City of Spokane OPR # 2019- 0928
Spokane County # 19-1390

INTERLOCAL AGREEMENT BETWEEN THE CITY OF SPOKANE AND SPOKANE COUNTY REGARDING REFORMATION OF THE NORTHEAST PUBLIC DEVELOPMENT AUTHORITY

THIS AGREEMENT is between the **City of Spokane**, a Washington State municipal corporation, having offices for the transaction of business at 808 West Spokane Falls Boulevard, Spokane, Washington 99201, hereinafter referred to as "CITY" and **Spokane County**, a political subdivision of the State of Washington, having offices for the transaction of business at 1116 West Broadway Avenue, Spokane, Washington 99260, hereinafter referred to as "COUNTY," and jointly hereinafter referred to as the "Parties."

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of RCW 36.32.120(6), the Board of County Commissioners of Spokane County, Washington, has the care of county property and the management of county funds and business; and

WHEREAS, the City of Spokane is a first-class charter city duly incorporated and validly existing under the laws and Constitution of the State of Washington; and

WHEREAS, pursuant to chapter 39.34 RCW (Interlocal Cooperation Act), two or more public entities may jointly cooperate between each other to perform functions which each may individually perform; and

WHEREAS, RCW 39.34.030 (3) authorizes two or more public agencies to create any separate legal or administrative agency with specific powers delegated thereto; and

WHEREAS, RCW 35.21.730-.755 and RCW 35.21.757 authorizes creation of public development authorities to (i) administer and execute federal grants or programs; (ii) receive and administer private funds, goods or services for any lawful public purpose; (iii); improve governmental efficiency and services; (iv) improve the general living conditions in the urban areas in and around the city; and (v) perform any lawful public purpose or public function; and

WHEREAS, the City initially created and established the Northeast Public Development Authority (PDA) in November 2011 (ORD C-34813) to assist in providing

economic development to the northeast portion of the City and provide economic stimulus and benefit the entire city and region. As a result of this Agreement between the Parties the prior PDA shall cease to operate; and

WHEREAS, the County would like to participate and incorporate additional property to include the joint planning areas and UGA land north and east of the current PDA boundaries; and

WHEREAS, the current PDA needs to be reformulated and revised to allow for additional property and inclusion of the County; and

WHEREAS, the Parties desire to enter into this interlocal agreement for the purpose of aligning resources, property, and services to facilitate development and operation of the Northeast Public Development Authority consistent with and for economic development initiatives of all Parties.

NOW, THEREFORE, the Parties hereby agree and covenant as follows:

Section 1: PURPOSE

The purpose of this Agreement is to revise and reformulate the existing PDA and to set forth the Parties' understanding of the terms and conditions under which the Parties shall facilitate economic development of the Northeast area of the City and County.

The purpose of the PDA is to provide a legal entity organized under 35.21. 730 - 755 and RCW 35.21.757 to undertake, assist with and otherwise facilitate the acquisition, construction, development, equipping, leasing, operation and maintenance of public benefit projects consistent with economic development initiatives of the Parties ("the Projects") within the Geographic Boundaries, as defined herein, located in the City of Spokane and Spokane County in order to assist both the City of Spokane and Spokane County in their ability to improve the economic conditions in and around the City and County of Spokane consistent with RCW 36.01.085 and RCW 35.21.703. To the extent appropriate and consistent with the needs and objectives of the City and County, the PDA will acquire and manage real property, secure financing, undertake the construction and development of and otherwise accomplish all purposes required for development and management of the Projects, which, by agreement of the parties, may extend beyond the geographical boundaries of the PDA.

Section 2: DEFINITIONS

"Administrative Board" or "Board" means the Board developed pursuant to this Agreement and any subsequent legal entity, such as a PDA.

"Agreement" means this Interlocal Agreement between the City of Spokane and Spokane County.

"Bonds" mean, collectively, bonds, notes, or other evidences of borrowing issued by the PDA to provide interim and permanent financing for the PDA to finance or refinance equipment, completion, expansion and other capital improvements essential to maintain the PDA.

"City" means City of Spokane, a political subdivision of the State of Washington.

"Costs of Maintenance and Operations" means all reasonable expenses incurred by the Administrative Board or Board in developing and maintaining the Northeast PDA property.

"County" means Spokane County, a political subdivision of the State of Washington.

"Geographic Boundaries" or "PDA Boundaries" means the area and those geographic boundaries depicted in the attached Map, Attachment "A", which may be amended or revised from time to time by the legislative bodies of the City and County based on a written recommendation of Governance/Administrative Board.

"PDA" means the Northeast Public Development Authority created to manage the Northeast area property as defined in Geographic Boundaries.

"Revenue" means any incremental increases in tax revenue from properties or conducting of business originating from the location of the properties within the PDA Boundaries which shall be calculated and shared based on the terms within this Agreement.

Section 3: BUSINESS TERMS OF THE PARTIES

The Parties have reached agreement on the following business terms in establishing a PDA for the Northeast Area:

(1) Geographic Boundaries of the PDA: The area and geographic boundaries as defined above and depicted in the map attached as Attachment "A".

(2) Revenue Sharing between City and County: Both the City and County shall share and pay to the PDA, an initial rate of 75% of all incremental increases in the following tax revenues from properties or businesses located within the Geographic Boundaries of the PDA as defined by Attachment "A". The City shall share and pay to the County 12 ½ % of its remaining 25% of all incremental increases in the following tax revenues from properties or businesses located

within the Geographic Boundaries of the PDA as defined by Attachment "A". The County shall share and pay to the City 12 ½ % of its remaining 25% of the following tax revenues from properties or businesses located within the Geographic Boundaries of the PDA as defined by Attachment "A". The methodology for calculating and distributing the revenue sharing is outlined in Attachment "B".

City and County will commit and include the following tax revenue sources for their respective entities:

a. *Property (Real and Personal) Tax Revenue*:
   i. City of Spokane Regular Levy within PDA – incremental increase.
   ii. Spokane County Regular Levy within PDA – incremental increase.
b. *Sales Tax Revenue*:
   i. City of Spokane incremental Sales Tax increase within PDA.
   ii. Spokane County incremental Sales Tax increase within PDA.
c. *Utility Tax Revenue*:
   i. City of Spokane incremental Private Utility Tax increase within PDA.
   ii. Spokane County incremental Private Utility Tax increase within PDA (when levied).
d. *Leasehold Excise Tax*:
   i. City of Spokane share of incremental Leasehold Excise Tax increase within PDA.
   ii. Spokane County share of incremental Leasehold Excise Tax increase within PDA.
e. *Business and Occupation Tax Revenue:*
   i. City of Spokane incremental Business and Occupation Tax increase within PDA.
   ii. Spokane County incremental Business and Occupation Tax increase within PDA (when levied).

The County shall use 100% of all incremental increases in Spokane County Road Levy Tax revenues from properties or businesses located within the Geographic Boundaries of the PDA as defined by Attachment "A" for those purposes as authorized under chapter 36.82 RCW and/or RCW 36.33.220 which purposes occur within the unincorporated area of the County located within the Geographic Boundaries of the PDA or within the unincorporated area of the County when the purposes benefit the PDA. The County agrees to include the PDA executive director in the evaluation of proposed projects utilizing the Spokane County Road Tax revenues for the benefit of the PDA. The methodology for calculating the revenue is outlined in Attachment "B".

The City, County and PDA agree to work collaboratively to develop a process, policy, procedure, and/or ordinance to implement the sharing of Revenue as provided for above.

The revenue sharing provisions of this Agreement shall not apply to revenue generated within the boundaries of a tax increment finance district created by either the City or County prior to the date of this Agreement.

Once the PDA's tax revenues as provided for above, excluding Sales Tax Revenue, and PDA operating revenues (leases, other non-tax revenue), have sustained a total level of revenue equal to or greater than the following amounts for a period of three consecutive calendar years, the City and County may mutually agree to review the revenue sharing percentage(s) set forth above and may mutually agree to adjust any or all of them according in the fourth calendar year, effective as of January 1st of the following year.

PDA Total Revenue:	Revenue sharing shall not be reduced less than:
Up to $600,000	75%
$600,001 to $850,000	60%
$850,001 to $1,000,000	40%
More than $1,000,001	20%

Provided further, the remaining balance of tax revenues not shared by the City and County with the PDA will be split equally between the City and County. For example, if the City and County adjust the revenue sharing with the PDA from 75% to 60%, the City shall share with the County 20% of its remaining 40% and the County shall share with the City 20% of its remaining 40%.

Any adjustments to the revenue sharing shall not adversely impact any outstanding debt issued by the PDA.

(3) Debt: City and County agree, to the extent allowed by law, to jointly back any outstanding debt when a guarantee is required. Either Party shall have the right to veto any debt proposal where either Party would be responsible for issuance or repayment of any debt. The Parties recognize that City Charter provisions may prohibit it from providing a guarantee without a vote of its constituents. The Parties agree in instances where a guarantee may require a vote of the City's constituents to consider other mechanisms to satisfy the City's obligation to guarantee any outstanding debt.

(4) Stand Down on Annexation: For the duration of this Agreement and the duration of any outstanding debt as provided for under Section 3 (3), the City agrees to not initiate and pursue further annexation of property located within the Geographic Boundaries of the PDA.

(5) GFC Waiver: All General Facilities Charges (GFC) shall be waived for development of properties which are located within the Geographic Boundaries of the PDA.

(6) Commercial or Industrial Water/Sewer Service Charges: For those areas where the City is the water or sewer utility service provider to commercial or industrial utility customers located within the Geographic Boundaries of the PDA after the effective date of the Agreement, utility services shall be provided at in-City rates. All current rules and regulations for in-City customers, or as hereby amended, as determined by the Spokane City Public Works Division shall apply to all services within the Geographic Boundaries and within the City's designated utility service area. The City reserves the right to develop and substitute, after notice to the County, utility rates specifically for the PDA.

(7) Development Incentives: All available development incentives and tools shall be available for the Projects, to include the City's incentive matrix and any applicable County incentives.

(8) Governance: Governance of the PDA shall be as described in Section 5 of this Agreement.

(9) Initial Funding for PDA Operating Expenses: Initial funding for PDA executive shall be as described in Section 7 of this Agreement.

Section 4: TERM

This Agreement shall become effective upon signature of both the City and County. Upon the effective date, the Northeast Public Development Authority created by the City in November 2011 under ORD C-34813 shall cease to exist.

Termination of this Agreement may be: (1) by mutual agreement of the Parties; or (2) by formation of a Special Purpose District that assumes all duties and obligations of the PDA; or (3) by formation of a Port District as provided by Title 53 RCW that assumes all duties and obligations of the PDA; or (4) after a period of twenty (20) years, by either party, effective at the end of any calendar year, serving written notice on the other party at least eighteen (18) months prior to the end of any calendar year.

Notwithstanding any of the other rights, duties or obligations of any Party under this Agreement, withdrawal or termination of any Party from this Agreement shall not occur until all Bonds issued by the PDA or obligations to pay debt service, as provided herein, are paid in full.

Section 5: GOVERNANCE/ADMINISTRATIVE BOARD

Interim/Transition Period: In order to allow for smooth transition of current operations to the reformed PDA, from the last date of execution of the Agreement by both Parties until December 31, 2019, the current Governance/Administrative Board as established by ORD C-34813 shall remain in full force and effect. Provided, further, there a are presently two vacancies on the nine (9) voting member Governance/Administrative Board established by ORD C-34813. The City agrees that the Mayor will appoint and the City Council will confirm the two County appointments as designated by the County to fill the vacant voting member positions.

Effective January 1, 2020 the following Governance/Administrative Board shall be effective:

(1) Formation. An Administrative Board composed of the following positions shall govern the PDA:

a. Permanent Board Members (4):

i. Two County appointments, comprised of one County Commissioner and one administrative position selected by the County Commissioners,

ii. Two City appointments comprised of one City Council member and one administrative position nominated by the Mayor and appointed by the City Council.

b. At-large Business Representative (3):

i. Three at-large business representatives who will be selected by the four (4) permanent Board Members as described in the above sub-paragraphs i and ii.

ii. The at-large business representatives will serve staggered 3 year terms, or as otherwise designated by a majority of the Permanent Board Members.

(2) Allocation of Votes. Each Board Member shall have an equal vote and vote in all Board decisions.

(3) Voting Requirements. Votes regarding (a) debt; (b) approval of the Budget; (c) employment of the PDA executive director; (d) cost allocations made prior to issuance of Bonds; and (e) acquisition, sale, transfer, disposal, lease or conveyance of any interest in real property owned by the PDA and not otherwise subject to the Interlocal Agreement shall require an affirmative vote of a majority of the Permanent Members.

(4) Executive Director. The Administrative Board may hire an Executive Director to carry out the business affairs of the PDA. The current employment of the Executive Director of the PDA shall not be affected by the reformation of the PDA.

(5) Officers of the Administrative Board. Members of the Administrative Board shall select a Chair from its members, together with such other officers as a majority of the Administrative Board may determine.

(6) Meetings of the Administrative Board. There shall be a minimum of two meetings each year and not less than fifteen (15) days' notice shall be given to all members prior to any such meeting. A majority of the Administrative Board members must be present to comprise a quorum and for the Administrative Board to transact any business.

(7) Bylaws. The Administrative Board shall authorize to establish bylaws that govern procedures of the Board and the PDA's general operations consistent with the terms of this Agreement.

(8) Budget, Policies and Operations. The Executive Director shall distribute a proposed Budget to the Administrative Board on or before August 1st of each year.

Section 6: COMPENSATION

There shall be no direct compensation to or from either party, except as provided for herein or as otherwise agreed in writing.

Section 7: INITIAL FUNDING FOR PDA OPERATING EXPENSES/BUDGET

Initial funding for the PDA operating expenses, to include staffing, shall be as follows:

The County shall commit $180,000 to the revised and reformulated PDA. The County's commitment will be made in two installments with the first amounting to $120,000 payable on or after January 1, 2020, and the second installment of $60,000 payable on or before July 1, 2020.

As of the effective date of this Agreement, the City has committed and contributed $233,333 to the revised and reformulated PDA

Section 8: RELATIONSHIP OF THE PARTIES

No agent, employee, servant or representative of the County shall be deemed to be an employee, agent, servant or representative of the City. Likewise, no agent, employee,

servant or representative of the City shall be deemed to be an employee, agent, servant or representative of the County.

Section 9: **LIABILITY**

The COUNTY shall indemnify, defend and hold harmless the CITY, its officers and employees from all claims, demands, or suits in law or equity arising from the COUNTY's intentional or negligent acts or breach of its obligations under the Agreement. The COUNTY's duty to indemnify shall not apply to loss or liability caused by the intentional or negligent acts of the CITY, its officers and employees.

The CITY shall indemnify, defend and hold harmless the COUNTY, its officers and employees from all claims, demands, or suits in law or equity arising from the CITY's intentional or negligent acts or breach of its obligations under the Agreement. The CITY's duty to indemnify shall not apply to loss or liability caused by the intentional or negligent acts of the COUNTY, its officers and employees.

If the comparative negligence of the Parties and their officers and employees is a cause of such damage or injury, the liability, loss, cost, or expense shall be shared between the Parties in proportion to their relative degree of negligence and the right of indemnity shall apply to such proportion.

Where an officer or employee of a Party is acting under the direction and control of the other Party, the Party directing and controlling the officer or employee in the activity and/or omission giving rise to liability shall accept all liability for the other Party's officer or employee's negligence.

Each Party's duty to indemnify shall survive the termination or expiration of the Agreement.

Each Party waives, with respect to the other Party only, its immunity under RCW Title 51, Industrial Insurance. The Parties have specifically negotiated this provision.

Section 10: **NOTICES**

All notices shall be in writing and served on the other party either personally or by certified mail, return receipt requested. Notices sent by certified mail shall be deemed served when deposited in the United States mail, postage prepaid.

CITY: Mayor or designee
City of Spokane
Seventh Floor, City Hall
808 West Spokane Falls Boulevard
Spokane, Washington 99201

With a Copy to:	City Attorney's Office City of Spokane Fifth Floor, City Hall 808 W. Spokane Falls Boulevard Spokane, Washington 99201
COUNTY:	Chief Executive Officer or designee Spokane County Courthouse 1116 West Broadway Avenue Spokane, Washington 99260
With a Copy to	Chairman, Board of County Commissioners Spokane County Courthouse 1116 West Broadway Avenue Spokane, Washington 99260

Section 11: INSURANCE

During the term of the Agreement, the COUNTY and the CITY shall maintain in force at its own expense, each insurance noted below:

a. Worker's Compensation Insurance in compliance with RCW 51.12.020, which requires subject employers to provide workers' compensation coverage for all their subject workers and Employer's Liability or Stop Gap Insurance in the amount of $5,000,000;

b. General Liability Insurance on an occurrence basis, with a combined single limit of not less than $10,000,000 each occurrence for bodily injury and property damage. It shall include contractual liability coverage for the indemnity provided under this Agreement. It shall provide that the CITY, its officers and employees are additional insureds but only with respect to the COUNTY's services to be provided under this Agreement; and

c. Automobile Liability Insurance with a combined single limit, or the equivalent of not less than $5,000,000 each accident for bodily injury and property damage, including coverage for owned, hired and non-owned vehicles.

d. Professional Liability Insurance with a combined single limit of not less than $5,000,000 each claim, incident or occurrence. This is to cover damages caused by the error, omission, or negligent acts related to the professional services to be provided under this Agreement. The coverage must remain in effect for two years after the Agreement is completed.

There shall be no cancellation, material change, reduction of limits or intent not to renew the insurance coverage(s) without thirty (30) days written notice from the COUNTY or its insurer(s) to the CITY.

As evidence of the insurance coverages required by this Agreement, the COUNTY shall furnish acceptable insurance certificates to the CITY at the time it returns the signed Agreement. The certificate shall specify all of the parties who are additional insured; and include applicable policy endorsements, the thirty (30)-day cancellation clause, and the deduction or retention level. Insuring companies or entities are subject to CITY acceptance. If requested, complete copies of insurance policies shall be provided to the CITY. The COUNTY shall be financially responsible for all pertinent deductibles, self-insured retentions, and/or self-insurance.

Limits set forth herein may be met with a combination of self-insured deductible or retention, and underlying primary or excess insurance that is maintained by a Party.

Any Party may fulfill its insurance obligations in whole or in part by securing and maintaining, for the duration of this Agreement, membership in a risk management pool providing that Party contractual defense, indemnity, and such coverages and protections, as equivalent to the protective scope and limits otherwise required by the insurance coverages and limits required by this Section.

Section 12: ANTI-KICKBACK

No officer or employee of the Parties, having the power or duty to perform an official act or action related to this Agreement shall have or acquire any interest in the Agreement, or have solicited, accepted or granted a present or future gift, favor, service or other thing of value from or to any person involved in the Agreement.

SECTION 13: PRIOR AGREEMENTS

This Agreement shall control over all prior agreements, including any interlocal agreement or memorandum of understanding and all amendments to those agreements. All prior agreements entered into between the City and the PDA prior to this agreement are void

Section 14: MISCELLANEOUS

A. **NON-WAIVER:** No waiver by either party of any of the terms of this Agreement shall be construed as a waiver of the same or other rights of that party in the future.

B. **HEADINGS:** Headings are inserted for convenience of reference only and are not to be deemed part of or to be used in construing this Agreement.

C. **ENTIRE AGREEMENT**: This Agreement contains the entire understanding of the Parties. No representation, promises, or agreements not expressed herein have been made to induce either party to sign this Agreement.

D. **MODIFICATION**: No modification or amendment to this Agreement shall be valid until put in writing and signed with the same formalities as this Agreement.

E. **ASSIGNMENT:** This Agreement shall be binding upon the Parties, their successors and assigns. Neither party may assign, transfer, or subcontract its interest in this Agreement without the written approval of the other party.

F. **SEVERABILITY**: In the event any portion of this Agreement should become invalid or unenforceable, the rest of the Agreement shall remain in full force and effect.

G. **COMPLIANCE WITH LAWS:** The Parties shall observe all federal, state and local laws, ordinances and regulations, to the extent that they may be applicable to the terms of this Agreement.

H. **NON-DISCRIMINATION:** No individual shall be excluded from participation in, denied the benefit of, subjected to discrimination under, or denied employment in the administration of or in connection with this Agreement because of age, sex, race, color, religion, creed, marital status, familial status, sexual orientation, national origin, the presence of any sensory, mental or physical disability, or use of a service animal by a disabled person.

I. **VENUE:** This Agreement shall be under the laws Washington State. Any action at law, suit in equity or judicial proceeding regarding this Agreement, or any provision hereto, shall be instituted only in courts of competent jurisdiction within Spokane County, Washington.

J. **COUNTERPARTS:** This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same.

Section 15: RCW 39.34 REQUIRED CLAUSES

A. **PURPOSE:** See Section No. 1 above.

B. **DURATION:** See Section No. 4 above.

C. **ORGANIZATION OF SEPARATE ENTITY AND ITS POWERS**: Each Party shall adopt by its legislative body legislation to create the PDA.

D. **RESPONSIBILITIES OF THE PARTIES**: See provisions above.

E. **AGREEMENT TO BE FILED**: The CITY shall file this Agreement with its City Clerk or place it on its web site or other electronically retrievable public source. The COUNTY shall file this Agreement with its County Auditor or place it on its web site or other electronically retrievable public source.

F. **FINANCING**: Each party shall be responsible for the financing of its contractual obligations under its normal budgetary process.

G. **TERMINATION:** See Section No. 4 above.

H. **PROPERTY UPON TERMINATION**: Title to all property acquired pursuant to this Agreement shall remain with the Party acquiring such property, unless otherwise agreed to by the Parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on date and year opposite their respective signatures.

DATED: 11/21/19

CITY OF SPOKANE

By: David A. Condon
Its: Mayor

Attest:

City Clerk

Approved as to form:

Assistant City Attorney

DATED: 10·8·19

BOARD OF COUNTY COMMISSIONERS
OF SPOKANE COUNTY, WASHINGTON

MARY L. KUNEY, Chair

AL FRENCH, Vice Chair

JOSH KERNS, Commissioner

Attest:

Ginna Vasquez
Clerk of the Board

Approved as to form:

Deputy Civil Prosecuting Attorney

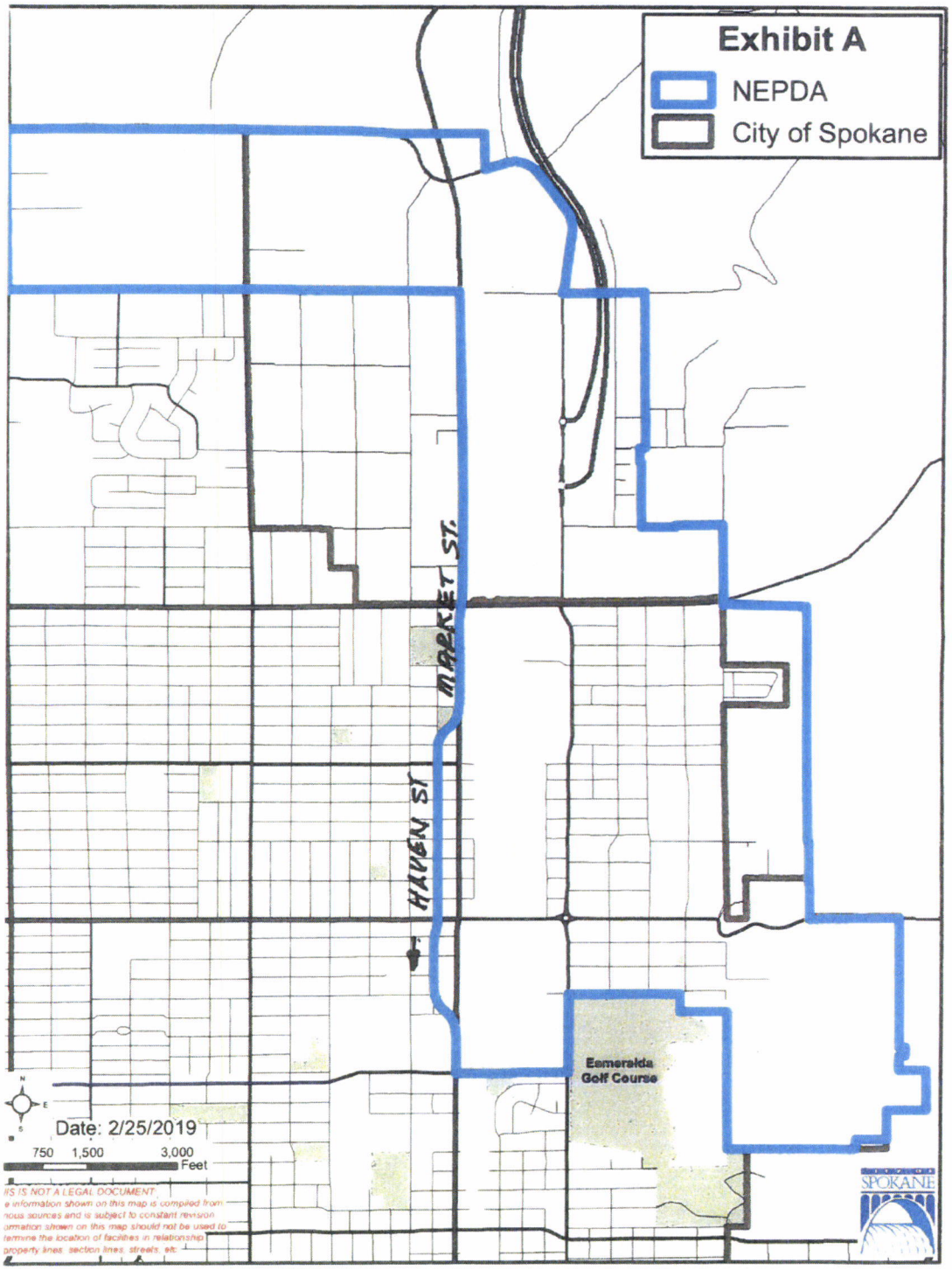
Exhibit A
NEPDA
City of Spokane
MARKET ST.
HAVEN ST
Emeralda Golf Course
Date: 2/25/2019
750 1,500 3,000
Feet
IS IS NOT A LEGAL DOCUMENT.
e information shown on this map is compiled from
nous sources and is subject to constant revision
ormation shown on this map should not be used to
termine the location of facilities in relationship
property lines, section lines, streets, etc.
SPOKANE

Adams & Clark, Inc.

1720 W. Fourth Ave. · Spokane, WA 99201 · (509) 747-4600 · Fax (509) 747-8913 · adamsandclark.com

LEGAL DESCRIPTION
NEPDA Boundary

(Prepared by Adams & Clark, Inc.)

That portion of Section 20, that portion of the S1/2 of Section 21, that portion of the S1/2 of Section 22, that portion of Section 27, that portion of Section 34, and that portion of Section 25, all in Township 26 North, Range 43 East, W.M., that portion of Section 2 and that portion of the N1/2 of Section 3, all in Township 25 North, Range 43 East, W.M., all in Spokane County, Washington, lying within the following described boundary:

BEGINNING at the intersection of the centerline of Nevada Street and the south right-of-way line of Magnesium Road on the east-west centerline of said Section 20; thence easterly, along the north line of the S1/2 of said Section 20, also being said south right-of-way line of Magnesium Road, to the east quarter corner of said Section 20; thence continuing easterly, along the north line of the S1/2 of said Section 21, to the east quarter corner of said Section 21; thence easterly, along the north line of the S1/2 of said Section 22, to the northeast corner of Spokane County Short Plat 87-520; thence southerly, along the east line of said Spokane County Short Plat 87-520, to the centerline of Freya Street; thence northeasterly, southeasterly, and southwesterly, along said centerline of Freya Street, to the intersection with the centerline of Lincoln Road, said centerline of Lincoln Road also being on the south line of said Section 22; thence easterly, along said centerline of Lincoln Road and said south line, to the centerline of Yale Road; thence southerly to the intersection of Weile Avenue, said intersection being on the south line of the NE1/4 of said Section 27; thence westerly to the centerline of vacated Yale Road (also known as Rouse Street); thence southerly, along the said vacated Yale Road (Rouse Street) and southerly along the centerline of Yale Road (Rouse Street), to the centerline of Lyons Avenue; thence easterly, along said centerline of Lyons Avenue, to the east line of Pinehurst Park Addition to Hillyard, a point on the north line of the S1/2 of the SE1/4 of said Section 27; thence easterly, along said north line, to the east line of said Section 27, also being the centerline of Havana Street; thence southerly, along said east line of Section 27 and said centerline of Havana Street, to the southeast corner of said Section 27; thence easterly, along the north line of said Section 35, to the east line of the W1/2 of the NW1/4 of said Section 35; thence southerly, along said east line of the W1/2 of the NW1/4 of said Section 35, to the southeast corner of said W1/2 of the NW1/4 of Section 35; thence southerly, along the east line of the W1/2 of the SW1/4 of said Section 35, to the southeast corner of the NW1/4 of the SW1/4 of said Section 35, also being a point on the centerline of Custer Street; thence southerly, along said centerline of Custer Street, to the southeast corner of the SW1/4 of the SW1/4 of said Section 35, a point in Valley Springs Road; thence easterly, along the south line of said Section 35 and along the centerline of Valley Springs Road, to the south quarter corner of said Section 35; thence continuing along the centerline of Valley Springs Road to a point on the east line of the west 200 feet of the NE1/4 of said Section 2; thence southerly, along said east line of the west 200 feet, to an angle point on the west line of Parcel F of Record of Survey filed in Book 26, Page 43 of Spokane County records, said point lying N0°00'08"W 396.00 feet from the south line of the NE1/4 of said Section 2; thence, along the west line of said Parcel F, the following four (4) calls from said Record of Survey:

1) N89°57'47"E 100.00 feet;
2) S0°00'08"E 150.00 feet;

3) S89°57'47"W 100.00 feet;
4) S0°00'08"E 246.00 feet to the south line of the west 200 feet of the NE1/4 of said Section 2;

thence easterly, along said south line of the NE1/4 of said Section 2, to the northeast corner of the NW1/4 of the NW1/4 of the SE1/4 of said Section 2; thence southerly, along the east line of said NW1/4 of the NW1/4 of the SE1/4 to the southeast corner thereof; thence westerly, along the south line of said NW1/4 of the NW1/4 of the SE1/4 to the southwest corner thereof; thence southerly, along the west line of the SE1/4 of said Section 2, to a point 165.00 feet north of the south line of the N1/2 of the SW1/4 of said Section 2; thence westerly, parallel to the south line of the N1/2 of the SW1/4 of said Section 2, 528.01 feet; thence southerly, parallel to the east line of the SW1/4 of said Section 2, 165.00 feet to the south line of the N1/2 of the SW1/4 of said Section 2; thence westerly, along the south line of the N1/2 of the SW1/4 of said Section 2, to the west line of said Section 2; thence northerly, along the west line of said Section 2, to the west quarter corner of said Section 2; thence northerly, along said west line of said Section 2 and the east line of said Section 3, to a point on the centerline of Havana Street on the south line of Block 7 of Hillyard Orchard Heights Addition; thence westerly, along the south line of Block 7 of said Hillyard Orchard Heights Addition, to the southwest corner of said Block 7; thence northerly, along the west line of said Block 7, to the centerline of Rich Avenue; thence westerly, along said centerline of Rich Avenue, to the north-south centerline of said Section 3; thence southerly, along said north-south centerline of said Section 3, to the south line of the N1/2 of said Section 3; thence westerly, along said south line of the N1/2 of said Section 3, to the centerline of the southbound lanes of Market Street; thence northerly, along the centerline of the southbound lanes of the Market Street-Haven Street arterial, as illustrated on the attached Exhibit "A", through the N1/2 of said Section 3 and through said Section 34, to the north line of said Section 34 at the intersection of Market Street and Francis Avenue; thence, continuing northerly along the centerline of Market Street, through said Section 27 to the north line of said Section 27 at the centerline of Lincoln Road; thence westerly, along said centerline of Lincoln Road, along the north line of said Section 27, along the south line of said Section 21, and along the south line of said Section 20, to the centerline of Nevada Street; thence northerly, along the centerline of Nevada Street, to the north line of the S1/2 of said Section 20 and the south right-of-way line of Magnesium Road, the **POINT OF BEGINNING**.

3-15-19

ATTACHMENT "B"

METHODOLOGY FOR CALCULATING TAX REVENUES AND DISTRIBUTING REVENUE

The following describes the taxes and allocation methods to be used for each tax as it relates to taxes collected within the geographic boundaries of the PDA:

Property (Real and Personal) Tax

The current expense (general fund) property tax levies of the City and County and the road tax levy of the County, within the geographic boundaries of the PDA, will be allocated in the following manner. "Excess" levies and regular levies defined for specific purposes (i.e. conservation futures, EMS, etc.) of either entity will not be included in the allocation to the PDA since these revenues are voted on by the public for a specific purpose.

The methodology to be used is the same as used by entities within the County area for allocating revenues under Tax Increment Financing. In calendar year 2019, a new tax code area (TCA) will be created for the geographic area of the PDA by the Spokane County Assessor. This will establish the base year for the measurement of property value increases. Beginning in calendar year 2020, the increase in overall taxable assessed value within the PDA's TCA will be calculated. The "regular" levy rates of the City and/or County will be calculated on the increase. The Spokane County Treasurer will allocate 75% of the increase for the current expense (general fund) property tax levies from properties or businesses located within the Geographic Boundaries of the PDA as defined by Attachment "A" to the PDA. Of the remaining 25%, 12 ½% is retained by the originating entity and 12 ½% is distributed to the other entity participating in this Agreement.

The Spokane County Treasurer will allocate 100% of the increase in County Road Tax Levy from properties or businesses located within the Geographic Boundaries of the PDA as defined by Attachment "A" to a designated account for the PDA in the County's Road Fund. These moneys shall be used by the County for those purposes as authorized under chapter 36.82 RCW and/or RCW 36.33.220 which purposes occur within the unincorporated area of the County located within the Geographic Boundaries of the PDA or within the unincorporated area of the County when the purposes benefit the PDA.

Subsequent year's allocations will be calculated using the same methodology.

Regular Sales and Use Tax

The regular sales tax of the City and County, within the geographic boundaries of the PDA, will be allocated in the following manner. Special sales tax designated for specific purposes (i.e. emergency communications, public safety, etc.) of either entity will not be included in the allocation to the PDA since these revenues are voted on by the public for a specific purpose.

Beginning January 1, 2020, with 2019 established as the base year for regular taxable sales, 75% of any incremental increase of City or County regular sales or use tax generated within the Geographic Boundaries of the PDA as defined by Attachment "A" from a property or businesses shall be paid to the PDA. Of the remaining 25%, 12½% is retained by the originating entity and 12 ½% is distributed to the other entity participating in this Agreement.

Subsequent year's allocations will be calculated using the same methodology.

Leasehold Tax

The TCA established by the Spokane County Assessor in calendar year 2019 will also be used for the calculation as it applies to the Leasehold Tax. Beginning January 1, 2020, with 2019 established as the base year for Leasehold Tax revenue, 75% of the incremental revenue from ~~the~~ Leasehold Tax collected from properties located within the Geographic Boundaries of the PDA, as defined by Attachment "A", will be distributed to the PDA. Of the remaining 25%, 12 ½% is retained by the originating entity, and 12 ½% is distributed to the other entity participating in this Agreement. The calculation will be based on the information as reported by the State Treasurer to the City and County.

Subsequent year's allocations will be calculated using the same methodology.

Utility Tax

Beginning January 1, 2020, with 2019 established as the base year for Utility Tax revenue, 75% of any incremental increase in the Utility Taxes collected from properties or businesses located within the Geographic Boundaries of the PDA as defined by Attachment "A" will be allocated to the PDA. Of the remaining 25%, 12 ½% is retained by the originating entity and 12 ½% is distributed to the other entity participating in this Agreement.

Subsequent year's allocations will be calculated using the same methodology.

Business and Occupation Tax

Beginning January 1, 2020, with 2019 established as the base year for Business and Occupation tax revenue, 75% of any incremental increase in the Business and Occupation Tax collected from properties or businesses located within the Geographic Boundaries of the PDA as defined by Attachment "A", will be allocated to the PDA. Of the remaining 25%, 12 ½% is retained with the originating entity and 12 ½% is distributed to the other entity participating in this Agreement.

Subsequent year's allocations will be calculated using the same methodology.