

**Term Sheet for Lease, Lease-Back with Option to Purchase
for Burien TOD Facility**

August 2009

This term sheet represents the intended terms of an agreement between King County ("County") and Alliance Wasatch I, LLC ("Developer") in connection with the grant by County of a ground lease to Developer and lease-back to County of a parking garage ("Garage") to be constructed by Developer, adjacent to the new Burien Transit Center. The Garage will be constructed by Developer as part of a mixed use, transit-oriented development (the "Development"). The central feature of the mixed use portion of the Development will be affordable housing units, but it may also include some retail stores.

The Development will consist of two phases. Developer shall construct the Garage pursuant to a design acceptable to County, and will then lease-back the Garage to County with an option to purchase when it is completed and ready for occupancy. The design, development, construction, installation, equipping and financing of the Garage is hereinafter referred to as the "Project."

The second phase will consist of the mixed use affordable housing and retail development and will be integrated into the Garage. Both phases will be constructed on land owned by County and leased to the Developer in a single ground lease which will be short platted into two separate lots. Once short platted, the lots will become the Garage Land and the Housing Land. Upon exercise of its purchase option with respect to the Garage, the County will take ownership of the Garage and the ground lease as to the Garage Land will terminate. The ground lease with respect to the Housing Land will continue and permit Developer to proceed with the housing and retail component.

These intended terms will be more fully negotiated and agreed to in a ground lease and lease agreement between County and Developer. The ultimate terms may vary from this term sheet to address changes to the Project, including but not limited to design, scope, or financial structure. This term sheet is a statement of intent by the parties and will not become a binding commitment until the ground lease and lease agreements are approved by the Metropolitan King County Council and executed by the parties.

Recitals:

1. County currently operates a transit center facility in Downtown Burien. Both County and the City of Burien desire to complete a transit-oriented development adjacent to the transit center to provide both commuter parking and affordable housing.
2. County issued an RFP on December 13, 2007 entitled "Burien Downtown Park & Ride Lot A: Mixed Use Development" seeking a developer capable of building a combination mixed-use housing project and commuter parking garage. Developer was determined to have submitted the "top ranked" proposal.
3. County intends to exercise its option to purchase Garage with funds comprised of grants from Sound Transit and the federal government, which will be available upon substantial completion of the Garage construction. In the event the grant funds are not available at the time the County seeks to exercise its purchase option, the County shall have the option to either finance the purchase option price by issuing certificates of participation in the Garage, upon

which payment the Garage and Garage Land would be conveyed to the County, or, in the event the County elected not to exercise its purchase option, use the proceeds to pay rent for the remainder of the lease term as to the Garage..

Terms:

1. Parties/Basic Structure:

- A. Developer: Alliance Wasatch I, LLC, a California limited liability company.
- B. County: King County, a political subdivision of the State of Washington, tenant of the Garage.
- C. Development: The Development shall be comprised of two discrete phases:

1. Phase I: Garage. Located at 14900 4th Avenue SW in the City of Burien, the property is owned by King County and comprises a single approximately two acre lot. The property will be short platted into two separate legal lots. The Garage will occupy one lot and the affordable housing, mixed use development will occupy the other.

The development of the Garage will commence on a specified date pursuant to a lease, lease-back arrangement (as authorized by KCC 4.56.160, RCW 36.34.205 and 35.42. *et seq.*). The Garage will be constructed on the Garage Land leased to Developer from County. On the Commencement Date (defined below), the Garage will be leased back to County subject to a purchase option, as described below.

2. Phase II: Mixed Use Development. Construction of Phase II will commence by a specified date and pursuant to a mutually acceptable design concept. Failure by Developer to substantially commence construction of Phase II by an agreed upon date will result in termination of the ground lease as to the Housing Land and forfeiture of rent paid up to that date.

D. Lease Agreement: King County will enter into a Lease Agreement ("Agreement") with Developer that will provide lease terms for the Garage, which lease terms shall commence on the Commencement Date. The Agreement will provide an approximate term of twenty-five (25) years, and will include an option to purchase the Garage as set forth below. Upon the exercise of the purchase option, County will gain title to the Garage and the Garage ground lease shall terminate.

E. Ground Lease. County shall issue a ground lease to Developer. The ground lease shall have a lease term equal to the term of the Agreement. The property, limited to the Housing Land after exercise of the County's purchase option, shall be leased to Developer for \$5,000 per month for twenty-four months, during which time Developer and County must reach agreement on the affordable housing, mixed-use development and extension of the Ground Lease for the Housing Land.

F. Monthly Rent: During the term of the Agreement, County shall pay monthly rent as provided in the Agreement. County and Developer reasonably expect that the monthly rent will be at or below prevailing rental rates for comparable space, as required by statute. To satisfy the statutory rental rate requirement, the lease term will be approximately 25 years. County shall also pay as additional rent costs incurred by Developer under the Agreement related to County-initiated change orders.

G. Purchase Option: County shall have the right to purchase the Garage by giving Developer notice of its election to purchase the Garage on or after a specified date after final completion of the Garage. The option purchase price shall be equal to the fixed price of the Garage, which is expected to be approximately \$20 million. All sums paid as rent, excluding additional rent, up to the date of closing, if any, shall be credited toward the payment of the purchase option price as of the date of payment. Closing shall occur on a specified date and in a prescribed manner.

H. Absolute Net Lease: County shall pay all taxes, assessments and operating expenses for the Garage, if any, following the Commencement Date. County shall not be liable for taxes and assessments resulting from Developer's leasehold interest in the Housing Land or arising from Developer's status as a for-profit entity.

I. Insurance: Developer and King County shall each maintain appropriate insurance or self-insurance, as the case may be, for their respective liability associated with the Project.

J. Developer's Contingencies: Developer's obligations to enter into the ground lease and the Agreement and to complete the Project shall be contingent upon the following "Developer's Contingencies" to be removed prior to execution of the Agreement:

1. Feasibility. Developer shall have satisfied itself in its sole discretion in regard to the feasibility of all attributes of the Project, including without limitation all legal, physical, and economic aspects of owning, developing, and potentially operating the Project.
2. Plans. Developer and County shall have agreed upon preliminary plans and specifications for the Project.
3. Entitlements: Developer shall have satisfied itself in its sole discretion as to the feasibility of obtaining all permits, licenses, and/or variances required for development of the Project and construction of the Garage upon terms and conditions acceptable for timely completion of the Project. County shall cooperate and assist Developer in obtaining all necessary permits and shall join in the application for such permits as necessary; provided that County shall not incur any expense or liability in connection therewith.
4. Developer shall have obtained financing necessary and sufficient in Developer's reasonable opinion to complete the Project. Developer shall not encumber or lien County's fee interest in the property.

K. County Contingencies: County's obligations shall be contingent upon the following "County Contingencies" to be removed prior to execution of the Agreement:

1. Feasibility. County shall have satisfied itself in its sole discretion in regard to the feasibility of all attributes of the Project, including without limitation all legal,

physical, and economic aspects of owning, developing, and operating the Garage, as well as the capability of Developer to complete the development of affordable housing as Phase II.

2. Plans. Developer and County shall have agreed upon preliminary plans and specifications for the Project.

3. Short Plat: County shall have evaluated and approved the process for short platting the property, the responsibility and cost of which shall be born by County.

4. Fixed Price: Developer shall have submitted a fixed cost for the Project, which shall be acceptable to County in its sole discretion.

5. Financing: County shall have obtained appropriation, grants, assurances or financing necessary, including assurances from Developer that the Garage will comport with Federal Transit Authority requirements for grant funding, sufficient in County's sole opinion to meet its obligations with regard to the Garage upon terms and conditions acceptable to County in its sole discretion.

6. Council Approval: The Metropolitan King County Council shall have approved the Agreement with purchase option and ground lease by ordinance.

2. Additional Terms and Conditions:

A. Developer shall furnish or cause to be furnished payment and performance bonds satisfactory to County and construction lender conditioned on the delivery of possession of the completed Garage to King at the time prescribed in the Agreement, unavoidable delay excepted. The Agreement shall provide that no part of the cost of construction of the Garage shall ever become an obligation of County.

B. Developer shall be responsible for obtaining all permits, licenses and approvals necessary to construct and occupy the Garage, with the exception of the short plat process, and shall pay all associated fees and costs.

C. Developer shall be responsible for completion of design and for all services required for construction of the Garage. Developer and County shall agree to the preliminary plans and specifications for the Garage. County shall review and approve the preliminary plans and specifications as well as all other plans, drawings and specifications for the Garage.

D. Both parties commit to working together so that Developer can commence construction of the Garage and deliver it to County as soon as possible.

E. The Agreement shall contain commercially reasonable subordination provisions.


3. Financing

Developer shall obtain financing at commercially reasonable rates, the cost of which (interest included) shall be included in the fixed price for the Project. County shall cooperate with Developer and construction lenders to enable Developer to obtain financing, including the execution of any documents necessary to facilitate such financing, after such documents have been negotiated and agreed to by the parties.

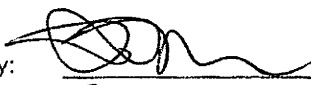
Notwithstanding any provision to the contrary contained herein, this term Sheet shall not constitute an agreement and solely constitutes an outline of the terms of negotiations. County and Developer each acknowledge and agree that each party is proceeding with negotiations related to the proposed transaction at its sole cost and expense and that either party may terminate negotiations for any reason, at any time, without any liability or obligation whatsoever.

This Term Sheet shall expire at 5 p.m. (PST) on December 31, 2009 unless extended by written agreement between County and Developer.

King County

By: 
Title: Assistant Director
Date: 8/28/09

Alliance Wasatch I, LLC

By: 
Title: President, Alliance Property Group Inc.
Date: 8/28/09