledges that the Base Rent charged reflects the City's reservation of this right and that under SMC 20.84.030 K., Lessee may not qualify as a "Displaced Person". Notwithstanding the forgoing, the Director will keep Lessee reasonably informed of any Seattle Center redevelopment plans that are likely to impact Lessee, and will use best efforts to provide Lessee with one year's notice of redevelopment plans so that Lessee may arrange for an alternative facility. Additionally, if the City elects to terminate this Lease in order to redevelop the Building or Seattle Center, City agrees to pay Lessee's reasonable moving costs and will make reasonable efforts to provide comparable space to Lessee at Seattle Center at a similar rental rate. If comparable space is not available on the Seattle Center campus, City shall provide relocation assistance comparable to, but not greater than, what Lessee would qualify for under City ordinance whether or not Lessee qualifies as a "Displaced Person".

2. LEASE TERM; PRIOR LEASE TERMINATED; OPTIONS TO EXTEND

A. Term: The Lease will be for an initial term of ten years (the "Initial Term") beginning on the date when signed by an authorized representative of both parties following an authorizing ordinance by Seattle City Council (the "Commencement Date"), unless extended under Section 2.C or terminated earlier under the terms and conditions herein.

B. Prior Lease Terminated: The City and Lessee entered into a lease for the same Premises on or about August 13, 2003 ("Prior Lease"). Effective as of the Commencement Date, the Prior Lease shall automatically terminate and shall have no further effect, except provisions of the Prior Lease that expressly survive expiration or termination.

C. Lessee's Opportunity to Extend the Lease Term: Lessee may extend the Lease Term for up to two successive terms of five (5) years each (each an "Extended

Term") upon the terms and conditions contained in the Lease. In order to be eligible for any Extended Term, Lessee must notify the City, in writing, of its desire for an Extended Term not later than twelve months prior to expiration of the then current Term. If Lessee has defaulted and the default has not been cured to the satisfaction of the Director at the time when notice is required under this subsection, Lessee's option to extend will be void. As used in this Lease, "Term" shall mean the Initial Term and any Extended Term(s).

3. RENT

A. Base Rent During Initial Term: Beginning on the Commencement Date and thereafter throughout the Initial Term, Lessee shall pay City annual Base Rent in a combination of cash and public benefits as shown in the table below.

Year	Annual Base Rent per Square Foot	Annual Amount of Base Rent	Annual Amount of Base Rent Payable in Cash	Annual Amount of Public Benefit Rent	Monthly Cash Installment of Base Rent
Lease Years 1 - 5	$6.00	$64,800.00	$43,200.00	$21,600.00	$3,600.00
Lease Years 6 - 10	$7.00	$75,600.00	$50,400.00	$25,200.00	$4,200.00

B. Payment of Cash Rent. Beginning on the Commencement Date, Lessee shall pay to City at the address and to the account specified by City, without notice or demand or any setoff or deduction whatsoever, in lawful money of the United States (a) the monthly cash installment of Base Rent in advance on or before the first day of each month, and (b) any additional sums due, without offset, as and when specified elsewhere in this Lease, but if not specified, then within thirty (30) days.

C. Public Benefit Rent. As used in this Lease, "Lease Year" means a period of twelve (12) consecutive months beginning on the Commencement Date, and thereafter each succeeding twelve (12) month period. Throughout the Initial Term, and each Extended Term, if any, Lessee shall provide Public Benefit Rent in an amount equal to the Base Rent for 3,600 square feet. As used in this Lease, "Public Benefit Rent" means Lessee's actual labor, materials, and other costs expended to provide public programming and benefits. As part of its annual report to the Director under Section 7.K., Lessee shall provide a proposal that details programs Lessee proposes as eligible for Public Benefit Rent in the coming Lease Year. Types of programming eligible for Public Benefit Rent include, but are not limited to, free or reduced admissions classes, free use

of studio space for City events, scholarships, public displays of original ceramic art and other programs providing a direct benefit to the public, as determined and approved by the Director. The Director will approve or disapprove of the proposed Public Benefit Rent programs within thirty (30) days of receipt of the annual report. No later than thirty (30) days after the end of each Lease Year during the Term, Lessee shall provide the Director with an accounting which details the value of the program(s) actually provided in the Lease Year and states the total amount of the Public Benefit Rent provided for that Lease Year. The accounting shall be supported by an itemized statement of time, labor rates, and materials, with corresponding dollar values. The Director will respond within thirty (30) days, and may request more information, deny, or approve the request. If the Director approves the accounting of Public Benefit Rent provided by Lessee, up to maximum amount above will be applied as an offset against the total annual Base Rent due in the same Lease Year that the approved public benefits were provided. Lessee acknowledges that the total amount of annual Base Rent payable through public benefits under this section shall be limited to the Base Rent for 3,600 square feet, even if the actual value of Lessee's programming exceeds that amount. Lessee shall not be entitled to carry forward any excess public benefits provided in any Lease Year, nor shall Lessee be entitled to any refund. Additionally, if Lessee fails to provide Public Benefit Rent in an amount equal to Base Rent for 3,600 square feet in any Lease Year, Lessee will pay the deficiency in cash no later than thirty (30) days following the Director's determination of Public Benefit Rent for the applicable Lease Year.

D. Base Rent during Extended Term(s). If Lessee elects to extend the Term under Section 2.C, Base Rent for each Lease Year in the Extended Term shall be the amount of Base Rent paid in the immediately preceding Lease Year increased by the percentage increase (if any) in the Consumer Price Index for All Urban Consumers Seattle Metropolitan Area ("CPI-U"), as published by the U.S. Department of Labor, Bureau of Labor Statistics, or its successor, that occurred during the immediately preceding twelve month period; provided that if there is a change in the index base of (1982-1984=100) or other modification of the index, the City shall apply whatever conversion factors are necessary to establish an adjusted CPI-U that produces the percentage increase in the CPI-U for each annual adjustment that would have been produced had no change been made in the index. If the index is discontinued, the Director shall select and use a similar index that reflects consumer price changes for determining Base Rent. Notwithstanding the foregoing, the Base Rent for any Lease Year during an Extended Term shall not increase by more than three percent (3%) of the Base Rent due in the immediately preceding Lease Year. Lessee shall pay Base Rent in the same time and manner as during the Initial Term and with the same ratio of Public Benefit Rent and cash.

E. Place of Payment: All payments shall be delivered to the address below or to such other address as the Director shall specify by notice to Lessee.

The City of Seattle
Seattle Center Fiscal Services
305 West Harrison Street, Seattle, Washington 98109

4. LATE CHARGE; INTEREST

If Lessee fails to pay any Base Rent or additional sums due under this Lease within ten (10) days after the due date, a service charge of Fifty Dollars ($50.00), or such larger sum as may be established by ordinance, shall be assessed for each month or portion of a month that the delinquency continues. Such assessment(s) shall be immediately due and payable. In addition, interest on such delinquent amount(s) shall accrue at the rate of 1% per month (12% per annum) from the date due until paid. In the event any check for payment is returned for insufficient funds, Lessee shall pay an administrative charge of $20.00. If Lessee defaults in making any payment of Base Rent or other sums due, City shall have the right to require that subsequent Base Rent or other payments be made by cashiers or certified check.

5. WAIVER; INDEMNIFICATION

A. Lessee's Indemnification. To the full extent allowed by law, Lessee shall indemnify, defend (using legal counsel acceptable to City) and hold City, its officers, agents, employees, and contractors harmless from all claims, suits, losses, damages, fines, penalties, liabilities and expenses (including City's actual and reasonable personnel and overhead costs and attorneys' fees and other costs incurred in connection with claims, regardless of whether such claims involve litigation) resulting from any actual or alleged injury (including death) of any person or from any actual or alleged loss of or damage to any property arising out of or in connection with (i) Lessee's occupation, use or improvement of the Premises, or that of any of its officers, employees, agents, invitees, licensees, guests, or contractors, or (ii) Lessee's breach of its obligations hereunder or violation of law, or (iii) any act or omission of Lessee or any subtenant, licensee, assignee, or concessionaire of Lessee, or of any officer, agent, employee, guest, or invitee of any of the same in or about the Premises. Lessee agrees that the foregoing indemnity specifically covers actions brought by its own employees, and is specifically and expressly intended to constitute a waiver of Lessee's immunity under Washington's Industrial Insurance Act, RCW Title 51, but only as to the City and to the extent necessary to provide City with a full and complete indemnity from claims made by Lessee and its employees, to the extent of their negligence. This indemnity with respect to acts or omissions during the Lease Term shall survive termination or expiration of this Lease. Lessee shall promptly notify City of casualties or accidents occurring in or about the Premises. **CITY AND LESSEE ACKNOWLEDGE THAT THE INDEMNIFICATION PROVISIONS OF THIS LEASE WERE SPECIFICALLY NEGOTIATED AND AGREED UPON BY THEM.**

B. Release of Claims. Lessee hereby waives and releases all claims against City for any losses or other damages sustained by Lessee resulting from any accident or occurrence in or upon the Premises, including but not limited to any defect in or failure of building equipment; any failure to make repairs; any defect, failure, surge in, or

interruption of building facilities or services; broken glass; water leakage; the collapse of any building component; or any act or omission of any other occupants of the building.

C. Assumption of Risk. The placement and storage of its personal property in the Premises shall be the responsibility, and at the sole risk, of Lessee.

6. INSURANCE

A. Lessee Furnished Coverages and Limits of Liability. Lessee shall obtain and maintain in full force and effect at all times during the Term of this Lease, at no expense to City, insurance as specified below.

1. **Commercial General Liability** insurance including
   - Premises/Operations
   - Personal/Advertising Injury
   - Contractual Liability
   - Independent Contractors
   - Stop Gap/Employers Liability
   - Fire/Tenant Legal Liability

   Limits of liability shall be not less than $1,000,000 each occurrence, bodily injury and property damage combined single limit (CSL) except:

   - $ 1,000,000 each offense - Personal/Advertising Injury
   - $ 1,000,000 each accident - Disease Stop Gap/Employers Liability
   - $ 250,000 each occurrence - Fire/Tenant Legal

2. **Business Automobile Liability** insurance including coverage for owned, non-owned, leased or hired vehicles with a minimum limit of liability of $1,000,000 each occurrence, combined single limit bodily injury and property damage.

3. **Workers Compensation insurance** in accordance with Title 51 of the Revised Code of Washington (RCW).

4. **All Risks Property insurance** on a replacement cost basis, covering Lessee's tenant improvements, trade fixtures and business and personal property. Such insurance shall include Time Element coverage with sufficient limits to provide for loss of revenues and additional expenses during an interruption of Lessee's activities due to damage to or loss of the Premises.

B. City-Furnished Coverages and Limits of Liability. The City shall maintain in full force and effect at all times during the Term of this Lease All Risks Property Insurance for the Building, including earthquake and flood, on a replacement cost basis.

C. Mutual Waiver of Property Insurance Subrogation. Lessee and the City hereby waive their respective (a) insurer's rights of subrogation in favor of the other with respect to perils covered by insurance required under this Lease, and (b) their respective rights of recovery against one another for claims falling within policy deductible amounts, except to the extent that the other party caused or contributed to the loss.

D. General Terms and Conditions (Not Applicable to Worker's Compensation).

1. Any self-insured retention in excess of $25,000 must be disclosed and is subject to the City's approval. Lessee shall be responsible for paying any claims that fall within amount of the self-insured retention. In order for the City to approve a self-insured retention about the stated amount, Lessee must state, in writing, that it will protect and defend the City of Seattle as an additional insured under its self-insured retention to the same extent as City would be protected under a commercial insurance policy meeting the requirements set forth herein has been issued and, in addition, provide detailed information as to how and to whom the City should direct any notice or tender.

2. The City reserves the right to approve any insurer, form or type of coverage. Unless the City approves otherwise, all insurers shall be licensed to do business in the State of Washington and rated A-:VII or higher in the current A.M. Best's Key Rating Guide; or issues as surplus lines under the provisions of chapter 48.15 RCW by a Washington State licensed broker.

3. The City of Seattle shall be named as an additional insured on the CGL and Business Automobile Liability policies for primary and non-contributory limits of liability.

4. City reserves the right to periodically review the appropriateness of coverages and/or limits of liability in view of inflation and/or changing industry conditions and to reasonably require an increase in such coverages and/or limits of liability upon ninety (90) days' written notice to Lessee and provided such increases are reasonable with respect to market practices.

5. If Lessee fails to maintain insurance as required herein, the City may procure the same and charge Lessee for the full expense thereof, which Lessee shall pay upon demand.

6. Lessee shall not keep or use in or about the Premises any article, which is prohibited by City's insurance policy. Lessee shall pay immediately any increase in City's premiums for insurance during the term of this Lease that results from Lessee's use of the Premises.

E. Evidence of Insurance.

1. Except with respect to Workers' Compensation insurance, before occupying the Premises, Lessee shall provide City with evidence of insurance that it has complied with the insurance requirements hereunder, including coverages, limits of liability and other terms and conditions specified in this Section.

2. As respects CGL insurance, evidence of insurance must include a copy of the actual designated additional insured endorsement or blanket additional insured policy wording that documents that "The City of Seattle" is an additional insured for primary and non-contributory limits of liability.

3. As respects all coverages, each policy must include evidence that the policy will not be cancelled without at least thirty (30) days' written notice of cancellation having been delivered to the City, except in cases of non-payment of premium, in which case, cancellation may occur upon ten (10) days' written notice.

4. The certificate holder to whom evidence of insurance shall be sent is:

Seattle Center
305 W. Harrison St., Room 109
Seattle, WA 98109

Certification shall also be sent to the City's Risk Manager at facsimile number (206) 470-1270 or as an email attachment in PDF format sent to riskmanagement@seattle.gov.

7. COVENANTS REGARDING OPERATION OF LESSEE'S BUSINESS

A. Personnel. Lessee shall employ courteous, competent, and efficient help in such numbers, skills, and experience as to properly conduct its activities on the Premises.

B. Business Name. Lessee shall not change the name by which it carries on its business without the written consent of the Director whose consent shall not be unreasonably withheld.

C. Fixtures, Furnishings, and Trade Equipment. All fixtures, furnishings, and trade equipment installed in the Gallery shall be of high quality, of a modern type, and either new or completely reconditioned.

D. No Nuisances or Objectionable Activity. Lessee shall not permit any noise, odor, dust, vibration or similar substance or condition that the Director determines to be excessive or objectionable, to remain on or be emitted from the Premises. Lessee shall not interfere with access to or from the Premises or any part of the Seattle Center, or with the traffic thereon, or with any Seattle Center facility, business, activity or utility on or off Seattle Center grounds. Lessee shall not create any nuisance in or adjacent to the

Premises and shall not do anything on the Premises that will create a danger to life or limb.

E. Exclusivity. The City has granted certain exclusive rights to other tenants at Seattle Center as described on Exhibit B attached and incorporated as a part of this Lease. Throughout the Term, Lessee shall conduct its operations at the Premises in a manner that does not violate any exclusive right granted to other tenants, unless and until the rights expire or are modified or terminated.

F. Fire Extinguisher within Premises. The Lessee shall secure, maintain and install in the Premises, in a prominent location, a 2A-10BC class fire extinguisher or an alternative approved by the Fire Marshall, and Lessee shall instruct all of its employees regarding its appropriate use. Such fire extinguisher shall be recharged not less than once a year and immediately following any use.

G. Objectionable Merchandise or Material. Notwithstanding any other provision of this Lease, the Lessee shall not use the Premises or allow the Premises to be used for to display or offer for sale or rent any merchandise or other material that the Director, in his or her sole discretion, determines is unsafe; that portrays the City or Seattle Center or any aspect thereof in an incorrect, misleading, or unfavorable manner; that depicts or suggests in words, symbols, illustrations, or other forms, any act of violence, or any lewd, immoral, or obscene activity; that is inconsistent with the image of a first-class, community-oriented retail and entertainment development, or is otherwise inappropriate for a community-oriented recreation and entertainment facility such as Seattle Center; or that may create a substantial litter or other maintenance problem at Seattle Center.

H. Core and Key Change. Lessee shall obtain from the City, and pay in advance of delivery, the then current Seattle Center charge for whatever number of lock cores, padlocks and keys are desired for all doors in and to the Premises. If Lessee returns to the City all of the keys it obtained for the doors and padlocks on and to the Premises upon the expiration or earlier termination of this Lease, the City shall refund to Lessee all of the charges paid for such lock cores and keys.

I. Operation of Gallery. Lessee shall operate a gallery on the premises for the display and sale of pottery objects. The gallery shall be furnished, equipped, and operated at no cost to the City.

J. Continuous Operation. Lessee shall keep the public areas of the Premises open and use them to transact business with the public during its normal business hours. Lessee shall immediately close if the Director determines there is an emergency endangering the health or safety of the general public or any Seattle Center staff or occupant.

K. Reports to City. Beginning on January 31, 2012 and thereafter on each

January 31 throughout the Term, Lessee shall submit to the Director a written statement, certified by Lessee, setting forth in reasonable detail: (1) the number of resident artists served, (2) the number of workshops provided; and (3) Lessee's description of programs during the upcoming year which Lessee proposes in satisfaction of Public Benefit Rent.

8. UTILITY SERVICES

A. Extent of City Service. The City shall provide water and sewer service and a fire warning system for the Premises at no cost to Lessee.

B. Lessee's Responsibility. The Lessee shall pay all charges for light, heat, and additional utilities, other than water, sewer, and fire warning system, which shall be used in or charged against the Premises during the Term. The Lessee shall pay, before delinquency, all fees and charges for the installation, change, and relocation of any point of means of service by any utility or waste line or system.

C. Interruption. The City shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption or failure of services due to any cause whatsoever, including, but not limited to, electrical surges, or from failure to make any repairs or perform any maintenance. No temporary interruption or failure of such services incident to the making of repairs, alterations or improvements or due to accident, strike or conditions or events beyond City's reasonable control shall be deemed an eviction of Lessee or relieve Lessee from any of Lessee's obligations hereunder or give Lessee a right of action against City for damages. Lessee acknowledges that there may be planned utility outages affecting the Premises and that such outages may interfere, from time to time, with Lessee's use of the Premises. City has no obligation to provide emergency or backup power to Lessee.

D. Special Services and Facilities Subject to Prior Director's Approval and at Lessee's Cost. Lessee, directly or through a third party, may install, secure, maintain and repair, at no expense to the City, any utility service related to Lessee's operations and its use of the Premises that is not provided or maintained by the City; however, any utility or waste disposal facility, item of equipment, or service beyond that provided to the Premises by the City, must be installed only in accordance with plans and specifications approved by the Director and other appropriate City officials, in writing, in advance of such installation. Lessee shall not install on the Premises any fixture, furnishing, or trade equipment that exceeds the capacity of any utility or waste facility for such location. Lessee shall pay, before delinquency, all fees and charges for the installation, change, and relocation of any point or means of service by any utility or waste line or system. Lessee shall make arrangements with the utility service provider for the separate metering, where possible, of such service and the direct billing to the Lessee for the delivery of such service.

9. PARKING

The City does not provide any parking that is specifically for or associated with the Premises (including but not limited to that required by or for Lessee's staff, suppliers or customers), and whatever general, non-reserved parking the City makes available for Seattle Center tenants and their respective staffs, suppliers, and customers shall be shared on a first-come, first-served basis.

10. SIGNAGE, ADVERTISING & PUBLICITY

A. Prohibited Promotion & Other Material; Removal of Same. Lessee shall not display, post, or distribute any sign, symbol, advertising of any nature, or any printed material (including but not limited to posters) on any part of the Seattle Center, including but not limited to the exterior of the Premises, except after receiving written approval therefor from the Director, whose approval shall be given or withheld in his/her sole discretion; and may undertake such activity only in or on location(s) approved by the Director. On or before the expiration or termination date of this Lease, whichever is earlier, or in the case of unauthorized material, on or before the date specified in the Director's notice to remove the same, Lessee shall remove, at no expense to the City, all such signs, symbols, advertising and printed material; and correct any unsightly condition, and repair any damage or injury to City property caused by such signs, symbols, advertising and printed material, and the removal thereof. In the event any such unauthorized material is not removed from City property by the date required herein, such material may be treated as Lessee property subject to removal and storage pursuant to Section 21 hereof. Any approved signs or other advertising matter shall be in compliance with all applicable laws, regulations and rules.

B. Use of Photos & Similar Materials. Each party hereto may make photographs, video tapes, and motion pictures of the Premises and the activity, people, displays and exhibits thereon. However, if any visual material of the Premises is to be used for commercial advertising purposes, prior to making the same, Lessee shall obtain the written approval of the Director for such use, which approval may be conditioned upon, among other things, the payment by the Lessee to the City of additional consideration; and prior to the use of any such photography, video tape, or motion picture, a written release shall be obtained from every individual identifiable in the same.

11. MAINTENANCE, CLEANING, REPAIR OF PREMISES; ALTERATIONS

A. City Responsibilities. The City shall maintain, clean and repair the exterior and structural aspects of the Premises, but not the interior areas of Premises. The City's maintenance, cleaning and repair shall be to the ordinary standard of work perfumed on other facilities at Seattle Center, to keep the same in good condition, nominal wear and tear and damage and destruction by fire or other extraordinary casualty excepted. In connection therewith, the City shall remove garbage and other refuse from locations designated by the Director for such purpose, and repair potable water, sewer, and storm water lines connecting with similar lines on the Premises. In undertaking such

maintenance, the City shall make a good faith effort to not unreasonably interfere with Lessee's business on the Premises. Lessee waives all claims for damages, including for any loss of business, resulting from City maintenance, cleaning and repair work except to the extent of City gross negligence. There shall be no abatement or reduction of rent arising by reason of City's making of any routine repairs, alterations, or improvements.

B. Lessee's Responsibilities. Lessee, at its own cost and expense, shall at all times keep the interior of the Premises, including all of Lessee's improvements, alterations, additions, and Lessee's personal property, in good repair and in a serviceable and sanitary condition. Notwithstanding Section 11.A, Lessee's responsibilities include repairing all damage done to the Premises by Lessee or any of Lessee's officers, contractors, agents, invitees, licensees or employees. In carrying out Lessee's responsibilities under this section, Lessee, among other things, shall:

(1) Clean the interior glass in the windows, doors, display cases, and equipment on the Premises at least once a month, and replace any such glass immediately if it should crack or break;

(2) Repaint all painted surfaces at least once every five (5) years, and spot-paint any surface area that has become damaged immediately after such condition has been discovered;

(3) Keep all drainage pipes free and open;

(4) Have all plumbing and plumbing fixtures inspected at least once every quarter; repair all damage resulting from any plumbing fixture, any equipment connected to plumbing, or pipe not installed in the Premises by the City or caused by Lessee's failure to keep such fixture or pipe in good operating condition;

(5) In a timely and careful manner, periodically remove all debris generated by or peculiar to the Lessee's operations on the Premises and place in an area designated by the Director;

(6) Replace, from time to time, worn or irreparably damaged trade equipment, furnishings and fixtures with other material, disposing of the replaced item in accordance with the recycling requirements of section 13.e.

If Lessee fails to satisfy any of the obligations specified in this subsection in a timely manner after receipt of notice from the Director of the need for such work, the City reserves the right (but shall have no obligation) to undertake such work. City shall have the right to enter the Premises for such purposes. In the event the City undertakes such work for the Lessee pursuant to this subsection, the Lessee shall promptly pay the City, upon receipt of a written statement, the actual expenses incurred by the City in undertaking such work (including but not limited to Seattle Center labor and project management) plus an administrative charge of $250.00.

C. Alterations, Additions or Improvements. Lessee shall not make any alterations, additions or improvements in or to the Premises without first submitting to the Director professionally prepared plans and specifications for such work and obtaining the Director's prior written approval thereof. Lessee covenants that it will cause all alterations, additions and improvements to the Premises to be completed at Lessee's sole cost and expense by a contractor approved by City and in a manner that (a) is consistent with the City approved plans and specifications and any conditions imposed by City; (b) is in conformity with first–class, commercial standards; (c) includes acceptable insurance coverage for City's benefit; (d) does not affect the structural integrity of the Premises or the Building or any of the Premises' or Building's systems;(e) does not disrupt the business or operations of any other occupant of the Building; and (f) does not invalidate or otherwise affect the construction or any system warranty then in effect with respect to the Premises or the Building. Lessee shall secure all governmental permits and approvals required for the work; shall comply with all other applicable governmental requirements and restrictions; including but not limited to compliance with applicable building codes and with the Americans with Disabilities Act (ADA) and reimburse City for any and all expenses incurred in connection therewith. Except as limited by law, Lessee shall indemnify, defend and hold City harmless from and against all losses, liabilities, damages, liens, costs, penalties and expenses (including attorneys' fees) arising from or out of Lessee's performance of such alterations, additions and improvements, including, but not limited to, all which arise from or out of Lessee's breach of its obligations under terms of this Section 11.C. All alterations, additions and improvements (expressly including all light fixtures; heating and ventilation units; floor, window and wall coverings; and electrical wiring), except Lessee's moveable trade fixtures and appliances and equipment not affixed to the Premises (including without limitation furniture, computers, point of sale systems and registers) shall become the property of City at the expiration or termination of this Lease without any obligation on its part to pay for any of the same. At City's request, Lessee shall execute a deed or bill of sale in favor of City with respect to such alterations and/or improvements. Notwithstanding the foregoing, Lessee shall remove all or any portion of such alterations and/or improvements on the expiration or termination of this Lease if City specifically so directs, in writing, at the time of City's issuance of its approval thereof. Within ninety (90) days after the completion of any alteration, addition or improvement to the Premises, Lessee shall deliver to City a full set of "as-built" plans of the Premises showing the details of all alterations, additions and improvements made to the Premises by Lessee.

12. CITY ACCESS TO, & INSPECTION, REPAIR & IMPROVEMENT OF PREMISES & OTHER PROPERTY

A. Access to Premises. The Lessee shall provide the City and its contractors and consultants, their subcontractors, subconsultants and agents with access to the Premises at all reasonable times to inspect the same and to make any inspection, repair or improvement to the Premises or the Building deemed necessary by the Director, but

this right of access shall not impose on the City any obligation to make any repair, alteration, addition, or improvement except as specifically provided herein.

B. Permitted Interference With Lessee's Operations. In inspecting, and in making repairs, alterations, additions, and improvements, the City may erect barricades and scaffolding in and outside of the Premises and the Building, and may otherwise interfere with the conduct of the Lessee's business and operations where such action is reasonably required by the nature of the City's work; and such interference shall not be deemed to be a breach or default under this Lease.

C. Suspension of Lessee's Operations and Obligation to Pay Monthly Base Rent. In the event the City's inspection, repair, alteration, addition, or improvement work necessitates the temporary suspension of Lessee's business or operations in, on, or from the Premises, the Director shall notify the Lessee of such necessity and the anticipated beginning and ending dates of such suspension. Monthly Base Rent due to City pursuant to this Lease shall be prorated during each month in which the Lessee's business or operations are required by City to be suspended pursuant to this section, and the Lessee shall have no obligation to pay such prorated rent during the period that the Lessee's business or operations are suspended; such cancellation of the obligation to pay the prorated Monthly Base Rent shall constitute the totality of relief available, and Lessee waives all claims for damages and for any injury to and interference with its operations or business and losses occasioned by any such suspension.

D. City's Retention & Use of Key to Premises. Lessee shall provide the Director with a key with which to unlock all of the doors in, upon, and about the Premises, excluding Lessee's vaults, safes, and files, for each of the aforesaid purposes. The City shall have the right to use any and all means that the Director deems proper to open said doors in an emergency, in order to obtain entry to the Premises, without liability to Lessee except for any failure to exercise due care for Lessee's property. Any entry to the Premises obtained by the City by any of said means, or otherwise, shall not be construed or deemed to be an eviction of Lessee or a forcible or unlawful entry into, or a detainer of, the Premises or any portion thereof.

13. COMPLIANCE WITH LAW

A. General Requirements. Lessee, at no cost to the City, shall perform and comply with all applicable, current and future laws of the United States; the State of Washington; the Charter and Municipal Code of The City of Seattle; and rules, regulations, orders, and directives of their administrative agencies and the officers thereof. Lessee shall use its best efforts to ensure that every person it admits to the Premises similarly performs and complies with the same. Whenever Lessee or its authorized representative is informed of any violation of any such law, ordinance, rule, regulation, license, permit, or authorization committed by it or any person admitted to the Premises, Lessee shall immediately desist from and/or prevent or correct such violation.

B. Licenses & Other Authorizations. Lessee shall obtain and maintain all required licenses, permits, and similar legal authorizations, and comply with all requirements thereof.

C. Taxes. The Lessee shall pay, before delinquency, all taxes, levies, and assessments arising from its activities on or occupancy of the Premises, including but not limited to taxes arising out of the activity or business conducted on the Premises; taxes levied on its property, equipment and improvements on the Premises; and taxes on Lessee's interest in this Lease and any leasehold interest deemed to have been created thereby under RCW Ch. 82.29A; and in the event the State of Washington makes any demand upon the City for payment of leasehold excise taxes resulting from the Lessee's occupancy of the Premises or withholds funds due to the City to enforce collections of leasehold excise taxes, Lessee shall remit the taxes demanded together with any interest and penalties associated therewith or, at no expense to the City, contest such collection action and indemnify the City for all sums expended by, or withheld by the State of Washington from the City in connection with such taxation.

D. Nondiscrimination. Without limiting the generality of Subsection 13.A., Lessee shall comply with all applicable equal employment opportunity and nondiscrimination laws of the United States, the State of Washington, and the City of Seattle, including but not limited to Chapters 14.04, 14.10 and 20.42 of the Seattle Municipal Code (SMC), as they may be amended from time to time, and rules, regulations, orders, and directives of the associated administrative agencies and their officers.

E. Recycling of Waste Materials. Lessee, at no cost to the City, shall collect, sort and separate into such categories as may be required by Seattle Center sorting and recycling standards, all solid waste products on the Premises. Each separately sorted category of waste products shall be placed in separate receptacles reasonably approved by the City, which receptacles shall be dumped or removed from the Seattle Center at such minimum frequency as is specified by the Director. The City reserves the right to refuse to collect or accept from Lessee any waste product that is not sorted and separated as required by law, ordinance, rule or regulation, and to require Lessee to arrange for the collection of the same at Lessee's sale cost and expense using a contractor satisfactory to the City. Lessee shall pay all costs, fines, penalties, and damages that may be imposed on City or Lessee as a consequence of Lessee's failure to comply with the provisions of this subsection.

F. Firearms. Firearms are not allowed at events on City property, and this policy applies to Lessee's activities and events at the Premises. Lessee agrees to adopt and implement a policy prohibiting any person, except for law enforcement officers and on-duty security personnel, from possessing firearms on the Premises. Lessee will notify employees, contractors, volunteers and others who might enter the premises of this policy, and will notify City security if Lessee becomes aware of any violation of such

policy. City shall provide and place signage notifying the public of this policy at entrances to the Seattle Center campus.

14. ENVIRONMENTAL STANDARDS

A. Definitions. For the purpose of this subsection, the following terms shall be defined as provided below unless the context clearly requires a different meaning:

(1) "Laws or Regulation" shall mean any environmentally related local, state or federal law, regulation, ordinance or order , now or hereafter in effect including but not limited to the Clean Air Act, the Federal Water Pollution Control Act, the Safe Drinking Water Act, the Toxic Substances Control Act, the Comprehensive Environmental Response Compensation and Liability Act as amended by the Superfund Amendments and Re-authorization Act of 1986, the Resource Conservation and Recovery Act as amended by the Solid and Hazardous Waste Amendments of 1984, the Occupational Safety and Health Act, the Emergency Planning and Community Right-to-Know Act of 1986, and the Solid Waste Disposal Act.
(2) "Hazardous Substances" shall mean any hazardous, toxic, or dangerous substance, waste, or material that is regulated under any federal, state, or local statute, ordinance, or regulation.

B. Restrictions on Lessee Activities. Lessee shall not without City's prior written consent, keep on or about the Premises or Building any Hazardous Substance(s), except customary office, kitchen, cleaning and other related supplies in normal quantities handled in compliance with applicable laws. With respect to any Hazardous Substances stored with City's consent, Lessee shall promptly, timely and completely comply with all governmental requirements for use, storage, handling, disposal, reporting and record keeping; submit to City true and correct copies of all reports, manifests and identification numbers at the same time as they are required to be and/or are submitted to the appropriate governmental authorities; within five (5) days after City's request therefor, provide evidence satisfactory to City of Lessee's compliance with all applicable governmental rules, regulations and requirements; and comply with all governmental rules, regulations and requirements regarding the proper and lawful use, sale, transportation, generation, treatment and disposal of Hazardous Substances.. Lessee shall provide the Director with the Lessee's USEPA Waste Generator Number (if any), and with a copy of every Material Safety Data Sheet (MSDS), Generator Annual Dangerous Waste Report, environmentally related regulatory permit or approval (including every revision or renewal thereof) and any correspondence the Lessee receives from, or provides to, any governmental unit or agency in connection with Lessee's handling of Hazardous Substances or the presence, or possible presence, of any Hazardous Substance on the Premises.

C. Correction of Violations. If Lessee violates any of the terms of this section concerning the presence or use of Hazardous Substances or the handling or storing of hazardous wastes, Lessee shall promptly take such action as is necessary to mitigate and correct the violation. If Lessee does not act in a prudent and prompt manner, the City reserves the right, but not the obligation, to act in place of Lessee (for which purpose Lessee hereby appoints the City as its agent), to come onto the Premises and to take such action as the City deems necessary to ensure compliance or to mitigate the violation. If the Director has a reasonable belief that Lessee is in violation of any law or regulation, or that any action or inaction of Lessee presents a threat of violation or a threat of damage to the Premises, the City reserves the right to enter onto the Premises and take such corrective or mitigating action as the Director deems necessary. All costs and expenses incurred by the City in connection with any such action shall become immediately due and payable by Lessee upon presentation of an invoice therefor.

D. Removal of Hazardous Substances Prior to Vacation of Premises. Prior to vacation of the Premises, in addition to all other requirements under this Lease, Lessee shall remove any Hazardous Substances placed on the Premises during the term of this Lease or Lessee's possession of the Premises, and shall demonstrate such removal to the Director's reasonable satisfaction.

E. Reimbursement of City Costs. In addition to any remedy provided above, the City shall be entitled to full reimbursement from Lessee whenever the City incurs any cost resulting from Lessee's violation of any of the terms of this Section 14, including, but not limited to, the cost of clean-up or any other remedial activity, fines, penalties assessed directly against the City, injuries to third persons or other property, and loss of revenue resulting from an inability to re-lease or market the Premises due to its environmental condition as the result of Lessee's violation of the terms of this Lease (even if such loss of revenue occurs after the expiration or earlier termination of this Lease).

F. Indemnification. In addition to all other indemnities provided in this Lease, and notwithstanding the expiration or earlier termination of this Lease, Lessee agrees to and shall defend (using legal counsel acceptable to the City), indemnify and hold the City free and harmless from any and all claims, causes of action, regulatory demands, liabilities, fines, penalties, losses, and expenses, including without limitation cleanup or other remedial costs (and including attorneys' fees, costs and all other reasonable litigation expenses when incurred and whether incurred in defense of actual litigation or in reasonable anticipation of litigation), arising from the existence or discovery of any Hazardous Substance on the Premises resulting from a violation of the terms of this section, or the migration of any Hazardous Substance from the Premises to other property or into the surrounding environment that is the result of a violation of the terms of this section, whether (a) made, commenced or incurred during the term of this Lease, or (b) made, commenced or incurred after the expiration or termination of this Lease if arising out of an event occurring during the term of this Lease.

15. CITY'S CONTROL OF BUILDINGS, GROUNDS & ACTIVITIES

Notwithstanding any other provision of this Lease, the City, without liability of any kind, may:

A. Physical Appearance. Increase, reduce or change, in any manner and any extent whatsoever, the number, appearance, dimensions, and location of any and every Seattle Center walkway, landscaping element, parking, service area, and building as desired by the City;

B. Traffic & Parking Regulation. Regulate all traffic within and adjacent to the Seattle Center; including restricting or prohibiting the operation and parking on City-owned or leased property of motor vehicles owned or operated by Lessee or any of its officers, employees, agents, suppliers, and invitees;

C. Admission Charges. Impose a reasonable charge for admission to the Seattle Center and any of the facilities therein, including parking facilities;

D. Events. Erect, display and remove promotional exhibits and materials and permit special events on the Seattle Center grounds and in or at any or every building and facility thereof;

E. Rules & Regulations. Promulgate, from time to time, reasonable rules and regulations regarding the use and occupancy of any area of Seattle Center;

F. Hours of Operation. Determine the days and hours that the Seattle Center and the various business operations therein will be open to the public;

G. Other Businesses & Operations. Change the size, number, type and identity of other businesses and operations being conducted or undertaken at Seattle Center; and authorize other lessees, licensees, and the sponsors of special events at Seattle Center, directly or indirectly, to offer for sale food and beverages, and for sale or rent any merchandise and service, including any that may be identical or similar to that offered by the Lessee;

H. Signage. Place "For Rent" or similar signs in the Premises for thirty (30) days prior to the expiration or termination date of this Lease, whichever is earlier.

I. Interference. Interfere with light, air or view, or the Lessee's operations or use and occupancy of the Premises, either in connection with or as a result of operations by or for City in the construction of any public work or its subsequent use and occupancy, or the repair and maintenance of any City facility or improvement. However, the City will make a good faith effort to minimize such interference to the extent it is reasonably economical for the City to do so.

J. Display of Promotional, Sponsorship and Advertising Materials. City may

erect, display, and remove promotional, sponsorship and advertising exhibits and materials on property adjacent to and nearby the Premises.

K. Naming. City reserves to itself the name and naming rights of the Building, but grants to Lessee the right to name the Premises, subject to the Director's approvals, for no longer than the Lease Term and subject to Lessee's continued occupancy of the Premises.

16. ASSIGNMENTS, SUBLEASES & OTHER INTEREST TRANSFERS

A. Director's Prior Written Consent Required. Lessee shall not sublet or encumber the whole or any part of the Premises, nor shall this Lease or any interest thereunder be assignable or transferable by operation of law or by any process or proceeding of any court or otherwise without the prior written consent of the Director, whose consent shall be given or withheld in his or her sole discretion. The granting of consent to a given transfer shall not constitute a waiver of the consent requirement as to future transfers. Any assignment or sublease without Director's prior written consent, at City's option, shall be void. No assignment or sublease shall release Lessee from primary liability hereunder. Each assignment and sublease shall be by an instrument in writing in form satisfactory to City. If Lessee is a corporation, then any transfer of this Lease by merger, consolidation or liquidation, or any direct or indirect change, in the ownership of, or power to vote the majority of, Lessee's outstanding voting stock, shall constitute an assignment for the purposes of this Lease. If Lessee is a partnership, then a change in general partners in or voting or decision-making control of the partnership shall also constitute an assignment.

B. Change of Lessee's Organizational Structure or Ownership Constitutes Assignment. If Lessee is a corporation, the merger, consolidation, or liquidation of the Lessee or any change in the ownership of or power to vote thirty-three and one-third percent (331/3) or more of its capital stock, as held as of the date of execution of this Lease, shall be deemed an assignment under this Lease. If Lessee is a partnership, then a change in general partners in or voting or decision-making control of the partnership shall also constitute an assignment under this Lease.

C. Lessee's Authorization to Use Premises Constitutes Assignment or Sublease. If Lessee in any manner permits anyone to occupy all or any portion of the premises for any purpose including but not limited to the conduct of any business or other activity, whether or not business-related, not within the intent of this Lease or any sublease, such permission shall be deemed an assignment or sublease, as deemed appropriate by the Director.

D. Assignment by City. If City sells or otherwise transfers the Premises, or if City assigns it interest in this Lease, such purchaser, transferee, or assignee there shall be deemed to have assumed City's obligations under this Lease arising after the date of such transfer, and City shall thereupon be relieved of all liabilities under this Lease arising thereafter, but this Lease shall otherwise remain in full force and effect. Lessee

shall attorn to City's successor.

17. EXCUSE & SUSPENSION OF OBLIGATIONS (FORCE MAJEURE)

If a party's performance (other than any monetary obligations) under this Lease is prevented by an unforeseeable act of nature; war or war-like operations; civil commotion; riot; labor dispute including a strike, lockout, or walkout; sabotage; Federal or State regulation or control; or other condition beyond the reasonable control of such party, then performance of such affected obligation shall be suspended (excluding, however, any monetary obligations), but only for the duration of such condition. The existence of more than one (1) such condition on a given day shall result in only a one (1) day extension.

18. DAMAGE OR DESTRUCTION

A. Report of Damage or Destruction. The Lessee shall submit a written report to the Director regarding the circumstances of any damage to the Premises or any of the Tenant's improvements thereto, within twenty-four (24) hours after its discovery.

B. Rent Obligation in Event of Damage or Destruction. If the Premises are destroyed or damaged by fire or other casualty not occasioned by an act or omission of the Lessee or any of its officers, employees, contractors, agents, invitees, or guests, and such destruction or damage is so extensive as to render such Premises and improvements unusable (either because of the need to rebuild or to clean and refurbish the same) and the Lessee has given timely notice of such destruction or damage as provided by this section, Lessee's obligation to pay Rent shall be abated until the date that such Premises and improvements are made usable or should have been made usable had the Lessee diligently prosecuted such repair, rebuilding, and restoration work, as reasonably determined by the Director and confirmed by one or more notices to Lessee. If only a portion of the Premises is damaged or destroyed by fire or other casualty not occasioned by an act or omission of Lessee or any of its officers, employees, contractors, agents, invitees, or guests, but the remainder of such Premises and improvements remains usable, as reasonably determined by the Director, and Lessee has given timely notice of such destruction or damage as provided by this section, Lessee shall pay a reduced amount of Rent that is proportionate to the extent of the Premises that remains usable for the purposes identified in Section I hereof, which reduced rent amount shall be reasonably determined by the Director and identified by notice to Lessee, and paid by Lessee through the date reasonably specified by the Director in such notice or the later date specified in any subsequent notice.

C. Rebuilding, Repair & Restoration. If the Premises are damaged or destroyed by casualty, and if neither party terminates under Section 18.D, the City will diligently rebuild, repair and restore the Premises so long as sufficient insurance proceeds are available. Lessee shall replace or repair in a timely manner and at no cost or expense to the City, all damaged or destroyed personal property that, prior to such

damage or destruction, had been located on the Premises, and all tenant improvements that Lessee made to the Premises, unless otherwise permitted by the Director. Upon the rebuilding, repair and reconstruction of the Premises, Lessee shall immediately re-occupy the whole of the Premises. The City shall not be liable to Lessee for damages, compensation or any other sum for inconvenience, loss of business, or disruption arising from any repair to or restoration of any portion of the Premises or the Building in which the Premises are located.

D. Termination Rights in Event of Damage or Destruction.

(1) By Lessee: Notwithstanding any other provision in this Lease to the contrary, if fifty percent (50%) or more of the Premises is damaged or destroyed by fire or other casualty not occasioned by an act or omission of Lessee, its officers, employees, contractors, agents, invitees, or guests, Lessee may terminate this Lease by providing notice thereof to the Director.

(2) By City: Notwithstanding any other provision in this Lease to the contrary, if fifty percent (50%) of the Premises is destroyed or is so damaged by fire or other casualty as to be untenantable or unusable, or if sufficient insurance proceeds are not readily available, or if the City desires to discontinue Lessee's operations because of substantial destruction of the Building or other part of Seattle Center, regardless of whether the Premises are destroyed, damaged, or otherwise, the City may terminate this Lease by providing prior written notice thereof to Lessee.

(3) Notice of Termination: Any notice of termination pursuant to this section shall be provided within sixty (60) days after the occurrence of the damage or destruction and shall specify the effective date of such termination.

19. DEFAULT & BREACH

A. Definition. If Lessee violates or breaches or fails to keep or perform any covenant, term or condition of this Lease, or if Lessee files or is the subject of a petition in bankruptcy, or if a trustee or receiver is appointed for Lessee's assets or if Lessee makes an assignment for the benefit of creditors, or if Lessee is adjudicated insolvent, Lessee shall be deemed in default hereunder (a "Default").

B. City's Notice of Default & Breach. If Lessee is in Default, City shall provide written notice to Lessee, specifying the nature of the Default, the reasonable number of days (but not more than thirty (30) days) after the date of the notice within which such Default must be cured to avoid termination, and the City's intention to terminate this Lease if the Default is not corrected within such stated period.

C. Remedies. If Lessee fails to cure any Default within the time specified in the Director's notice, the City may thereafter terminate this Lease without any further

proceedings, re-enter the Premises, lease and license others to use said Premises during any portion of the period of use remaining under this Lease had it not been terminated, and receive rent, additional rent and license fees and other sums therefore; Provided, that notwithstanding such termination and/or re-entry, Lessee's liability for the rent and any other sums due under the Lease to be paid to the City hereunder shall not be extinguished, and Lessee shall pay to the City the difference between said rent and any other sums due under the Lease and the sum the City receives (if any) for the use of the Premises by one or more other users during the period beginning on the date Lessee's rights under this Lease are terminated and ending on the scheduled expiration date of this Lease. Such payment shall be made monthly, within fifteen (15) days after the date of the City's invoice to Lessee. Lessee's liability for rent and any other sums due pursuant to this Section shall be subject to the late fees and interest provided for in Section 4 of this Lease. Lessee shall also be liable for and shall reimburse City for any other amount necessary to compensate City for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease, including but not limited to, any costs or expenses incurred by City in retaking possession of the Premises, maintaining or preserving the Premises after such Default, preparing the Premises for reletting to a new tenant, including repairs or alterations to the Premises for such reletting, leasing commissions, and any other costs necessary or appropriate to relet the Premises, and such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by the laws of the State of Washington. If the City re-enters the Premises, City shall have the right, but not the obligation, to remove therefrom all or any part of the personal property located therein and may place the same in storage at a public warehouse at the expense and risk of Lessee.

D. Adequate Security. If a petition is filed by or against Lessee under any provision of the Bankruptcy Code or successor act, City reserves the right to require Lessee to post a cash bond with City equal to six (6) months' Base Rent and additional sums to provide City with adequate security for Lessee's performance of its obligations under this Lease.

E. Criteria for Substitute Tenant. The City's obligation to mitigate damages after a default by Lessee under this Lease that results in the City's regaining possession of all or part of the Premises shall be satisfied in full if the City undertakes to lease the Premises to another tenant (a "Substitute Tenant") in accordance with the following criteria:

(1) The City shall have no obligation to solicit or entertain negotiations with any other prospective tenants for the Premises until the City obtains full and complete possession of the Premises including, without limitation, the final and unappealable legal right to re-let the Premises free of any claim of Lessee.

(2) The City shall not be obligated to offer the Premises to any prospective tenant when other Premises on the Seattle Center suitable for that prospective tenant's use are currently available, or will be available within the next three months.

(3) The City shall not be obligated to lease the Premises to a Substitute Tenant for a rental less than the current fair market rental then prevailing for similar comparable facilities in the same market area as the Seattle Center.

(4) The City shall not be obligated to enter into a new lease under terms and conditions that are unacceptable to the City under the City's then current leasing policies for comparable space at the Seattle Center.

(5) The City shall not be obligated to enter into a lease with any proposed Substitute Tenant that does not have in the Directors reasonable opinion, sufficient financial resources or operating experience. The City shall not be required to expend any amount of money to alter, remodel, or otherwise make the Premises suitable for use by a Substitute Tenant unless:

(a) Lessee pays any such sum to the City in advance of the City's execution of a lease with such Substitute Tenant (which payment shall not be in lieu of any damages or other sums to which the City may be entitled to as a result of Lessee's default under this Lease); or

(b) the City, in the Director's sole discretion, determines that any such expenditure is financially justified in connection with entering into any lease with such Substitute Tenant.

(6) The City shall not be obligated to enter into a lease with any Substitute Tenant whose use would:

(a) disrupt the tenant mix or balance of the Seattle Center;

(b) violate any restriction, covenant, or requirements contained in the lease of another tenant of the Seattle Center;

(c) adversely affect the reputation of the Seattle Center;

(d) be incompatible with the operation of the Seattle Center as a first-class event and cultural community gathering center.

F. Default by City. The City shall not be in default of any obligation to perform under this Lease unless the City fails to perform such obligation within a reasonable time, which time shall not extend more than thirty (30) days after written notice by the Lessee to the Director specifying the particular obligation that the City has failed to perform; Provided, however, that if the nature of the City's obligation is such that more than thirty (30) days are required for performance, then the City shall not be in default if the City commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

20. REMEDIES CUMULATIVE

Rights under this Lease are cumulative; failure to exercise on any occasion any right shall not operate to forfeit such right on another occasion. Each party shall also have any other remedy given by the law. The use of one remedy shall not be taken to exclude or waive the right to use another.

21. SURRENDER OF PREMISES; HOLDING OVER

A. Surrender & Delivery. Upon the expiration or termination date of this Lease, whichever is earlier, Lessee shall surrender the Premises in a broom clean condition, reasonable wear and tear excepted. Lessee shall promptly deliver to the Director all keys Lessee, and any of its officers, agents, and employees have to the Premises or any other part of the Seattle Center. Immediately following the vacating of the Premises and the surrender of the same to the City, a representative of the Lessee shall inspect the Premises with the Director to determine the condition of the Premises. The results of such inspection shall be summarized by the Director on a Premises inspection report, a copy of which shall be provided to Lessee. If the Director determines that Lessee has failed to surrender the Premises in a broom clean condition the Director shall have the right to restore the Premises to a broom clean condition at the expense of Lessee. Lessee shall reimburse the City for its costs therefor, including any administrative costs.

B. Removal of Lessee's Property. Prior to the expiration date of this Lease, or if this Lease is terminated, within fifteen (15) days after the termination date, whichever is earlier, Lessee shall remove, at its sole expense, all trade equipment and personal property owned or installed by Lessee in, on, or from the Premises, unless the Director agrees in writing that any requested items may stay. Lessee shall take due care to not injure or damage the Premises, and shall make such repairs to the Premises as shall be necessary to restore the same to their condition as of the commencement date of this Lease, ordinary wear and tear and improvements, additions, and alterations, approved by the City excepted.

C. Storage of Lessee's Property. If Lessee fails to remove trade equipment and personal property owned or installed by Lessee by the Expiration Date or sooner termination date, the City may, in its discretion, retain or dispose of such personal property. City will give written notice to Lessee specifying the property to be removed and requesting removal, and if Lessee does not remove the property within ten (10) days from the date of notice, the property will be deemed abandoned by Lessee and title to the property shall vest in City. Lessee shall be liable to City for its reasonable costs for storing, removing and disposing of Lessee's trade fixtures and personal property, including any cost to restore the Premises to its prior condition as a result of removal.

D. Hold-over Use & Occupancy of Premises. If Lessee, with the Director's consent, holds over after the expiration or sooner termination of the Lease Term, the resulting use and occupancy shall be on a monthly basis, during which time Lessee shall be bound by all of the provisions of this Lease other than the amount of the monthly Base Rent, which amount shall be the greater of the amount charged for the month immediately preceding the expiration or termination date, whichever is earlier, or the fair market value for the Premises. If, however, Lessee holds over without the Director's consent, after the expiration or sooner termination of the Lease Term, whether by failing to remove its trade equipment or personal property or otherwise, Lessee shall pay to the City, as damages twice the amount of (a) the Rent and additional sums due the month prior to expiration or sooner termination of the Lease Term or (b) the fair market rent and additional sums due the month prior to expiration or sooner termination, whichever is higher, and shall be bound by all of the other provisions of this Lease. If Lessee fails to surrender the Premises upon the expiration or sooner termination of this Lease without the Director's consent, Lessee shall indemnify, defend, and hold harmless the City from all losses, damages, liabilities, and expenses resulting from such failure, including without limiting the generality of the foregoing, any claims made by any succeeding tenant arising out of such failure.

E. No Claim for Removal. In no event shall Lessee make any claim or demand upon the City nor shall the City be liable for any inconvenience, annoyance, disturbance, or loss of business or any other damage suffered by the Lessee arising out of removal operations under Subsections 21.Band C hereof.

22. NOTICES

All notices from either party to the other shall be in writing and delivered or mailed, postage prepaid, to the intended recipient at the address specified on the signature page of this Lease, or to such other address as may be specified, from time to time, by either party, by notice to the other party.

23. NO RELATIONSHIP ESTABLISHED

The City shall in no event be construed to be a partner, associate, or joint venturer of the Lessee, or any party associated with the Lessee. The Lessee is not an agent of City for any purpose whatsoever. The Lessee shall not create any obligation or responsibility on behalf of the City or bind the City in any manner.

24. AUTHORITY OF "DIRECTOR"

No action of the Director pursuant to or in implementation of this Lease shall constitute any official action by any other City department or official that may be required by law, ordinance, rule or regulation before Lessee may rightfully commence, suspend, enlarge, or terminate any particular undertaking or may obtain or exercise any particular

right or privilege under this Lease. Any approval, consent or permission required of the Director by this Lease may be granted, conditioned or withheld by the Director in the exercise of such official's sole discretion.

25. AMENDMENTS

No modification or amendment of the terms hereof shall be effective unless in writing and signed by authorized representative of each of the parties hereto.

26. NO WAIVER

Nothing other than a written document signed by the Director and specifically declaring a City intent to waive a particular breach or default by Lessee shall constitute a waiver of such breach or default. No such document shall waive Lessee's failure to fully comply with any term or condition of this Lease not specifically referenced therein, irrespective of any knowledge any City officer or employee may have of such breach, default, or noncompliance. No waiver by either party shall be construed to be, or operate as, a waiver of any subsequent default in full performance of any provision of this Lease. The payment or acceptance of any Rent, other sums due, or other compensation, whether after a default or from a sublessee or assignee, shall not be deemed to constitute consent to or acceptance of such default or acceptance of defective or incomplete performance in the future or any such subtenancy or assignment.

27. USE OF LANGUAGE

Terms used in the neuter gender include the masculine and feminine; and terms used in the singular or plural include the other, as the context may require.

28. CAPTIONS

The titles of sections are for convenience only and do not alter in any manner the content of the sections.

29. PARTIAL INVALIDITY

Should any term, provision, condition, or other portion of this Lease or the application thereof be held to be inoperative, invalid or unenforceable, the remainder of this Lease or the application of such term or provision to person or circumstances other than those to which it is held invalid or unenforceable shall not be affected hereby and shall continue in full force and effect.

30. GOVERNING LAW & VENUE

This Lease shall be interpreted and construed using Washington Law. The venue for any action under this Lease shall be in the Superior Court of the State of Washington for King County.

31. BINDING EFFECT

The provision, covenants, and conditions contained in this Lease apply to bind the parties, their legal heirs, representatives, successors, and assigns.

32. INSTALLATION OR INTEGRATION OF VISUAL ART WORKS PROHIBITED WITHOUT DIRECTOR'S CONSENT

A. Prohibition against Installation or Integration of Any Work of Visual Art on Premises without City's Consent. The City reserves to and for itself the right to approve or disapprove of the installation or integration on or in the Premises of any "work of visual art," as that term is defined in the Visual Artists Rights Act of 1990, as now existing or as later amended, and to approve or disapprove of each and every agreement regarding any such installation or integration. Lessee shall not install on or integrate into, or permit any other person or entity to install on or integrate into, the Premises any such work of visual art without the prior, express, written consent of the Director. The Director's consent to the installation of any such art work may be granted, granted upon one or more conditions, or withheld in the Director's discretion.

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

33. DISPUTE RESOLUTION; ATTORNEYS FEES

If a dispute arises between the City and Lessee with respect to this Lease, the representatives authorized to administer this Lease on behalf of each party will make good faith efforts to resolve the dispute. If those representatives are unable to resolve the matter, the dispute will be referred to the Director and Lessee's President of the

Board of Directors or his or her designee with equivalent decision making authority, and they will meet to address and resolve the dispute. Either party may schedule such a meeting by providing reasonable prior notice. If the above individuals are unable to resolve the dispute, prior to filing any lawsuit or claim, the parties will engage an independent mediator or mediation service acceptable to both parties, and will participate in mediation in good faith and for a time reasonable under the circumstances. The cost of the mediation services will be shared equally by the parties. If the dispute is not resolved through mediation, the parties remain free to pursue any other legal processes that may be available.

If an action is brought to enforce the terms of the Lease, each party agrees to bear its own attorneys' fees and costs.

34. ACKNOWLEDGEMENT OF NEGOTIATED LEASE

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

35. INCORPORATION OF EXHIBITS; ENTIRE AGREEMENT

The following exhibits are made a part of this Lease:

Exhibit A: Floor Plan/Site Plan of Premises
Exhibit B: Exclusivity Provisions at Seattle Center

This Agreement constitutes all of the covenants, promises, agreements, and conditions, either oral or written, between the parties regarding the terms and conditions of Lessee's use and occupancy of the Premises under this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this instrument the day and year indicated below:

LESSEE:

By: _____

_____

Board of Directors

Date: _____

LESSOR:

By: _____

Robert Nellams, Director

Seattle Center

Date: _____

BUSINESS ADDRESSES FOR NOTICES

LESSEE:
Director
Pottery Northwest, Inc.
226 First Avenue N.
Seattle, WA 98109
PHONE NO: 206 285-4421

LESSOR:
Director, Finance and Administration
Seattle Center Department
305 Harrison
Seattle, WA 98109
PHONE NO: 206 684-7330

Next page for acknowledgements:

STATE OF WASHINGTON)
) ss. (Acknowledgement for Pottery Northwest)
COUNTY OF KING)

On this _____ day of _____, 200___, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared _____, known to me to be the _____ of **POTTERY NORTHWEST, INC**. the party that executed the foregoing instrument as Lessee, and acknowledged said instrument to be the free and voluntary act and deed of said party, for the purposes therein mentioned, and on oath stated that he/she was authorized to execute said instrument.

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

_____ _____
[Signature] *[Printed Name]*

NOTARY PUBLIC in and for the State of Washington residing at _____
My commission expires _____.

STATE OF WASHINGTON)
) ss. (Acknowledgement for City)
COUNTY OF KING)

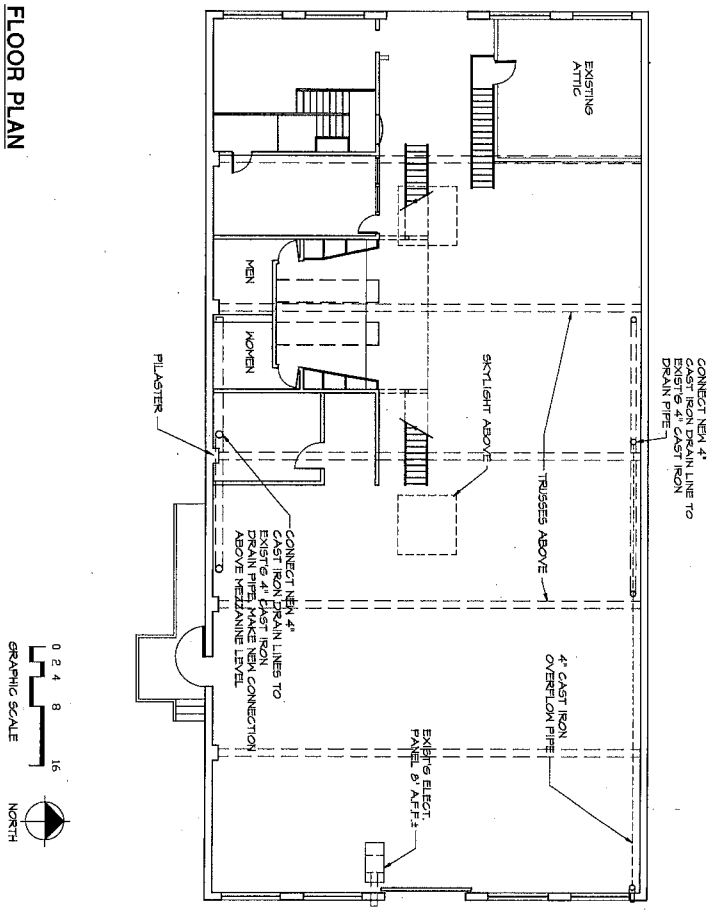
On this _____ day of _____, 200___, before me, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Robert Nellams, to me known to be the Director of Seattle Center of the **CITY OF SEATTLE**, the entity that executed the foregoing instrument as Lessor; and acknowledged to me that he signed the same as the free and voluntary act and deed of said entity for the uses and purposes therein mentioned and that he was authorized to execute said instrument for said entity.

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

_____ _____
[Signature] *[Printed Name]*

NOTARY PUBLIC in and for the State of Washington residing at _____
My commission expires _____.

Exhibit A: Floor Plan



19.016 Pottery NW/ Gardener's Facility
A-14 Seattle Center Reroofing
FLOOR PLAN

AS-BUILT DRAWINGS

30.113

SHEET	SCALE	DRAWN BY	CHECKED BY	ORIG. ISSUE	REV. ISSUE
A-14	AS NOTED	BB	MMB	11 MAR 1993	

VAN HORNE & VAN HORNE architects

REGISTERED ARCHITECT

SEATTLE CENTER REROOFING

POTTERY NORTHWEST BUILDING FLOOR PLAN

APPROVED FOR ADVERTISING
KENNETH J. NAKATSU
DIRECTOR OF ADMINISTRATIVE SERVICES
SEATTLE, WASHINGTON

March 9 1993

BY: Stephen C. Faber
CONTRACTING SERVICES ADMINISTRATOR

SEA. CTR. DIR. OF REDVPT.

NO.	REVISION	DATE	NO.	REVISION	DATE

Exhibit A to Attachment 1 to CEN Pottery Northwest Lease ORD

EXHIBIT B

LEASE AGREEMENT BETWEEN CITY OF SEATTLE AND POTTERY NORTHWEST, INC.

EXCLUSIVITY PROVISIONS AT SEATTLE CENTER

1. Experience Music Project

1.1. No Competing Uses. Throughout the term of this Ground Lease the City covenants that EMP shall be the only institution or venue on the Seattle Center grounds whose primary focus and use is the programming of exhibition space devoted to music and/or popular culture (as opposed to a performance venue) and the City shall not, during the term of this Ground Lease, allow or permit any institution, including itself, or any other party or venue on the Seattle Center grounds to engage in such use. The intent of this covenant is to ensure the continued status of the EMP as the sole institution on the Seattle Center grounds devoted to such use, and not to exclude festivals, seminars, concerts, traveling exhibitions or any other type of "temporary" venue which, for the purpose of this Ground Lease, shall be defined as any venue on the Seattle Center grounds open to the public for a period of 90 days or less. Notwithstanding the foregoing, the Director may from time to time request that the EMP waive enforcement of this covenant with respect to a particular festival, concert, or traveling exhibition other than a "temporary venue," as defined above, which request for waiver EMP shall consider in good faith. Any request for such waiver shall be in writing and such waiver, if granted, shall not be construed as a waiver or relinquishment by EMP of its right to future enforcement of this covenant.

1.2. Exclusive Sales Rights. For the term of this Ground Lease, EMP shall have the exclusive rights to retail sales of any items possessing or containing EMP logos, services marks or trademarks. The City shall cooperate with EMP in enforcing such exclusive sales rights to the extent the Director, in good faith, feels is reasonable and appropriate.

1.3 Exclusive Liquor Sales. Subject to certain exceptions which do not include Pottery Northwest, Inc., EMP has the exclusive right to operate a restaurant with a full service liquor license.

2. Center Art, LLC

For the Term of this Lease, Center Art shall have the exclusive rights to retail sales at Seattle Center of any items possessing or containing logos, service marks or trademarks pertaining to the Project, or Chihuly art of any kind, or any other items

possessing or containing logos, service marks, trademarks, copyrights, publicity rights or other intellectual property rights pertaining to the Project or Chihuly art of any kind.

In addition, for so long as Center Art uses the Premises for the Permitted Uses, the City shall not enter into a lease, sublease, lease amendment or assignment, or other agreement that grants any other party the right to operate at the Seattle Center a glass art exhibit or retail glass art space for other than temporary or short-term purposes, e.g. during a festival, travelling exhibition or seminar, nor shall the City itself offer a glass art exhibit or retail glass art space on the Seattle Center campus for other than temporary or short-term purposes. The exclusive rights identified in this Section are subject to any other Seattle Center tenant or third party's rights existing prior to the Effective Date of this Lease, including any existing contractual rights to assign or extend an existing lease or other agreement. The Parties agree and acknowledge that for the purpose of this Section 11.5, the sale of a de minimis or negligible amount of glass souvenirs, memorabilia or other similar glass products shall not be deemed a violation of Center Art's exclusive rights. City shall not be prohibited from allowing temporary exhibits subject to the prior written approval of Center Art, which approval shall not be unreasonably withheld, conditioned or delayed. "Temporary" for the purpose of this Section 11.5 shall be defined as any venue on the Seattle Center grounds open to the public for a period of ninety (90) days or less. The exclusive rights in this section shall automatically terminate without further action by the City if Center Art ceases to use the Premises for the Permitted Uses, unless otherwise agreed to by the Director in writing.

Form revised: December 6, 2011

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Seattle Center	Michael Katz, 206-684-7360 Tom Israel, 206-684-7298 Rebecca Keith, Law, 206-684-8239	Greg Shiring, 206-386-4085

Legislation Title:
AN ORDINANCE relating to the Seattle Center Department; authorizing execution of a ten-year lease agreement with two five-year options to extend with Pottery Northwest, Inc., for use of space on the Seattle Center campus.

Summary of the Legislation:
This legislation authorizes a lease agreement with Pottery Northwest, a Washington nonprofit corporation, for use of space on the Seattle Center campus. The term of the lease is ten years, commencing upon execution. Under terms of the lease, Pottery Northwest may extend the term for up to two successive terms of five (5) years each.

The current annual base rent is $43,190. The new lease will have nearly the same cash payment ($43,200), but Pottery Northwest will also provide an additional $21,600 in public benefit for the first five years of the contract, bringing the total value of the annual rent to $64,800 for lease years one through five. Beginning in year six and continuing through year ten, rent increases to a total value of $75,600, with the cash payment portion being set at $50,400 and the public benefit at $25,200. The Seattle Center Director will make the final determination as to the value of such services and whether to accept such services as an offset to rent.

Background:

Pottery Northwest occupies a professional clay facility of approximately 10,800 square feet located on the west edge of the Seattle Center campus. Pottery Northwest was incorporated as a non-profit arts organization in 1966. In the early years, it resided on the second floor of Center House (now known as the Armory) at Seattle Center. Later the pottery and kilns relocated to the building it now shares with the landscape staff for the Seattle Center campus at the corner of 1st Avenue North and Thomas Street, south of Key Arena and adjacent to the First Avenue North parking garage. Pottery Northwest is one of the oldest resident organizations at Seattle Center.

Since its beginning, Pottery Northwest has been a resource for community classes, professional workshops, and exhibitions with nationally and internationally recognized artists. This past year, Pottery Northwest hosted over 600 students and workshop participants in addition to visitors for lectures, exhibitions, and community events. Pottery Northwest also provides studio space for individuals on a professional track. Up to ten artists are "in residence" for two years and serve as

faculty to students of every age group and skill level.

Over the years, Pottery Northwest has invested significant amounts of capital in the space, including electrical, heating, and gas line improvements and purchased state-of-the art firing and reclamation equipment. Looking forward, they intend to continue improving the facility and expanding programming by initiating fundraising of $75,000 per year. Investors and donors desire certainty of Pottery Northwest's long-term sustainability, and a long-term lease will support their goal.

In January 1983, Ordinance 110817 authorized a lease agreement with Pottery Northwest which extended through December 1990. Subsequently, Ordinance 117044 authorized a lease period from January 1991 through December 1995, and continued on a month to month basis through July 2003, under the holdover provisions of the lease. The existing lease agreement, authorized by Ordinance 121214 in 2003, covered the period from July 1, 2003 through December 31, 2007. The current lease has been extended for two additional two (2)-year periods. Since January 1, 2012, Pottery Northwest has operated under a "hold over" clause which allows for month to month operations until a new contract is in place.

The proposed lease term is ten (10) years, beginning on the date signed by both parties. The lease also provides Pottery Northwest the option of extending the lease for up to two periods of five (5) years each. If Pottery Northwest elects to extend the term, base rent increases by CPI each year.

Under the agreement, Pottery Northwest's annual rent in years one through five is $64,800 or $6.00 per square foot. In years six through ten, it is $75,600 or $7.00 per square foot. A minimum amount of $43,200 (years one through five) or $50,400 (years six through ten) will be paid in cash. The remaining $21,600 (years one through five) or $25,200 (years six through ten) may be paid as Public Benefit Rent.

Proposed Rent:

Year	Annual Base Rent per Square Foot	Annual Amount of Base Rent	Annual Amount of Base Rent Payable in Cash	Annual Amount of Public Benefit Rent	Monthly Cash Installment of Base Rent
Lease Years 1 - 5	$6.00	$64,800.00	$43,200.00	$21,600.00	$3,600.00
Lease Years 6 - 10	$7.00	$75,600.00	$50,400.00	$25,200.00	$4,200.00

Public Benefit rent includes free or reduced admissions classes, free use of studio space for City events, scholarships, and public displays of original ceramic art. It is calculated as the annual base rent per square foot ($6.00 years one through five, $7.00 years six through ten) for 3,600 square feet (1/3 of the leased space) and derived from the annual proposal submitted by Pottery Northwest for the coming year and subject to approval by the Seattle Center Director. At the end of each Lease Year, Public Benefit Rent will be approved or denied by the Seattle Center Director after review of the itemized statement of actual labor, materials, and other costs

expended by Pottery Northwest. If the Public Benefit Rent is denied, short, or not provided, Pottery Northwest will pay the deficiency in cash within 30 days. Pottery Northwest is not entitled to any refunds or carryover of excess benefits.

Currently, space adjacent to the Pottery Northwest building is occupied by Seattle Center grounds crews. Under this agreement, if the City decides to vacate the space, Pottery Northwest has 120 days to exercise a first right to lease the unoccupied portion. Should Pottery Northwest decline, the City is free to pursue other tenants. Furthermore, should the City decide to redevelop the building or adjacent areas, City will assist in relocating Pottery Northwest by attempting to provide comparable space (if available) at Seattle Center and pay their moving costs.

Please check one of the following:

____ **This legislation does not have any financial implications.**

_X_ **This legislation has financial implications.**

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2012 Appropriation	2013 Anticipated Appropriation
TOTAL				

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

Appropriations Notes:
This legislation does not authorize appropriations.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
11410	Seattle Center	Lease payments from Pottery Northwest	64,800.00	64,800.00
TOTAL			**$64,800.00**	**$64,800.00**

Revenue/Reimbursement Notes:
Under the lease, Pottery Northwest has the opportunity to offset up to $21,600 in years one through five and $25,200 in years six through ten of its annual rent with public benefit services. This provision is in keeping with the Seattle Center Director's authority under SMC 17.16.030 to

accept in-kind contributions of services for the City's benefit to offset space rental payments due from non-profit organizations. Under the Pottery Northwest Lease Agreement, the Seattle Center Director will make the final determination as to the value of such services and whether to accept such services as an offset to rent. Seattle Center's proposed 2013 and 2014 budget assumes annual revenue of $60,000 per year. Assuming Potter Northwest takes full advantage of the opportunity to offset cash payments with public benefit, the revenue from this contract would be approximately $17,000 below what is assumed in Seattle Center's 2013-2014 Proposed Budget.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2012 Positions	2012 FTE	2013 Positions*	2013 FTE*
None							
TOTAL							

** 2013 positions and FTE are total 2013 position changes resulting from this legislation, not incremental changes. Therefore, under 2013, please be sure to include any continuing positions from 2012.*

Position Notes:
This legislation does not create or abrogate positions.

Do positions sunset in the future?

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2012 Expenditures	2013 Anticipated Expenditures
TOTAL				

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

Spending/Cash Flow Notes:

None.

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?** There are no indirect financial implications. Long-term implications include a consistent and predictable revenue source for a minimum of ten years.

b) What is the financial cost of not implementing the legislation?
Without legislation authorizing the lease, the existing agreement will terminate and Pottery Northwest may seek alternate locations leaving a vacant space which Seattle Center would attempt to lease to another organization.

c) Does this legislation affect any departments besides the originating department?
No.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?
Seattle Center could attempt to find another tenant for the Pottery Northwest space. However, there would be significant capital costs to transform the space from a pottery space to another use. The community would potentially lose a longstanding and valued organization and resource.

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. Exhibit A of lease agreement includes a site plan.

h) Other Issues:
Pottery Northwest has been a resident tenant at Seattle Center since 1966 and adds cultural and artistic activities to Seattle Center. Both parties would like to see Pottery Northwest remain at Seattle Center.

List attachments to the fiscal note below:
Site Map of space.

City of Seattle
Office of the Mayor

November 27, 2012

Honorable Sally J. Clark
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Clark:

I am pleased to transmit the attached proposed Council Bill that authorizes a ten-year lease agreement with Pottery Northwest, Inc. for the lease of space on the west edge of the Seattle Center Campus. Pottery Northwest has been a resident tenant at Seattle Center since 1966, orginally starting in the Armory. It provides pottery classes open to the general public, pottery workspace, and a gallery for the display and sale of pottery objects.

Under this agreement, Pottery Northwest's rent increases from the current $43,190 to $64,800 in years 1-5, increasing to $75,600 in years 6-10. Pottery Northwest has the option for two additonal 5-year options, with rent increasing by CPI. As with the existing lease, Pottery Northwest has the opportunity to offset a portion of its rent with public benefit services.

Pottery Northwest is one of the longest term resident organizations on the Seattle Center campus. Approval of this legislation will allow Pottery Northwest to continue to contribute to the cultural and artistic life of Seattle Center and the greater community. Thank you for your consideration of this legislation. Should you have questions, please contact Michael Katz at (206) 684-7360 or Tom Israel at (206) 684-7298.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor
Office of the Mayor
600 Fourth Avenue, 7th Floor
PO Box 94749
Seattle, WA 98124-4749

Tel (206) 684-4000
Fax (206) 684-5360
TDD (206) 615-0476
mike.mcginn@seattle.gov