KING COUNTY

## Signature Report

June 30, 2011

## Attachment 1

Proposed No. 2011-0294.1

## Sponsors Gossett and Hague

AN ORDINANCE authorizing the King County executive to execute an amendment to the purchase and sale agreement dated June 21, 2007, in order to complete the sale of the county-owned property known as the North Half of the Former Kingdome Parking Lot parcel, located in council district eight, to North Lot Development, L.L.C.

BE IT ORDAINED BY THE COUNTY COUNCIL OF KING COUNTY:

## SECTION 1. Findings:

A. King County owns a 3.85 acre ( 167,513 square feet) parcel of land, commonly known as the North Half of the Former Kingdome Parking Lot ("the property"), in the City of Seattle, Washington, located adjacent to the King Street Center, the King Street Station, the Weller Street Pedestrian Bridge, and a surface parking lot owned by the Washingtọn State Public Stadium Authority ("the PSA") and operated by First and Goal, Inc. King County facilities management division is the custodian.
B. Pursuant to Ordinance 15820, the King County executive executed a purchase and sale agreement ("the agreement"), dated June 21, 2007, for the sale of the property to North Lot Development, L.L.C. ("the buyer").
C. The agreement was amended by: a First Amendment dated September 28, 2007; a Second Amendment dated October 28, 2007; a Third Amendment dated

November 20, 2007; a Fourth Amendment dated January 31, 2008; a Fifth Amendment dated March 20, 2008; a Sixth Amendment dated April 30, 2008; a Seventh Amendment dated December 17, 2008; an Eighth Amendment dated June 30, 2009; a Ninth Amendment dated August 29, 2009; a Tenth Amendment dated January 26, 2010; and an Eleventh Amendment dated June 28, 2010.
D. Pursuant to Ordinance 16555, the King County executive executed a Twelfth Amendment dated October 20, 2010, which extended the Buyer's Due Diligence Period and the closing date on the transaction until December 16,2011, in return for payments equaling one million and modified certain requirements in the agreement applicable to the buyer and the project.
E. The buyer intends to close on the purchase within the timeframe authorized by the Twelfth Amendment and has obtained commitments for the financing necessary to commence construction of the portion of the project located on the western parcel of the property.
F. Certain conditions have been placed by the buyer's financing partners restricting the recording of covenants on the western parcel of the property relating to replacement parking for the PSA and affordable housing that will not be constructed on the western parcel of the property. It is acceptable to such financing partners that such covenants can be recorded on the portion of the project that will be constructed in the future in the eastern parcel of the property.
G. In addition, development of the western parcel of the property will involve division of the property into condominium units, which will eventually necessitate placement of the covenants that are applicable to the project to be constructed on the
western parcel of the property within the applicable condominium units, as opposed to burdening the entire project.
H. It is in the best interests of the citizens of King County; that the agreement be modified, so that the sale and development of the property can proceed, safeguarding the benefits articulated in Ordinance 15820.

SECTION 2. The King County executive is hereby authorized to execute the Thirteenth Amendment to Real Estate Purchase and Sale Agreement substantially in the form of Attachment A to this ordinance.

## ATTEST:

Larry Gossett, Chair

Anne Noris, Clerk of the Council

APPROVED this $\qquad$ day of $\qquad$
$\qquad$ .

Dow Constantine, County Executive

Attachments: A. Thirteenth Amendment to Real Estate Purchase and Sale Agreement

## THIRTEENTH AMENDMENT TO REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS THIRTEENTH AMENDMENT TO REAL ESTATE PURCHASE AND SALE AGREEMENT (the "Amendment") is made and entered into effective as of the ___ day of
$\qquad$ , 2011, by and between KING COUNTY, a municipal corporation and political subdivision of the state of Washington ("Seller"), and NORTH LOT DEVELOPMENT, L.L.C., a Delaware limited liability company ("Buyer").

WHEREAS, Seller and Buyer entered into that certain Real Estate Purchase and Sale Agreement dated June 21, 2007 (the "Agreement") which provided for the sale by Seller and the purchase by Buyer of certain real property in Seattle, Washington, which property is more specifically described in the Agreement (the "Property"); and

WHEREAS, the Agreement was amended by a First Amendment dated September 28, 2007; a Second Amendment dated October 28, 2007; a Third Amendment dated November 20, 2007; a Fourth Amendment dated January 31, 2008; a Fifth Amendment dated March 20, 2008; a Sixth Amendment dated April 30, 2008; Seventh Amendment dated December 17, 2008; an Eighth Amendment dated June 30, 2009; a Ninth Amendment dated August 29, 2009; a Tenth Amendment dated January 26, 2010; the Eleventh Amendment dated June 24, 2010; and the Twelfth Amendment dated October 20, 2010; and

WHEREAS, the City of Seattle has issued a Master Use Permit dated the $16^{\text {th }}$ day of April, 2010, under Permit No. 3009251 for the development of the Property (the "MUP"); and

NOW, THEREFORE, in consideration of the covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. The text of Section 4.5 is of the Agreement is hereby amended with the addition of the following sentence to the end of the second paragraph:

The covenants and conditions contained herein may, however, be limited to specific portions of the Property as explicitly provided for in Sections 4.5.3 and 4.5.5 of the Agreement.
2. The following new provisions are hereby added to Section 4.5.3, which will be subsections $h ., i$ and $j$. to read as follows:
h. Buyer, at its option, may at Closing allocate the required Affordable Housing units between the East Block of the Property ("East Block") and the West Block of the Property ("West Block") in separate covenants for each Block such that seventy (70) Affordable Housing units are required to be provided on the East Block of the Property and thirty (30) Affordable Housing units are required to be provided on the West Block of the Property; subject to Buyer's right to move some or all of the Affordable Housing units from the East Block off-site in the manner provided in the Twelfth Amendment. For the purposes of this Agreement, the East Block is legally described as Parcel Z of Seattle Lot Boundary Adjustment 3008308 recorded under Recording No. 20090514900009, Records of King County and the West Block is legally described as Parcels X and Y of Seattle Lot Boundary Adjustment 3008308 recorded under Recording No. 20090514900009, Records of King County. However, if a new Lot Boundary Adjustment that is substantially the same as the proposed Lot Boundary Adjustment depicted in Exhibit A attached to and incorporated herein by this reference is recorded against the Property and that Lot Boundary Adjustment does not reduce the amount of land available for building structures on the East Block from what would be available from the lots depicted in Exhibit A, then the legal descriptions of the East Block and the West Block may be amended to conform to said new Lot Boundary Adjustment.
i. If Buyer elects to provide off-site Affordable Housing units as permitted under Section 4.5.3.g. of this Agreement and executes and records an instrument as required by Section 4.5.3.g(v) of this Agreement against the off-site property for a specific number of Affordable Housing units, then the requirement for the corresponding number of Affordable Housing units on the East Block shall be satisfied through the process set forth in Section 4.5 of this Agreement.
j. When all of the Affordable Housing units required by this Agreement to be located on either the East Block or the West Block are completed and available for occupancy, then Buyer may amend any covenant for
any required Affordable Housing units on such Block to limit such requirement to only the portion of the Block where the Affordable Housing Units that are completed and available for occupancy are located, provided that the covenant. continues to fully bind (i) the building or the master condominium unit in which any Affordable Housing unit is located and, if applicable, the individual condominium unit that is an Affordable Housing unit, and (ii) the land on which such building, such master condominium unit, and the individual Affordable Housing units are located in the manner described in Section 4.5 of this Agreement, and further provided that all other terms of the Affordable Housing covenant being amended remain in full force and effect.
3. The text of Section 4.5 .5 of the Agreement is hereby amended with the addition of the following sentence at the end of the section:

Buyer shall covenant to provide the PSA's permanent replacement parking on the East Block and the permanent parking requirements of this covenant shall apply solely to the East Block.
4. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed, shall be deemed an original and all of which taken together shall constitute one and the same agreement.
5. Except as previously amended and as hereby amended, the terms of the Agreement shall remain in full force and effect.

## "SELLER"

# KING COUNTY, a municipal corporation and political subdivision of the state of Washington 

## By

Its $\qquad$

## APPROVED AS TO FORM:

By<br>Deputy Prosecuting Attorney

"BUYER"
NORTH LOT DEVELOPMENT, L.L.C. a Delaware limited liability company

By: Daniels Development Co., LLC, Manager

## By

Kevin D. Daniels, Manager

## APPROVED AS TO FORM:

By.



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Dow Constantine
King County Executive
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2011-294

June 30, 2011

The Honorable Larry Gossett<br>Chair, King County Council<br>Room 1200<br>COURTHOUSE

## Dear Councilmember Gossett;

Enclosed for your consideration is an ordinance which authorizes the King County Executive to execute an amendment to the Real Estate Purchase and Sale Agreement, as amended, (the Agreement) for the North half of the Kingdome parking lot (referred to as the North Lot).

As you will recall, pursuant to ordinance 15820, the King County Executive executed a purchase and sale agreement (as amended, the Agreement), dated June 21, 2007, for the sale of the North Lot to North Lot Development, L.L.C. (NLD). Completion of this North Lot development will fulfill the long held goal of the County and commitment to the neighboring communities, to develop this property. The project will generate significant economic activity associated with the construction of housing, office, and retail spaces. The development will be built near a major transit hub and will also further activate the surrounding neighborhood.

Since the Agreement in 2007, there have been several amendments to effectuate the transaction, including extending the closing of the purchase date from June 30, 2009 to December 16, 2011. For the reasons described below, a further amendment to the Agreement is necessary to clarify the manner in which certain covenants can be recorded against the property, so that the sale of the North Lot can be closed and the County can achieve economic and community development benefits associated with this project. This amendment does not change nor diminish the amount of replacement parking or affordable housing obligations required of the Buyer as referenced in the Agreement and subsequent amendments. This ordinance will authorize the Executive to carry out the recording of those covenants as proposed in the enclosed proposed amendment. The amendment changes the Agreement in the following areas:

- Housing Covenants: As authorized in the Twelfth Amendment to the Real Estate Purchase and Sale Agreement, which was approved by this Council pursuant to Ordinance 16944 and dated October 20, 2010, NLD proposes to construct 30 units of affordable housing as part of the first phase of construction on the western parcel of the North Lot. NLD has also moved forward with plans to construct 70 units of off-site affordable housing in conjunction with the City of Seattle. If such off-site housing units prove not to be feasible, NLD proposes to construct them on the eastern parcel of the property, when that portion is developed. Until such off-site units are secured through recording of an appropriate covenant on an off-site property, the Agreement requires that covenants protecting the County's interest in obtaining and retaining such affordable housing be placed on the North Lot property. NLD's financing partners have, however, objected to having such covenants apply to the property as a whole. NLD has requested that it be allowed to allocate the affordable housing obligations so that 30 units would be required on the western half of the North Lot, and 70 units would be required on the eastern parcel of the North Lot property. It is not clear that the Agreement allows King County to place such covenants on less than the entire property without Council approval, thus I am asking the King County Council authorize an amendment to the Agreement that allows the covenants to be placed on the portions of the property where the units will be constructed, subject to being moved off-site if the conditions of the existing Agreement are satisfied.
- Parking Covenants: The Agreement requires NLD to provide temporary and 491 permanent replacement parking spaces for the use of the Public Stadium Authority (PSA) or reach a parking agreement with the PSA as a condition of the sale of the North Lot. There have been many discussions between NLD and the PSA, but at this point, there is no agreement on replacement parking at a site other than the North Lot. Absent a mutually acceptable solution between NLD and the PSA, the Agreement requires that a covenant protecting the County's interest in obtaining such replacement parking be placed on the North Lot property. No replacement parking is planned for the development on the western parcel of the property, which already includes parking for the retail and residential uses within that part of the development. Again, NLD's financing partners have objected to having such a covenant apply to the property as a whole, and NLD has requested that the replacement parking covenant apply only to the eastern parcel of the North Lot. It is not clear that the Agreement allows King County to place such a covenant on less than the entire property without Council approval, thus I am asking the King County Council to authorize an amendment to the Agreement that allows the covenant to be placed on the eastern parcel of the North Lot, which is where the parking will be provided if agreement between NLD and the PSA of an off-site alternative is not obtained by the time construction of the eastern parcel of the property commences.

The Honorable Larry Gossett
June 30, 2011
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I believe that these amendments are reasonable and serve the best interests of citizens of King County. The changes associated with affordable housing simply address the realities of the project as it has progressed to the point of commencing construction within the very near future. I believe that these amendments continue to protect King County's interest in obtaining additional affordable housing.

As to replacement parking, I believe King County has already adequately protected the interests of the public and the PSA in light of the fact that King County discounted the purchase price for the North Lot by $\$ 7.5$ million to compensate the Buyer for assuming the onerous responsibility for providing parking on the North Lot and the parking revenue to the PSA. No requirement for permanent replacement parking on the North Lot or temporary replacement parking at all exists in any of the prior agreements between the County and the PSA. I believe that the attached amendments strike the proper balance between the PSA's stated need for parking and parking revenue and the primary King County interest to provide economic and community development to a part of King County that needs it.

If you have any questions regarding the proposed legislation, please call Facilities Management Division Director Kathy Brown, at 206-296-0630.

Sincerely,


## Enclosures

cc: King County Councilmembers
ATTN: Acting, Chief of Staff Anne Noris, Clerk of the Council
Fred Jarrett, Deputy County Executive, King County Executive's Office (KCEO)
Sung Yang, Director of External Affairs and Government Relations, KCEO
Carrie Cihak, Director of Policy and Strategic Initiatives, KCEO
Dwight Dively, Director, Office of Performance, Strategy and Budget
Caroline Whalen, County Administrative Officer, Department of Executive Services (DES)
Kathy Brown, Director, Facilities Management Division (FMD), DES
Robert Stier, Special Projects Manager, FMD, DES
Steve Salyer, Real Estate Services Section, FMD, DES
Pete Ramels, Senior Deputy Prosecuting Attorney, Prosecuting Attorney's Office

FISCAL NOTE

| Ordinance/Motion No. 2007-XXXX |  |
| :--- | :--- |
| Title: North Lot Sale amendments: June 2011 |  |
| Affected Agency and/or Agencies: FMD |  |
| Note Prepared By: | Robert Stier |
| Note Reviewed By: | Sid Bender |

Impact of the above legislation on the fiscal affairs of King County is estimated to be:
Revenue:

| Fund/Agency/Projects | Fund <br> Code | Revenue <br> Source | 2011 | 2012 | 2013 | 2014 |
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Expenditures:

| Fund/Agency | Fund <br> Code | Department <br> Code | 2011 | 2012 | 2013 | 2014 |
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| TOTAL |  |  |  |  |  |  |

Expenditures by Category

|  | 2011 | 2012 | 2013 | 2014 |
| :--- | ---: | ---: | ---: | :---: |
| Salaries \& Benefits |  |  |  |  |
| Supplies and Services |  |  |  |  |
| Capital Outlay |  |  |  |  |
| TOTAL | 0 | 0 | 0 | 0 |

Assumptions:
Note: Council adoption of the proposed June 2011 amendments to the North Lot Purchase/Sale agreement do not have the effect of changing the fiscal effect of the previously adopted underlying North Lot agreement. Therefore, the fiscal effect shown above denotes zero fiscal effect. The proposed amendments are described in the transmittal letter and ordinance.



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## Attachment 5


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Attachment 6


