

ATTACHMENT C
LEASE AGREEMENT
(With Option to Purchase)

Between

ALLIANCE WASATCH I, LLC,
a California limited liability company

As Landlord

and

KING COUNTY,
a political subdivision of the State of Washington

As Tenant

August 1, 2010
King County Transit Oriented Development
Parking Garage Project
Burien, Washington

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**LEASE AGREEMENT
(With Option to Purchase)**

THIS LEASE AGREEMENT (WITH OPTION TO PURCHASE) (“**Lease**”) dated for reference purposes as of August 1, 2010 is by and between ALLIANCE WASATCH I, LLC, a California limited liability company qualified to do business in the State of Washington (“**Landlord**”) and KING COUNTY, a political subdivision of the State of Washington (“**Tenant**”), with reference to the following facts:

RECITALS

A. In January of 1998, Tenant adopted a Transit Oriented Development Program (T.O.D) to encourage public or private development that creates new mixed-income housing development, including related commercial activity in close proximity to transit facilities and services to increase ridership of Tenant’s metropolitan public transportation system, decrease automobile trips and traffic congestion and provide additional fare revenue to support metropolitan public transportation services through King County.

B. Pursuant to its Request for Proposals – Burien Downtown Park & Ride, Lot A: Mixed Use Development No. 1180-07 dated December 13, 2007, as amended (the “**RFP**”), Tenant requested proposals from developers for a project that would provide the greatest financial returns to Tenant, replace essential commuter parking with up to five hundred (500) stalls (the “**Garage**”), provide approximately 80 units of new affordable housing for residents of King County (the “**Mixed-Use Housing Project**”) and promote the City of Burien’s downtown development vision, on five (5) acres of real property owned by Tenant in the city of Burien, King County, Washington (the “**Land**”) in one or more phases. The Garage and the Mixed-Use Housing Project are hereinafter referred to collectively as the “**Burien T.O.D. Project**”. The Land is currently used as a park and ride lot containing 345 parking stalls. The Land is located immediately adjacent to a newly constructed regional transit center owned by Tenant which serves residents of the city of Burien and surrounding communities.

C. Landlord submitted its Response to Tenant’s Request for Proposals dated March 25, 2008, whereby Landlord proposed to develop the Burien T.O.D. Project on the Land in phases, with construction of the Garage on a portion of the Land for lease and possible purchase by Tenant as Phase I and redevelopment by Landlord of the remainder of the Land with the Mixed-Use Housing Project as Phase II. The Mixed-Use Housing Project is the critical component of the Burien T.O.D. Project and Tenant would not have entered into the Ground Lease (defined below) or this Lease but for the agreement by Landlord to enter into an exclusive right to negotiate an agreement with the Tenant (the “**Exclusive Negotiation Agreement**”) whereby Landlord and Tenant will agree to negotiate the terms and conditions under which Landlord will develop the Mixed-Use Housing Project on a portion of the Land. Economic circumstances arising after the issuance of the RFP adversely impacting the housing and credit markets in King County have necessitated a phased development of the Burien T.O.D. Project.

D. In order to accommodate the development of the Burien T.O.D. Project in Phases, Tenant intends to short plat the Land into two legal lots consisting of the Garage Land and the Housing Land, each as defined below. Concurrently herewith, Tenant shall enter into a ground

lease of the Land to Landlord as ground lessee on the express condition that Landlord execute this Lease and agree to design, develop, finance, construct and complete the Garage on the Land and thereafter lease the Garage together with the Landlord's rights in the Land (the "**Premises**") to Tenant at the Monthly Rent, for the Term and on the other terms and conditions hereinafter set forth. The design, development, construction, financing, and equipment of the Garage on the Premises is hereinafter referred to as the "**Project**".

E. Landlord acknowledges that the Land currently consists of a single legal lot and that initially the Premises shall constitute the entirety of the Land. Tenant shall cause the Land to be short platted into a minimum of two lots, one of which will consist of the Garage Land and the remainder of which will constitute the Housing Land, with the approximate locations of each lot to be as depicted on the map attached hereto as **Exhibit C-2**. Upon completion of the short plat of the Land creating the Garage Land and the Housing Land, the legal description of the Garage Land and the Housing Land shall be attached to this Lease as **Exhibits D** and **E** respectively. Following completion of the short plat Landlord and Tenant shall amend both the Ground Lease and this Lease to exclude the Housing Land from the definition of real property demised thereunder. The Construction Loan and the Deed of Trust shall expressly provide for the partial release of the Garage Land from the lien of the Deed of Trust upon Closing.

F. Tenant is authorized by KCC 4.56.160, RCW 36.34.205 and Chapter 35.42 RCW to acquire facilities including public parking garages by means of a lease/leaseback that contains an option to purchase. The execution by Tenant of the Ground Lease, this Lease, and the Exclusive Negotiation Agreement which together will require the redevelopment of the Land with the Burien T.O.D. Project, a phased transit oriented development consisting of the Garage and the Mixed-Use Housing Project, will promote the public welfare, provide additional public parking for single-trip transit commuters, provide additional safe and affordable housing for residents of King County in close proximity to existing transit facilities and advance other important public purposes.

G. Tenant desires to lease from Landlord and Landlord desires to lease to Tenant the Premises (as defined below) on the terms and conditions set forth in this Lease; provided, however, that in no event shall Tenant be liable for all or any part of the cost of design, development or construction of the Project, nor shall Tenant be liable for payment of Monthly Rent under this Lease until Substantial Completion of the Project.

H. Tenant is authorized to enter into the Ground Lease, this Lease and the Exclusive Negotiation Agreement by Ordinance 2009-0456 enacted by the King County Council on February 26, 2010.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant agree as follows:

AGREEMENT

1. Incorporation of Recitals; Definitions. Each recital set forth above is incorporated into this Lease as though fully set forth herein. All capitalized terms not otherwise defined in the Recitals or elsewhere in this Lease, shall have the meaning set forth in this Section 1:

1.1 “**ADA**” means the Americans With Disabilities Act of 1990, as amended from time to time.

1.2 “**Additional Rent**” means any monetary sum required to be paid by Tenant to Landlord under the provisions of this Lease (other than Monthly Rent).

1.3 “**Architect**” means Watry Design, Inc., the architect for the Project selected by Landlord with Tenant’s approval.

1.4 “**Business Day**” means any day other than a Saturday, Sunday, legal holiday or day that Tenant’s offices are closed by order of the King County Executive.

1.5 “**Certificate of Occupancy**” means the temporary certificate of occupancy issued by the City to Landlord certifying that the Garage may be occupied for the Permitted Use.

1.6 “**Certificates**” means any certificates of participation in Monthly Rent executed and delivered by the Trustee pursuant to the Trust Agreement.

1.7 “**Change Orders**” means any Landlord-Initiated Change Orders and any Tenant-Initiated Change Orders.

1.8 “**City**” means the City of Burien, Washington, a municipal corporation.

1.9 “**Closing**” means (i) with respect to the Option to purchase the Garage as set forth in Section 22, the delivery to Escrow Agent of all documents and funds required to be delivered to complete the purchase and sale of the Garage in accordance with the provisions of Section 22 hereof, and (ii) with respect to the assignment of this Lease to the Trustee in connection with the issuance of the Certificates as provided in Section 4.4 hereof, the delivery of documents and funds required to be delivered by Landlord, Tenant and Trustee to complete the assignment of the Ground Lease and this Lease to Trustee and payment of the Option Price to Landlord in connection with such assignment.

1.10 “**Closing Date**” means the date on which the Closing occurs.

1.11 “**Commencement Date**” means the date of Substantial Completion of the Project, which is also the date upon which Tenant’s obligation to pay Monthly Rent hereunder commences.

1.12 “**Commencement of Construction**” means the later of (a) the date Tenant notifies Landlord that the Conditions Precedent set forth in Section 6 of this Lease have been met or waived in writing by Tenant, (b) the date Landlord executes and delivers to the

General Contractor the notice to proceed attached to the General Construction Contract, or (c) the commencement of mobilization, site preparation, grading, excavation for foundations of buildings or other structures to be constructed as part of the Project or any combination of such events occurs.

1.13 “Construction Contracts” means (i) the General Construction Contract, and (ii) all other contracts for construction services entered into between Landlord and any Contractor, including the General Contractor, for construction of any other portion of the Project not covered by the General Construction Contract.

1.14 “Construction Documents” mean the Construction Drawings and Detailed Specifications approved by Landlord and Tenant pursuant to Section 9.3 below, for the construction of the Project, including technical drawings, schedules, diagrams, plans and specifications setting forth in detail the requirements for construction of the Project and providing information customarily required for the use of the building trades.

1.15 “Construction Drawings” means drawings setting forth in detail the requirements for the construction of the Project. As used herein, the term “Construction Drawings” includes all graphic and pictorial documents depicting the design, location and dimensions of the Project and includes plans, elevations, sections, details, schedules and diagrams for the Project.

1.16 “Construction Lender” means a state or national bank, insurance company, pension fund, credit union or other major financial lending institution or other entity generally recognized as a source of mortgage financing with total assets as of the date of its most recent available financial statement of at least One Hundred Million Dollars (\$100,000,000).

1.17 “Construction Loan” means a loan obtained by Landlord from the Construction Lender in an amount not to exceed the Fixed Price for the purpose of providing for the payment of Project Costs.

1.18 “Contract Documents” means the Construction Documents, the Construction Contracts and the other documents identified as Contract Documents in the General Construction Contract.

1.19 “Contractors” means the General Contractor and any other construction contractors with whom Landlord enters into direct contracts, or with whom General Contractor on behalf of and acting as the Landlord’s agent, contracts for the Project.

1.20 “Deed of Trust” means any mortgage or deed of trust encumbering Landlord’s leasehold interest under the Ground Lease and this Lease executed by Landlord in favor of Construction Lender to secure the Construction Loan.

1.21 “Design Development Drawings” means drawings that are a consistent development of the Schematic Drawings and further define and describe all important aspects of the Project. The Design Development Drawings will serve as the basis for the Construction Drawings.

1.22 “Detailed Specifications” means all written detailed requirements for materials, equipment, construction systems, standards and workmanship for the construction of the Project.

1.23 “Effective Date” means the date that Tenant notifies Landlord that the conditions precedent set forth in Section 6 of this Lease have been met or waived and Landlord has been authorized to proceed in writing by Tenant.

1.24 “Environmental Laws” means, as amended from time to time, the Federal Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901 *et seq.*, Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9601 *et seq.*, Federal Hazardous Materials Transportation Control Act, 42 U.S.C. § 1801 *et seq.*, Federal Clean Air Act, 42 U.S.C. § 7401 *et seq.*, Federal Water Pollution Control Act, Federal Water Act of 1977, 93 U.S.C. § 1251 *et seq.*, Federal Insecticide, Fungicide and Rodenticide Act, Federal Pesticide Act of 1978, 7 U.S.C. § 136 *et seq.*, Federal Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*, Federal Safe Drinking Water Act, 42 U.S.C. § 300f *et seq.*, Washington Water Pollution Control Act, RCW ch. 90.48, Washington Clean Air Act, RCW ch. 70.94, Washington Solid Waste Management Recovery and Recycling Act, RCW ch. 70.95, Washington Hazardous Waste Management Act, RCW ch. 70.105, Washington Hazardous Waste Fees Act, RCW ch. 70.95E, Washington Model Toxics Control Act, RCW ch. 70.105D, Washington Nuclear Energy and Radiation Act, RCW ch. 70.98, Washington Radioactive Waste Storage and Transportation Act of 1980, RCW ch. 70.99, Washington Underground Petroleum Storage Tanks Act, RCW ch. 70.148.

1.25 “Escrow Agent” means the Title Company or another nationally recognized title insurance company selected by Landlord and not objected to by Tenant which shall provide escrow services and issue the Title Policy to be delivered to Tenant in connection with the Closing.

1.26 “Events of Default” has the meaning set forth in Section 243 and 254 of this Lease.

1.27 “Exclusive Negotiation Agreement” means that certain agreement which grants Alliance Wasatch I, LLC the exclusive right to negotiate with King County the terms of a ground lease of the Housing Land for development of the Mixed-Use Housing Project thereon.

1.28 “Execution Date” means the date that this Lease has been fully executed, acknowledged for delivered by both Landlord and Tenant.

1.29 “Expiration Date” means the earliest of: (i) the date which is twenty-five (25) years after the Commencement Date; or (ii) the date on which the Ground Lease is terminated as a result of payment or defeasance in full of all Monthly Rent set forth on **Exhibit A** hereto; or (iii) any date on which this Lease terminates in accordance with its terms.

1.30 “Final Completion of the Project” means that the following events have occurred with respect to the Project:

(a) Substantial Completion of the Project (as defined in Section 1.72 of this Lease) has occurred;

(b) The City has issued a final, unconditional Certificate of Occupancy, such that Tenant is permitted to and could physically occupy the Project for the Permitted Use.

(c) Each Contractor shall have issued its "Certificate of Substantial Completion" together with its Affidavit of Payment of Debts and Claims (AIA Forms 706 and 706A), and all Contractors and their subcontractors performing work on the Project have executed and delivered final waivers and releases of lien in form satisfactory to Landlord and Tenant.

(d) All Punch List items have been completed.

(e) Landlord shall have submitted evidence reasonably satisfactory to Tenant that all construction costs have been paid in full, including evidence of full payment for any personal property installed on the Garage Land as part of the Project Costs.

(f) The period for filing construction liens has expired or releases or discharges of construction liens in form and substance satisfactory to Tenant have been obtained by the Landlord from all Contractors and their subcontractors performing work on the Project in accordance with all Construction Contracts.

(g) Architect shall have issued its "Certificate of Final Completion" and the Tenant shall have received the certificate of any other architect or engineer requested by the Tenant.

(h) The General Contractor shall have issued a certificate that (i) the Project has been finally completed in substantial accordance with the Contract Documents, and (ii) no Hazardous Substances as defined in said certificate were incorporated into the structure of the Project.

(i) Tenant shall have received an endorsement to its Title Policy dated as of and issued on the date of Final Completion of the Project, which shall insure Tenant: (i) against any liens for labor or materials, whether or not of record, which may have arisen in connection with the construction of the Project, and (ii) show no additional exceptions to its Title Policy, if any, other than those approved by or arising through Tenant.

(j) All signage and graphics required under the Construction Documents has been installed in the Garage, all security systems have been installed and are operational, the Garage is no longer in use as a construction staging area for the storage of construction materials, machinery and equipment or to provide temporary parking for construction workers' automobiles and equipment and the entire Garage is open to members of the general public for the parking of vehicles.

(k) Each Contractor who has performed work on the Project shall have submitted its statements of intent to pay prevailing wages and affidavits of wages paid to the date

of Final Completion of the Project and copies of all other documentation required by Chapter 39.12 RCW and/or the Davis Bacon Act, as applicable. Landlord has delivered Tenant its affidavit that the Construction Contracts with Contractors and subcontractors of such Contractors for the Project required such parties to pay prevailing wages in accordance with Section 9.5.5 below, and Landlord shall have provided evidence reasonably satisfactory to Tenant that the Project has been designed, developed and constructed in accordance with the relevant provisions of the FTA Requirements set forth in **Exhibit M** attached hereto and by the reference incorporated herein; and

(I) Landlord shall have completed and delivered the matters required under Section 9.10 of this Lease.

1.31 “Financing Costs” means all costs incurred by Landlord in obtaining financing for the Project, including, but not limited to loan fees, origination fees, appraisal fees, legal fees, interest and all other costs incurred or payable by Landlord to obtain financing for the Project, including any and all amounts payable to Construction Lender in connection with the Construction Loan or the Security Documents.

1.32 “Fixed Price” means \$20,518,000.00.

1.33 “Garage” means the five-story parking structure containing up to 500 parking stalls to be constructed on the Land as part of the Project. The Garage is more particularly described in the Preliminary Plans and Outline Specifications, a schedule of which is attached hereto as **Exhibit B** and by this reference incorporated herein.

1.34 “Garage Land” means that portion of the Land on which the Garage will be located. The legal description of the Garage Land will be attached to this Lease as **Exhibit D** upon completion of the short plat of the Land as described in Section 2.4 of the Ground Lease.

1.35 “General Construction Contract” means the design-build agreement between Landlord and the General Contractor for construction of the Project, which shall provide a Guaranteed Maximum Construction Price.

1.36 “General Contractor” means Charles Pankow Builders, Ltd., a California limited partnership, which has registered as a foreign limited partnership authorized to transact business in the State of Washington and which is a duly licensed general contractor in the State of Washington, the design-build contractor for the Project selected by Landlord with Tenant’s approval.

1.37 “Ground Lease” means the ground lease of the Land entered into or to be entered into of even date herewith, by and between Alliance Wasatch I, LLC, as the ground lessee and King County as the ground lessor, as the same may be amended or modified from time to time.

1.38 “Guaranteed Maximum Construction Price” means the maximum cost for design and construction of the Project as guaranteed by the General Contractor pursuant to the terms of the General Construction Contract.

1.39 “Hazardous Substances” means any material, waste, substance, industrial waste, toxic waste, chemical contaminant, petroleum, asbestos, polychlorinated biphenyls, radioactive materials, or other substances regulated or classified by Environmental Laws as hazardous, toxic or lethal to persons or property.

1.40 “Housing Land” means that portion of the Land on which the Mixed-Use Housing Project will be located. The legal description of the Housing Land will be attached to this Lease as **Exhibit E** upon completion of the short plat of the Land as described in Section 1.4 of the Ground Lease.

1.41 “Land” means the real property on which the Burien T.O.D. Project will be developed in phases, as more particularly described in **Exhibit C-1** attached hereto and by this reference incorporated herein.

1.42 “Landlord” means Alliance Wasatch I, LLC, a California limited liability company, qualified to do business in the State of Washington, whose sole members are Alliance Property Group Inc., a California corporation, and Wasatch Advantage Group LLC, a Utah limited liability company.

1.43 “Landlord-Initiated Change Order” means Change Orders during the construction of the Project that are initiated by Landlord pursuant to Section 9.6.

1.44 “Laws” mean any constitution, statute, ordinance, regulation, rule, resolution, judicial decision, administrative order or other requirement of any federal, state, county, municipal or other governmental agency or authority having jurisdiction over the parties or the Premises, or both, in effect either at the time of execution of this Lease or at any time during the Term, including without limitation, any regulation or order of a quasi official entity or body (e.g., board of fire examiners or public utilities) including, but not limited to Environmental Laws and all rules, laws and regulations issued thereunder, as the same may be amended from time to time.

1.45 “Lease” means this Lease between Alliance Wasatch I, LLC as Landlord and King County as Tenant, as the same may be amended or modified from time to time.

1.46 “Lease Year” means each succeeding year of the Term, commencing with the Commencement Date and ending with the date which is one (1) day less than one (1) year later.

1.47 “Liens” means any lien, charge, security interest or encumbrance, including the Security Documents, which may be attached to, upon or against the Premises or any portion thereof.

1.48 “Mixed-Use Housing Project” has the meaning set forth in Recital B of this Lease.

1.49 “Monthly Rent” means the rent payable by Tenant under this Lease from the Commencement Date to and including the Expiration Date in the amounts for each

Lease Year as set forth on the Schedule of Monthly Rent attached hereto as **Exhibit A** and by this reference incorporated herein, as such Schedule may be amended from time to time.

1.50 “Notice Address” means as to each of the parties its respective address as specified in Section 34.7 of this Lease.

1.51 “Notice Parties” means each of Landlord, Tenant and Construction Lender.

1.52 “Option” means Tenant’s Option to purchase the Premises as provided in Section 22 of this Lease.

1.53 “Option Price” means the Fixed Price less all sums paid by Tenant as Monthly Rent under this Lease payable on the Closing Date.

1.54 “Outside Completion Date” means twenty-four (24) months after the Effective Date. The aforementioned Outside Completion Date shall not apply to a Construction Lender who has assumed this Project Lease pursuant to Section 10.4 hereof, in which case, the Outside Completion Date (for an assuming Construction Lender only) shall be October 1, 2013.

1.55 “Permits” means all land use permits, authorizations and approvals required for construction of the Project.

1.56 “Permitted Liens” means the Security Documents.

1.57 “Permitted Use” has the meaning given to it in Section 7 of this Lease.

1.58 “Permitted Exceptions” has the meaning set forth in Section 21.3 of this Lease.

1.59 “Person” means a natural person, corporation, trust, partnership, limited partnership, limited liability company, governmental subdivision or agency, municipal corporation, city, state or other legal entity.

1.60 “Preliminary Plans and Outline Specifications” are the initial renditions for the Garage, a schedule of which Preliminary Plans and Outline Specifications is attached hereto as **Exhibit B** and by this reference incorporated herein.

1.61 “Premises” means the entirety of the Garage to be constructed on the Land together with a leasehold interest in the Land pursuant to the Ground Lease. From and after the completion of the short plat of the Land into the Garage Land and the Housing Land, the Premises shall mean the entirety of the Garage to be constructed on the Garage Land together with a leasehold interest in the Garage Land pursuant to the Ground Lease.

1.62 “Project” means the total design, development, permitting, financing, construction and equipping of the Garage, including, without limitation, all site work,

