

Public-Private Partnership Protocol

May 18, 2001

Project Name: South Lake Union City Property Conditioned Sale

Project Status: The purchase and sale agreement is ready for review by the Public-Private Partnership Panel (P4)

A.1. OVERVIEW OF PROJECT

Background Information

In March 1999 the Seattle City Council approved the South Lake Union Neighborhood Plan. The Neighborhood Plan represents a remarkable effort by local businesses, property owners and residents who focused on three key elements: open space, neighborhood character and transportation. At that time Mayor Paul Schell directed City department directors to make implementation of the South Lake Union Neighborhood Plan a key priority and he announced that a team of City staff would collaborate with the neighborhood on implementation of the Plan. This City team has continued to meet with the community since approval of the Plan and has focused on South Lake Union Park, transportation improvements and redevelopment of City owned property.

The top priority in the Neighborhood Plan is development of South Lake Union Park. To that end, in July 2000, the City purchased the U.S. Naval Reserve property, completing assemblage of over 12 acres for South Lake Union Park. Also in July 2000 the City Council adopted Resolution 30206, which is an update to the South Lake Union Park Master Plan. In addition, the City is partnering with the Maritime Heritage Foundation to create a Maritime Heritage Center that will provide a wide array of historical, cultural, educational, and recreational maritime activities, and a wharf for long-term moorage of large historic vessels. The Kreielsheimer Foundation has provided a \$1 million challenge grant for the development of the wharf project. Seattle voters provided an additional \$5 million for the Park in November 2000 as part of the Pro Parks Levy.

Transportation is the second key area in the Neighborhood Plan. After over 50 studies in the past 30 years, the Neighborhood Plan represents the first time the neighborhood has come to a general consensus on transportation improvements for the neighborhood. The Plan recommends a series of localized approaches to improve traffic and pedestrian circulation and safety. The Plan calls for a realignment of the Fairview/Valley Corridor, a Roy Street crossing at Aurora, and streetscaping improvements on Mercer, Valley, and Westlake and 9th Avenue. The City received a \$1.5 million grant from the Puget Sound Regional Council to study the design and estimate the costs of these projects. Parsons Brinckerhoff is currently in the final stages of this preliminary engineering work.

The Plan also recommended that the City encourage redevelopment of its holdings in the neighborhood. The City had acquired its South Lake Union properties years ago for the never-constructed Bay Freeway project. The neighborhood in its plan urged the City to encourage redevelopment of the properties now so that development could occur in a way which would enhance the overall neighborhood and which would complement Park development. Citizens and business owners have expressed numerous visions for redevelopment of the City properties. In 1999, prior to commencing with a sales process, the City hired Heartland, a real estate consulting firm, and MAKERS, an architectural and urban design firm, to study the area. The consultants evaluated general concepts of site layout, capacity, and the related financial values for different development scenarios of the City properties. The resulting analyses provided decision-makers a framework to weigh the trade-offs between financial and other public benefits of property development.

In December 1999, the City Council adopted Resolution 30080 which directed the City to issue an RFQ for redevelopment of ten properties, and laid out the City's public objectives for redevelopment of the properties. Four of the properties are located directly south of Lake Union, and are zoned Commercial 2 with a height limit of 40 feet. The six other properties are located further to the west and are zoned Commercial 2 with a height limit of 65 feet. Information from the Heartland and MAKERS reports were used to develop Resolution 30080, as was input from the South Lake Union Neighborhood Planning Committee. The Planning Committee is comprised of the citizen leaders from the neighborhood planning effort. The City concluded that seeking developers through a RFQ would best promote the City objectives while making use of the knowledge and creativity of experienced developers. The City issued the RFQ in January 2000. The City selected Vulcan Northwest (City Investors) to enter into negotiations in April 2000. Negotiations commenced in June 2000.

A South Lake Union Negotiation Oversight Committee, comprised of two City Councilmembers, two Department Directors and a Council Central Staffperson have met three times a month throughout the process to receive input and updates from the City's negotiation team, which includes the City's real estate advisory consultant (Heartland). The Committee has received technical resource input from numerous City departments, including the Office of Housing, the Strategic Planning Office, the Department of Parks and Recreation, Fleets and Facilities Department (F&FD), the Department of Design, Construction and Land Use (DCLU), the Department of Neighborhoods (DON), SeaTran, Law, City Budget Office and the City Council's real estate consultant for this transaction (David Haworth).

Land Use Code Text Amendment

The City Council adopted an amendment to the Land Use Code on February 20, 2001, to create a special exception that will allow additional structure height on three blocks located south of Lake Union. These three blocks include 4 out of the 10 parcels that were part of the RFQ. The current zoning on the three blocks is Commercial 2 with a height limit of 40 feet. The special exception

allows the heights of buildings to increase from 40 feet to 65 feet subject to certain conditions. The zoning of blocks located immediately to the east, west and south of the three blocks allows development at 65 feet or higher. The purpose of creating this special exception is to encourage development on these blocks consistent with the goals of the South Lake Union Neighborhood Plan, and to achieve public objectives for redevelopment outlined by City Council Resolution 30080. The Neighborhood Planning Committee was involved in the development of the specific criteria that are contained in the special exception. Granting of the special exception is a Type II administrative decision which is subject to appeal. The special exception applies to all properties within the three block area, regardless of ownership, and would be reviewed by DCLU at the time a proponent came forward to DCLU with a specific development proposal. In order for DCLU to grant the special exception, projects must provide 20 to 25 percent of the lot area in publicly accessible open space, must meet streetfront use requirements, and must meet upper level lot coverage and upper level setbacks requirements which enhance views to South Lake Union Park and Lake Union and to the downtown skyline along Westlake, Valley, Boren and Fairview Avenues.

Both the urban design and real estate reports completed by Heartland and MAKERS offered conclusions that supported an increase in height on the three blocks. The consultant reports stated that “allowing building heights consistent with those allowed on adjacent sites improves opportunities for creating a desirable development atmosphere on the project sites.” The studies discussed how the additional development capacity resulting from a height increase may improve the feasibility of underground or structured parking facilities within any development as the costs of those structures can be spread over more buildable square footage. The studies also discussed that increasing the allowable building height creates the potential for additional public spaces or other public amenities that would not necessarily be possible to achieve while maintaining a financially feasible project at a 40-foot height limit. Additional public space could serve the goals of the City by increasing the pedestrian friendliness of the area.

Before the City Council adopted the Land Use Code special exception, the City’s Department of Design, Construction and Land Use (DCLU) conducted an environmental (SEPA) review of the proposed land use code change and issued a Declaration of Non-Significance (DNS). A citizen’s group appealed this decision to the City’s Hearing Examiner, and in January 2001 the Hearing Examiner upheld DCLU’s decision. The City Council’s approval of the Land Use Code special exception was recently appealed to the Central Puget Sound Growth Management Hearings Board (CPSGMHB). The CPSGMHB has set a tentative hearing date of August 16, 2001. Before closing on the purchase and sale agreement, all applicable appeal periods must have expired and/or all appeals resolved.

Purchase and Sale Agreement

Following are highlights of the purchase and sale agreement, which is subject to review by the P4 Panel and the City Council.

The parties to the purchase and sale agreement are City Investors, Inc. and the City of Seattle. City Investors Inc. is the company who will own the sale property in South Lake Union. It owns real estate assets in other Seattle neighborhoods and outside the area. Vulcan Northwest is the affiliated strategic investment and management company which responded to the City's RFQ. Both are wholly owned by Paul G. Allen.

Overview Highlights

The City will sell 8 parcels to City Investors for \$20.8 million, and City Investors will assume responsibility for clean up of any hazardous substances on seven of the parcels at a value deduct of \$600,000. The City will receive a full indemnification from future environmental risk on seven parcels. One parcel (14) will have separate conditions concerning environmental issues.

In addition to providing full market value for the properties, City Investors will provide a 20,000 square foot cultural facility and 50 new affordable housing units in the South Lake Union neighborhood, and will provide parking available to the public using South Lake Union Park. City Investors has also committed to an overall goal of providing an additional 450 market rate housing units in the South Lake Union area.

After the purchase and sale agreement closes, City Investors will be obligated to apply for development permits within two years after gaining control of adjacent private parcels, with a maximum time limit of six years if assemblage is not successful. The purchase and sale agreement does not specify the types of uses that shall be constructed on the City properties. All uses and development will be subject to the City's Land Use Code.

The Mayor will propose to Council that the proceeds of the sale of the properties be directed toward transportation improvements in South Lake Union. The Mayor will also propose an investment of proceeds for additional affordable housing developments in the area.

THE DETAILS

Optimize Monetary Return

Price

- Selling 8 parcels for \$20,785,844
- The remaining two parcels in the RFQ (Parcels 12 and 13) will be reexamined before any steps are taken toward their disposition.
- Selling price matches City appraisal: Mercer-Valley properties (Parcels 14-17) at \$114.67 per square foot and Parcels 8-11 at approximately \$90 per square foot.
- City will receive additional money (approximately \$1.3 million) for right-of-way not in transportation use surrounding Parcel 11 that the City is proposing to vacate (subject to Council approval) at \$58.62 per square foot.

- City is requiring City Investors to purchase remnants, if any, from Fairview-Valley realignment project at \$114.67 per square foot.
- Closing to occur following resolution of all appeals and expiration without appeal of all appeal periods

Indemnity/Remediation Cost at Closing

- On all parcels except 14: City Investors will assume responsibility for clean up of any hazardous substances. Value deduct of \$600,000. City will receive a full indemnification.

Parcel 14

- Substantial environmental clean-up is necessary. A major gasoline leak of approximately 60,000 gallons on adjacent Tosco property in 1980s; high water table, topography slopes toward Parcel 14 and lake. Without control of Tosco site, development and clean up of 14 is extremely expensive. After closing, City Investors, with City's cooperation, may pursue a Model Toxics Control Act claim against Unocal/Tosco (adjacent landowner) for cleanup.
- City Investors will pay full price for Parcel 14.
- \$300,000 of the purchase price will be in a litigation reserve. City Investors will have the option to require the City to repurchase the property at the same price starting 12 months after closing and running 30 months after closing.
- If successfully resolved, full indemnification will apply.

Cultural Uses

- City Investors will provide within 6 years of closing 20,000 square-feet of new space for a cultural use in neighborhood.
- Cultural use defined as a non-profit facility: museum, performing arts facility, institute for the arts, etc.
- Cultural use must be an active use – available to the public – not storage.
- For comparison, footprint of Asian Art Museum is approximately 20,000 square feet.

Housing

- In 1994, there were 461 housing units in the South Lake Union neighborhood (which includes Cascade)
- City of Seattle Comprehensive Plan Goal: 1700 new housing units between 1994 and 2014.
- Neighborhood Plan Goal: 5% of units in new development affordable at 80% of median income or below (5% of 1700 Comp Plan goal is 85 units)
- Over 500 housing units have been constructed or rehabed in South Lake Union since 1994, 350 of them affordable at 60% of median income or below
- City Investors will guarantee development within 6 years of 50 new units of housing affordable at 80% of median income for minimum of 20 years. Units will be within certain geography (does not include Cascade) and will not use City subsidy.
- Will include a mix of size of units as market demand warrants.

- Agreement also includes a development goal of 450 market rate units in overall South Lake Union area.

Parking

- Overall strategy: City should not prematurely or unnecessarily purchase parking that will not be needed. Buying dedicated spaces is extremely expensive. Instead—preserve options for the City or assignee.
- Agreement to collaborate on parking and access solutions.
- City Investors will develop a major new reservoir of parking associated with development of Parcels 14-17 and possibly adjacent private parcels. 800–1,000 stalls are possible in the 3 blocks assuming full block assemblage. It is assumed that parking will be available in a one-to two-story subterranean garage. The purchase and sale agreement obligates City Investors to make a majority of parking available for general public use at market rates during off-peak hours of development.
- City Investors will devote 20% of the number of parking spaces in 3-block development for short-term public use at market rates (no fewer than 120 spaces) on the 3 blocks or other property close to Park.
- City has the right to purchase up to 160 spaces for exclusive South Lake Union Park/Armory building use for \$55,000 per stall. Will need to exercise option before City Investors applies for permits; no sooner than 1 year after closing. Option could be assigned to an entity that is a user of the Armory building in the Park.
- City Investors will keep 111 existing surface spaces on Parcel 15 at market rates as interim parking before development.

Family Wage Jobs

- Construction. City Investors will participate in Apprenticeship Opportunities Project to assist low-income area residents to gain access to building and construction trades apprenticeships. Goals will be established for number of labor hours performed by participants in apprenticeship and training programs and for female and minority apprenticeship hours.
- Permanent Jobs. City Investors will facilitate work force development agreements between building tenants and either the Seattle Jobs Initiative or another workforce development program.

Schedule for Development/Right of Recision

- City Investors will need to apply for permits on Parcels 14-17 within 2 years after closing on adjacent private parcels and remnants, if any; in any event must apply for permits within 6 years after closing on City properties.
- City has right to buy back property at sale price if application deadlines are not met

Remedies for Failure to Perform

- The City's enforcement remedy for affordable housing, parking, provision of a cultural use, indemnity for environmental conditions and other specified non-assignable duties of

purchaser is specific performance. This allows the City to require, through a court of law, that purchaser perform these post-closing obligations.

Monitoring /On-going Due Diligence

- Annual Report, including progress on achieving purchase and sale agreement conditions and status on assets of purchaser

Use of Proceeds Framework

The Mayor and Council will work together on a resolution that will outline the investment priorities for the South Lake Union proceeds. The resolution will be considered concurrent with the Council's review of the Purchase and Sale Agreement.

The Mayor's proceeds proposal, after significant input from the Council, will include the following major elements:

- A primary focus on South Lake Union transportation improvements. The Mayor's proposal will recommend funding for the Fairview/Valley Corridor Realignment Project which will improve traffic circulation and safety. Other projects such as a Roy Street crossing at Aurora are currently being studied to determine their costs and benefits for vehicular, pedestrian and bicycle mobility. Specific project recommendations will be made to City Council once the appropriate information is available. It is the Mayor's goal that these dollars can result in significant leveraging of State, federal and private monies – all directed to improve traffic flow in the Mercer-Valley corridor and the broader South Lake Union area.
- The Mayor will also propose investing at least \$2 million of the sale proceeds into affordable housing in the South Lake Union area. These funds will leverage other public funds and will generate at least 50 new units of housing affordable to individuals and/or families making 60% or less of the Seattle-area median income. The units would be covenanted to stay affordable for at least 40 years. The units would be built in the general South Lake Union area but not in Cascade – which already has a high proportion of the overall area's subsidized housing units.
- The Mayor will also propose establishing a reserve for the funds related to Parcel 14. If the clean-up issues on the adjoining site are resolved, the money could be made available for public parking and/or traffic circulation improvements in the Mercer-Valley corridor. Specific project details would need to be approved by the Mayor and City Council at that time.

A.2. NEED FOR PROJECT

The South Lake Union Neighborhood Plan recommended that the City encourage redevelopment of its holdings in the neighborhood now so that development could occur in a way which would enhance the overall neighborhood and which would complement development of South Lake Union Park. The South Lake Union Park Master Plan has just been updated. Furthermore, redevelopment of these properties will encourage redevelopment on other properties in the neighborhood, which has been dampened by the indecision concerning the City properties.

B. PROFILE OF PARTNERS

City Investors Inc., as a company for property assemblage, ownership and management, will be the entity to own the property in South Lake Union. It owns outright real estate assets of over \$250 million, including holdings in other Seattle neighborhoods and outside the area. Vulcan Northwest is the affiliated strategic investment and management company which responded to the City's RFQ. Both are wholly owned by Paul G. Allen.

City Investors and Vulcan Northwest's activities include real estate development, operation and management of major public facilities and private development projects in the Pacific Northwest. They develop real estate directly and through affiliate companies and strategic partnerships. Other real estate-related affiliates include: First and Goal Inc (Stadium and Exhibition Center, Seattle); Experience Music Project, a Washington non-profit corporation (EMP, Seattle Center); and Oregon Arena Corporation (Rose Quarter Complex, Portland). Other Vulcan Northwest experience includes the Rosen Building Biotechnology redevelopment for the University of Washington School of Medicine (Seattle), 505 Union Station Office Building (Seattle), Sammamish Park Place (technology office complex in Issaquah), Cinerama Theater Renovation (Seattle) and the Port Quendall Project (Renton).

Vulcan Northwest's project team includes the Justen Company LLC (development management and real estate analysis), Sasaki & Associates (urban design/open space), Collins Woerman Architecture (architectural planning), Hart Crowser (environmental/soils), Entranco/Transportation Engineering Northwest (traffic and traffic management plans), VP Services (parking) and Foster Pepper & Shefelman PLLC (legal).

Vulcan Northwest has a policy of zero discrimination in recruitment, employment, transfer, promotion, compensation, training, termination, company-provided benefits or any other term or condition of employment in any of their affiliated companies. In addition Vulcan Northwest's commercial projects have provided apprenticeship opportunities.

Vulcan Northwest employs an environmentally aware policy in regard to all aspects of its operations, and is a member of the United States Green Building Council. Contractors recycle construction debris, use recycled products and specify high-efficiency energy systems. Past

projects (Rose Quarter, Portland and Washington State Exhibition Center) have exceeded 90 percent construction debris recycling goals.

C. ESTIMATED TIMETABLE FOR PROJECT

Transaction	2 nd Quarter, 2001
Closing	after all applicable appeal periods have expired and/or all appeals resolved.
Permit application	within 24 months of assemblage of adjacent private parcels; no later than 6 years after closing

D. FINANCIAL TRANSACTION SUMMARY

The amount of funds the City will receive is found in the Overview Section, Price.

Proposed uses of funds are found in the Overview Section, Use of Proceeds Framework.

In 1998, the City adopted a set of procedures to be followed when property is considered for disposition. The department that has jurisdiction of the property must first declare the property excess to its needs, then all other potential City uses must be considered before the property is deemed surplus. In the case of these properties, the City's transportation department, SeaTran, declared its parcels excess to its needs, and then Executive Services Department (ESD) so declared the one held by the General Fund. The City's ESD (now Fleets and Facilities or F&FD), which acts as the City's property agent, circulated the list of these properties to other City departments. No department identified a City need for these properties.

Note: Seven of the eight properties included in the purchase and sale agreement were purchased in the late 1960s and early 1970s using transportation funds from two sources, Urban Arterial Trust Account and Arterial City Street Fund. The UATA and ACSF contribution to acquisition of these seven properties in the RFQ was \$1,794,500, split equally. The UATA funding requires that its share of the original purchase price without any appreciation be repaid to the State if the property is not used for transportation purposes. In 1974, the City appropriated funds to repay the portion of property proceeds due to the UATA. The portion of the proceeds due to the ACSF may be used for transportation improvements within the City, without actually transferring into the ACSF. Under City policy and in accordance with SMC 5.80.030, net proceeds from the sale of surplus property will be deposited into the Cumulative Reserve Subfund, and are subject to subsequent appropriation.

The remaining parcel was purchased with General Fund dollars. Under City policy and in accordance with SMC 5.80.030, these proceeds will be deposited into the Cumulative Reserve Subfund, and are subject to subsequent appropriation.

E. ANALYSIS OF PUBLIC BENEFITS

1. Project's Relationship to City Priorities

How does the proposal advance a City priority?

The City Council, through Resolution 30080, adopted public objectives for the redevelopment of the City properties. The sale of the properties will accomplish some of these public objectives through its contractual provisions. The other public objectives will be achieved by the investment of proceeds of the sale, by neighborhood initiated projects, by other City projects/investments in the neighborhood, and when the purchaser pursues regulatory approvals and ultimately redevelops the properties.

The purchase and sale agreement addresses the public objectives which are outside the scope of regulatory processes for development: optimizing financial return, affordable housing, cultural uses, public parking and family wage jobs.

The chart below summarizes the public objectives and how they will be achieved:

How Are Public Objectives Achieved?

Council Resolution	Purchase and Sale Agreement	Regulatory Process	Potential Proceeds Investment	Other (e.g., neighborhood action, City projects)
1. Parking for SLU Park	X	X	X	X
2. High Quality Development		X		X
3. Gateway		X		X
4. Safe and Active Pedestrian Environment		X		X
5. Visual Relationships in Park Vicinity		X		
6. Cultural Uses and Public Art	X			X
7. Public Open Space		X		X
8. Alternative forms of Transportation			X	X
9. Promote site design, access and uses that minimize traffic and parking impacts	X	X		X
10. Discourage creation of surface parking lots	X	X		X
11. Optimize monetary return	X			
12. Family wage jobs	X			
13. Affordable housing	X		X	
14. Promote Comp Plan goals	X	X	X	X
15. Catalyze economic development	X		X	X

Other South Lake Union Public Objectives				
Transportation Improvements		X	X	X

The public objectives in the Resolution list are consistent with both the South Lake Union Neighborhood Plan and the City's Comprehensive Plan. The purchase and sale agreement provides for fulfillment of those objectives either in itself or through regulation of development.

The purchase and sale agreement is also consistent with SeaTran, Parks, F&FD, and DON plans with relation to surplus property disposition and Neighborhood Plan implementation, and with the City's Consolidated Plan in relation to affordable housing. In addition, the purchase and sale agreement calls for coordination between City Investors and the City on housing, transportation and parking issues.

How did the project come to the City's attention?

The purchase and sale agreement is part of the City response to the South Lake Union Neighborhood Plan. Redevelopment is timely now with completion of the Neighborhood Plan and development of South Lake Union Park. The City issued a Request for Qualifications to find a developer with the capacity to develop a high quality development and to accomplish other public objectives.

What are the reasons for engaging in a partnership?

Private redevelopment enabled by the purchase and sale agreement is consistent with Neighborhood Plan and City goals, and optimizes achievement of public benefits and financial return. This is not a joint venture or a traditional public-private partnership but rather a conditioned sale transaction between the City and a private party. There has been, however, and will continue to be, significant public investment in the immediate area through park, transportation and other infrastructure improvements.

- What are the City's reasons for pursuing this project as a partnership rather than alone?

The City does not wish to act as a developer, and City Investors has contracted to deliver greater public amenities at a lower cost than the City could alone, in addition to a market-value price. There is no overriding public use and necessity of the City acting as a developer to offset benefits gained from private development. The environmental clean up of the parcels is most effectively accomplished in conjunction with development.

- What are the private party's stated reasons for pursuing the project as a partnership with the City?

City Investors has ownership or control of several properties within the three blocks directly south of Lake Union containing the City properties. City Investors believes that through consolidation of the City properties with adjacent private properties they can create development that will achieve greater public benefits than single-purpose developments on individual sites. City Investors also benefits by a development fronting on South Lake Union Park which will

contribute to creation of a functionally integrated neighborhood and the successful development of its other properties nearby. This is consistent with the analysis done for the City in the MAKERS and Heartland reports.

- How much will the project cost if a partnership is pursued?

Costs to the City include: 1) the City's participation in litigation to recover the cost of Parcel 14 remediation which could be \$300,000 of the sale proceeds plus City attorneys' time, 2) minimal staff cost to monitor adherence to the contract, and 3) costs associated with the closing of the purchase and sale agreement. The Mayor will propose the repayment of funds temporarily borrowed from City reserves to pay for the cost of transaction-related consultants, appraisals, and other transaction expenses, consistent with City Policy and specific legislative direction out of the sale proceeds. These expenses are anticipated to total approximately \$660,000.

- How much would the project cost if undertaken using only public money?

The City alone cannot pursue the development outcomes that are likely to be the most desirable.

2. Anticipated Public Benefit

What are the anticipated public benefits of the project?

Direct financial benefits – see Overview Section, Price

Indirect financial benefits – see Overview Section: Parking, Housing, Cultural Use, Family Wage Jobs

Please quantify the following:

Economic return

- What is the anticipated return in tax revenue over the life of the project?

It is possible to estimate values for property tax, construction sales tax, and utility taxes based on maximum development capacity of the land. Because the land sale does not specify uses, there is not sufficient information to estimate B&O tax or retail sales tax. All dollars are in today's value with no inflation added for future periods.

Property tax - Simply by changing the ownership of the property from public to private, there will be tax revenue generated for the City. Based on current assessed values, this base tax revenue will be approximately \$46,800 per year. With conservative discount rates of 5 to 7 percent, the net present value over 20 years of this revenue stream would be \$495,000 to \$585,000. With development occurring within 5 to 9 years, the annual revenue stream would be in the range of \$615,000 to \$650,000 per year. Over 20 years at the same range of discount rate, the net present value of this stream would be \$2.8 million to \$4.6 million.

Construction sales tax – The City’s share of the construction sales tax would be in the range of \$535,000 to \$845,000 for full development of all eight parcels.

Utility taxes – Based on current usage rates for typical commercial uses, activity in future developments on all the parcels could generate roughly \$66,000 to \$83,000 per year for the City.

- Is there any other anticipated revenue to the City from the project?

Not other than previously mentioned.

- Was there an independent appraisal of the property? If not, why?

Yes. The price in the purchase and sale agreement is based on the City’s appraisal.

Economic vitality

- How many jobs (construction and other) will be created overall?

Types and size of uses are unknown; therefore the number of construction and projected jobs is not estimated.

- How many jobs will be created for target populations?

For construction jobs, the sale agreement commits the Purchaser and its affiliated development entities to participate in the Office of Port JOBS Apprenticeship Opportunities Project by adopting a goal of 15% of the labor hours being performed by apprentices and a goal of 20% of the apprenticeship labor hours going to women and 21% to minorities.

- What is the breakdown of wages and employee benefits of the jobs that will be generated?

Uses have not yet been specified, therefore types of jobs and related information is not estimated.

- What is the potential for the project to be a catalyst for additional development?

Initiating redevelopment will catalyze other developments by reducing the risk of undertaking them. This area is a prime location for Seattle’s growing biotechnology industry. As the Park is developed and as the Mercer Valley corridor is improved the area will be increasingly desirable for companies seeking an in-City location.

- How will this development address or mitigate localized or citywide adverse economic conditions?

The eventual development will eliminate the underdevelopment of the City properties on which buildings are in only fair condition. Resolution 30080 and the RFQ call for promoting industries targeted in the Economic Development element of the Comprehensive Plan (such as technology oriented businesses). The eventual redevelopment of the properties will also remediate the presence of hazardous substances.

Public amenities

- What other public benefits will be gained from this project?

The purchase and sale agreement contains provisions to provide family wage jobs, parking for park users, cultural uses, and affordable housing within the neighborhood.

- In what way has design quality been addressed?

RFQ selection criteria included consideration of the quality of developers' past projects. The purchase and sale agreement requires that the developer submit a Master Use Permit (MUP) application for a project on Parcels 14-17 within 2 years of assemblage or at most 6 years after closing, regardless of assemblage. Future development on the properties will go through the City's Design Review process. Finally, if the purchaser chooses to apply for the special exception for height, the criteria for review and approval include design provisions.

Viable alternatives

- In what ways is a public-private partnership necessary to attaining the public benefit in this case?

This is a conditioned sale transaction between the City and a private party. The City has structured the transaction so that after closing, the City will act in its municipal capacities as regulator and provider of municipal services.

The post-closing performances required of purchaser will be subject to specific enforcement. This allows the City to require, through a court of law, that purchaser perform these post-closing obligations. If timely application for development permits is not made, the City has the right to buy back the properties at sale price.

The City has agreed to jointly bring a lawsuit to obtain environmental clean-up of a polluted parcel (Parcel 14). This provides the public benefit of deriving full price for the parcel, without deduction for environmental conditions, while sharing the cost of establishing the legal liability of responsible parties for the pollution present on the parcel. Under the terms of the purchase agreement, the City will set aside \$300,000 of sale proceeds to fund this litigation.

- Are there ways to achieve similar benefit with less public funds or no public investment?

The transaction includes a set-aside of \$300,000 of sale proceeds to fund the environmental litigation and participate in the litigation through the City Attorney's office. The sharing of litigation expense for remediation of Parcel 14 saves public funds that would be expended if the City were to pursue that litigation independently and avoids delay in closing the sale of that parcel.

Alternatives to proposed approach, with reasons for not pursuing them

No Action – continued existing building conditions, some buildings no longer occupied, inconsistent with the Neighborhood Plan, continued underdevelopment of neighborhood, and lost economic development opportunity.

Open Space – parcels are of inadequate size for ballfields, awkward site between two major arterials, incompatible adjacent uses, no available funds for development, inconsistent with the Neighborhood Plan, and loss of proceeds to implement other City priorities.

Groundlease – no City need for the property, property remains tax exempt, ongoing City liability for environmental conditions and administrative costs, the property is not contiguous with another City facility.

Measures of performance

- Through what means will the City seek to assure that the anticipated benefits will materialize?

Remedies in the purchase and sale agreement (see below), the annual report, and through regulatory approval process for any proposed development.

- What are the safeguards in the agreement?

Maximizing sale price, requiring specific performance in the purchase and sale agreement for post-closing obligations, rescission of sale if development does not occur, and regulatory approval process.

- What is the mechanism(s) through which the City and its partner will prevent/respond to cost overruns?

This is a conditioned sale and the City is under no obligation in the agreement to fund any project. The City's financial obligation under the purchase and sale agreement (funding environmental litigation) is specific and limited to \$300,000.

3. Assessment of Related Impacts

What is the risk to the City in undertaking the project?

- What is the nature of the risk (financial or other) throughout the life of the project?

There is a risk that environmental contamination on Parcel 14 will not be resolved, and the City would repurchase the parcel and continue to have environmental liability. There is a risk that the City would repurchase all the properties at the sales price if the Purchaser does not meet the development application requirements.

- How will assets and liabilities be distributed if and when the project ends?

This is not a project, but a sale with post-closing conditions. The purchase and sale agreement provides that if purchaser has not filed a MUP application within 72 months of closing, the City has the right to rescind the sale.

- How are the risks shared between the private entity and the City?

The City has all property-related risk prior to closing. City Investors has all risk after closing, except for resolution of cost recovery for Parcel 14 remediation, as that is defined in the agreement. There is a risk that the City would repurchase the properties at the sales price if the Purchaser does not meet the development application requirements.

- What is the risk of *not* taking on the project?

The City loses an opportunity to obtain full-market price for surplus land. The City continues to hold low-performing real estate assets which have increasing O&M costs and which dampen redevelopment in the area. The City receives no property tax on exempt parcels. The undeveloped condition of the properties contributes to underdevelopment in the vicinity.

4. Applicable State and Local Laws

- Identify applicable state and local laws and method of compliance.

Article IV, §14, of the Seattle City Charter, requires City Council concurrence in the sale of real estate. This transaction is subject to that concurrence and will be presented to the Council with an ordinance approving its terms. The post closing performances will be subject to the defined regulatory processes in the course of development

5. Citizen Engagement

How has the City obtained meaningful citizen input on this project?

- What is the nature and content of citizen input to date?

The purchase and sale agreement builds on the three-year neighborhood planning effort. Other community input since completion of the Neighborhood Plan includes standing meetings with the South Lake Union Planning Committee since adoption of the Neighborhood Plan (March 1999), a community meeting on the MAKERS and Heartland reports on Sept. 30, 1999; a Council public hearing on resolution 30080 on Nov. 22, 1999, and two public meetings with the P4 Panel (March and September 2000).

- What further public engagement is anticipated?

The Purchase and Sale Agreement is now available for public review. Details of the document were confidential during the negotiation process. The City Council will hold a public hearing on the purchase and sale agreement. The purchase and sale agreement cites the importance of ongoing communication with the South Lake Union community. When City Investors initiates any action subject to regulatory process, such as a MUP application, there will be opportunity for the public formally to comment on the submittal.