



City of Seattle
Office of the Mayor

January 29, 2013

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 the sale of the Pacific Place Parking Garage to Pine Street, LLC for \$55 million, which is \$4 million more than its appraised value. Pine Street developed, owns, and manages the Pacific Place Mall where the Garage is located. The proceeds from the sale shall be used exclusively for the purpose of taking one of the remedial actions permitted under Internal Revenue Service regulations as necessary to preserve the tax exemption for the outstanding bonds.

The Pacific Place Garage was originally built to support the redevelopment of three square blocks of downtown Seattle and serve as a catalyst for redevelopment of the overall commercial core by contributing to increased pedestrian traffic, improved public safety, and enhanced vehicular circulation. In addition to generally benefiting the downtown area, the Garage has also directly contributed to the City's finances by generating approximately \$27 million in taxes since 1998 that have directly supported transportation and other City projects. (These taxes will continue to be collected by the City after the garage is sold.) Finally, by contributing to the growth and health of the retail core, the Garage has facilitated an increase in the City's collection of sales and B&O tax from other businesses in the area.

While the Garage was able to meet its debt service obligations in the early years, the ongoing recession, increased competition from other downtown parking garages, escalating debt service, other retail competition (University Village, Bellevue, etc.), and other increased costs resulted in a sharp decrease in the Garage's revenue beginning in 2003. The financial trend of operating costs and debt service exceeding revenue has continued, culminating in a \$2.1 million shortfall in 2011, and a \$4 million loan from the City's cash pool to support the Garage's operations through the end of 2012.

Considering the Garage's success in meeting its overall objectives, coupled with the potential for placing continued pressure on the General Fund, we believe it is in the City's best interest to pursue a sale of the Garage to Pine Street, LLC at this time. Thank you for considering this important piece of legislation. If you have any further questions please contact Fred Podesta at 4-5200.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor
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CITY OF SEATTLE
ORDINANCE _____
COUNCIL BILL _____

1
2
3
4 AN ORDINANCE relating to the sale of the Pacific Place Garage condominium unit under the
5 jurisdiction of the Department of Finance and Administrative Services; authorizing the
6 sale of such property; creating a new City Fund; designating disposition of sale proceeds;
7 authorizing the Director of Finance and Administrative Services to execute additional
8 agreements and documents necessary for the sale; and exempting the sale of such
9 property from the requirements of Resolution 29799 as amended by Resolution 30862.

10 WHEREAS, on February 12, 1996 Ordinance 118011 authorized the acquisition of the Pacific
11 Place Garage (PPG) condominium unit; and

12 Whereas, PPG was originally built to support the redevelopment of three square blocks
13 of downtown Seattle and serve as a catalyst for redevelopment of the overall
14 commercial core by contributing to increased pedestrian traffic, improved public
15 safety, and enhanced vehicular circulation; and

16 WHEREAS, the PPG has met those objectives and has also directly contributed to the
17 City's finances by generating approximately \$27 million in taxes since 1998 that
18 have directly supported transportation and other City projects and, by
19 contributing to the health of the retail core, and has facilitated an increase in the
20 City's collection of sales and B&O tax from other businesses in the area; and

21 WHEREAS, the acquisition of the PPG was financed and refinanced with proceeds of certain
22 outstanding tax-exempt bonds of the City, namely, a portion of the City's LTGO Bonds,
23 1998E, and a portion of the City's LTGO Improvement and Refunding Bonds, 2007
24 (Outstanding Bonds) and

25 WHEREAS, owning a large commercial parking garage is no longer in the public interest; and

26 WHEREAS, the City negotiated a Purchase and Sale Agreement with Pine Street Group LLC for
27 the sale price and terms that are in the public's interest and on terms to provide for an
28 efficient transition to new ownership; and

WHEREAS, the sale of the PPG to Pine Street Group LLC will require the City to take a
remedial action permitted by certain Internal Revenue Service regulations as necessary to
preserve the tax exemption for the Outstanding Bonds; and

1 WHEREAS, the proceeds from the sale of the PPG are required to be deposited in the newly
2 created Fund and used for the purpose of taking one of the remedial actions permitted
under Internal Revenue Service regulations; and

3 NOW, THEREFORE,

4 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

5
6 Section 1. The Director of Finance and Administrative Services (Director) or his or her
7 designee is authorized to sell to Pine Street Group LLC (“Pine Street”) the property commonly
8 known as the “Pacific Place Garage” (PPG) located at 1612 6TH AVE in the city of Seattle and
9 legally described as follows:

10
11 Garage Unit, Pacific Place, a condominium recorded in Volume 151 of Condominiums, pages 1
12 through 7, according to the declaration thereof, recorded under Recording No. 9808271807 and
any amendments thereto;

13 Situate in the city of Seattle, County of King, State of Washington

14
15 Section 2. The Director is authorized to execute a real estate purchase and sale
16 agreement (PSA) substantially in the form of Attachment A and to execute and record all
17 agreements and documents necessary for such sale to Pine Street for no less than FIFTY FIVE
18 MILLION DOLLARS in all cash paid at closing.

19
20 Section 3. The Director or his designee is further authorized to negotiate and execute
21 such additional agreements and documents as the Director or his designee deem necessary or
22 advisable to carry out the purpose of this ordinance.

23
24 Section 4. The Director is authorized to make technical, conforming or otherwise
25 nonmaterial changes to the PSA, Quit Claim Deed and other documents authorized in Section 1,
26 and to negotiate material revisions benefitting the City, so long as the City’s rights with respect
27

1 to the sales price are not reduced and the City's financial liabilities are not increased. Further,
2 the Director is authorized to execute, record, deliver, administer, perform and enforce such
3 amendments and ancillary agreements or documents, and to take such other actions, including
4 make any filings with the Internal Revenue Service or other agency as in the Director's judgment
5 may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and
6 complete the transaction contemplated by this ordinance.

7
8 Section 5. A new Pacific Place Garage Sale City Fund (Fund) is hereby created in the
9 City Treasury.

10 Section 6. The purpose of the Fund authorized in Section 5 is to accept all proceeds
11 from the sale of the PPG which shall be used exclusively for the purpose of taking one of the
12 remedial actions permitted under Internal Revenue Service regulations, as selected by the
13 Director, as necessary to preserve the tax exemption for the Outstanding Bonds. The Fund shall
14 receive earnings on its positive balances.
15

16 Section 7. The Director shall have responsibility for administering the Fund. The
17 Director of Finance is authorized to create other subfunds, accounts, or subaccounts as may be
18 needed to implement the Fund's purpose and intent as established by this ordinance.
19

20 Section 8. The sale of the property authorized in Section 1 of this ordinance is
21 exempted from compliance with the property disposition policies and procedures set forth in
22 resolution 29799 as amended by resolution 30862.

23 Section 9. Any act consistent with the authority of this ordinance taken after its
24 passage and prior to its effective date is hereby ratified and confirmed.
25

26 Section 10. This ordinance shall take effect and be in force 30 days after its approval
27
28

1 by the Mayor, but if not approved and returned by the Mayor within ten days after presentation,
2 it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

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

6 _____
7
8 President _____ of the City Council

9
10 Approved by me this ____ day of _____, 2013.

11
12 _____
13 Michael McGinn, Mayor

14
15 Filed by me this ____ day of _____, 2013.

16
17 _____
18 Monica Martinez Simmons, City Clerk

19 (Seal)

20
21 Attachment A: Form of Purchase and Sale Agreement

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Finance and Administrative Services	Mark Ellerbrook 3-0026	Jennifer Devore 5-1328

Legislation Title: AN ORDINANCE relating to the sale of the Pacific Place Garage condominium unit under the jurisdiction of the Department of Finance and Administrative Services; authorizing the sale of such property; creating a new City Fund; designating disposition of sale proceeds; authorizing the Director of Finance and Administrative Services to execute additional agreements and documents necessary for the sale; and exempting the sale of such property from the requirements of Resolution 29799 as amended by Resolution 30862.

Summary of the Legislation: This legislation authorizes the Department of Finance and Administrative Services (FAS) Director to sell to Pine Street Group LLC (“Pine Street”) the Pacific Place Garage for consideration valued at \$55 million, which is \$4 million above its appraised value. The proceeds from the sale shall be used exclusively for the purpose of taking one of the remedial actions permitted under Internal Revenue Service regulations as necessary to preserve the tax exemption for the outstanding bonds.

Background:

The Pacific Place Garage was built to support the redevelopment of three square blocks of downtown, including moving Nordstrom to the vacant Frederick and Nelson Building, constructing Pacific Place retail mall with parking garage, and redeveloping the Nordstrom properties for additional new retail, office and other commercial uses. Additionally, the Garage was to serve as a catalyst for redevelopment of the overall commercial core by contributing to increased pedestrian traffic, improved public safety, and enhanced vehicular circulation.

Although it is difficult to measure improvements in the retail core, a recent publication from the Downtown Seattle Association notes that among peer cities (including San Francisco, Portland, and Boston) Seattle had the highest growth in retail employment since 2002. Additionally, Seattle now ranks second only to San Francisco in the number of downtown residents.

In addition to generally benefiting downtown, the Garage also directly contributes to the City’s finances. Since 1998, it has generated approximately \$27 million in City taxes, directly supporting transportation and other key projects. Additionally, by contributing to the growth and health of the retail core, the Garage has facilitated an increase in the City’s collection of sales and B&O tax from other businesses.

The City acquired the Garage using \$73 million in bond financing. The City structured the bonds with escalating debt service so that lower debt obligations in the early years would allow the Garage to establish itself as a desirable parking option and also under the assumption that its

revenues would increase over time due to increased retail development and increases in parking rates.

In the early years the Garage’s operations were able to meet its debt service obligations. However, beginning in 2003, revenue was significantly less than operating costs and debt service obligations. With the exception of 2006 and 2007, the ongoing recession, increased competition from other parking garages downtown, increased competition for downtown retail in general (Bellevue, University Village, etc), escalating debt service, and other increased costs have continued the trend, culminating in a \$2.1 million shortfall in 2011. The City currently has issued a \$4 million loan to the Garage from the City’s cash pool to support operations through the end of 2012.

Please check one of the following:

X This legislation has financial implications.

Appropriations:

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

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

Appropriations Notes:

There is no appropriation associated with this legislation.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
46XXX	FAS	Asset Sale	\$55,000,000	\$0
TOTAL			\$55,000,000	\$0

Revenue/Reimbursement Notes: The proceeds from the sale deposited into the Fund shall be used exclusively for the purpose of taking one of the remedial actions permitted under Internal Revenue Service regulations, as selected by the Director, as necessary to preserve the tax exemption for the Outstanding Bonds.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact: None

Do positions sunset in the future? No

Spending/Cash Flow: N/A

Fund Name & #	Department	Budget Control Level*	2013 Expenditures	2014 Anticipated Expenditures
TOTAL				

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

Spending/Cash Flow Notes:

Funds will likely be spent in 2013 or 2014. Again, the proceeds from the sale deposited into the Fund shall be used exclusively for the purpose of taking one of the remedial actions permitted under Internal Revenue Service regulations.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
 Yes. Sale of the Garage will relieve pressure on the General Fund, allowing the City to direct funds to critical projects that support its core services.
- b) **What is the financial cost of not implementing the legislation?**
 Likely, the Pacific Place Garage will continue to lose money over the next 13 years, putting a strain on the General Fund
- 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?** The City could make a large loan to the garage or support it with ongoing general fund transfers until the debt is paid back. At that point, (likely in 2026), the City would then see positive cash flow from the garage and be able to recoup all or a portion of its funds.
- 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
- h) **Other Issues:** None

List attachments to the fiscal note below:

ATTACHMENT A
PURCHASE AND SALE AGREEMENT
FOR SALE OF REAL PROPERTY

THIS PURCHASE AND SALE AGREEMENT (“Agreement”) is entered into as of _____, 2013, (the “Effective Date”) by and between THE CITY OF SEATTLE (“Seller”), a Washington municipal corporation, acting by and through the Department of Finance and Administrative Services, and PINE STREET GROUP L.L.C., a Washington limited liability company (“Purchaser”), whose address is 1500 Fourth Ave, Suite 600, Seattle, Washington 98101.

In consideration of the following agreements herein set forth, Seller and Purchaser agree as follows:

1. **PURCHASE AND SALE OF THE PROPERTY.**

Seller agrees to sell and Purchaser agrees to purchase, on the terms and conditions set forth in this Agreement, that condominium unit described on **Exhibit A**, and all common elements and limited common elements and other rights and interests related or appurtenant to the condominium unit, together with the personal property listed on **Exhibit B** (collectively, the “Property”). Property shall also include the Air Space Easement conveyed to the City under the terms of the Umbrella Agreement between Seller and Purchaser signed on March 28, 1996.

2. **CONVEYANCE.**

Upon execution of this Agreement by the duly authorized representatives of Purchaser and Seller, and the passage of an appropriate ordinance by the Seattle City Council, then upon payment of the Purchase Price defined in Section 3 of this Agreement, Seller shall convey the Property to Purchaser via bargain and sale deed in the form attached hereto as **Exhibit C**, which is hereby approved as to form by Purchaser, subject to: (a) all taxes, assessments, restrictions, easements, agreements and other matters affecting the Property deemed acceptable by Purchaser; (b) all applicable zoning rules, restrictions, regulations, resolutions and ordinances and building restrictions and governmental regulations now or hereafter in effect; (c) the right of the public in any street or highway forming a boundary of the Property; and (d) the documents listed at **Exhibit D** (“Parking Documents”).

3. **PURCHASE PRICE.**

3.1 **Purchase Price.** The total purchase price for the Property (“Purchase Price”) shall be FIFTY FIVE MILLION and No/100 Dollars (\$55,000,000.00) and shall be paid in all cash.

On the Closing Date (as defined in Section 9.1 below), the Purchaser shall pay the Seller the Purchase Price, as modified by Section 6.2.2 and less the Earnest Money previously deposited and all accrued interest net of Seller's Reimbursable Costs as defined below in Section 3.2.

3.2 Earnest Money. Within two (2) business days after the Effective Date, Purchaser shall deliver to the downtown Seattle office of Chicago Title Insurance Company ("Title Company") 701 5th Avenue Suite 1800, or such other escrow agent as may be satisfactory to both Purchaser and Seller ("Escrow Agent"), an earnest money deposit ("the Earnest Money") in an amount equal to Five Hundred Fifty Thousand Dollars (\$550,000.00) by wire transfer or check, which sum shall be deposited in an interest bearing account and held until Closing and which sum (together with all accrued interest thereon) shall be applied to the Purchase Price at Closing, unless forfeited or refunded to Purchaser as provided in accordance with this Agreement.

4. PURCHASER'S TITLE CONTINGENCY AND FEASIBILITY PERIOD.

4.1 Title Policy. Closing shall be conditioned upon Chicago Title Insurance Company ("Title Company") issuing or committing to issue to Purchaser an ALTA owner's extended coverage policy of title insurance with a condominium endorsement, access endorsement, and comprehensive endorsement in the amount of the Purchase Price (the "Title Policy"). Purchaser shall have twenty (20) days after the date the Title Commitment is issued in which to notify Seller in writing of Purchaser's disapproval of any exceptions shown in the Title Commitment (other than monetary liens to be satisfied by Seller by the Closing Date as defined in Section 9.1). If Purchaser provides no such notice within the twenty (20) day period, then Purchaser shall be deemed to accept all of the exceptions shown in the Title Commitment. Any updates of the Title Policy or any additional title reports which Purchaser desires shall be obtained by and at the sole expense of Purchaser.

4.2 Termination of Agreement; Title Defects. Within twenty (20) days following Purchaser's written notice to Seller of its objections to the status of title to the Property, as indicated in Section 4.1, Seller shall notify Purchaser in writing which, if any, of such objections Seller elects to eliminate. Seller shall have until the Closing Date to eliminate any disapproved exceptions. If Seller does not so notify Purchaser, Seller shall be deemed to have elected not to remove the disapproved exceptions. If Seller elects not to eliminate any disapproved title exception of which it was timely notified in writing pursuant to Section 4.1, Purchaser may elect to cancel this Agreement by written notice to Seller. If Purchaser does not elect to cancel this Agreement, Purchaser's objections to the title exceptions Seller elects not to eliminate shall be deemed waived and the Property shall be conveyed to the Purchaser which such defects without credit against the purchase price. The foregoing notwithstanding, Seller agrees that except for the liens for any nondelinquent taxes and any nondelinquent special assessments or condominium dues, it shall cause all monetary liens against the unit being conveyed to Purchaser that are not accepted to be released of record or affirmatively insured against.

4.3 Title Commitment. Within five (5) days after the Effective Date, Seller shall deliver a copy of the current title commitment (“Title Commitment”) for the Property to Purchaser, along with legible and complete copies of all documents referenced as title exceptions in the Title Commitment.

4.4 Cost of Title Policy. Seller shall pay costs of a standard coverage of title insurance. Any increase in the cost of title insurance for election of extended coverage or endorsements shall be paid by the Purchaser. In the event that this Agreement is terminated without closing, the cost of the title insurance contemplated by this Agreement shall be borne by Purchaser.

4.5 Review Period. Purchaser shall have thirty (30) days from the Effective Date to examine the Property and Seller’s books and records pertaining to the Property to determine the information is consistent with prior information provided to the Purchaser. This examination may include a physical inspection of the Property including structural and environmental review. Seller shall provide promptly to Purchaser such books and records pertaining to the Property that Purchaser requests. If Purchaser determines the information is not consistent, Purchaser shall provide Seller written notice of such fact on or before the thirtieth (30th) day of the review period, in which case this Agreement shall terminate and the Earnest Money and all accrued interest shall be returned to purchaser. If Purchaser does not provide written notice pursuant to this Section 4.5, then Purchaser shall be deemed to have approved the information. Purchaser shall have the option to conclude the review period prior to the thirtieth (30th) day of the review period and notify the Seller that Purchaser desires to proceed with closing the transaction, in which case, Closing shall occur thirty (30) days after such notification.

5. REPRESENTATIONS AND WARRANTIES.

5.1 Purchaser’s Warranties. Purchaser represents and warrants as follows:

5.1.1 Purchaser is a Washington limited liability company duly organized, validly existing and in good standing under the laws of the State of Washington and has the power to own its property and assets.

5.1.2 At the time this Agreement is presented to Seller as an offer, this Agreement has been duly authorized, executed and delivered by Purchaser; will constitute the legal, valid and binding obligation of Purchaser; and will be enforceable against Purchaser in accordance with its terms.

5.1.3 The purchase of the Property will not conflict with or result in a material breach affecting Purchaser's ability to perform under this Agreement, of any other agreement or

instrument to which Purchaser is a party or by which it is or may be bound or constitute a default under any of the foregoing, or violate any state or federal governmental law, statute, ordinance or regulation in effect on the date of execution of this Agreement.

5.1.4 Purchaser acknowledges and agrees that the Property is being sold AS IS, WHERE IS, and that Seller makes no warranties or representation concerning the condition of the Property, except as specifically set forth in this Agreement, or its suitability for Purchaser's purposes.

5.2 Seller's Warranties. Seller represents and warrants as follows:

5.2.1 Seller is a municipal corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has the power to own its property and assets. Seller warrants that the Director of the Department of Finance and Administrative Service is authorized on behalf of the Seller to execute this Agreement, subject to the approval of this Agreement by ordinance adopted by the Seattle City Council.

5.2.2 Seller is aware of no condition on or affecting the title to the Property, including but not limited to any material defect or material adverse fact relating to the Property, which will not be reflected as a matter of record title.

5.2.3 Seller does not currently have the Property financed in any manner.

5.2.4 The Property is not currently being used as collateral to secure any debt of any kind.

5.2.5 Seller has not intentionally withheld any material information concerning matters that have or potentially would have negative impacts, including environmental impacts, with respect to the Property. To the best of Seller's knowledge, other than minor releases associated with normal operation of a parking garage, such as drips of motor oil and brake fluid, metals and asbestos from brakes, and materials transported on tires from other locations, (i) there has been no generation, treatment, storage, transfer, disposal or release of Hazardous Substances on the Property at any time during Seller's ownership or use thereof; and (ii) Seller is not aware of any facts which would lead it to believe that there are any Hazardous Substances on the Property. For purposes of this Agreement, the phrase Hazardous Substances shall mean: "hazardous substance" as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA") and as defined in the Washington Model Toxics Control Act (MTCA), as amended; and "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976 ("RCRA") as amended;

5.2.6 Seller has not received any written notices that the Property or its use is in violation of any governmental requirements.

5.2.7 There is no litigation pending or threatened regarding the Property.

6. CONDITIONS TO CLOSING.

6.1. Seller's Conditions. Seller's obligation to close the sale of the Property is subject to the satisfaction of each of the following conditions:

6.1.1 City Council Approval. City Approval has been obtained by Seller, and Purchaser has approved in its sole and absolute discretion any terms and conditions imposed by the Mayor or in the appeal process required to obtain such City Approval. For purposes of this Agreement, "City Approval" shall mean that date upon which an ordinance acceptable in substance to Purchaser, which acceptance shall not be unreasonably withheld, approving this Agreement becomes effective¹.

6.1.2 Parking Operations Agreement. Purchaser and Seller shall have executed "Parking Operations Agreement" substantially in the form as **Exhibit E**.

6.1.3 Assignment of Parking Agreements and Covenants. Purchaser and Seller shall have executed "Parking Agreements and Covenants Assignment" substantially in the form as **Exhibit F**.

6.1.4 Purchaser's Compliance. Purchaser's fulfillment of each of its obligations under this Agreement.

6.1.5 Purchaser's Representations. The continuing accuracy of all of Purchaser's warranties and representations in this Agreement in all material respects.

6.2 Purchaser's Conditions to Closing. Purchaser shall be obligated to complete this transaction only upon satisfaction or Purchaser's waiver of the following conditions:

6.2.1 Seller's Compliance. Seller's fulfillment of each of its obligations under this Agreement in all material respects.

¹ An ordinance becomes law in the City of Seattle by adoption by the requisite vote of the City Council and either the signature of the Mayor or the passage of 10 days after adoption, after the later of which thirty (30) days must expire without challenge for the ordinance to be effective.
{02126470.DOCX;3 }3 }

6.2.2 Condition of Deferred Maintenance. Seller shall convey the property with both parties agreeing that deferred maintenance items have been maintained, replaced or repaired to Purchaser's satisfaction. In the event that such items have not been maintained, replaced or repaired to Purchaser's satisfaction, then the purchase price shall be reduced by an amount satisfactory to both parties based on the estimated cost of such maintenance items set forth in **Exhibit G**, but in no event shall the purchase price be reduced by more than \$700,000.

6.2.3 Status of Title. The absence of any lien or other defect in title to the Property which was not permitted by this Agreement or approved by Purchaser and which cannot be released of record or insured against to Purchaser's reasonable satisfaction at the expense of Seller.

6.2.5 Seller's Representations. The continuing accuracy of all of Seller's warranties and representations in this Agreement in all material respects.

7. TERMINATION OF AGREEMENT.

If any condition or contingency described in this Agreement has not been either satisfied or waived within the time period associated with such condition or contingency, this Agreement shall automatically terminate and the Earnest Money, together with all accrued interest thereon, shall be released by the Escrow Agent to Purchaser within three (3) days after delivery to Seller and Escrow Agent of Purchaser's written notice of such termination.

8. ESTABLISHMENT OF ESCROW.

8.1 Establishment of Escrow. Within two (2) business days after the Effective Date, Seller shall open an escrow account with the Escrow Agent identified in Section 3.2 in order to consummate the sale and purchase of the Property in accordance with the terms and provisions of this Agreement.

8.2 Escrow Instructions. The provisions of this Agreement shall constitute the joint instructions of the parties to the Escrow Agent; provided, however, that the parties may provide additional instructions to the Escrow Agent not inconsistent with the provisions of this Agreement.

9. CLOSING.

9.1 Closing Date. Closing shall occur on or before the date that is thirty (30) days after the expiration of the review period set forth in Section 4.5 (the "Closing Date"), unless otherwise agreed to in writing by the parties. The Closing Date may be extended by either party for up to fifteen (15) days if the closing is delayed by the Title Company, the Escrow Agent, the

need to prepare closing documents, illnesses, transportation delays, or other reasons beyond the control of the requesting party.

9.2 Purchaser's Closing Obligations & Instruments. At Closing Purchaser shall deliver to Seller through the Escrow Agent,

- (i) by certified or cashier's check or wire transfer, the balance of the Purchase Price, adjusted and prorated as provided in this Agreement
- (ii) a counterpart executed real estate excise tax affidavit; and
- (iii) such other instruments as are reasonably necessary to consummate this purchase and sale transaction

9.3 Seller's Closing Obligations & Instruments. At Closing, Seller shall deliver to Purchaser through the Escrow Agent:

- (i) a fully executed and acknowledged bargain and sale deed subject only to the exceptions identified in Section 4.1 of this Agreement;
- (ii) a counterpart executed real estate excise tax affidavit;
- (iii) a fully executed bill of sale for the personal property listed on **Exhibit H**;
- (iv) a fully executed agreement terminating the Air Space Easement dated March 28, 1996 between Purchaser and Seller;
- (v) a fully executed agreement terminating the Umbrella Agreement dated March 28, 1996 between Purchaser and Seller; and
- (vi) such other instruments as are reasonably necessary to consummate this purchase and sale transaction.

10. ESCROW AGENT'S OBLIGATIONS.

10.1 Instruments Necessary. The Escrow Agent shall receive, hold and disburse all funds, arrange the execution, delivery and recording of all instruments necessary to this transaction and shall otherwise act in accordance with the mutual written instructions of the parties to this Agreement and in accordance with the laws of the State of Washington.

10.2 Earnest Money. The Earnest Money paid by Purchaser shall be held by Escrow Agent in a separate interest bearing account, identified to this transaction. The interest accruing thereon between the date of deposit and the date of Closing shall be applied to the Purchaser's obligations at Closing, or if this Agreement is terminated, such interest shall be returned to Purchaser together with the Earnest Money if the Earnest Money is to be returned to Purchaser in accordance with this Agreement.

10.3 Payment to Seller. Upon recording of all documents necessary to transfer title, Escrow Agent shall pay to Seller the Purchase Price, as adjusted and prorated for Seller's portion of costs of this transaction and after deduction of all applicable fees and taxes.

10.4 Proration. All revenue and expenses including but not limited to real and personal property taxes, assessments, condominium dues and assessments, lease rent, surface water management charges, conservation service charges, and utility charges constituting liens against the Property, all for the year of closing, shall be prorated as of the Closing Date. Any documentary transfer tax, real estate excise tax, or other similar tax in accordance with the requirements of lawful authority shall be paid by Seller. The cost of recording the deed and any other document for the benefit of Purchaser and one-half of the escrow fee shall be paid by Purchaser.

10.5 Title Policy. At Closing, the Escrow Agent shall have the Title Company issue to Purchaser the Title Policy insuring fee simple title to the Property subject only to exceptions approved or deemed to have been approved by Purchaser and not limited by any limitations of Purchaser's remedies against Seller contained in this Agreement.

11. DEFAULT.

11.1 Remedies. If either party to this Agreement shall fail or refuse to perform or satisfy a material obligation under this Agreement and the other party has fully performed all of its obligations under this Agreement, that party shall be in default and the non-defaulting party shall have the following remedies.

(i) In the event that Seller is in default after Seller executes this Agreement, Purchaser shall recover its Earnest Money deposit together with accrued interest thereon and all of the costs Purchaser has expended negotiating this Agreement and conducting its due diligence review of the Property and notify Seller in writing of Purchaser's intention to abandon this transaction.

(ii) In the event that Purchaser is in default, Seller may retain the Earnest Money deposit as liquidated damages as Seller's sole and exclusive remedy under this

Agreement, in which event Seller shall have no further rights and Purchaser shall have no further obligations under this Agreement.

11.2 Mitigation. Each of the parties agrees to make good faith efforts to mitigate the amount of damages it sustains as a result of any default on the part of the other party hereto or such other party's failure to inability to perform its obligation herein.

12. CONDITION OF PROPERTY; RISK OF LOSS.

12.1 Condition of Property.

The Property shall be delivered by Seller to Purchaser at Closing in substantially the same physical condition as of the date of Seller's execution of this agreement, excepting ordinary wear and tear or deduction from the price for deferred maintenance items

12.2. Risk of Loss.

Risk of loss or damage to the Property by fire or other casualty, from the date of this Agreement through the Closing Date shall be on the Seller, and thereafter shall be on the Purchaser. In the event that the improvements on the Property are destroyed or materially damaged in the amount of One Million Dollars (\$1,000,000.00) or more, between the date this Agreement is executed by the Seller and the date title is conveyed to Purchaser, Purchaser shall have the option of recovering the Earnest Money plus accrued interest and being released from all obligations hereunder, or alternatively, closing the transaction and accepting the Property in its then present condition. If Purchaser elects to accept the Property in its then condition, any insurance proceeds payable to Seller by reason of the damage to the Property shall be paid and/or assigned, as the case may be, to Purchaser and Purchaser shall receive a credit at Closing, for the amount of any deductible applied to the loss.

13. CONDEMNATION.

If, prior to the date of Closing, all or any part of the Property is taken by condemnation by a governmental authority other than the city of Seattle or any agency, commission, department, or entity in any way related thereto ("Superior Governmental Authority"), the Purchaser may elect to cancel this Agreement by giving Seller notice to that effect, whereupon the Escrow Agent shall immediately return the Earnest Money and all interest earned thereon to the Purchaser and both parties shall be relieved and released from any liability hereunder to the other. Alternatively, the Purchaser may elect to take title to the Property in accordance with the terms and conditions of this Agreement without reduction of the Purchase Price and shall be entitled to receive from the Superior Governmental Authority any condemnation award or benefit. If Purchaser purchases the Property and complies with all of the terms of this

Agreement, Seller shall assign to Purchaser all of its right, title and interest in and to any such condemnation award or benefit, if any, that may be owing to the owner of the Property as a result of such condemnation or taking of, or damage or change to the Property, provided, however, that in such event, Seller's warranties, other than as to the condition of title to the Property, shall lapse.

14. BROKERS; INDEMNIFICATION.

The Seller is not represented by a real estate broker. The Purchaser represents that it has not been represented by any real estate broker in connection with the purchase of the Property. Purchaser and Seller shall each hold harmless, indemnify and defend the other from and against any claim based on any alleged fact inconsistent with such party's warranty and representation contained in this Subsection 14. This indemnification obligation shall survive the Closing and the termination of this Agreement.

15. ASSIGNMENT; BINDING EFFECT.

15.1 Assignment. This Agreement may be assigned by the Purchaser subject to written approval by Seller. Notwithstanding the foregoing, Purchaser may assign this Agreement at any time to any entity in which Purchaser has an ownership interest or any entity related to a party that has an ownership interest in Pacific Place, without Seller's consent. This Agreement shall not be assigned by Seller without the prior written consent of Purchaser.

15.2 Binding Effect. Subject to the foregoing, this Agreement shall be binding upon each party and its assigns and successors.

16. NOTICES.

16.1 All notices, requests, demands and other communications under this Agreement shall be in writing and shall either be delivered in person, sent via facsimile or sent by Federal Express or by registered or certified mail through the U.S. Postal Service with postage prepaid as follows:

SELLER:

THE CITY OF SEATTLE
c/o Dept. Of Finance and Administrative Services
Mark Ellerbrook
700 5th Ave, Suite 4300
PO Box 94669
Seattle WA 98124-4669

Mark Ellerbrook
FAS Pacific Place Garage Sale ORD ATT A
January 22, 2013
Version 5

Phone: 206-233-0026

PURCHASER:

Pine Street Group L.L.C.
Attn: Matt Griffin
1500 Fourth Avenue, Suite 600
Seattle, WA 98101

With a copy to:

Cairncross & Hempelmann
Attn: Donald E. Marcy
524 Second Ave., Suite 500
Seattle, WA 98104

And to:

McNaul Ebel Nawrot & Helgren PLLC
Attn: Marc Winters
600 University St., Suite 2700
Seattle, WA 98101

or to such other address as shall be furnished in writing with fifteen (15)-days prior notice by either party.

16.2 Notices shall be deemed to have been given upon the earlier of actual receipt, as evidenced by the deliverer's affidavit, the recipient's acknowledgment of receipt, or the Federal Express receipt, and in the event of attempted delivery during normal business hours at the proper address by an agent of a party or by Federal Express or the U.S. Postal Service but refused acceptance, shall be deemed to have been given upon attempted delivery, as evidenced by an affidavit of inability to deliver stating the time, date, place and manner in which such delivery was attempted and the manner in which such delivery was refused.

17. GOVERNING LAW JURISDICTION AND VENUE.

This Agreement shall be governed by the law of the State of Washington. In the event that litigation is commenced by either party, the parties to this Agreement agree that jurisdiction shall be solely in the King County Superior Court, with venue at Seattle, King County, Washington.

18. TIME OF PERFORMANCE.

A material consideration to Seller's entering into this transaction is that Purchaser will close the purchase of the Property by the Closing Date. Except as otherwise specifically provided in this Agreement, time is of the essence of each and every provision of this Agreement. All references to days in this Agreement shall mean calendar days, unless otherwise indicated. All references to business days in this Agreement shall mean all Mondays through Fridays, except for national holidays on which the United States mail is not generally delivered. If the time for performance of any of the terms, conditions and provisions shall fall on a Saturday, Sunday or legal holiday, then the time of such performance shall be extended to the next business day.

19. COUNTERPARTS.

This Agreement may be executed simultaneously or in counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

20. NO OFFER.

By providing an unexecuted copy of this Agreement to any person neither Purchaser nor Seller shall be deemed to have made an offer to sell or indicated its willingness to accept an offer to purchase the Property and this Agreement shall not be binding upon Seller or Purchaser unless and until it has been fully executed by Seller and Purchaser.

21. SECTION HEADINGS.

The captions of the sections and paragraphs in this Agreement have been inserted for convenience and shall not be construed to limit or otherwise modify the provisions hereof.

22. WAIVER.

22.1 Any waiver under this Agreement must be in writing. A waiver of any right or remedy in the event of a default shall not constitute a waiver of such right or remedy in the event of any subsequent default.

22.2 No writing other than a document signed by the Seller's Finance and Administrative Services Director specifically so stating that it is a waiver shall constitute a waiver by Seller of any particular breach or default by Purchaser, nor shall such a writing waive Purchaser's failure to fully comply with any other term or condition of this Agreement, irrespective of any knowledge that any officer or employee of Seller may have of such breach, default, or noncompliance.

23. ENTIRE AGREEMENT; MODIFICATIONS; NEGOTIATED UNDERSTANDING.

23.1 This Agreement, including all exhibits (which by this reference are incorporated herein), represents the entire agreement of the parties with respect to the Property and any and all agreements, oral or written, entered into prior to the date hereof are revoked and superseded by this Agreement.

23.2 This Agreement may not be changed, modified or rescinded except in writing signed by both parties and any attempt at oral modification of this Agreement shall be of no effect.

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

24. FURTHER INSTRUMENTS AND ACTION.

Each party shall promptly, upon the request of the other or Escrow Agent, execute, and as required, have acknowledged and deliver to the other, any and all further instruments and shall take all such further action as may be requested or appropriate to evidence or give effect to the provisions of this Agreement or to satisfy escrow agent's requirements.

25. SURVIVAL.

All warranties, representations, covenants, obligations and agreements contained in or arising out of this Agreement or in any certificates or other documents required to be furnished hereunder, shall survive the Closing. All warranties and representations shall be effective regardless of any investigation made or which could have been made.

26. ATTORNEYS' FEES.

Any party to this Agreement who is the prevailing party in any legal proceeding against the other party brought under or with respect to this Agreement or transaction will be additionally entitled to recover court costs and reasonable attorneys' fees from the non-prevailing party.

Mark Ellerbrook
FAS Pacific Place Garage Sale ORD ATT A
January 22, 2013
Version 5

IN WITNESS WHEREOF, Seller and Purchaser have caused this Agreement to be executed by persons thereunto duly authorized as of the day and year first above written, which shall be the date that the last of Seller and Purchaser shall have executed this Agreement.

SIGNATURES APPEAR ON THE FOLLOWING PAGE

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FAS Pacific Place Garage Sale ORD ATT A
January 22, 2013
Version 5

SELLER:

THE CITY OF SEATTLE

By: _____
Fred Podesta
Director, Department of Finance and Administrative Services

PURCHASER:

PINE STREET GROUP L.L.C.,
a Washington limited liability company

By: _____
Matt Griffin, Manager

STATE OF WASHINGTON)
) ss.
 COUNTY OF)

On this _____ day of _____, 2013, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, Manager of Pine Street Group L.L.C. who executed the foregoing document, and acknowledged the same to be the free and voluntary act and deed of said limited liability company for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute such document for and on behalf of said entity.

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

(Signature) _____

(Printed or typed name of Notary Public):

 Notary Public in and for the State of Washington,

residing at _____

My appointment expires _____

Mark Ellerbrook
FAS Pacific Place Garage Sale ORD ATT A
January 22, 2013
Version 5

EXHIBIT A

**TO PURCHASE AND SALE AGREEMENT
LEGAL DESCRIPTION**

Garage Unit, Pacific Place, a condominium recorded in Volume 151 of condominiums, pages 1 through 7, according to the declaration thereof, recorded under Recording No. 9808271807 and any amendments thereto

Situate in the City of Seattle, County of King, State of Washington

DRAFT

EXHIBIT B

List of Personal Property

To be completed as authorized by ordinance.

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FAS Pacific Place Garage Sale ORD ATT A
January 22, 2013
Version 5

EXHIBIT C

**TO REAL ESTATE PURCHASE AND SALE AGREEMENT
FORM OF BARGAIN AND SALE DEED**

To be completed as authorized by ordinance.

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EXHIBIT D

Parking Documents

To be completed as authorized by ordinance.

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FAS Pacific Place Garage Sale ORD ATT A
January 22, 2013
Version 5

EXHIBIT E

Parking Operations Agreement

To be completed as authorized by ordinance.

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EXHIBIT F

Parking Covenant and Agreement Assignments

To be completed as authorized by ordinance.

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EXHIBIT G

Deferred Maintenance Items

To be completed as authorized by ordinance.

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FAS Pacific Place Garage Sale ORD ATT A
January 22, 2013
Version 5

EXHIBIT H

Form – Bill of Sale for Personal Property

To be completed as authorized by ordinance.

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