



OFFICE OF THE CITY CLERK
808 W. SPOKANE FALLS BLVD.
SPOKANE, WASHINGTON 99201-3342
(509) 625-6350

May 17, 2007

City Clerk File Nos.:
ORD C34032
OPR 2007-0399
CR: RES 07-54

COUNCIL ACTION MEMORANDUM

RE: INTERGOVERNMENTAL AGREEMENT WITH SPOKANE COUNTY AUTHORIZING COMMUNITY REVITALIZATION FINANCING IN CONNECTION WITH THE WEST QUADRANT INCREMENT AREA and EMERGENCY ORDINANCE C34032 OF THE CITY COUNCIL OF THE CITY OF SPOKANE, SPOKANE COUNTY, WASHINGTON, DESIGNATING AN INCREMENT AREA WITHIN ITS BOUNDARIES (WEST QUADRANT TAX INCREMENT FINANCING DISTRICT)

During its 3:30 p.m. Administrative Session held Monday, May 14, 2007, the Spokane City Council held discussion on the Intergovernmental Agreement with Spokane County authorizing community revitalization financing in connection with the West Quadrant Increment Area and Emergency Ordinance C34032 of the City Council of the City of Spokane, Spokane County, Washington, designating an increment area within its boundaries; describing the public improvements proposed to be financed in whole or in part with the use of community revitalization financing; describing the boundaries of the increment area; estimating the cost of public improvements and the portion to be financed using community revitalization financing; estimating the time during which regular property taxes are to be apportioned; providing the date when apportionment of the regular property taxes will commence; making findings concerning the financing of public improvements using community revitalization financing; authorizing and approving a reimbursement agreement and an intergovernmental agreement; designating an authorized representative; declaring an urgency and emergency; and providing for other matters properly relating thereto. Assistant City Attorney James Richman presented an amended version of Emergency ~~Budget~~ Ordinance C34032 to the City Council, and he reviewed the amendments contained therein.

Upon Council's consideration of the Intergovernmental Agreement with Spokane County, Council Members Apple and Verner made requests to move consideration of the matter to the Council's 6:00 p.m. Legislative Session under Special Considerations so the matter could be considered with the related Hearing on Emergency Ordinance C34032 designating an increment area. Council held discussion and debate with Assistant City Attorney James Richman on the order of considering the Intergovernmental Agreement and Emergency Ordinance C34032. The following action was taken:

Motion by Council Member Stark, seconded by Council Member Crow, to suspend the Council Rules for the purpose of dealing with the Intergovernmental Agreement now (during the Council's Administrative Session) over the objections of an individual council member, **rejected 4-3 (Council President Shogan and Council Members Apple and Verner voting "no")**.

Council President Shogan noted that the Intergovernmental Agreement will be considered this evening during the Council's 6:00 p.m. Legislative Session under Special Considerations. Subsequently, Cody George, Assistant Director of Public Works and Utilities; Assistant City Attorney James Richman; Mike Schrader, the City's Bond Counsel; and Chief Financial Officer Gavin Cooley responded to Council inquiries and concerns relating to the West Quadrant Increment Area.

During the Council's 6:00 p.m. Legislative Session held May 14, upon consideration of the Intergovernmental Agreement with Spokane County authorizing community revitalization financing in connection with the West Quadrant Increment Area, Council Member Stark made a motion, seconded by Council Member Crow, to approve the Intergovernmental Agreement with Spokane County. Discussion and debate ensued on the sequence of consideration of the Intergovernmental Agreement and the Hearing on Emergency Ordinance C34032. Assistant City Attorney James Richman stated he conferred with Bond Counsel and Bond Counsel is comfortable with the Council deferring action on the Intergovernmental Agreement until after the Council's Hearing on Ordinance C34032 so long as the Council takes action on the Intergovernmental Agreement prior to passing Emergency Ordinance C34032 creating the increment area. Council President Shogan recapped the sequence, as follows: that the Council will hold the Hearing on Emergency Ordinance C34032, then Council consideration (and action) on the Intergovernmental Agreement, and then Council action on Emergency Ordinance C34032 creating the increment area. Subsequently, Council Member Crow withdrew his second on Council Member Stark's motion to approve the Intergovernmental Agreement. Council Member Stark requested further clarification on the record from Bond Counsel that the Council can legally do this (hold the Hearing on Emergency Ordinance C34032 prior to Council consideration and action on the Intergovernmental Agreement). Mike Schrader, Bond Counsel to the City, noted that under the Community Revitalization Act, RCW 39.89, there are two principle conditions to the formation of a tax increment area and those are the holding of a public hearing and the consent and agreement of the other taxing districts, in this case Spokane County. He further noted that there is no designation in RCW 39.89 as to the order of those two conditions.

The Council then proceeded with the Hearing on Emergency Ordinance C34032. Council received presentations and comments on the proposed increment area from Assistant Public Works & Utilities Division Director Cody George; Chief Financial Officer Gavin Cooley; Jeff Tashman from Tashman Johnson, LLC; Chief Operating Officer John Pilcher; Mike Schrader, City's Bond Counsel; and Assistant City Attorney James Richman, and each responded to Council inquiries and concerns.

Council then received considerable public testimony on Emergency Ordinance C34032. The following actions were subsequently taken:

Motion by Council Member Stark, seconded by Council Member French, to close public testimony on the Hearing on Emergency Ordinance C34032, **carried unanimously.**

Motion by Council Member Stark, seconded by Council Member Crow, to suspend the Council Rules for the purpose of considering Special Consideration Item S1—Intergovernmental Agreement with Spokane County authorizing community revitalization financing in connection with the West Quadrant Increment Area—**carried unanimously.**

Council Members Stark and McLaughlin made disclosures relating to campaign contributions from the (Kendall Yards) developer. It was understood the disclosures do not disqualify either from participating in the discussion or vote on the Intergovernmental Agreement or Emergency Ordinance C34032. Subsequent to further Council comment, the following action was taken:

Motion by Council Member Stark, seconded by Council Member French, to approve Special Consideration Item S1—Intergovernmental Agreement with Spokane County authorizing community revitalization financing in connection with the West Quadrant Increment Area—**carried 6-1 (Council Member Apple voting “no”)**.

(Note: Council took a recess for the purpose of allowing the Mayor and the City Clerk the opportunity to execute the Intergovernmental Agreement prior to Council action being taken on Emergency Ordinance C34032.)

Subsequent to Council comment and comment by Assistant City Attorney James Richman and Mike Schrader, the City's Bond Counsel, the following actions were taken:

Motion by Council Member McLaughlin, seconded by Council Member French, to add the word “nonmaterial” to Section 8 (first sentence), page 8, of Ordinance C34032 so that the sentence reads, as follows: “The Council hereby authorizes and approves the Reimbursement Agreement in substantially the form presented to Council in connection with its considerations of this Ordinance, and attached hereto as Exhibit B, with any nonmaterial changes thereto that one or more of the Authorized Representatives shall deem appropriate and in the interest of the City.”
Motion carried unanimously.

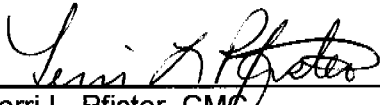
Motion by Council Member French, seconded by Council Member Verner, to add to Ordinance C34032 a Section 7.1, entitled “Advisory Board,” to read as follows: “The Council hereby directs the Authorized Representatives to prepare a proposal for consideration by Council to establish an advisory board to provide oversight and direction with respect to the financing, construction and priority of Neighborhood Public Improvements. Such proposal shall be provided to Council for consideration within thirty (30) days of the effective date of this Ordinance.” **Motion carried unanimously.**

Motion by Council Member French, seconded by Council Member Crow, to accept the amendments to Ordinance C34032 as referenced and reviewed by Assistant City Attorney James Richman (during the Council's 3:30 p.m. Administrative Session), **motion carried 6-1 (Council Member Apple voting “no”)**.

Subsequent to Council comment on Ordinance C34032, as amended, the following action was taken:

Upon 6-1 Roll Call Vote (Council Member Apple voting “no”), the Spokane City Council passed Emergency Ordinance C34032, as amended, designating an increment area within its boundaries;

describing the public improvements proposed to be financed in whole or in part with the use of community revitalization financing; describing the boundaries of the increment area; estimating the cost of public improvements and the portion to be financed using community revitalization financing; estimating the time during which regular property taxes are to be apportioned; providing the date when apportionment of the regular property taxes will commence; making findings concerning the financing of public improvements using community revitalization financing; authorizing and approving a reimbursement agreement and an intergovernmental agreement; designating an authorized representative; declaring an urgency and emergency; and providing for other matters properly relating thereto.



Terri L. Pfister, CMC
Spokane City Clerk

c: Mayor
City Council
John Pilcher, Chief Operating Officer
Dave Mandyke, Acting PW & U Division Director
Cody George, Assistant PW & U Division Director
Gavin Cooley, Chief Operating Officer
Theresa Brum, Acting Economic Development Division Director
James Richman, Assistant City Attorney
Mike Piccolo, Assistant City Attorney
Mike Schrader, Orrick, Herrington, & Sutcliffe

RECEIVED

MAY 02 2007

AgSht01-18-2006



AGENDA SHEET FOR COUNCIL MEETING OF: May 14, 2007

CITY CLERK'S OFFICE
SPOKANE, WA

Submitting Dept.
Public Works & Development

Contact Person/Phone No.
Cody George 625-6232

Council Sponsor
Nancy McLaughlin

ADMINISTRATIVE SESSION

- ☐ Contract
- ☐ Report
- ☐ Claims

LEGISLATIVE SESSION

- ☒ Emergency Ord
- ☐ Resolution
- ☐ Final Reading Ord
- ☐ First Reading Ord
- ☐ Special Consideration
- ☐ Hearing
- ☐ Public Safety
- ☐ Public Works

CITY PRIORITY

- ☐ Communications
- ☒ Economic Development
- ☒ Growth Management
- ☐ Human Services
- ☐ Neighborhoods
- ☐ Public Safety
- ☒ Quality Service Delivery
- ☐ Racial Equity/Cultural Diversity
- ☐ Rebuild/Maintain Infrastructure

CLERK'S FILE
RENEWS
CROSS REF
ENG

RES 2007-0044

STANDING COMMITTEES (Date of Notification)

- ☐ Finance
- ☐ Neighborhoods
- ☐ Planning/Community & Econ Dev

BID
REQUISITION

Neighborhood/Commission/Committee Notified:

Action Taken:

AGENDA WORDING:

(If contract, include the term.)

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SPOKANE, SPOKANE COUNTY, WASHINGTON, DESIGNATING AN INCREMENT AREA WITHIN ITS BOUNDARIES; DESCRIBING THE PUBLIC IMPROVEMENTS PROPOSED TO BE FINANCED IN WHOLE OR IN PART WITH THE USE OF COMMUNITY REVITALIZATION FINANCING; DESCRIBING THE BOUNDARIES OF THE INCREMENT AREA; ESTIMATING THE COST OF PUBLIC IMPROVEMENTS AND THE PORTION TO BE FINANCED USING COMMUNITY REVITALIZATION FINANCING; ESTIMATING THE TIME DURING WHICH REGULAR PROPERTY TAXES ARE TO BE APPORTIONED; PROVIDING THE DATE WHEN APPORTIONMENT OF THE REGULAR PROPERTY TAXES WILL COMMENCE; MAKING FINDINGS CONCERNING THE FINANCING OF PUBLIC IMPROVEMENTS USING COMMUNITY REVITALIZATION FINANCING; AUTHORIZING AND APPROVING A REIMBURSEMENT AGREEMENT AND AN INTERGOVERNMENTAL AGREEMENT; DESIGNATING AN AUTHORIZED REPRESENTATIVE; DECLARING AN URGENCY AND EMERGENCY; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO.

BACKGROUND:

(Attach additional sheet if necessary)

The City is authorized by RCW Chapter 39.89 (the "Act") to establish an Increment Area within the boundaries of the City and to finance certain public improvements within said Increment Area using community revitalization financing to encourage private development (TIF). Creation of a TIF requires City Council approval of an ordinance establishing the TIF that describes the public improvements, describes the boundaries of the TIF, and estimates the cost of the public improvements. The City has received a proposal from Kendall Yards Development, Inc. (the "Developer") requesting that the City establish a TIF to assist in financing certain public improvements in connection with the Developer's plans to construct residential and commercial improvements on property located on the north bank of the Spokane River Gorge directly north of and adjacent to the Central Business District and south of the West Central neighborhood. In connection with the Developer's request, the City engaged in a public process to explore the desirability and feasibility of creating a larger Increment Area to assist in financing certain public improvements in neighborhoods adjacent to the Kendall Yards development that will encourage development in the neighborhoods.

RECOMMENDATION:

Approve

Fiscal Impact: ☐ N/A

Budget Account: ☐ N/A

- ☐ Expenditure: \$
- ☐ Revenue: \$
- ☐ Budget Neutral

#

ATTACHMENTS: Include in Packets: Ordinance and attachments, including Reimbursement Agreement
On file for Review in Office of City Clerk:

SIGNATURES:


Department Head

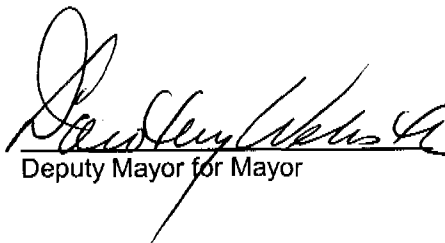
DALE MULLIKEN
Division Director

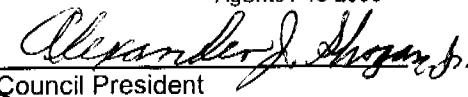
[Signature]
Finance

C34032

C34032


Legal

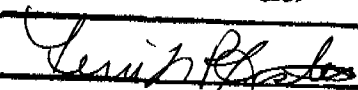

Deputy Mayor for Mayor


Council President

DISTRIBUTION:

COUNCIL ACTION:

* PASSED BY
SPOKANE CITY COUNCIL:
MAY 14 2007


CITY CLERK

* See Council Action memo
dated May 17, 2007.

ORDINANCE NO. C34032

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SPOKANE, SPOKANE COUNTY, WASHINGTON, DESIGNATING AN INCREMENT AREA WITHIN ITS BOUNDARIES; DESCRIBING THE PUBLIC IMPROVEMENTS PROPOSED TO BE FINANCED IN WHOLE OR IN PART WITH THE USE OF COMMUNITY REVITALIZATION FINANCING; DESCRIBING THE BOUNDARIES OF THE INCREMENT AREA; ESTIMATING THE COST OF PUBLIC IMPROVEMENTS AND THE PORTION TO BE FINANCED USING COMMUNITY REVITALIZATION FINANCING; ESTIMATING THE TIME DURING WHICH REGULAR PROPERTY TAXES ARE TO BE APPORTIONED; PROVIDING THE DATE WHEN APPORTIONMENT OF THE REGULAR PROPERTY TAXES WILL COMMENCE; MAKING FINDINGS CONCERNING THE FINANCING OF PUBLIC IMPROVEMENTS USING COMMUNITY REVITALIZATION FINANCING; AUTHORIZING AND APPROVING A REIMBURSEMENT AGREEMENT AND AN INTERGOVERNMENTAL AGREEMENT; DESIGNATING AN AUTHORIZED REPRESENTATIVE; DECLARING AN URGENCY AND EMERGENCY; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO.

**CITY OF SPOKANE
Spokane County, Washington**

**INCREMENT AREA NO. 2007-1
(West Quadrant Increment Area)**

THE CITY OF SPOKANE DOES ORDAIN:

WHEREAS, the City of Spokane, Spokane County, Washington, (the "City") is a first class charter City duly incorporated and operating under the laws of the State of Washington and the Charter of the City;

WHEREAS, the City is authorized by Chapter 39.89 RCW (the "Act") to establish an Increment Area within the boundaries of the City and to finance public improvements using community revitalization financing to encourage private development within said Increment Area;

WHEREAS, the City Council (the "Council") desires to form an Increment Area, to be designated as the "West Quadrant Increment Area" (the "Increment Area" as defined below) to encourage private development; and

WHEREAS, the Council finds that the construction of certain public improvements within the Increment Area will encourage private development and increase the fair market value of real property within the Increment Area; and

WHEREAS, the proposed plan for public improvements must be consistent with the county-wide planning policy adopted by Spokane County, Washington (the "County") and with the City's Comprehensive Plan and development regulations adopted under the Growth Management Act; and

WHEREAS, the Act requires that the City enter into written agreements with taxing districts within the Increment Area approving the use of community revitalization financing; and

WHEREAS, pursuant to RCW 39.89.030(4) and RCW 39.89.050(1), the County adopted Resolution No. 2007-0393 on May 8, 2007 (the "County Resolution"), authorizing the execution and delivery of an Intergovernmental Agreement for the West Quadrant Increment Area (the "Intergovernmental Agreement") approving of and agreeing to the use of community revitalization financing, and has now executed and delivered the Intergovernmental Agreement; and

WHEREAS, the Act requires that the City hold a public hearing on the proposed financing of the public improvements within an Increment Area in whole or in part using community revitalization financing; and

WHEREAS, pursuant to Resolution No. 2007-0044 adopted by the City Council on April 30, 2007, the City caused to be published on May 4, 2007, such date being at least ten (10) days before the public hearing, notice in The Spokesman Review, a legal newspaper of general circulation within the proposed Increment Area, setting forth the date, time, and place of the Council's public hearing on this Ordinance, and further caused such notice to be posted in at least six (6) conspicuous public places located in the proposed Increment Area; and

WHEREAS, pursuant to RCW 39.89.030 the City may finance the public improvements within the Increment Area; and

WHEREAS, the City anticipates constructing certain public improvement within the Increment Area and using community revitalization financing to finance a portion of the costs of such public improvements (the "Neighborhood Public Improvements"); and

WHEREAS, pursuant to the Intergovernmental Agreement, the City and the County have agreed that certain public improvements within the Increment Area will be constructed by or at the direction of the County (the "County Public Improvements") and that a portion of the costs of the County Public Improvements will be financed through the use of community revitalization financing; and

WHEREAS, pursuant to the Intergovernmental Agreement, the City and the County have agreed that Incremental Revenues (as defined below) generated within the Increment Area but outside of the Kendall Yards Sub-Area shall be used to finance a portion of the costs of the Neighborhood Public Improvements and the County Public Improvements; and

WHEREAS, the City has received a proposal from Kendall Yards Development, Inc. (the "Developer") requesting that the City finance a portion of the costs of certain public improvements through community revitalization financing in connection with development by

the Developer of residential and commercial improvements on property located within that portion of the Increment Area that is within the Kendall Yards Sub-Area (as defined below); and

WHEREAS, the Developer and the City have negotiated the terms of a Reimbursement Agreement (the "Reimbursement Agreement") between the Developer and the City, under which the Developer agrees to, among other things, finance and construct certain public improvements that are located within the Kendall Yards Sub-Area of the Increment Area (the "Kendall Yards PUD Public Improvements") and the City agrees to reimburse the Developer for all or a portion of the eligible costs of such public improvements with Incremental Revenues (as defined below) generated within the Kendall Yards Sub-Area located within the Increment Area, subject to receipt of such revenues and the satisfaction of the terms and conditions set forth in the Reimbursement Agreement; and

WHEREAS, the Council desires to authorize and approve the Reimbursement Agreement, the Intergovernmental Agreement (collectively, the "Agreements") and to designate the Mayor, the Chief Operating Officer, the Chief Financial Officer or their designee as the authorized representative (the "Authorized Representative") to execute such Agreements;

NOW, THEREFORE, IT IS FURTHER ORDAINED as follows:

Section 1. Definitions. In addition to those terms defined in the Recitals above, as used in this Ordinance, the following terms have the meanings provided in this section.

"Increment Area" shall mean the Increment Area as that term is defined by RCW 39.89.020(9) and shall refer to the West Quadrant Increment Area established by this Ordinance, a description of which is attached as Schedule 1 to Exhibit A hereto.

"Incremental Revenues" shall mean those Tax Allocation Revenues as that term is defined by RCW 39.89.020(8) that are received by the City and available to finance the Public Improvements.

"Kendall Yards Sub-Area" shall mean that area within the Increment Area that is generally bounded by Monroe Street on the east, Ide Avenue and Ohio Avenue on the south, Summit Boulevard on the west and Bridge Avenue and College Avenue on the north, a description of which is attached as Schedule 2 to Exhibit A hereto.

"Public Improvement Costs" has the meaning specified for such phrase in RCW 39.89.020(5).

"Public Improvements" has the meaning specific for such phrase in RCW 39.89.020(4) and shall include those public improvements described in Section 2 of this Ordinance as the Kendall Yards Sub-Area Public Improvements, the Neighborhood Public Improvements and the County Public Improvements.

Capitalized terms used in this Ordinance that are not defined above shall have the meaning given to such terms in Chapter 39.89 RCW.

Section 2. Description of Plan for Public Improvements. It is the intention of the City that certain public improvements, including but not limited to those Public Improvements which are generally described below, be constructed and installed within the Increment Area:

(a) Publicly-owned street and road improvements, including: approximately 40,000 linear feet of streets and curbs; striping and signage; utility sleeves or similar facilities that will serve publicly owned utilities; approximately 14,000 linear feet of street landscaping (including trees and irrigation improvements); traffic signals; and improvements to Maple Street and Monroe Street, with an estimated cost of \$5,188,489.

(b) Publicly-owned water system improvements, including approximately: 15,060 lineal feet of water mains (including valves and fittings); 158 domestic water service lines (to the extent such lines are in the public domain); 158 building fire service lines (to the extent such lines are in the public domain); and 43 fire hydrants, with an estimated cost of \$2,382,300; provided fixtures and appurtenances required to connect private development to the public water system shall not be considered Kendall Yards Sub-Area Public Improvements.

(c) Publicly-owned sewer system improvements, including approximately: 1,800 lineal feet of sanitary sewer interceptors (including pipe in diameters of up to 72 inches); 15,060 lineal feet of sanitary sewer mains; 158 sanitary sewer service lines (to the extent such lines are in the public domain); and 60 sanitary sewer manholes, with an estimated cost of \$3,602,600; provided fixtures and appurtenances required to connect private development to the publicly owned sewer system shall not be considered Kendall Yards Sub-Area Public Improvements.

(d) Publicly-owned storm water and drainage management systems, including: approximately 18,031 lineal feet of storm sewer pipe; approximately 75 storm sewer manholes; approximately 151 storm water catch basins; approximately 26 Type 2 drywells; drainage swales (including landscaping for such swales); and storm water treatment vaults, with an estimated cost of \$4,416,205; provided, infrastructure and appurtenances required to address on-site storm water requirements shall not be considered Kendall Yards Sub-Area Public Improvements.

(e) Publicly-owned sidewalks, including street furnishings installed along the sidewalk (*e.g.*, benches, trash receptacles, bicycle racks and planter pots), with an estimated cost of \$8,050,000. The parties shall address responsibility for maintenance of street furnishings installed along the sidewalk (other than benches and bicycle racks) in a separate agreement to the extent such street furnishings are to be Kendall Yards Sub-Area Public Improvements.

(f) Streetlights, with an estimated cost of \$1,970,000.

(g) Publicly-owned park facilities and recreational area improvements, including: an extension of the Centennial Trail extending approximately 7,300 lineal feet (with an approximately 20-foot wide drivable surface and an additional 10' of landscape planting and/or re-vegetation); approximately eight (8) public riverfront plazas/parks

(each of which is projected to be approximately 6,000 square feet in area); and improvements to the trail and landscaping in the existing Veterans Park at the intertie with the Centennial Trail, with an estimated cost of \$5,263,162.

(h) Site preparation for the aforementioned improvements, including demolition, excavating, grading, installing temporary erosion control improvements, with estimated costs of \$7,200,000.

(i) Designing, engineering, planning and permitting for the aforementioned improvements, with estimated costs of \$4,650,000; provided, the Public Improvement Costs relating to designing, engineering, planning, and permitting the Kendall Yards Sub-Area Public Improvements shall comply with Public Works Laws relating to the design, engineering, and permitting of the same and shall be limited to ten percent (10%) of the total Public Improvement Cost of the Kendall Yards Sub-Area Public Improvements, and any design, engineering, planning and permitting costs in excess of said ten percent (10%) limitation shall not be considered "Public Improvement Costs" for purposes of this Reimbursement Agreement.

(j) Publicly-owned streetscape improvements related to West Central Neighborhood, Comprehensive Plan West Broadway Neighborhood Center; Broadway, Ash to Chestnut, 4 blocks, including decorative concrete or paver sidewalks, trees, period lighting, permanent street furniture, bike and pedestrian infrastructure, underground utilities, median construction and infrastructure for future streetcar route, with an estimated cost of \$2,500,000.

(k) Publicly-owned intersection improvements related to Emerson Garfield and West Central Neighborhoods, Comprehensive Plan Monroe Corridor; Cora to Boone, 6-10, including NW Blvd, Boone, and others to be identified in N Monroe community design process (gateway locations): bumpouts, pavement treatment, trees, lighting, underground utilities as needed and feasible, pedestrian amenities, with an estimated cost of \$3,000,000.

(l) Publicly-owned traffic calming improvements on Elm, Cannon, and Chestnut 3 blocks, Bridge to Dean, including trees, crosswalk treatments, street furniture, lighting, bike and pedestrian infrastructure and improvements, with an estimated cost of \$900,000.

(m) Publicly-owned streetscape intersection enhancements related to West Central Neighborhood, Comprehensive Plan Maxwell & Elm Employment Center; Chestnut to Maple, 5 blocks, on Sinto including sidewalks, bumpouts, trees and crosswalk treatments, with an estimated cost of \$1,500,000.

(n) Demolition and reconstruction related to Riverside Neighborhood; Post Street Bridge for pedestrians, with an estimated \$750,000 towards total cost.

(o) Publicly-owned streetscape improvements related to Riverside Neighborhood, Comprehensive Plan Regional Center; Bridge Street, Monroe to Post 1

block, including enhancements, lighting and street furniture, with an estimated cost of \$300,000.

(p) Publicly-owned infrastructure improvements related to Riverside Neighborhood; Potential Bridge Street public market incubator site, but limited to upgrade of water and sewer to current commercial and industrial standards, and underground utilities where appropriate, with an estimated \$500,000 towards total cost.

(q) Publicly-owned infrastructure improvements related to West Central Neighborhood, Maxwell & Elm Employment Center; incubator site(s), but limited to upgrade of water and sewer to current commercial and industrial standards, with an estimated \$750,000 towards total cost.

(r) Publicly-owned Streetscape enhancements for West Central Neighborhood; Broadway to Nora, Maple and Ash, 4-6 blocks, including sidewalks, bumpouts, trees, crosswalk treatment, and benches/bus shelters, with an estimated cost of \$1,800,000.

(s) Publicly-owned north bank trail enhancements for Riverside Neighborhood; Centennial Trail at Monroe Street Bridge, with an estimated cost of \$175,000.

(t) Publicly-owned streetscape improvements for Riverside Neighborhood; Monroe to Central, Broadway to Mallon 4-6 blocks, including trees, crosswalk treatments, street furniture, lighting, bike and pedestrian infrastructure and improvements and underground utilities where appropriate, with estimated cost of \$1,800,000.

(u) Publicly-owned streetscape and infrastructure improvements related to Riverside Neighborhood; Howard to Washington, N. River Bank to Dean, 2 blocks, including upgrade of water and sewer to current commercial and industrial standards, underground utilities where needed and as feasible, with an estimated \$850,000 towards total cost.

(v) Public access to West Central Neighborhood, Lower Crossing, including parking, bike, pedestrian, and trail enhancements, with an estimated cost of \$750,000.

(w) Crossover reconfiguration analysis and engineering Riverside, Lincoln-Monroe, with an estimated cost of \$175,000.

(x) Publicly-owned parking facilities, including surface parking lots, street parking improvements, covered parking facilities and/or multiple-floor parking facilities, adjacent to the campus of the County Courthouse, with an estimated cost of \$5,000,000.

(y) Publicly-owned sidewalks, including street furnishings installed along the sidewalk (e.g., benches, trash receptacles, bicycle racks and planter pots), adjacent to the campus of the County Courthouse, with an estimated cost of \$200,000.

(z) Street lights, adjacent to the campus of the County Courthouse, with an estimated cost of \$100,000.

(aa) Publicly-owned park/recreational facilities, including pocket parks and public plazas (each of which is projected to be approximately 6,000 square feet in area), adjacent to the campus of the County Courthouse, with an estimated cost of \$100,000.

The public improvements described in paragraphs (a) through (i) are hereinafter referred to as the “Kendall Yards Sub-Area Public Improvements,” the public improvements described in paragraphs (j) through (w) are hereinafter referred to as the “Neighborhood Public Improvements” and the public improvements described in paragraphs (x) through (aa) are hereinafter referred to as the “County Public Improvements.” All components and portions of the Kendall Yards Sub-Area Public Improvements shall be constructed and installed in accordance with the maps, plans, and specifications to be approved by the City.

Section 3. Estimated Cost. Public Improvement Costs shall include, without limitation but only to the extent permitted by the Act, the cost of design, planning, acquisition, site preparation, construction, improvement and installation of the Public Improvements, together with the following ancillary costs:

- (a) the costs of relocating utilities as a result of the Public Improvements;
- (b) the costs of financing, including interest during construction, legal and other professional services, taxes, insurance, principal and interest costs on indebtedness incurred by the Developer and the County to finance public improvements, and any costs incurred by the City in connection with obligations incurred by the City in financing the Public Improvements;
- (c) the costs incurred by the Spokane County Assessor (the “Assessor”) to:
 - (i) revalue real property for the purpose of determining the tax allocation base value that is in excess of costs incurred by the Assessor in accordance with the revaluation plan under Chapter 84.41 RCW; and
 - (ii) the costs of apportioning the taxes and complying with applicable law; and
- (d) other administrative costs reasonably necessary and related to these costs, including such costs incurred prior to the adoption of this Ordinance.

The total estimated Public Improvement Costs for the Public Improvements that may be financed using community revitalization financing is hereby declared to be approximately Sixty Three Million Eight Hundred Seventy Two Thousand Seven Hundred and Fifty Six and No/100 Dollars (\$63,872,756.00). The City estimates that only a portion of such estimated Public Improvement Costs will be financed using community revitalization financing. The amount of such Public Improvement Costs financed using community revitalization financing shall be limited to and subject to the terms and conditions of the Reimbursement Agreement and the Intergovernmental Agreement.

Section 4. Increment Area Boundaries. The boundaries of the Increment Area are set forth in Schedule 1 to **Exhibit A**, attached hereto and incorporated herein by reference.

Section 5. Apportionment Period. The apportionment of Regular Property Taxes shall begin as of January 1, 2008, the calendar year following the enactment of this Ordinance. The City estimates that the apportionment of Regular Property Taxes pursuant to RCW 39.89.070 shall continue until the earlier of: (1) such time as the Incremental Revenues are no longer necessary or obligated to pay Public Improvement Costs; or (2) December 31, 2032.

Section 6. Tax Allocation Revenue. The City shall use Incremental Revenues to pay Public Improvement Costs, including but not limited to amounts used to pay for Neighborhood Public Improvements and amounts payable under the Reimbursement Agreement and the Intergovernmental Agreement. Provided, the potential use of Community Development Block Grant funds as referenced in the City's notices pursuant to the Act shall be limited to Neighborhood Public Improvements, as defined herein, and no such funds shall be available or used to pay for Kendall Yards Sub-Area Public Improvements or County Public Improvements.

Section 7. Community Revitalization Financing. Pursuant to RCW 39.89.030, the City may finance the Public Improvement Costs in whole or in part using Incremental Revenues. Incremental Revenues will be applied to Public Improvement Costs only in accordance with this Ordinance and pursuant to the terms and conditions set forth in the Reimbursement Agreement and the Intergovernmental Agreement.

Section 7.1. Advisory Board. The Council hereby directs the Authorized Representatives to prepare a proposal for consideration by Council to establish an advisory board to provide oversight and direction with respect to the financing, construction and priority of Neighborhood Public Improvements. Such proposal shall be provided to Council for consideration within thirty (30) days of the effective date of this Ordinance.

Section 8. Reimbursement Agreement. The Council hereby authorizes and approves the Reimbursement Agreement in substantially the form presented to the Council in connection with its consideration of this Ordinance, and attached hereto as **Exhibit B**, with any nonmaterial changes thereto that one or more of the Authorized Representatives shall deem appropriate and in the interest of the City. The Council hereby further authorizes and directs the Authorized Representative to finalize, execute and deliver said Reimbursement Agreement.

Section 9. Ratification of Prior Approval of Intergovernmental Agreement. Under the County Resolution, the County has executed and delivered the Intergovernmental Agreement and agreed to the proposed Increment Area and the use of community revitalization financing by the City to finance the Public Improvements and encourage private development within the Increment Area as contemplated under RCW 39.89.030(4) and 39.89.050(1). The Council hereby ratifies and confirms its prior authorization and approval of the Intergovernmental Agreement pursuant to OPR 07-399 approved and executed on May 14, 2007 and the execution and delivery the Intergovernmental Agreement, as approved and in the form attached hereto as **Exhibit C**, by the Authorized Representative.

Section 10. Findings. The Council hereby makes the following findings:

(a) That the Public Improvements are expected to encourage private development within the Increment Area and to increase the fair market value of real property within the Increment Area.

(b) That the private development that is anticipated to occur within the Increment Area as a result of the Public Improvements will be consistent with the countywide planning policy adopted by the County under RCW 36.70A.210 and the City's Comprehensive Plan and the development regulations adopted under Chapter 36.70A RCW.

(c) That the expenditures for the Public Improvements represent necessary and legitimate expenses of the City for public improvements and public improvement costs.

(d) That the taxing districts, in the aggregate, that levy at least seventy-five percent of the regular property tax within which the Increment Area is located have approved of and agreed to the use of community revitalization financing for the Public Improvements, as contemplated by RCW 39.89.030(4) and 39.89.050(1).

(e) That the Increment Area does not include any fire protection districts or any portions thereof.

(f) That this Ordinance satisfies all conditions of RCW 39.89.030.

Section 11. Referendum. This Ordinance is subject to the Referendum procedure specified in Section 83 of the Charter of the City.

Section 12. Effective Date. The Council hereby finds and determines that the creation of the Increment Area at this time will benefit the City due to the current state of public and private improvements within the proposed Increment Area boundaries. In making such finding and determination, the Council has given consideration to the purposes of the Act and the potential for economic development as a result of the formation of the Increment Area. In order to maximize future economic development within the Increment Area and the Incremental Revenues generated within the Increment Area to finance the Public Improvements it is essential to proceed immediately with the formation of the Increment Area and to enter into the Reimbursement Agreement and the Intergovernmental Agreement in connection therewith. Based upon said facts, an emergency and urgency is declared and found to exist as necessary for the immediate support of City government and its existing public institutions. Based upon said emergency and urgency, this Ordinance shall be effective immediately upon its passage.

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PASSED and ENACTED by the City of Spokane, Spokane County, Washington, on May 14, 2007.

CITY OF SPOKANE
Spokane County, Washington.



Joe Shogan
Joe Shogan, Council President

Dennis Hession 5/21/07
Dennis Hession, Mayor

RECEIVED
05.21.07
CITY CLERK'S OFFICE
SPOKANE, WA

ATTEST:

Terri L. Pfister
Terri L. Pfister
City Clerk

05.14.07
EFFECTIVE DATE

Approved As To Form:

James Richman
James Richman, Assistant City Attorney

CERTIFICATION

Terri L. Pfister, the Clerk of the City of Spokane, Spokane County, Washington, hereby certifies that the foregoing Ordinance is a full, true, and correct copy of an Ordinance duly passed and adopted at a regular meeting of the City Council of the City of Spokane, duly and regularly held at the regular meeting place thereof on May 14, 2007 of which meeting all members of said Council had due notice and at which a majority thereof was present; and that at said meeting said Ordinance was adopted by the following vote:

AYES, and in favor thereof, Council members:

6

(Council President Shogan, Council Members Crow, French, McLaughlin, Stark and Verner)

NAYS, Council members:

1

(Council Member Apple voting "NO")

ABSENT, Council members:

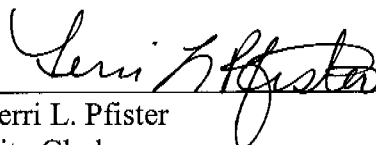
0

ABSTAIN, Council members:

0

I further certify that I have carefully compared the same with the original Ordinance on file and of record in my office; that said Ordinance is a full, true, and correct copy of the original Ordinance adopted at said meeting; and that said Ordinance has not been amended, modified, or rescinded since the date of its adoption, and is now in full force and effect.

IN WITNESS WHEREOF, I have set my hand and affixed the official seal of said City on May 29, 2007.



Terri L. Pfister
City Clerk



EXHIBIT A

DESCRIPTION OF INCREMENT AREA AND KENDALL YARDS SUB-AREA

SCHEDULE 1

Description of Increment Area

| [~~To come.~~]

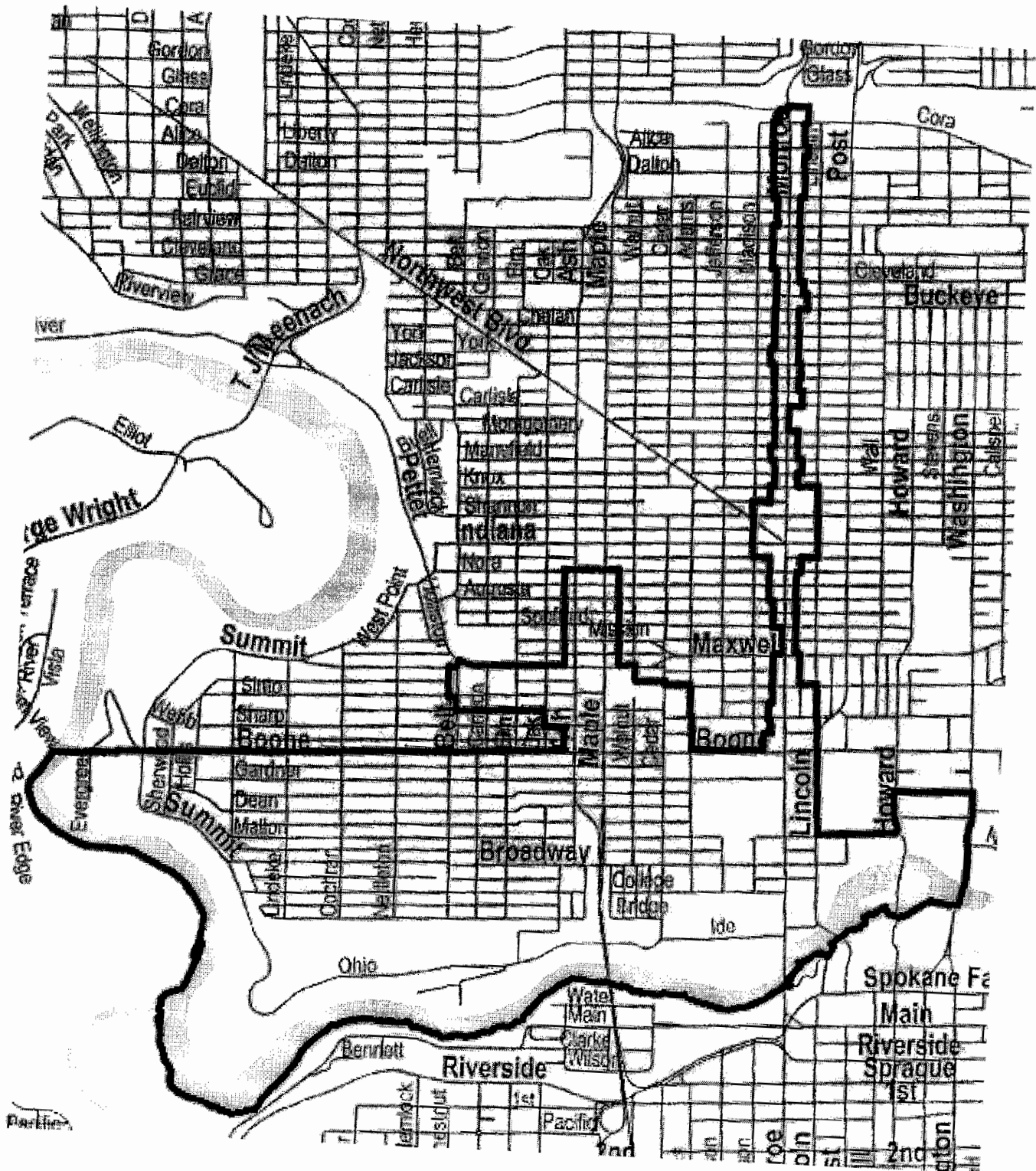
WEST QUADRANT INCREMENT AREA DESCRIPTION

Point of Beginning is South edge of North Branch of Spokane River and East R.O.W. Line of Washington Street; thence Westerly to following South edge of Spokane River to the approximate South R.O.W. Line of Boone Avenue which is the North property line of Parcel # 25141.0007; thence Easterly along said Property Line and crossing Evergreen St then along the south ROW line of vacated Boone Ave which is also the South Property line of Parcel # 25141.0014 extended to the west ROW line of Summit Blvd, then north along said ROW line extended across Boone Ave to the North ROW line of Boone Ave. Then East along said North ROW line of Boone Ave to West Property Line of Lot 8, Block 12, Chamberlin's Addition; thence Northerly along said Property Line, extending North through Alley and continuing along West Property Line of Lot 5, Block 12, Chamberlin's Addition, continuing North to the North R.O.W. Line of Sharp Avenue; thence West along said North R.O.W. Line to East R.O.W. Line of Oak Street; thence Northerly along said East R.O.W. Line to South R.O.W. Line of Alley between Sinto Avenue and Sharp Avenue; thence West along said South R.O.W. Line extended to West R.O.W. Line of Belt Street; thence North along said West R.O.W. Line to South R.O.W. Line of Sinto Avenue; thence West along said South R.O.W. Line to West R.O.W. Line of Chestnut Street; thence North along said West R.O.W. Line extended to North R.O.W. Line of Maxwell Avenue; thence East along said North R.O.W. Line to West R.O.W. Line of Belt Street; thence Northeasterly to North R.O.W. Line of Maxwell Avenue and Pettit Drive; thence Easterly following said North R.O.W. Line to West Property Line of Lot 8, Block 37, Chamberlin's Addition; thence North along said Property Line extended, becoming West Property Lines of Lot 5, Block 37; Lot 2, Block 4; Lot 2, Block 12, continuing North across Spofford Avenue to South Boundary of Parcel 25124.1514; thence West along said South Boundary to Southwest Corner of said Parcel; thence North along West Parcel Line extended to North R.O.W. Line of Alley between Spofford Avenue and Augusta Avenue; thence East along said R.O.W. Line to the West Property Line of Lot 2, Block 12, Muzzy's Addition; thence North along said West Property Line extended to North R.O.W. Line of Augusta Avenue, continuing North along West Property Line of Lot 11, Block 19, Muzzy's Addition across Alley between Augusta Avenue and Nora Avenue, continuing North along West Property Line of Lot 2, Block 19, Muzzy's Addition across Nora Avenue to North R.O.W. Line of Nora Avenue; thence East along said R.O.W. across Ash Street and Maple Street to East Property Line extended of Lot 4, Block 8, Coler Boulevard Addition; thence South along said Line extended across Alley between Nora Avenue and Augusta Avenue, continuing South along East Property Line of Lot 9, Block 8, Coler Boulevard Addition, continuing South across Augusta Avenue, continuing South along East Property Line of Lot 4, Block 5, Coler Boulevard Addition, continuing South across Alley between Augusta Avenue and Spofford Avenue, continuing South along East Property Line of Lot 9, Block 5, Coler Boulevard, continuing South across Spofford Avenue, continuing South along the East Property Line of Lot 4, Block 2, Coler Boulevard Addition, continuing South across Mission Avenue, continuing south along East Boundary Line of Lot 3, Block 39, Chamberlin's Addition, continuing South across Alley between Mission Avenue and Maxwell Avenue, continuing South along East Boundary of Lot 10, Block 39, Chamberlin's Addition to North R.O.W. Line of Maxwell Avenue; thence East along said

(Revised - Rnd 7/18/07)

R.O.W. Line to East R.O.W. Line of Walnut Street; thence south along said R.O.W. Line to North R.O.W. Line of Alley South of Maxwell Avenue and North of Sinto Avenue extended; thence East along said R.O.W. line to East R.O.W. Line of Cedar Street; thence South along said R.O.W. Line to North R.O.W. Line of Sinto Avenue; thence East along said R.O.W. to Centerline extended of vacated Adams Street; thence South along said Centerline to North R.O.W. Line of Sharp Avenue; thence East along said R.O.W. Line to East R.O.W. Line of vacated Adams Street; thence South along the East R.O.W. Line of Adams Street to North R.O.W. Line of Boone Avenue; thence East along said R.O.W. Line extended through Madison Street to West Property Line of Parcel 35182.3210; thence generally North along Monroe Street on both sides in accordance with the revised Centers and Corridors Zone (Adopted August 2004) from Boone Avenue to Courtland Avenue; thence, at East edge of Centers and Corridors Zone, further defined as East R.O.W. Line of Boone Avenue and North R.O.W. Line of Lincoln Street; thence South along said East R.O.W. Line to North R.O.W. Line of Mallon Avenue; thence east along said North R.O.W. Line of Mallon Ave to the West ROW of Howard St. Then North along said west ROW Line to North R.O.W. Line of Dean Avenue; thence East along said North R.O.W. Line of Dean St to East R.O.W. Line of Washington Street. Then South along said Washington Street R.O.W. across North Branch of Spokane River to South side of said North Branch; thence generally westerly along said River Bank to Point of Beginning.

PROPOSED INCREMENT AREA



SCHEDULE 2

Description of Kendall Yards Sub-Area

[To come.]

04-161 Kendall Yards

PARCEL 1

All of Lots 1, 2, 6, 7 and the North 17.0 feet of Lots 3 and 8 in Block 20; Lots 1 through 15, inclusive, in Block 19; Lots 1 through 15, inclusive, in Block 18; Lots 1 through 15, inclusive, in Block 17 all in Nettleton's First Addition, as per plat thereof recorded in Volume "A" of Plats, page 98;

Together with that portion of Chestnut Street vacated under ordinance no. C7539 on September 22, 1941;

All of Lots 1 through 5, inclusive, in Block 13 of Nettleton's First Addition, as per plat thereof recorded in Volume "A" of Plats, page 98;

Excepting therefrom that portion of the above described parcel conveyed from Burlington Northern Inc., to Donald Edward and Kay Lynn Howard by instrument dated November 13, 1969, and described on said instrument as follows:

All that portion of Lots 1 through 5, inclusive, Block 13 of Nettleton's First Addition as per plat thereof recorded in Volume "A" of Plats, page 98, lying northeasterly of a line lying 8.0 feet northeasterly, measured perpendicularly and at right angles, from the following described line:

Commencing at a point on the westerly line of Lot 1 in Block 13, distant 34.5 feet southerly from the Northwest corner of said Lot 1; thence southeasterly and tangent to a point on the easterly line of Lot 5 in Block 13 distant 18.3 feet northerly from the southeast corner of said Lot 5 and end of this description;

Also excepting therefrom a portion of said Lots 1 and 2 in Block 13, conveyed from Great Northern Railway Company to the City of Spokane, Washington, by instrument and described on said instrument as follows:

All that portion of Lots 1 and 2 in Block 13 of said Nettleton's First Addition, described as follows:

Beginning at the Northwest corner of said Lot 1; thence East along the North line of said Lot 1, 19.0 feet; thence southerly to a point on the West line of said Lot 2, 97.0 feet southerly from the said Northwest corner of Lot 1; thence northerly along the westerly line of said Lots 2 and 1 to the point of beginning;

Also excepting therefrom any portion lying within alley realignment in said Block 13 as described in the City of Spokane Resolution recorded under Auditor's File No. 780830106;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel Nos. 25133.0502; .0901; .1001; 1101 and .1201)

PARCEL 2

A parcel of land located in the South half of Section 13, Township 25 North, Range 42 East, W.M., bounded and described as follows:

Beginning at the point of intersection of the West line of Oak Street extension with the South line of the alley in Block 9 of Ide and Kaufman's Addition, as per plat thereof recorded in Volume "A" of Plats, Page 67, said point being 16.00 feet southerly of the Southeast corner of Lot 2 of said Block 9; thence along westerly Right of Way line of the Oak Street extension, S.02°37'55"E., 358.52 feet; thence along the northerly line of Ohio Avenue and along the easterly right of way line of Summit Boulevard, the following ten courses:

- (1) S.73°49'44"W., 164.37 feet;
- (2) S.87°22'05"W., 695.09 feet;
- (3) S.77°31'28"W., 614.19 feet;
- (4) N.87°51'53"W., 60.16 feet;
- (5) S.87°22'05"W., 651.14 feet;
- (6) S.67°13'11"W., 498.25 feet;
- (7) S.47°08'32"W., 375.84 feet to the point of beginning of a curve concave easterly having a radius of 170.00 feet;
- (8) Northerly, along said curve, through a central angle of 202°13'14" 600 feet to the beginning of a reverse curve, concave westerly having a radius of 202.83 feet;
- (9) Northerly along said curve, through a central angle of 96°38'14", 342.10 feet;
- (10) N.27°16'26"W., 394.31 feet; thence parallel with and 117.00 feet normally distant southerly from the North line of Block 20 of Nettleton's First Addition, N.87°22'05"E., 291.92 feet, more or less to the East line of said Block 20; thence along said East line of Block 20 of Nettleton's First Addition, S.01°30'55"E., 16.00 feet; thence along the southerly line of the alley in Block 19 of Nettleton's First Addition and said southerly line projected N.87°22'05"E., 661.86 feet, more or less to the East line of Block 19 of Nettleton's First Addition; thence along said East line of Block 19 of Nettleton's First Addition, S.01°47'55"E., 24.00 feet; thence along the South line of relocated Ide Avenue in said City of Spokane, N.87°22'05"E., 1,354.44 feet, more or less to the North-South centerline of said Section 13; thence along the North-South centerline Section 13; N.02°23'55"W., 24.00 feet; thence along the southerly line of the alleys in Block 9, 8, and 7, Ide and Kaufman's Addition and said lines projected N.87°22'05"E., 823.27 feet to the point of beginning;

Situate in the County of Spokane, State of Washington.

(Parcel Nos. 25133.0903, 1003, 1102, 1202, 1308, 2201, 2301, 2401 and Parcel Nos. 25134.1902, 2002, 2104, 2203)

PARCEL 3

Lots 14 through 20 in Block 1 of Lower Crossing Addition, as per plat thereof recorded in Volume "A" of Plats, page 2;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel Nos. 25134.2404; .2405 and .2406)

PARCEL 4

Lots 1 through 6, inclusive, Block 7; Lots 1 through 6, inclusive, Block 8; Lots 1 through 12, inclusive, Block 9; all in Ide and Kaufman's Addition, as per plat thereof recorded in Volume "A" of Plats, page 67, Records of Spokane County;

Situate in the county of Spokane, State of Washington.
(Parcel Nos. 25134.1901, 2001, 2101)

PARCEL 5

A parcel of land located in the Southeast Quarter of Section 13, Township 25 North, Range 42 East W.M., Records of Spokane County, bounded and described as follows:

Beginning at the Northwest corner of Lot 7, Block 12 of Chandler's Second Addition as per plat thereof recorded in Volume "A" of Plats, page 31; thence S.89°46'39"E., 1079.88 feet to the southwest corner of Lot 3, Block 9 of said Chandler's Second Addition; thence along the West line of said Lot 3, N.00°23'59"E., 29.86 feet to the South line of the North 20 feet of said Lot 3; thence S.89°46'21"E., 119.28 feet to a point on the westerly Right of Way line of Cedar Street; thence along said westerly line, S.00°33'26"W., 85.75 feet to an angle point at the intersection of said westerly line with the northerly Right of Way line of Ohio Avenue; thence along said northerly line, the following seven courses:

1. S.39°44'39"W., 69.53 feet to the beginning of a curve, concave northerly, having a radius of 142.00 feet;
2. Westerly, along said curve, through a central angle of 85°48'56", 212.68 feet to the beginning of a reverse curve, concave southwesterly, having a radius of 192.00 feet;
3. Northwesterly, along said curve, through a central angel of 35°21'45", 118.50 feet;
4. N.89°48'10"W., 687.94 feet to the beginning of a curve, concave southeasterly, having a radius of 528.30 feet;
5. Southwesterly, along said curve, through a central angle of 29°17'58", 270.16 feet;
6. S.60°53'52"W., 220.34 feet;

7. S.76°32'11"W., 224.61 feet to a point on the easterly Right of Way line of the Oak Street extension and the Southwest corner of Lot 4, Block 10 of Ide and Kaufman's Addition;

Thence along said easterly line, and along the westerly line of said Lot 4; N.00°15'48"E., 321.67 feet to a point on the southerly Right of Way line of said Oak Street extension; thence along said southerly line, S.89°46'50"E., 504.82 feet to a point on the westerly line of said Lot 7, Block 12, Chandler's Second Addition; thence along said westerly line, N.00°17'64"E., 7.00 feet to the point of beginning;

Situate in the County of Spokane, State of Washington.
(Parcel Nos. 25134.0902, 2105, 2106)

PARCEL 6

Lots 5 and 6 in Block 7 of Chandler's Second Addition, as per plat thereof recorded in Volume "A" of Plats, page 31, Records of Spokane County;

Situate in the County of Spokane, State of Washington.
(Parcel Nos. 25134.0712, 0713)

PARCEL 7

Lots 1, 2, 7, 8, 9 and the North 20 feet of Lot 3 in Block 9 of Chandler's Second Addition, as per plat thereof recorded in Book "A" of Plats, page 31;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel Nos. 25134.0901, 0903)

PARCEL 8

Lots 1, 2, 3, 8, 9, and 10, Block 10 in Chandler's Second Addition, as per plat thereof recorded in Volume "A" of Plats, page 31, Records of Spokane County;

Together with that portion of vacated Maple Street adjoining Lots 1, 2, and 3 and lying easterly of the East line of that certain easement granted to the State of Washington for Maple Street Underpass dated June 18, 1958 and recorded under Auditor's file no. 543859B;

Situate in the County of Spokane, State of Washington.
(Parcel Nos. 25134.1001, 1002)

PARCEL 9

Lots 1, 2, 3, 8, 9 and 10 in Block 11, and the vacated alleyway lying between Lots 1, 2, 3, 8, 9, and 10 in Block 11, all in Chandler's Second Addition, as per plat thereof recorded in Volume "A" of Plats, page 31;

Together with that portion of vacated Maple Street, according to the recorded plat thereof, lying adjacent to said Lots 1, 2, and 3 in Block 11, and lying westerly of the East line of that certain easement to the State of Washington for Maple Street Underpass dated June 18, 1958 and recorded under recording No. 543859B;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel Nos. 25134.1101, 1102, 1103)

PARCEL 10

Lots 1 through 3 and Lots 8 through 10 in Block 12 of Chandler's Second Addition, as per plat thereof recorded in Volume "A" of Plats, page 31, Records of Spokane County;

Together with vacated alley in said Block 12;

Situate in the County of Spokane, State of Washington.
(Parcel No. 25134.1202)

PARCEL 11

A parcel of land, located in the Southeast Quarter of Section 13, Township 25 North, Range 42 East, W.M., being all of Lots 42 through 48, both inclusive of McCarther's Addition as per plat thereof recorded in Volume "B" of Plats, page 62, lying southerly of the southerly line of Ohio Avenue, and northerly of the following described line:

Commencing at the intersection of Cedar Street and Ide Avenue, said point being the center of a manhole as described by vacation ordinance No. A-5230 per Book 260 of Deeds, page 335, Spokane Auditor's File No. 290184;

Thence S.38°41'16"W., on the centerline of Ohio Avenue as described by said vacation ordinance No. A-5230, a distance of 87.11 feet (Record S.39°34'W., a distance of 91.5 feet); thence continuing on said centerline along the arc of a circular curve to the right, having a radius of 167 feet, a distance of 125.88 feet; thence on the radial bearing from said curve S.8°07'22"E., a distance of 25 feet to the southerly Right of Way line of said Ohio Avenue and the true point of beginning; thence S.58°37'39"E., a distance of 177.43 feet; thence S.79°52'52"E., a distance of 12.81 feet; thence N.50°38'46"E., a distance of 30.35 feet to a point on the East line of Lot 48 of said McCarthur's Addition and the

terminus of said line, from which a point on the East line of said Lot 48 and the South line of Ide Avenue bears N.00°34'02"W., a distance of 191.48 feet;

EXCEPT that portion of Parcel 11 lying within the following described parcel:

Commencing at the intersection of the South line of Ide Avenue with the East line of Cedar Street, as dedicated in Spokane County Auditor's File No. 140702, recorded in Book 166 of Deeds at page 523; said point also being on the West line of Government Lot 3; thence S.00°34'02"E., along said West line of Government Lot 3, 132.32 feet to the Point of Beginning; thence S.45°41'59"W., 85.79 feet; thence S.58°37'39"E., 30.34 feet; thence S.79°52'52"E., 12.81 feet; thence N. 50°38'46"E., 75.82 feet; thence S.82°13'59"E., 75.62 feet; thence N.66°57'10"., 114.85 feet; thence S.45°41'59"W., 6.96 feet to the Point of Beginning.

Situate in the County of Spokane, State of Washington.
(Parcel No. 25134.2303)

PARCEL 12

That portion of Government Lot 3 in Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Beginning at the intersection of the South line of College Avenue, according to the recorded plat of Jenkin's Addition to the City of Spokane, Washington, and the East line of Cedar Street, according to the recorded plat of Chandler's Second Addition to the City of Spokane, Washington; thence easterly along said South line of College Avenue a distance of 500.00 feet; thence southerly along the West line of that certain parcel of land conveyed from the Great Northern Railway Company to John H. Morris and wife by deed dated July 3, 1958, to the point of intersection with the North line of Ide Avenue, according to the recorded plat thereof, said West line of the conveyed parcel being a line drawn parallel with said East line of Cedar Street; thence westerly along said North line of Ide Avenue to a point distant 280.0 feet easterly of the intersection of said North line of Ide Avenue and said East line of Cedar Street; thence northerly along the East line of that certain parcel conveyed from Burlington Northern, Inc., to Symons Building Company by deed dated April 16, 1980, a distance of 185.0 feet, said East line of the conveyed parcel being a line drawn parallel with said East line of Cedar Street; thence westerly along the North line of said parcel conveyed to Symons Building Company and the westerly extension thereof to the point of intersection with said East line of Cedar Street; thence northerly along said East line of Cedar Street to the point of beginning;

Situate in the County of Spokane, State of Washington.
(Parcel Nos. 35183.0007, 35183.0094)

PARCEL 13

That portion of Government Lot 3 in Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Commencing at the intersection of the South line of College Avenue according to the recorded plat of Jenkin's Addition to the City of Spokane, Washington and the East line of Cedar Street, according to the recorded plat of Chandler's Second Addition to the City of Spokane, Washington; thence N.88°54'56"E. on the South line of College Avenue a distance of 500.00 feet; thence S.00°34'02"E., parallel to said East line of Cedar Street a distance of 242.86 feet to the true point of beginning; thence N.87°11'45"E., a distance of 11.85 feet; thence N.89°39'58"E., a distance of 510.14 feet to the beginning of a curve concave to the North having a radius of 300.00 feet, the center of which bears N.00°20'02"W.; thence easterly on said curve through a central angle of 23°12'44", an arc distance of 121.54 feet to the beginning of a reverse curve concave to the South having a radius of 350.00 feet, the center of which bears S.23°32'46"E., thence easterly on said curve through a central angle of 22°30'31" an arc distance of 137.50 feet to the East line of said Government Lot 3 and the Southwest corner of that certain parcel conveyed to Metropolitan Mortgage and Securities Company, Inc., per Warranty Deed recorded in Volume 1054 of Deeds, page 995, Auditor's File No. 8908150151; thence S.01°04'14"E., on the East line of said Government Lot 3, a distance of 5.89 feet to the North line of Parcel 1 conveyed from Spokane County to Metropolitan Mortgage and Securities Company, Inc., per Warranty Deed recorded in Volume 1074 of Deeds, page 1336, Auditor's file No. 8911160262, said point being the beginning of a nontangent curve concave to the South having a radius of 341.50 feet, the center of which bears S.01°03'11"E.; thence on the North line of Parcel 1 the following six courses:

1. Westerly on said curve through a central angle of 36°58'08" (Record 36°55'41") an arc distance of 220.35 feet (Record 220.10 feet);
2. Continuing S.38°01'19"E., a distance of 4.00 feet to the beginning of a nontangent curve concave to the Southeast having a radius of 337.50 feet, the center of which bears S.38°01'19"E.;
3. Continuing westerly on said curve through a central angle of 11°13'41", an arc distance of 66.14 feet;
4. Continuing S.40°44'58"W., a distance of 98.76 feet to the beginning of a curve concave to the Northwest having a radius of 262.50 feet, the center of which bears N.49°15'02"W.;
5. Continuing westerly on said curve through a central angle of 44°10'00" an arc distance of 202.35 feet;
6. Continuing S.84°54'58"W., a distance of 282.74 feet (record 282.73 feet) to the East line of Parcel "A" as conveyed to Metropolitan Mortgage and Securities Company, Inc., per Warranty Deed recorded in Volume 1288 of Deeds, at page 1510, Auditor's file No. 9204300178; thence N.00°34'02"W. on said East line a distance of 259.42 feet to the true point of beginning;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel No. 35183.0094)

PARCEL 14

That portion of Government Lot 3 in Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Commencing at the intersection of the South line of College Avenue, according to the plat of Jenkin's Addition to the City of Spokane, Washington, and the East line of Cedar Street, according to the recorded plat of Chandler's Second Addition; thence N.88°54'56"E., on the South line of College Avenue, a distance of 500.00 feet; thence S.00°34'02"E., parallel to said East line of Cedar Street, a distance of 242.86 feet; thence N.87°11'45"E., a distance of 11.85 feet; thence N.89°39'58"E., a distance of 127.94 feet to the true point of beginning, said point being the beginning of a curve concave to the Northwest having a radius of 20.00 feet, the center of which bears N.00°20'02"W.; thence easterly and northerly on said curve through a central angle of an 90°42'52" arc distance of 31.66 feet; thence N.01°02'54"W., a distance of 204.17 feet to the beginning of a curve concave to the southwest having a radius of 20.00 feet, the center of which bears S.88°57'06"W.; thence northerly and westerly on said curve through a central angle of 90°02'10" an arc distance of 31.43 feet to the South line of College Avenue; thence N.88°54'56"E., on the South line of College Avenue a distance of 115.00 feet to a point of cusp with a curve concave to the Southeast having a radius of 20.00 feet, the center of which bears S.01°05'04"E.; thence westerly and southerly on said curve through a central angle of 89°57'50" an arc distance of 31.40 feet; thence S.01°02'54"E., a distance of 205.68 feet to the beginning of a curve concave to the Northeast having a radius of 20.00 feet, the center of which bears N.88°57'06"E.; thence southerly and easterly on said curve through a central angle of 89°17'08" of an arc distance of 31.17 feet; thence S.89°39'58"W., a distance of 115.01 feet to the true point of beginning;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel No. 35183.0094)

PARCEL 15

That portion of Government Lot 3 in Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Commencing at the intersection of the South line of College Avenue, according to the recorded plat of Jenkin's Addition, and the East line of Cedar Street, according to the recorded plat of Chandler's Second Addition; thence N.88°54'56"E. on the South line of College Avenue a distance of 500.00 feet to the true point of beginning; thence S.00°34'02"E., parallel to said East line of Cedar Street a distance of 242.86 feet; thence N.87°11'45"E., a distance of 11.85 feet; thence N.89°39'58"E., a distance of 127.94 feet to the beginning of a curve concave to the Northwest having a radius of 20.00 feet; the center of which bears N.00°20'02"W., thence easterly and northerly on said curve through a central angle of 90°42'52" an arc distance of 31.66 feet; thence

N.01°02'54"W., a distance of 204.17 feet to the beginning of a curve concave to the Southwest having a radius of 20.00 feet, the center of which bears S.88°57'06"W.; thence northerly and westerly on said curve through a central angle of 90°02'10" an arc distance of 31.43 feet to the South line of College Avenue; thence S.88°54'56"W. on the South line of College Avenue, a distance of 137.97 feet to the true point of beginning;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel No. 35183.0094)

PARCEL 16

That portion of Government Lot 3 in Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Beginning at a point on the east line of Cedar Street and the south line of College Avenue; thence N.89°28'22"E. along the south line of College Avenue 500.00 feet; thence south parallel with the east line of Cedar Street 517.43 feet to the north line of Ide Avenue and the true point of beginning of this description; thence S.89°46'00"E. along the north line of Ide Avenue 50.02 feet; thence continuing along the north line of Ide Avenue, N.85°49'35"E., 416.19 feet; thence leaving said north line, on a non-tangent curve to the left, having a tangent bearing of N.52°49'43"E., a central angle of 11°30'43", a radius of 337.50 feet, for a distance of 67.81 feet; thence N.41°19'00"E., 98.76 feet; thence on a curve to the right, having a central angle of 48°09'22", a radius of 262.50 feet, for a distance of 220.63 feet; thence N.89°28'22"E., 0.02 feet to the east line of said government Lot 3; thence N.00°32'22"W. along said line 79.00 feet; thence on a non-tangent curve to the left, having a tangent bearing of S.89°28'22"W, a central angle of 36°55'41", a radius of 341.50 feet, for a distance of 220.10 feet; thence S.37°27'19"E., 4.00 feet; thence on a non-tangent curve to the left, having a tangent bearing of S.52°32'41"W., a central angle of 11°13'41", a radius of 337.50 feet, for a distance of 66.14 feet; thence S.41°19'00"W., 98.76 feet; thence on a curve to the right, having a central angle of 44°10'00", a radius of 262.50 feet, for a distance of 202.35 feet; thence S.85°29'00"W., 282.73 feet; thence south 15.06 feet to the true point of beginning of this description;

Situate in the County of Spokane, State of Washington.
(Parcel No. 35183.0074)

PARCEL 17

That portion of the southwest quarter of Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Beginning at a point on the east line of Cedar Street and the south line of College Avenue; thence N.89°28'22"E. along the south line of College Avenue 500.00 feet;

thence south parallel with the east line of Cedar Street 517.43 feet to the North line of Ide Avenue; thence S.89°46'00"E. along the north line of Ide Avenue 50.02 feet; thence continuing along said north line of Ide Avenue, N.85°49'35"E., 416.19 feet to the true point of beginning of this description; thence leaving said north line of a non-tangent curve to the left, having a tangent bearing of N.52°49'43"E., a central angle of 11°30'43", a radius of 337.50 feet, for a distance of 67.81 feet; thence N.41°19'00"E., 98.76 feet; thence on a curve to the right, having a central angle of 48°09'22", a radius of 262.50 feet, for a distance of 220.63 feet; thence N.89°28'22"E., 0.02 feet to the East line of Government Lot 3; thence S.00°32'22"E., 15.00 feet; thence N.89°28'22"E., 136.50 feet to the West line of Monroe Street; thence S.00°32'22"E. along said West line 75.00 feet; thence S.89°25'22"W., 136.50 feet, thence S.00°32'22"E., 96.76 feet to the North line of Ide Avenue; thence S.85°49'35"W. along said North line 312.11 feet to the true point of beginning of this description;

Situate in the County of Spokane, State of Washington.

(Parcel No. 35183.0075)

PARCEL 18

That part of the Northeast Quarter of the Southwest Quarter of Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Beginning 175 feet South of the Southwest corner of Monroe Street and College Avenue; thence South 25 feet; thence West 136.5 feet; thence North 25 feet; thence East 136.5 feet to the point of beginning;

Situate in the City of Spokane, County of Spokane, State of Washington.

(Parcel No. 35183.0027)

PARCEL 19

That part of the Northeast Quarter of the Southwest Quarter of Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Beginning 225 feet South of the Southwest corner of Monroe Street and College Avenue; thence South 50 feet 2-1/2 inches; thence West 136.5 feet; thence North 50 feet 2-1/2 inches; thence East 136.5 feet to the point of beginning;

Situate in the City of Spokane, County of Spokane, State of Washington.

(Parcel No. 35183.0028)

PARCEL 20

That portion of the Northeast Quarter of the Southwest Quarter of Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Beginning 275 feet 2-1/2 inches South of the Southwest corner of Monroe Street and College Avenue; thence South 24 feet 9-1/2 inches; thence West 136.5 feet; thence North 24 feet 9-1/2 inches; thence East 136.5 feet to the point of beginning;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel No. 35183.0029)

PARCEL 21

That part of the Northeast Quarter of the Southwest Quarter of Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Beginning at a point on the West line of Monroe Street, 475 feet South of the Southeast corner of Lot 10 in Block 11 of resurvey and extension of Post's Addition as per plat thereof recorded in Volume "A" of Plats, page 21, and running thence North along the West line of Monroe Street, 40 feet; thence West 136-1/2 feet; thence South 40 feet; thence East 136-1/2 feet, to the place of beginning;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel No. 35183.0031)

PARCEL 22

That portion of the Northeast Quarter of the Southwest Quarter of Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Commencing at a point on the West line of Monroe Street, which point is 36.71 feet southerly from the intersection of the West line of Monroe Street and the South line of Bridge Avenue produced; thence N.00°04'30"W. on said West line of Monroe Street, 56.71 feet to a point; thence S.89°57'30"W. parallel to the South line of Bridge Avenue produced 136.5 feet to a point on the West line of the Northeast Quarter of the Southwest Quarter of said Section 18 at which point there is an iron monument; thence S.00°04'30"E., on said line, 56.71 feet to a point; thence N.89°57'30"E., parallel to the South line of Bridge Avenue produced 136.5 feet to the place of beginning;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel No. 35183.0032)

PARCEL 23

That portion of the Southwest Quarter of Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Beginning at a point of intersection of the South line of Ide Avenue with the East line of Cedar Street produced South, said point of beginning also being 560.8 feet distance South from the South line of College Avenue, measured along said East line of Cedar Street, and said line produced South; thence easterly along the South line of said Ide Avenue to a point in the West line of Monroe Street; thence Southerly along the West line of Monroe Street; thence southerly along the West line of Monroe Street a distance of 160.4 feet to a point thereon; thence westerly along a straight line which forms an angle of $89^{\circ}45'$ from the South to West with said West line of Monroe Street, a distance of 963.8 feet to a point; thence westerly along a straight line, which forms an angle of $11^{\circ}14'$ from West to Northwest with the last described straight line produced; westerly a distance of 252.6 feet to a point; thence westerly along a straight line, which forms an angle of $1^{\circ}49'$ from West to Northwest with the last-described straight line produced westerly, a distance of 208.8 feet to a point in the East line of Cedar Street produced South; thence North along said East line in Cedar Street produced a distance of 31.4 feet to the point of beginning;

Except the East 207 feet thereof;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel No. 35183.0049)

PARCEL 24

The East 207 feet of the portion of the Southwest Quarter of Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Beginning at a point of intersection of the South line of Ide Avenue with the East line of Cedar Street produced South, said point of beginning also being 560.8 feet distant South from the South line of College Avenue, measured along said East line of Cedar Street, and said line produced South; thence easterly along the South line of said Ide Avenue to a point in the West line of Monroe Street; thence southerly along the West line of Monroe Street a distance of 160.4 feet to a point thereon; thence westerly along a straight line which forms an angle of $89^{\circ}45'$ from South to West with said West line of Monroe Street, a distance of 963.8 feet to a point; thence westerly along a straight line, which forms an angle of $11^{\circ}14'$ from West to Northwest with the last described straight line produced westerly, a distance of 252.6 feet to a point; thence westerly along a straight line, which forms an angle of $1^{\circ}49'$ from West to Northwest with the last described straight line produced westerly, a distance of 208.8 feet to a point in the East line of Cedar Street produced South; thence North along said East line of Cedar Street produced a distance of 31.4 feet to the point of beginning;

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel No. 35183.0048)

PARCEL 25

A parcel of land situate in the Southwest Quarter of Section 18, Township 25 North, Range 43 East, W.M., described as follows:

Commencing at the intersection of the South line of Ide Avenue with the West line of Monroe Street, said point being the Northeast corner of "Tract A" as described by Deed, recorded January 18, 1912, under Auditor's File No. 347273 and also the Northeast corner of that certain parcel conveyed by Union Pacific Railroad Company to S.A. Postell by Warranty Deed dated September 2, 1949, recorded September 27, 1949, Spokane Auditor's File No. 905948A, from which point an iron pipe along the West Right of Way of Monroe bears N.01°04'14"W., a distance of 349.73 feet; thence S.01°04'14"E., a distance of 159.19 feet to an iron pipe marking the Southeast corner of said Postell parcel record 160.4 feet said pipe being the true point of beginning; thence S.88°40'46"W., on the South line of said Postell parcel, a distance of 963.80 feet; thence continuing on said South line N.80°05'14"W., a distance of 252.60 feet; thence continuing on said South line N.78°16'14"W. a distance of 207.38 (record 208.80 feet) to the West line of Government Lot 3, from which the Northeast corner of said Postell parcel bears N.00°34'02"W., a distance of 31.31 feet (record 31.4 feet); said Northeast corner also being the intersection of the South line of Ide Avenue with the East line of Cedar Street, as dedicated in Spokane County Auditor's File No. 140702, Recorded in Book 166 of Deeds at page 523; thence S.00°34'02"E. on said West line of Government Lot 3, a distance of 159.73 feet; thence N.50°38'47"E., a distance of 45.47 feet; thence S.82°13'59"E., a distance of 412.13 feet; thence S.56°38'29"E., a distance of 110.82 feet; thence N.87°22'53"E., a distance of 355.60 feet; thence S.01°04'46"E., a distance of 101.89 feet to the South line of said Government Lot 3, from which the Southwest corner of said Government Lot 3 bears S.89°13'40"W., a distance of 891.48 feet; thence N.89°13'40"E., a distance of 389.14 feet to a point from which a 1 inch iron pin; as described in said Deed for Tract "A", bears S.01°04'14"E., a distance of 31.00 feet as shown on a map filed in Book "P" of Plats, page 24, said pin marking the East line of the Government Lots of said Section 18; thence S.01°04'14"E., on the West line of said Tract "A", a distance of 31.00 feet to said iron pin; thence continuing S.01°04'14"E., on said West line, a distance of 7.50 feet; thence on said southerly lines of Tract "A" for the following six courses: N.73°50'16"E., a distance of 39.95 feet; N.58°21'16"E., a distance of 21.62 feet; N.07°45'44"W., a distance of 28.60 feet; N.40°19'16"E., a distance of 46.60 feet; N.78°59'16"E., a distance of 46.03 feet; N.32°38'16"E., a distance of 11.57 feet (Record Book "P" of Plats, page 24, 11.84 feet, more or less) to the East line of said Tract "A"; thence N.01°04'14"W., on the East line of said Tract "A", a distance of 198.15 feet to the true point of beginning;

Also known as Parcel B1 of Record of Survey filed in Book 55 of Surveys, Pages 72 and 73;

EXCEPT that portion of New Parcel 25 lying within the following described parcel:

Commencing at the intersection of the South line of Ide Avenue with the East line of Cedar Street, as dedicated in Spokane County Auditor's file No. 140702, recorded in Book 166 of Deeds at page 523; said point also being on the West line of Government Lot 3; thence S.00°34'02"E., along said West line of Government Lot 3, 132.32 feet to the Point of Beginning; thence S.45°41'59"W., 85.79 feet; thence S.58°37'39"E., 30.34 feet; thence S.79°52'52"E., 12.81 feet; thence N.50°38'46"E., 75.82 feet; thence S.82°13'59"E., 75.62 feet; thence N.66°57'10"W., 114.85 feet; thence S.45°41'59"W., 6.96 feet to the Point of Beginning.

Situate in the City of Spokane, County of Spokane, State of Washington.
(Parcel No. 35183.0091)

EXHIBIT B

Reimbursement Agreement

RECEIVED
MAY 30 2007
CITY CLERK'S OFFICE
SPOKANE, WA

REIMBURSEMENT AGREEMENT

By and Between the
CITY OF SPOKANE, WASHINGTON
and the
KENDALL YARDS DEVELOPMENT, INC.

Dated as of May 14, 2007

Relating to

City of Spokane
Spokane County, Washington
WEST QUADRANT INCREMENT AREA

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS.....	1
SECTION 1.01 Definitions.....	1
ARTICLE II REPRESENTATIONS AND WARRANTIES.....	7
SECTION 2.01 Representations and Warranties of the City.....	7
SECTION 2.02 Representations and Warranties of the Developer.....	8
ARTICLE III PAYMENT OBLIGATION.....	9
SECTION 3.01 City Payment Obligation.....	9
SECTION 3.02 Pledge of Tax Allocation Revenues.....	11
SECTION 3.03 Compliance with Public Works Laws.....	11
SECTION 3.04 Completion and Approval Notices.....	12
ARTICLE IV COVENANTS AND AGREEMENTS.....	13
SECTION 4.01 Enforcement of Agreements and the Act.....	13
SECTION 4.02 Levy Taxes.....	13
SECTION 4.03 Accounting Records.....	13
SECTION 4.04 Acknowledgements of the Developer.....	14
SECTION 4.05 Acknowledgements of the City.....	14
ARTICLE V INDEMNIFICATION AND DEFENSE OF CLAIMS.....	14
SECTION 5.01 Indemnification for Project Claims.....	14
SECTION 5.02 Insurance.....	15
SECTION 5.03 Joint Defense Obligation.....	16
ARTICLE VI MISCELLANEOUS.....	16
SECTION 6.01 Amendment.....	16
SECTION 6.02 Assignment.....	16
SECTION 6.03 No Personal Liability.....	16
SECTION 6.04 Counterparts.....	17
SECTION 6.05 Limitation of Rights.....	17
SECTION 6.06 Severability of Invalid Provisions.....	17
SECTION 6.07 Headings.....	17
SECTION 6.08 Governing Law and Venue.....	17

TABLE OF CONTENTS
(continued)

	Page
SECTION 6.09	Notices 18
SECTION 6.10	Term of Agreement..... 18
SECTION 6.11	Fees and Expenses 19
SECTION 6.12	No Implied Waiver 19
SECTION 6.13	Government Approval 19

REIMBURSEMENT AGREEMENT

This REIMBURSEMENT AGREEMENT, dated as of May 14, 2007 (this "Agreement"), is by and between the CITY OF SPOKANE, WASHINGTON, a Washington municipal corporation and first class charter city (the "City"), and KENDALL YARDS DEVELOPMENT, INC., a Washington corporation (the "Developer").

RECITALS:

WHEREAS, the City of Spokane, Washington, (the "City") is authorized by Chapter 39.89 RCW (the "Act") to establish increment areas within the boundaries of the City and to finance certain public improvements within said increment areas using community revitalization financing to encourage private development; and

WHEREAS, pursuant to Ordinance No. C-34032, enacted and effective on May 14, 2007 (the "Formation Ordinance"), the City established the Increment Area (as defined in Section 1.01 of this Agreement) to encourage private development and to provide for the acquisition, construction and installation of certain public improvements within the Increment Area, including certain public improvements that will be transferred to the City upon completion;

WHEREAS, Developer has provided the City with a list of public improvements Developer proposes to construct and install in the Increment Area and has further provided the City with estimated costs relating to the public improvements, which cost estimates the City has not independently verified; and

WHEREAS, each of the parties hereto reasonably believes that the Neighborhood Improvements and the Kendall Yards Sub-Area Improvements, as defined herein, will constitute "public improvements" within the meaning of RCW 39.89.020;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and the Developer do hereby, subject to the terms hereof, covenant and agree as follows:

ARTICLE I DEFINITIONS

SECTION 1.01 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Act" means Chapter 39.89 RCW, as it may be amended and supplemented from time to time.

"Agreement" means this Agreement, as it may be supplemented or amended from time to time in accordance with the provisions hereof.

"Approval Notice" means a written notice from the City to the Developer approving all or part of the Public Improvement Costs described in a particular Completion Notice and stating the principal amount of the Payment Obligation incurred for such Public Improvement Costs.

“Certificate of Acceptance” means a written certificate, in substantial form and content as set forth in Exhibit C hereto, indicating that inspection has been completed to confirm satisfactory compliance with approved plans and specifications with respect to a Kendall Yards Sub-Area Improvement, and accepting said improvements into the City of Spokane’s right-of-way and/or utility system.

“City” means the City of Spokane, a Washington municipal corporation and a first class charter city.

“City Counsel” means collectively, the Office of the City Attorney and Orrick, Herrington & Sutcliffe LLP, as bond counsel and special counsel to the City.

“City Sub-Area” means the territory within the Increment Area that is not the Kendall Yards Sub-Area.

“Completion Notice” means a written notice from the Developer to the City that: (i) requests that the City incur a Payment Obligation with respect to particular Kendall Yards Sub-Area Improvements; (ii) specifies the principal amount of the Payment Obligation with respect to the Kendall Yards Sub-Area Improvements listed in the notice; (iii) lists the Kendall Yards Sub-Area Improvements to be transferred to the City in exchange for the Payment Obligation; (iv) has attached thereto evidence reasonably acceptable to the City (e.g. invoices, bank statements and other verifiable written documents) of the Public Improvement Costs incurred by the Developer with respect to such Kendall Yards Sub-Area Improvements (which costs may include interest and other financing costs paid by the Developer to its lenders); and (v) has attached thereto all Public Works Compliance Certificates delivered to the Developer with respect to such Kendall Yards Sub-Area Improvements.

“County” means Spokane County, Washington.

“County Improvements” means any and all of the following improvements to be acquired, constructed and/or installed within the Increment Area (and adjacent to the campus of the County Courthouse) by, or at the direction of, the County:

(a) Publicly-owned parking facilities, including surface parking lots, street parking improvements, covered parking facilities and/or multiple-floor parking facilities, adjacent to the campus of the County Courthouse, with an estimated cost of \$5,000,000.

(b) Publicly-owned sidewalks, including street furnishings installed along the sidewalk (e.g., benches, bicycle racks), adjacent to the campus of the County Courthouse, with an estimated cost of \$200,000.

(c) Street lights, adjacent to the campus of the County Courthouse, with an estimated cost of \$100,000.

(d) Publicly-owned park/recreational facilities, including pocket parks and public plazas (each of which is projected to be approximately 6,000 square feet in area), adjacent to the campus of the County Courthouse, with an estimated cost of \$100,000.

“Developer” means Kendall Yards Development, Inc., a Washington corporation, and its permitted successors and assignees.

“Final Notice” means a written notice from the Developer to the City stating that the Developer waives the right to obtain further Approval Notices from the City.

“Formation Ordinance” means Ordinance No. C 34032 enacted by the City Council as an emergency ordinance on May 14, 2007, approved by the Mayor on May 20, 2007, and effective on May 14, 2007.

“Increment Area” means the West Quadrant Increment Area established by the Formation Ordinance as an “increment area” pursuant to chapter 39.89 RCW.

“Intergovernmental Agreement” means the Intergovernmental Agreement between the City of Spokane, Washington and Spokane County, Washington Authorizing Community Revitalization Financing in Connection with the West Quadrant Increment Area between the City and the County, dated May 14, 2007, and relating to the Increment Area.

“Kendall Yards Fund” means the “Kendall Yards Sub-Area Fund” created by the City pursuant to Section 3.02(b) of this Agreement.

“Kendall Yards Sub-Area” means a sub-area within the boundaries of the West Quadrant Increment Area that is that is generally bounded by Monroe Street on the east, Ide Avenue and Ohio Avenue on the south, Summit Boulevard on the west and Bridge Avenue and College Avenue on the north and that is further defined in the Formation Ordinance, the definition of which is incorporated into this Agreement, together with public right-of-way abutting the Kendall Yards Sub-Area, including intersections, that must be improved by Developer as a condition of development approval, as set forth in the Findings, Conclusions and Decision of the City of Spokane Hearing Examiner, dated September 21, 2006, under Hearing Examiner File No. Z2006-06-PP/PUD.

“Kendall Yards Sub-Area Improvements” means any and all of the following improvements to be acquired, constructed and/or installed within the Kendall Yards Sub-Area, but only to the extent the Developer seeks reimbursement for such improvements pursuant to this Agreement:

(a) Publicly-owned street and road improvements, including: approximately 40,000 linear feet of streets and curbs; striping and signage; utility sleeves or similar facilities that will serve publicly owned utilities; approximately 14,000 linear feet of street landscaping (including trees and irrigation improvements); traffic signals; and improvements to Maple Street and Monroe Street, with an estimated cost of \$5,188,489.

(b) Publicly-owned water system improvements, including approximately: 15,060 lineal feet of water mains (including valves and fittings); 158 domestic water service lines (to the extent such lines are in the public domain); 158 building fire service lines (to the extent such lines are in the public domain); and 43 fire hydrants, with an estimated cost of \$2,382,300; provided fixtures and appurtenances required to connect

private development to the public water system shall not be considered Kendall Yards Sub-Area Improvements.

(c) Publicly-owned sewer system improvements, including approximately: 1,800 lineal feet of sanitary sewer interceptors (including pipe in diameters of up to 72 inches); 15,060 lineal feet of sanitary sewer mains; 158 sanitary sewer service lines (to the extent such lines are in the public domain); and 60 sanitary sewer manholes, with an estimated cost of \$3,602,600; provided fixtures and appurtenances required to connect private development to the publicly owned sewer system shall not be considered Kendall Yards Sub-Area Improvements.

(d) Publicly-owned storm water and drainage management systems, including: approximately 18,031 lineal feet of storm sewer pipe; approximately 75 storm sewer manholes; approximately 151 storm water catch basins; approximately 26 Type 2 drywells; drainage swales (including landscaping for such swales); and storm water treatment vaults, with an estimated cost of \$4,416,205; provided, infrastructure and appurtenances required to address on-site storm water requirements shall not be considered Kendall Yards Sub-Area Improvements.

(e) Publicly-owned sidewalks, including street furnishings installed along the sidewalk (*e.g.*, benches, trash receptacles, bicycle racks and planter pots), with an estimated cost of \$8,050,000. The parties shall address responsibility for maintenance of street furnishings installed along the sidewalk (other than benches and bicycle racks) in a separate agreement to the extent such street furnishings are to be Kendall Yards Sub-Area Improvements.

(f) Streetlights, with an estimated cost of \$1,970,000.

(g) Publicly-owned park facilities and recreational area improvements, including: an extension of the Centennial Trail extending approximately 7,300 lineal feet (with an approximately 20-foot wide drivable surface and an additional 10' of landscape planting and/or re-vegetation); approximately eight (8) public riverfront plazas/parks (each of which is projected to be approximately 6,000 square feet in area); and improvements to the trail and landscaping in the existing Veterans Park at the intertie with the Centennial Trail, with an estimated cost of \$5,263,162.

(h) Site preparation for the aforementioned improvements, including demolition, excavating, grading, installing temporary erosion control improvements, with estimated costs of \$7,200,000.

(i) Designing, engineering, planning and permitting for the aforementioned improvements, with estimated costs of \$4,650,000; provided, the Public Improvement Costs relating to designing, engineering, planning, and permitting the Kendall Yards Sub-Area Improvements shall comply with Public Works Laws relating to the design, engineering, and permitting of the same and shall be limited to ten percent (10%) of the total Public Improvement Cost of the Kendall Yards Sub-Area Improvements, and any design, engineering, planning and permitting costs in excess of said ten percent (10%)

limitation shall not be considered "Public Improvement Costs" for purposes of this Reimbursement Agreement.

Improvements for which the Developer does not seek reimbursement pursuant to this Agreement shall not be "Kendall Yards Sub-Area Improvements" even if such improvements are dedicated to the City.

"Neighborhood Improvements" means any and all of the following improvements to be acquired, constructed and/or installed within the City Sub-Area:

(a) Publicly-owned streetscape improvements related to West Central Neighborhood, Comprehensive Plan West Broadway Neighborhood Center; Broadway, Ash to Chestnut, 4 blocks, including decorative concrete or paver sidewalks, trees, period lighting, permanent street furniture, bike and pedestrian infrastructure, underground utilities, median construction and infrastructure for future streetcar route, with an estimated cost of \$2,500,000.

(b) Publicly-owned intersection improvements related to Emerson Garfield and West Central Neighborhoods, Comprehensive Plan Monroe Corridor; Cora to Boone, 6-10, including NW Blvd, Boone, and others to be identified in N Monroe community design process (gateway locations): bumpouts, pavement treatment, trees, lighting, underground utilities as needed and feasible, pedestrian amenities, with an estimated cost of \$3,000,000.

(c) Publicly-owned traffic calming improvements on Elm, Cannon, and Chestnut 3 blocks, Bridge to Dean, including trees, crosswalk treatments, street furniture, lighting, bike and pedestrian infrastructure and improvements, with an estimated cost of \$900,000.

(d) Publicly-owned streetscape intersection enhancements related to West Central Neighborhood, Comprehensive Plan Maxwell & Elm Employment Center; Chestnut to Maple, 5 blocks, on Sinto including sidewalks, bumpouts, trees and crosswalk treatments, with an estimated cost of \$1,500,000

(e) Demolition and reconstruction related to Riverside Neighborhood; Post Street Bridge for pedestrians, with an estimated \$750,000 towards total cost.

(f) Publicly-owned streetscape improvements related to Riverside Neighborhood, Comprehensive Plan Regional Center; Bridge Street, Monroe to Post 1 block, including enhancements, lighting and street furniture, with an estimated cost of \$300,000.

(g) Publicly-owned infrastructure improvements related to Riverside Neighborhood; Potential Bridge Street public market incubator site, but limited to upgrade of water and sewer to current commercial and industrial standards, and underground utilities where appropriate, with an estimated \$500,000 towards total cost.

(h) Publicly-owned infrastructure improvements related to West Central Neighborhood, Maxwell & Elm Employment Center; incubator site(s), but limited to upgrade of water and sewer to current commercial and industrial standards, with an estimated \$750,000 towards total cost.

(i) Publicly-owned streetscape enhancements for West Central Neighborhood; Broadway to Nora, Maple and Ash, 4-6 blocks, including sidewalks, bumpouts, trees, crosswalk treatment, and benches/bus shelters, with an estimated cost of \$1,800,000.

(j) Publicly-owned north bank trail enhancements for Riverside Neighborhood; Centennial Trail at Monroe Street Bridge, with an estimated cost of \$175,000.

(k) Publicly-owned streetscape improvements for Riverside Neighborhood; Monroe to Central, Broadway to Mallon 4-6 blocks, including trees, crosswalk treatments, street furniture, lighting, bike and pedestrian infrastructure and improvements and underground utilities where appropriate, with estimated cost of \$1,800,000.

(l) Publicly-owned streetscape and infrastructure improvements related to Riverside Neighborhood; Howard to Washington, N. River Bank to Dean, 2 blocks, including upgrade of water and sewer to current commercial and industrial standards, underground utilities where needed and as feasible, with an estimated \$850,000 towards total cost.

(m) Public access to West Central Neighborhood, Lower Crossing, including parking, bike, pedestrian, and trail enhancements, with an estimated cost of \$750,000.

(n) Crossover reconfiguration analysis and engineering Riverside, Lincoln-Monroe, with an estimated cost of \$175,000.

“Payment Obligation” means the special, limited and contingent obligation of the City to reimburse the Developer from Pledged Tax Allocation Revenues for all Public Improvement Costs approved in the various Approval Notices delivered hereunder, and to pay interest thereon, which obligation is further described in Section 3.01 hereof.

“Permitted Assignee” means any entity (including, without limitation, a corporation, a partnership, a limited liability company or a trust) in which Marshall Chesrown owns 20% or more of the equity interests therein.

“Pledged Tax Allocation Revenues” means all Tax Allocation Revenues received by the City on account of the “increment value” (as defined in RCW 39.89.020(10)) relating to property within the Kendall Yards Sub-Area, and all investment earnings thereon pending disbursement to the City to pay eligible costs of the City or to the Developer to pay the Payment Obligation (including interest thereon) and other eligible costs of the Developer in accordance with the Act and the terms and conditions of this Agreement.

“Public Improvements” means, collectively, the Neighborhood Improvements, the County Improvements, and the Kendall Yards Sub-Area Improvements.

“Public Improvement Costs” has the meaning specified for such phrase in RCW 39.89.020(5).

“Public Works Compliance Certificate” means a certificate executed by the City’s Chief Operating Office and City Attorney or their designees, at the request of the Developer, confirming that, as of the date of such certificate, based on the information provided by the Developer, the City reasonably believes the Developer has substantially complied in all material respects with the Public Works Laws with respect to the Kendall Yards Sub-Area Improvements described in such certificate. At the Developer’s request, or upon the City’s volition, the City shall indicate whether the proposed Kendall Yards Sub-Area Improvements will exceed the City standards in such a way that the City will need the Developer to further address responsibility for future operation, maintenance, repair and replacement of such improvements. The City acknowledges that such responsibilities may be addressed by the creation of a parking and business improvement area and/or a local improvement district.

“Public Works Laws” means those Washington laws and provisions of the City Code relating to public works listed in Exhibit “B” hereto, as the same may be amended from time to time, together with any public works laws that may hereafter be enacted.

“Tax Allocation Revenues” means all “tax allocation revenues” (as defined in RCW 39.89.020(8)) received by the City on account of the “increment value” (as defined in RCW 39.89.020(10)) in the Increment Area.

“Unencumbered Tax Allocation Revenues” means all Tax Allocation Revenues and investment earnings thereon other than Pledged Tax Allocation Revenues.

ARTICLE II REPRESENTATIONS AND WARRANTIES

SECTION 2.01 Representations and Warranties of the City. The City hereby represents and warrants as follows:

(a) The City is a municipal corporation duly established and existing under the Constitution and laws of the State of Washington, has full legal right, power and authority to enter into this Agreement and the Intergovernmental Agreement, to incur the Payment Obligation, and to carry out and consummate all transactions described in this Agreement, the Intergovernmental Agreement and the Payment Obligation, and by proper legal action has duly authorized the execution and delivery of this Agreement, the Intergovernmental Agreement and the Payment Obligation.

(b) The person executing this Agreement on behalf of the City is duly and properly in office and fully authorized to execute the same.

(c) All acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the creation of the Increment Area, the

execution of this Agreement and the performance by the City of its obligations hereunder exist, have happened and have been performed in regular and due time, form and manner as required by law.

(d) This Agreement has been duly authorized, executed and delivered by the City.

(e) This Agreement constitutes a legal, valid and binding agreement of the City, enforceable against the City in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(f) The execution and delivery of this Agreement, the consummation of the transactions herein described and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the City Charter or any ordinance, indenture, mortgage, deed of trust, loan agreement, lease, contract or other material agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or, to the knowledge of the City, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions described in this Agreement or the financial condition, assets, properties, or operations of the City.

(g) No consent or approval of any trustee or holder of any indebtedness of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction herein described, except as have been obtained or made and as are in full force and effect.

(h) The City will not use the Tax Allocation Revenues to pay for costs or expenses that are not Public Improvement Costs.

SECTION 2.02 Representations and Warranties of the Developer. The Developer hereby represents and warrants as follows:

(a) The Developer is a corporation duly established and validly existing under the laws of the State of Washington, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions described in this Agreement, and by proper legal action has duly authorized the execution and delivery of this Agreement.

(b) The person executing this Agreement on behalf of the Developer is fully authorized to execute the same.

(c) The Developer is duly authorized by law to enter into and execute this Agreement and to perform its obligations hereunder, and all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution of this Agreement and the performance by the Developer of its obligations hereunder exist, have happened and have been performed in regular and due time, form and manner as required by law.

(d) This Agreement has been duly authorized, executed and delivered by the Developer.

(e) This Agreement constitutes a legal, valid and binding agreement of the Developer, enforceable against the Developer in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(f) The execution and delivery of this Agreement, the consummation of the transactions herein described and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the articles of incorporation of the Developer, its bylaws or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other material agreement or instrument to which the Developer is a party or by which it or its properties are otherwise subject or bound, or, to the knowledge of the Developer, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Developer, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions described in this Agreement or the financial condition, assets, properties, or operations of the Developer.

(g) No consent or approval of any trustee or holder of any indebtedness of the Developer, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction herein described, except as have been obtained or made and as are in full force and effect.

ARTICLE III PAYMENT OBLIGATION

SECTION 3.01 City Payment Obligation.

(a) Upon delivery of each Approval Notice, the City will incur an obligation to reimburse the Developer from Pledged Tax Allocation Revenues for a principal amount equal to the Public Improvements Costs identified in such Approval Notice for the Kendall Yards Sub-Area Improvements described in such Approval Notice. The Payment Obligation will be evidenced by an instrument in the form attached hereto as

Exhibit "A", which will be executed by the City and delivered to the Developer upon delivery of the initial Approval Notice. As each subsequent Approval Notice is delivered by the City, the outstanding principal amount of the Payment Obligation automatically will increase by the amount identified in such subsequent Approval Notice without further action by the City. The principal amount identified in each such Approval Notice shall be inserted in the grid attached to the Payment Obligation; provided, however, that any inadvertent failure to include an amount in such grid will have no effect on the amount of the Payment Obligation. Within seven (7) days after receiving the Final Notice from the Developer, the City will provide the Developer with a replacement Payment Obligation that identifies the aggregate sum of the then-outstanding principal amount of the Payment Obligation.

(b) The City will pay the Developer interest on the outstanding principal amount of the Payment Obligation (computed on the basis of a 365/366-day year) at the rate *per annum* determined as set forth in subsection (c) below, for the actual number of days elapsed, from the respective dates of the Approval Notices, until the earlier of: (i) the date that the aggregate principal amount of the Payment Obligation and all interest accrued thereon has been paid, or (ii) this Agreement terminates pursuant to Section 6.10 hereof. Such interest shall be paid on the fifteenth day of each month (or first business day thereafter if such fifteenth day of the month is not a business day) (each, an "Interest Payment Date"), commencing with the first month after the initial Approval Notice is delivered; *provided, however*, interest on the Payment Obligation is payable only to the extent of available money in the Kendall Yards Fund and shall not be compounded to the extent not paid due to a deficiency in the Kendall Yards Fund.

(c) The interest rate on the Payment Obligation shall be established on the date of the initial Approval Notice at an interest rate equal to the yield on the 30-year U.S. Treasury Bond published in The Wall Street Journal on such date, plus 200 basis points (2%). The interest rate on the Payment Obligation shall be fixed on such date and shall not be subject to adjustment.

(d) The City shall redeem the principal of the Payment Obligation on each Interest Payment Date to the extent Pledged Tax Allocation Revenues are available on such date in an amount greater than the accrued interest on the Payment Obligation that is due and payable on such date. In other words, on each Interest Payment Date, available money in the Kendall Yards Fund shall be used first to pay interest on the Payment Obligation and be used second to pay principal of the Payment Obligation.

(e) The Payment Obligation will be a special, limited and contingent obligation of the City and will not constitute an indebtedness or general obligation of the City within the meaning of State Constitutional, statutory or City Charter debt limitations or restrictions, including without limitation: Article VIII, Section 6 of the Washington Constitution; Chapter 39.36 RCW; and Section 85 of the City Charter. The City shall have no payment obligation of any kind to the Developer unless and until (i) the City provides one or more Approval Notices in accordance with and as contemplated by this Agreement and (ii) Pledged Tax

Allocation Revenues are received by the City. The City's payment obligation shall be limited to Pledged Tax Allocation Revenues received by the City and neither the City's general fund nor any other revenues of the City, other than the Pledged Tax Allocation Revenues, shall be available at any time to pay the Payment Obligation. The Developer acknowledges and understands that, aside from the Payment Obligation, the City shall have no financial or payment obligation to the Developer in connection with the construction of Public Improvements in the Increment Area.

SECTION 3.02 Pledge of Tax Allocation Revenues.

(a) All of the Pledged Tax Allocation Revenues is pledged for the payment of the Payment Obligation. This pledge shall constitute a prior charge on the Pledged Tax Allocation Revenue over all other charges or claims whatsoever, other than amounts payable to the City for costs and expenses of the City under Section 6.11 below, for which the City shall have a first and prior right to payment. It is the intent of the City that this pledge shall be valid and binding as of the date of this Agreement; that all Pledged Tax Allocation Revenue hereafter received by the City shall immediately be subject to the lien of such pledge without any physical delivery or further act; and that the lien of such pledge shall be valid and binding as against any parties having claims of any kind in tort, contract, or otherwise against the City without respect to whether such parties have notice thereof.

(b) The City will create and shall continue to maintain a segregated account within the City Treasury, designated as the "Kendall Yards Sub-Area Fund" (the "Kendall Yards Fund"), solely for the purposes of: (i) paying eligible costs and expenses pursuant to Section 6.11 hereof; and (ii) paying the principal and interest on the Payment Obligation. The City will not commingle the Kendall Yards Fund with other City funds and accounts. So long as any Payment Obligation is outstanding, the City shall set aside and pay into the Kendall Yards Fund all Pledged Tax Allocation Revenues immediately upon their collection.

SECTION 3.03 Compliance with Public Works Laws.

(a) Public Improvement Costs for the Kendall Yards Sub-Area Improvements that are eligible for reimbursement to the Developer pursuant to the Payment Obligation are limited to those described in the Formation Ordinance that are constructed in compliance with applicable Public Works Laws. Public Improvement Costs associated with Kendall Yards Sub-Area Improvements that are not constructed in compliance with such applicable Public Works Laws shall not be eligible for reimbursement, even if such improvements are among those described as Kendall Yards Sub-Area Improvements in the Formation Ordinance.

(b) To confirm compliance with RCW 39.89.040 with respect to the Kendall Yards Sub-Area Improvements, the Developer may request that the City provide an Public Works Compliance Certificate with respect to any Kendall Yards Sub-Area Improvements at each of the following times in the development process for such

improvements: (i) immediately prior to submitting plans and specifications to potential bidders; (ii) immediately prior to awarding a contract with respect to such plans and specifications; (iii) once each quarter during the construction of the improvements; (iv) upon the issuance of a Certificate of Acceptance for the improvements; and (v) immediately prior to release of the retainage required by Chapter 60.28 RCW. The purpose of the Public Works Compliance Certificates is to provide the Developer with a reasonable basis for proceeding with the expenditure of its funds and the incurring of liabilities with respect to the particular Kendall Yards Sub-Area Improvements. Within ten (10) business days after receiving a request for a Public Works Compliance Certificate, the City shall provide the Developer with either (i) the requested Public Works Compliance Certificate, or (ii) a written summary of the purported violations of the Public Works Laws, together with a statement identifying whether the violation(s) can be cured.

SECTION 3.04 Completion and Approval Notices. Upon Developer's request for a Certificate of Acceptance relating to any Kendall Yards Sub-Area Improvement, the Developer may provide the City with a Completion Notice.

(a) Within twenty (20) days after receiving a Completion Notice, the City shall provide the Developer with either (i) an Approval Notice relating to such Kendall Yards Sub-Area Improvement, or (ii) a written summary of the reasons why an Approval Notice will not be provided. The City may withhold delivery of an Approval Notice if (i) there have been material violations of and/or voluntary non-compliance with the Public Works Laws with respect to the Kendall Yards Sub-Area Improvement, (ii) the Developer has failed to materially comply with applicable City design, engineering, and development standards relating to the particular Kendall Yards Sub-Area Improvement, (iii) the Developer has failed to submit a properly completed Completion Notice with respect to such Improvements, or (iv) the City does not concur with the amount of the Public Improvement Costs contained in the Completion Notice.

(b) In the event the City does not concur with the amount of the Public Improvement Costs contained in the Completion Notice, (i) the Developer may concur in such lesser or greater amount specified by the City, in which case an Approval Notice will be delivered by the City showing the agreed-upon amount, or (ii) the City will provide the Developer, at the Developer's request, an opportunity to provide additional evidence in support of the disputed amount. Any such additional evidence provided pursuant to clause (ii) will be deemed part of the original Completion Notice. Within ten (10) business days of receiving such additional evidence, the City will either (i) deliver an Approval Notice reflecting the amount in the Completion Notice or (ii) provide the Developer with a written summary of the reasons why the City does not concur with the amount of the Public Improvement Costs contained in the Completion Notice.

(c) The process described in paragraph (b) of this Section may be repeated as often as the parties desire until an Approval Notice is delivered by the City. However, either party may submit such dispute to binding arbitration if, after the second submission of evidence by the Developer under paragraph (b), the City is unwilling to provide an Approval Notice. Any dispute as to the amount of Public Improvement Costs shall be

settled by binding arbitration before a single arbitrator in accordance with the Washington Mandatory Arbitration Rules. Written notice of demand for arbitration shall be provided to the other party hereto. The parties shall select a single arbitrator within ten (10) days of the receipt of demand for arbitration. If the parties fail to appoint an arbitrator within the ten (10) day period, any party may make immediate application to the Spokane County Superior Court for the appointment of an arbitrator. The arbitration shall take place in Spokane, Washington, and shall commence within sixty (60) days of the appointment of an arbitrator. Any party which is determined in such arbitration to be the prevailing party shall be entitled to have its reasonable attorneys' fees and costs paid by the nonprevailing party. When appropriate, judgment on any award may be entered in a court of competent jurisdiction. The arbitrator shall be required to make written findings of fact and conclusions of law for delivery to the parties. This provision shall be specifically enforceable under the laws of the State of Washington.

ARTICLE IV COVENANTS AND AGREEMENTS

SECTION 4.01 Enforcement of Agreements and the Act. The City will comply with the Intergovernmental Agreement, the Formation Ordinance and the Act, will diligently enforce the County's obligations under the Intergovernmental Agreement and the Act, and will not amend the Intergovernmental Agreement without the Developer's written consent. The City will not amend the Formation Ordinance, nor take any action to dissolve or permit the dissolution of the Increment Area except as otherwise provided in the Formation Ordinance. The City will contest and defend any action, suit or proceeding challenging the validity or enforceability of this Agreement, the Intergovernmental Agreement, the Formation Ordinance, the Payment Obligation, the proceedings undertaken to establish the Increment Area, or any related matters effecting the power, authority or ability of the City to perform its obligations hereunder. To the extent permitted by the Act, all costs and expenses incurred by the City in connection with such actions shall be subject to payment or reimbursement pursuant to Section 6.11 hereof.

SECTION 4.02 Levy Taxes. For the term of this Agreement, the City covenants and agrees to levy taxes annually on all of the taxable property within the Increment Area, subject to any limitations that are imposed by law.

SECTION 4.03 Accounting Records. The City shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles applicable to Washington municipal corporations, in which complete and accurate entries shall be made of all receipts of Tax Allocation Revenues and all transactions of or in relation to the business, properties and operations of the City with respect to such Tax Allocation Revenues. The Developer, upon reasonable notice to the City, shall have the right to review and inspect such books and records, in accordance with applicable public records laws and established policies of the City with respect to public records requests. The Developer shall use commercially reasonable efforts to keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted principles, in which commercially reasonable complete and accurate entries shall be made supporting the amount of Public

Improvement Costs set forth in any Completion Notice. The Developer shall retain such records for a period of six (6) years of the applicable Approval Notice.

SECTION 4.04 Acknowledgements of the Developer. The Developer acknowledges that: (i) the source of money to pay the Payment Obligation is limited to Pledged Tax Allocation Revenues; (ii) the amount of the Pledged Tax Allocation Revenues will depend primarily upon the construction of taxable improvements on taxable property within the Kendall Yards Sub-Area; and (iii) the City's receipt of Pledged Tax Allocation Revenues will be dependent upon factors outside the City's control, such as when property is assessed within the Kendall Yards Sub-Area, when taxes are paid by owners of such property, whether regular property tax rates will increase or decrease, and possible changes to the State laws governing property taxation. The Developer acknowledges and agrees that this Agreement, the Payment Obligation and the use of community revitalization financing under the Act, as contemplated by the parties, involve legal issues that are not addressed by existing laws, regulations, rulings and court decisions. The Developer has independently evaluated the legal and other risks associated with the agreements set forth herein and that it shall not be entitled to rely on the advice provided to the City by the City Counsel, and hereby acknowledges that no guarantee has been made by the City or the City Counsel regarding outcomes if any of the contemplated arrangements are challenged in a court of competent jurisdiction.

SECTION 4.05 Acknowledgements of the City. Subject to the Developer's acknowledgments in this Agreement, including, without limitation, those set forth in Section 4.04 above, the City acknowledges that: (i) the Developer is undertaking to acquire, construct and install the Kendall Yards Sub-Area Improvements and certain other public and private improvements in the Kendall Yards Sub-Area and elsewhere in reliance upon the City's commitments contained in this Agreement; and (ii) the City's commitments contained in this Agreement are a material inducement to the Developer's borrowing of money to pay Public Improvement Costs pending the Developer's receipt of payments under the Payment Obligation.

ARTICLE V INDEMNIFICATION AND DEFENSE OF CLAIMS

SECTION 5.01 Indemnification for Project Claims. The Developer agrees to defend, indemnify and save the City, its appointed or elected officials, and its employees (collectively, the "Indemnified Parties"), harmless against and from all claims by or on behalf of any person, firm, corporation or other legal entity arising from the Developer's development and construction of all or any portion of the Kendall Yards Sub-Area Improvements ("Project Claims"). Such indemnification obligation shall not extend to claims related to the formation of the Increment Area or the City's approval, execution and delivery and performance of its obligations under this Agreement, and any other actions to be taken or to be taken by the City relating to the Increment Area or the Payment Obligation. The indemnification obligation undertaken by the Developer in this Section 5.01 shall apply to any legal action or proceeding, and to costs and fees (including reasonable legal fees) incurred in any such action or proceedings commenced with respect to a Project Claim, whether at trial, on appeal, or otherwise, and upon notice from the City or its elected or appointed officials, employees or agents, the Developer shall defend them in any such action or proceeding at the Developer's expense.

Notwithstanding anything to the contrary contained herein, the Developer shall not have liability to indemnify an Indemnified Party against Project Claims or damages resulting directly from the negligence, gross negligence or intentional misconduct of the City or its elected, appointed officials, employees or agents.

In the event any Project Claim is made against an Indemnified Party for which indemnification may be sought from the Developer under the foregoing provisions, such Indemnified Party shall promptly give written notice thereof to the Developer; provided that any failure to give or delay in giving such written notice shall not relieve the Developer's indemnification obligations as set forth above except to the extent such failure or delay prejudices the Developer's ability to defend or settle such claim. Upon receipt of such notice, the Developer shall assume the defense thereof in all respects and may settle such claim in such manner as it deems appropriate so long as there is no liability, cost or expense to the Indemnified Party. The Developer shall select legal counsel to represent each Indemnified Party and shall not be responsible for the legal fees and expenses of any legal counsel retained by any Indemnified Party without the written consent of the Developer, unless the City shall have reasonably concluded that there may be a conflict of interest between the City and the Developer in the conduct of the defense of such action (in which case the Developer shall not have the right to direct the defense of such action on behalf of the City but shall be responsible for the reasonable legal fees and expenses of the counsel retained by the Indemnified Party whether incurred at trial, on appeal, in bankruptcy proceedings or otherwise).

SECTION 5.02 Insurance. During the Term of this Agreement, Developer shall cause to be maintained in force at its own expense, insurance coverage as follows:

(a) Commercial general liability insurance with a combined single liability limit of not less than \$1,000,000 each occurrence and \$2,000,000 aggregate for Bodily Injury and Property Damage. It shall include, at least, Independent Contractors, Products and Completed Operations, Contractual Liability and Personal Injury Liability for the indemnity provided under this Agreement. It shall provide that the City, its officers, employees, contractors, agents, and such other persons or entities as the City may designate are additional insureds, but only with respect construction of the Kendall Yards Sub-Area Improvements.

(b) The Developer will provide written notice to the City of any cancellation, material change, reduction of limits or non-renewal of the insurance coverage(s) no more than 30 days after such event occurs.

(c) Developer shall require any contractor performing any work relating to the Kendall Yards Sub-Area Improvements to the Agreement to carry and maintain, at no expense to the City: (a) comprehensive general liability insurance, including contractor's liability coverage, contractual liability coverage, completed operations coverage, broad form property damage endorsement and contractor's protective liability coverage, to afford protection, with respect to personal injury, death or property damage of not less than \$1,000,000 per occurrence, combined single limit/\$2,000,000 aggregate; (b) comprehensive automobile liability insurance with limits for each occurrence of not less than \$1,000,000 with respect to personal injury or death and \$500,000 with respect to

property damage; and (c) Worker's Compensation or similar insurance in form and amounts required by law.

(d) All the insurance required under this Agreement shall be written as primary policies, not contributing with and not supplemental to the coverage that the City may carry.

(e) Developer shall furnish its insurance carriers with a copy of this Agreement to insure proper coverage. As evidence of the insurance coverages required by this Agreement, Developer shall furnish acceptable insurance certificates to the City at the time this Agreement is executed. The certificates shall specify all of the parties who are additional insured, will include applicable policy endorsements, and will include the 30-day cancellation clause. If Developer fails to perform any of its obligations under this Section 5.02, the City may perform the same and the City shall recover the same from Pledged Tax Allocation Revenues. The City makes no representations that the types or amounts of coverage required to be carried by Developer pursuant to this Section are adequate to protect the Developer.

SECTION 5.03 Joint Defense Obligation. The City and the Developer agree to enter into a joint defense agreement relating to the defense of any legal action, suit or proceeding challenging the validity of the formation of the Increment Area or the Payment Obligation. If the parties do not enter into such an agreement, then the Developer will be deemed to have waived any and all rights relating directly or indirectly to defense of the matter at issue.

ARTICLE VI MISCELLANEOUS

SECTION 6.01 Amendment. This Agreement may not be amended except by written agreement signed by the City and the Developer.

SECTION 6.02 Assignment. Prior to the completion of the Kendall Yards Sub-Area Improvements this Agreement and the rights and obligations of the Developer hereunder may not be assigned, transferred or pledged by the Developer to any third party or any successor in interest to the Developer (other than a Permitted Assignee) without the prior written consent of the City, which consent may not be unreasonably withheld, conditioned or delayed by the City. From and after the date of the Final Notice, the rights and obligations of the Developer hereunder may be assigned, transferred or pledged in whole, but not in part, upon 30 days' prior written notice to the City. Notwithstanding any permitted assignment, transfer or pledge of the rights or obligations of the Developer under this Agreement, the City shall at no time be required to make payments with respect to the Payment Obligation or otherwise under this Agreement to more than one single designated party. The Developer will provide a written notice to the City of any such designated party that is not the Developer.

SECTION 6.03 No Personal Liability. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any present or future City Council member, official, officer, agent or employee of the City, in his or her individual capacity, and neither the Council members, officials, officers, agents and employees of the City,

nor any person executing this Agreement, shall be liable personally hereunder or be subject to any personal liability or accountability by reason hereof.

SECTION 6.04 Counterparts. This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

SECTION 6.05 Limitation of Rights. Nothing expressed in or to be implied from this Agreement is intended to give, or shall be construed to give, any person other than the parties hereto, and their permitted successors and assigns, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement.

SECTION 6.06 Severability of Invalid Provisions. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections in this Agreement shall not affect the validity or enforceability of the remaining portions of this Agreement, or any part thereof. It is the intent of the parties that the Pledged Tax Allocation Revenues be used for purposes of paying the Public Improvement Costs relating to "public improvements" (as defined in RCW 39.89.020) that are located within the Kendall Yards Sub-Area. If a court determines that the City's acquisition of the Kendall Yards Sub-Area Improvements from the Developer with the Payment Obligation violates applicable law, or that the Payment Obligation is not a valid, binding and enforceable obligation of the City, then the City agrees to cooperate with the Developer to either: (i) amend and/or restate this Agreement in a manner consistent with the court determination to cause the City's obligation to finance "public improvements" of the type described in the definition of "Kendall Yards Sub-Area Improvements" with the Pledged Tax Allocation Revenues to be a legal, valid, binding and enforceable obligation under the Act, which may include for example, amendment and/or restatement of this Agreement to provide for the installation of such public improvements by the City; provided, any such agreement by the City to install the public improvements shall be subject to the Developer providing adequate security to fully protect the City's investment in the public improvements, in the form of a letter of credit or other security acceptable to the City in its sole discretion, as authorized by the Act; or (ii) to jointly, with the Developer, pursue a declaratory judgment action to determine, notwithstanding the provisions of Section 85 of the City Charter, the City's ability to incur indebtedness without a vote of the people to finance such public improvements pursuant to the express authority granted cities in Chapter 39.89 RCW subject to the Developer providing a letter of credit or other security satisfactory to the City in its sole discretion to fully an debt service issued to third parties, including principal and interest payments, on such non-voted indebtedness in the event of any shortfall in the Tax Allocation Revenues, as authorized by the Act.

SECTION 6.07 Headings. The headings and Table of Contents herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

SECTION 6.08 Governing Law and Venue. This Agreement shall be construed in accordance with and governed by the laws of the State of Washington applicable to contracts made and performed within such State. The venue for any dispute arising under this Agreement shall be in the Superior Court of the State of Washington for Spokane County, Washington.

SECTION 6.09 Notices. All notices or communications herein required or permitted to be given shall be in writing as set forth in this Section. Notices must be sent by registered or certified mail, postage prepaid, return receipt requested, or sent by commercial delivery service, by hand delivery, or by telecopy, paid for by the sender, to the addressee(s) thereof at the last address(es) designated for such purpose. The date of receipt of such registered mail or certified mail, or the date of actual receipt of such writing by commercial delivery service, hand delivery or telecopy, will be deemed for purposes of this Agreement as the date of such notice. As of the date of this Agreement, the addresses of the parties are:

If to the City:

City of Spokane
Chief Operating Officer
808 West Spokane Falls Boulevard
Spokane, WA 99201-3303
Phone: (509) 625-6268
Fax: (509) 625-6217

With a copy to:

City Attorney
City of Spokane
5th Floor, Municipal Building
808 W. Spokane Falls Boulevard
Spokane, WA 99201-3326
Phone: (509) 625-6238
Fax: (509) 625-6277

If to the Developer:

Kendall Yards Development, Inc.
Attn. Chief Operating Officer

Via mail:

P.O. Box 3070
Coeur d'Alene, ID 83816

Via delivery:

912 Northwest Boulevard
Coeur d'Alene, ID 83814
Phone: (208) 665-2005
Fax: (208) 667-5071

With a copy to:

John R. Layman
Layman, Layman & Robinson, PLLP
601 S. Division Street
Spokane, WA 99202
Phone: (509) 455-8883
Fax: (509) 624-2902

The Developer and the City may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates and other communications shall be sent.

SECTION 6.10 Term of Agreement. The obligations of the City and the Developer under this Agreement shall remain in full force and effect from the date of execution

until the earlier of (i) such time as the Pledged Tax Allocation Revenues are no longer necessary or obligated to pay the Payment Obligation and the amounts payable under Section 6.11 hereof; or (ii) December 31, 2032; provided, however, that notwithstanding the foregoing this Agreement shall continue in force and effect if at the time it would otherwise be subject to termination under this Section 7.10 the City is in default in connection with its obligations hereunder.

SECTION 6.11 Fees and Expenses. Each of the Parties shall be obligated to pay their respective fees and expenses incurred in connection with the formation and maintenance of the Increment Area and this Agreement, and such other administrative expenses and professional services. The City shall be entitled to payment or reimbursement of all fees and costs that are Public Improvement Costs from the first available Tax Allocation Revenues, including Pledged Tax Allocation Revenues; provided, the amount of City Counsel fees and expenses to be reimbursed from Tax Allocation Revenues, if any, for services provided up to the date the Formation Ordinance is enacted shall not exceed \$200,000.00. The City also shall pay the County up to \$12,000.00 from the first available Tax Allocation Revenues, including Pledged Tax Allocation Revenues, on a parity basis with the City's fees and costs, to reimburse the County for the legal fees and expenses of the County's counsel incurred with respect to the establishment of the Increment Area.

SECTION 6.12 No Implied Waiver. No failure on the part of a party hereto to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. No term or provision of this Agreement shall be deemed waived and no breach excused unless such waiver or excuse shall be in writing and signed by the party claimed to have so waived or excused.

SECTION 6.13 Government Approval. The Developer acknowledges that this Agreement does not bind the City until it has been approved by the City Council, executed by the Mayor and attested by the City Clerk.

SECTION 6.14 Non-Waiver. This Agreement is not intended to address any condition(s) of development approval and shall not be construed in any manner as a waiver of any such conditions. Nor shall this Agreement relieve Developer from its obligations to (i) comply with rules and regulations applicable to the design, engineering and construction of public or private improvements constructed in the Kendall Yards Sub-Area, (ii) secure such governmental approvals and permits as may be imposed as a condition of any work being performed in the Kendall Yards Sub-Area, and (iii) to pay all cost and expenses associated with such approvals and permits, including without limitation fees imposed by the City.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names and behalf by their duly authorized representatives as of the date first above written.

CITY OF SPOKANE

By: _____
Dennis Hession, Mayor

Attest:

Terri L. Pfister, City Clerk

Approved as to form:

City Attorney

KENDALL YARDS DEVELOPMENT, INC.

By: _____
Authorized Officer

EXHIBIT A

Form of Payment Obligation

EXHIBIT B

Public Works Laws

Chapter 39.04 RCW

Chapter 39.06 RCW

Chapter 39.08 RCW

Chapter 39.12 RCW

Chapter 39.80 RCW

Chapter 60.28 RCW

Section 37 of the City Charter

Chapter 7.06 of the City Code

Without limiting the generality of the foregoing, the Developer agrees to comply with the following public works laws applicable to the City (subject to the modifications specified below) to the extent required by RCW 39.89.040:

The following sections of chapter 39.04 RCW: 39.04.010; 39.04.020; 39.04.040; 39.04.050; 39.04.060; 39.04.105; 39.04.107; 39.04.120; 39.04.180; 39.04.250; 39.04.260; and 39.04.280.

The following section of chapter 39.06 RCW: 39.06.010.

The following sections of chapter 39.08 RCW: 39.08.010; 39.08.030; and 39.08.065.

The following sections of chapter 39.12 RCW: 39.12.010; 39.12.015; 39.12.020; 39.12.022; 39.12.030; 39.12.040; 39.12.060; 39.12.065; and 39.12.070.

The following sections of chapter 39.80 RCW: 39.80.030; 39.80.040 and 39.80.050.

All sections of chapter 60.28 RCW.

Spokane City Charter, § 37

Spokane Municipal Code, Chapter 7.06, *except*: references to the “City” in such code sections shall be deemed to be references to the Developer; references to the “City Council” and City officials (*e.g.* Mayor, City

Clerk, Purchasing Director) shall be deemed references to any representative of the Developer; the City will cause notices to be published in *The Official Gazette* pursuant to SMC § 7.06.110 at no additional cost to the Developer; the Developer may award the contract in lieu of complying with the requirements of SMC § 7.06.150; and SMC §§ 7.06.275 and 7.06.400 through 7.06.430 shall not apply with respect to the Kendall Yards Sub-Area Improvements.

EXHIBIT C

Certificate of Acceptance

EXHIBIT A

Form of Payment Obligation

EXHIBIT "A"
Form of Payment Obligation

STATE OF WASHINGTON

CITY OF SPOKANE

WEST QUADRANT INCREMENT AREA PAYMENT OBLIGATION

Interest Rate: As set forth below

Maturity Date: December 31, 2032

Holder: KENDALL YARDS DEVELOPMENT, INC.

The CITY OF SPOKANE, WASHINGTON (the "City"), a municipal corporation of the State of Washington, promises to pay to the Holder and any Permitted Assignee the outstanding principal amount set forth from time to time on the Payment Obligation Schedule attached hereto and to pay interest (computed on the basis of a 365/366-day year, actual days elapsed) thereon from the date hereof at the Interest Rate *per annum* determined as set forth below, payable monthly on the fifteenth day of each month (or, if such day is not a business day, then on the first business day thereafter) to the maturity of this Payment Obligation (each, an "Interest Payment Date"), commencing with the first month after the date on which the first Approval Notice is delivered by the City to the Holder pursuant to Section 3.04 of the Reimbursement Agreement dated as of May 14, 2007 between the City and Kendall Yards Development, Inc. (the "Reimbursement Agreement"); *provided, however*, interest on this Payment Obligation shall be payable only to the extent Pledged Tax Allocation Revenues are available on an Interest Payment Date and shall not be compounded to the extent not paid. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Reimbursement Agreement, as the same may be amended from time to time.

The interest rate on the Payment Obligation shall be established on the date of the initial Approval Notice at an interest rate equal to the yield on the 30-year U.S. Treasury Bond published in The Wall Street Journal on such date, plus 200 basis points (2%). The interest rate on the Payment Obligation shall be fixed on such date and shall not be subject to adjustment.

The City shall redeem the principal of this Payment Obligation on each Interest Payment Date to the extent Pledged Tax Allocation Revenues are available on such date in an amount greater than the accrued interest on this Payment Obligation that is due and payable on such date. The principal amount of this Payment Obligation shall be established in accordance with Section 3.01(a) of the Reimbursement Agreement pursuant to the delivery of Approval Notices by the City, with the principal amount identified in each Approval Notice recorded on the Payment Obligation Schedule; *provided, however* that any inadvertent failure to include an amount on the Payment Obligation Schedule shall not affect on the amount of this Payment Obligation.

THE CITY'S OBLIGATIONS TO PAY THE PRINCIPAL OF THIS PAYMENT OBLIGATION AND ALL ACCRUED INTEREST HEREON SHALL EXPIRE, WITHOUT RECOURSE AGAINST THE CITY, AT MIDNIGHT ON THE MATURITY DATE, UNLESS THE CITY IS IN DEFAULT OF ITS OBLIGATIONS UNDER THE REIMBURSEMENT AGREEMENT OR THIS PAYMENT OBLIGATION AS OF THE MATURITY DATE.

Both principal of and interest on this Payment Obligation are payable in lawful money of the United States of America to the Holder at the address Holder provided in writing by the Holder to the City Treasurer, and shall be paid by check of the City, or by wire transfer to the account identified by the Holder in writing.

THIS PAYMENT OBLIGATION IS A SPECIAL, LIMITED AND CONTINGENT OBLIGATION OF THE CITY PAYABLE ONLY FROM PLEDGED TAX ALLOCATION REVENUES. THIS PAYMENT OBLIGATION IS NOT AN OBLIGATION OF STATE OF WASHINGTON OR ANY OTHER POLITICAL SUBDIVISION THEREOF OTHER THAN THE CITY. THIS PAYMENT OBLIGATION DOES NOT CONSTITUTE A CHARGE UPON ANY FUND (EXCEPT THE KENDALL YARDS SUB-AREA FUND) OR UPON ANY MONEY OR OTHER PROPERTY OF THE CITY, THE STATE OF WASHINGTON, OR ANY OTHER POLITICAL SUBDIVISION THEREOF NOT SPECIFICALLY PLEDGED TO THE PAYMENT HEREOF. THE CITY'S FULL FAITH, CREDIT AND RESOURCES ARE NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS PAYMENT OBLIGATION. THIS PAYMENT OBLIGATION DOES NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY WITHIN THE MEANING OF THE STATE CONSTITUTION, STATUTORY OR CHARTER DEBT LIMITATIONS OR RESTRICTIONS, INCLUDING WITHOUT LIMITATION: ARTICLE VIII, SECTION 6 OF THE WASHINGTON CONSTITUTION; CHAPTER 39.36 RCW; AND SECTION 85 OF THE CITY CHARTER.

This Payment Obligation may be transferred by the Holder to a Permitted Assignee at the office of the City Treasurer upon surrender and cancellation of this Payment Obligation in accordance with Section 6.02 of the Reimbursement Agreement. Upon such transfer, a new Payment Obligation in the principal amount of the then-unpaid principal amount hereof will be issued to the new Holder, without charge, in exchange thereof. Transfer shall be subject to the limitations of Section 6.02 of the Reimbursement Agreement and conditioned on the City's receipt from the transferee of a Certificate in the form attached hereto as Attachment A.

It is certified that all acts, conditions and things required to be done precedent to and in the issuance of this Payment Obligation have been done, have happened and have been performed as required by law.

IN WITNESS WHEREOF, the City has caused this Payment Obligation to be executed on behalf of the City by the signatures of its Mayor and City Clerk, and to be imprinted, stamped or impressed with the official seal of the City, this ____ day of _____, 20__.

CITY OF SPOKANE , WASHINGTON

Mayor

Attest

Approved as to form:

City Clerk

City Attorney

(S E A L)

PAYMENT OBLIGATION SCHEDULE

Date of Approval Notice	Amount Approved by Approval Notice	Aggregate Principal Payments Made to Holder*	Outstanding Principal Amount of Payment Obligation*	Interest Rate

* As of the date of the respective Approval Notice listed in the far left column.

ATTACHMENT A

CERTIFICATE OF TRANSFEREE

In connection with the transfer of the West Quadrant Increment Area Payment Obligation (the "Payment Obligation"), in the principal amount of \$_____ of the City of Spokane, Washington to the undersigned transferee (the "Transferee"), the Transferee hereby acknowledges and represents that it has reviewed the Reimbursement Agreement and acknowledges that the source of payment of the Payment Obligation is limited to and contingent upon the City's receipt of Pledged Tax Allocation Revenues (as defined in the Reimbursement Agreement) and, as a result, that repayment of all principal of and interest on the Payment Obligation is not guaranteed. Further, the Transferee acknowledges that no credit rating for the Payment Obligation has been requested or is available from a nationally recognized credit rating agency; if the Transferee attempts to transfer the Payment Obligation, there may not be available sufficient business and financial information about the Payment Obligation of a type required by any purchaser; no trading market now exists or is expected to exist for the Payment Obligation; and the Transferee will bear the risks of investment in the Payment Obligation until its maturity. All transfers of this Payment Obligation shall be subject to Section 6.02 of the Reimbursement Agreement.

Dated: _____, 20__.

[Name of Transferee]

By: _____
Name:
Title:

EXHIBIT B

Public Works Laws

Chapter 39.04 RCW

Chapter 39.06 RCW

Chapter 39.08 RCW

Chapter 39.12 RCW

Chapter 39.80 RCW

Chapter 60.28 RCW

Section 37 of the City Charter

Chapter 7.06 of the City Code

Without limiting the generality of the foregoing, the Developer agrees to comply with the following public works laws applicable to the City (subject to the modifications specified below) to the extent required by RCW 39.89.040:

The following sections of chapter 39.04 RCW: 39.04.010; 39.04.020; 39.04.040; 39.04.050; 39.04.060; 39.04.105; 39.04.107; 39.04.120; 39.04.180; 39.04.250; 39.04.260; and 39.04.280.

The following section of chapter 39.06 RCW: 39.06.010.

The following sections of chapter 39.08 RCW: 39.08.010; 39.08.030; and 39.08.065.

The following sections of chapter 39.12 RCW: 39.12.010; 39.12.015; 39.12.020; 39.12.022; 39.12.030; 39.12.040; 39.12.060; 39.12.065; and 39.12.070.

The following sections of chapter 39.80 RCW: 39.80.030; 39.80.040 and 39.80.050.

All sections of chapter 60.28 RCW.

Spokane City Charter, § 37

Spokane Municipal Code, Chapter 7.06, *except*: references to the “City” in such code sections shall be deemed to be references to the Developer; references to the “City Council” and City officials (*e.g.* Mayor, City

Clerk, Purchasing Director) shall be deemed references to any representative of the Developer; the City will cause notices to be published in *The Official Gazette* pursuant to SMC § 7.06.110 at no additional cost to the Developer; the Developer may award the contract in lieu of complying with the requirements of SMC § 7.06.150; and SMC §§ 7.06.275 and 7.06.400 through 7.06.430 shall not apply with respect to the Kendall Yards Sub-Area Improvements.

EXHIBIT C

Certificate of Acceptance

Project No. _____

**CITY OF SPOKANE
DEPARTMENT OF ENGINEERING SERVICES**

CERTIFICATION OF ACCEPTANCE

PROJECT NAME:

CONTRACTOR:

DEVELOPER:

ENGINEER:

CONSTRUCTION MANAGEMENT

Inspection has been completed to confirm satisfactory compliance with approved plans and specifications.

Work started: _____

Work completed: _____

As-builts submitted: _____

Project cost: _____

Inspector(s)

Dated: _____

Project Engineer

Approved: _____

Principal Engineer – Const. Mgmt.

PUBLIC WORKS & UTILITIES

The above work is accepted into the City of Spokane public right-of-way and utilities system.

Dated: _____

Director of Public Works & Utilities

ENGINEERING SERVICES DEPT.

CONSTRUCTION COSTS

STREET () SEWER () WATER ()

(SUBMIT SEPARATE SHEET FOR STREET, SEWER AND/OR WATER)

PROJECT NO. 0000000

DESCRIPTION/LOCATION:

CONSTRUCTION COSTS: \$.00

INSPECTION CHARGES: .00

CHLORINATION CHARGES
FOR WATER PROJECTS: .00

TOTAL PROJECT COST: \$.00

STREET	FROM	TO	LENGTH	SIZE	TYPE

No. of Hydrants = 0 (W.O. #)

EXHIBIT C
Intergovernmental Agreement

**INTERGOVERNMENTAL AGREEMENT BETWEEN
THE CITY OF SPOKANE, WASHINGTON AND SPOKANE COUNTY, WASHINGTON
AUTHORIZING COMMUNITY REVITALIZATION FINANCING IN CONNECTION
WITH THE WEST QUADRANT INCREMENT AREA**

This Intergovernmental Agreement (the "Agreement") is made and entered into as of the dates set forth below, by the CITY OF SPOKANE, WASHINGTON (the "City"), and SPOKANE COUNTY, WASHINGTON (the "County") pursuant to the authority granted by Chapters 39.34 and 39.89 of the Revised Code of Washington ("RCW"), to enter into this Agreement in connection with the creation of a community revitalization financing increment area to be designated the "West Quadrant Increment Area" (the "Increment Area").

RECITALS

WHEREAS, the City is a first-class charter city duly organized and existing under and by virtue of the Constitution and laws of the state of Washington and the City Charter;

WHEREAS, the County is a class A county duly organized and existing under and by virtue of the Constitution and laws of the State of Washington;

WHEREAS, the City is authorized by Chapter 39.89 RCW (the "Act") to establish an increment area within the boundaries of the City and to finance public improvements using community revitalization financing to encourage private development within the increment area;

WHEREAS, the City desires to form an increment area as defined in RCW 39.89.010(8) to be designated the "West Quadrant Increment Area"; and

WHEREAS, the City has received a proposal from [Kendall Yards Development, Inc.] (the "Developer") requesting that the City finance a portion of the costs of certain public improvements through community revitalization financing in connection with development by the Developer of residential and commercial improvements on property located within that portion of the Increment Area that is designated the "Kendall Yards Sub-Area," a legal description of which is set forth on Schedule 2 to Exhibit A attached hereto (the "Kendall Yards Sub-Area"); and

WHEREAS, the City and the County have agreed that certain public improvements within the Increment Area will be constructed by or at the direction of the County (the "County Public Improvements") and that a portion of the costs of the County Public Improvements will be financed through the use of community revitalization financing; and

WHEREAS, in accordance with the provisions of Chapter 39.89 RCW generally, and RCW 39.89.050(3) specifically, the City anticipates enacting an Ordinance establishing the West Quadrant Increment Area (the "City Ordinance"), describing the public improvements to be financed through community revitalization financing, describing the boundaries of the Increment Area as set forth on Schedule 1 to Exhibit A attached hereto, estimating the cost of public

improvements and the portion of such costs to be financed by community revitalization financing, estimating the time during which regular property taxes are to be apportioned, providing the date when apportionment of regular property taxes will commence and finding that the conditions of RCW 39.89.030 are met; and

WHEREAS, RCW 39.89.030 and RCW 39.89.050 require that the City enter into written agreements with the governing body of certain local taxing districts within the Increment Area to approve the use of community revitalization financing;

WHEREAS, it is mutually beneficial for the City and the County to establish the Increment Area to increase the fair market value of real property within the Increment Area; and

WHEREAS, the City and the County, as public agencies, have authority pursuant to Chapter 39.34 RCW to enter into intergovernmental cooperative agreements; and

WHEREAS, in connection with the County Public Improvements, the City and the County have agreed that a portion of the tax allocation revenues (as defined by RCW 39.89.020(8)) generated within the Increment Area but outside of the Kendall Yards Sub-Area (the "Incremental Revenues") that are received by the City and available to finance public improvements shall be used to finance a portion of the costs of the County Public Improvements; and

WHEREAS, the County agrees to the proposed Increment Area and the use of community revitalization financing by the City to finance public improvements and encourage private development within the Increment Area;

NOW, THEREFORE, in consideration of the mutual promises contained herein, and the benefits to be realized by each party and by the general public from the creation of the Increment Area, the City and the County agree as follows:

1. Authority and Purpose. This Agreement is entered into pursuant to the authority of Chapters 39.34 and 39.89 RCW. This Agreement sets forth the County's approval of and agreement to, pursuant to RCW 39.89.030(4) and 39.89.050(1), the use of community revitalization financing to finance all or a portion of the costs of public improvements in the Increment Area and the terms and conditions of such agreement on the part of the County.

2. Incremental Revenue from Increment Area.

(a) Pursuant to this Agreement, the County agrees (i) that certain public improvements will be constructed by or at its direction which improvements are described in the City Ordinance creating the Increment Area, a substantially final form of which is attached hereto as Exhibit B, and (ii) to participate in the use of community revitalization financing to finance a portion of the costs of the County Public Improvements in the Increment Area as authorized under Chapter 39.89 RCW.

(b) The County and the City agree that the City Ordinance creating the Increment Area shall provide that a portion of the Incremental Revenues shall be

allocated to the County Public Improvements within the Increment Area as specified in the City Ordinance.

(c) The County and the City agree that the City shall allocate and pay to the County and the County shall be entitled to receive a portion of the Incremental Revenues in an amount equal to the County Allocation (as defined below) for the purpose of financing a portion of the costs of the County Public Improvements. For purposes of this subsection (c), "County Allocation" means thirty percent (30%) of Incremental Revenues received by the City on account of the "increment value" (as defined in RCW 39.89.020(10)) relating to the property located outside the Kendall Yards Sub-Area but inside the larger Increment Area, as defined in the Reimbursement Agreement attached to the City Ordinance set forth in Exhibit B. The County and the City agree that the City shall transfer the County Allocation to the County monthly within ten (10) business days of the City's receipt of the County Allocation from the County Treasurer.

(d) The County agrees that Incremental Revenues comprising the County Allocation shall be used solely to pay costs of the County Public Improvements and shall be applied to such costs only to the extent they constitute public improvement costs within the meaning and as permitted by the Act. The County shall from time to time as reasonably requested by the City provide to the City evidence reasonably acceptable to the City (e.g. invoices, contracts, work orders or other verifiable written documents) of the public improvements costs paid, incurred or anticipated to be incurred in connection with the County Public Improvements.

3. Administration. The County hereby designates the County's Chief Executive Officer as its representative for the purpose of implementing this Agreement. The City hereby designates the City's Chief Operating Officer as its representative for the purpose of implementing this Agreement.

4. Chapter 39.34 RCW Required Provisions.

(a) *Purpose.* See Section 1 above.

(b) *Duration.* This Agreement shall continue until the earlier of: (1) such time as the tax allocation revenues (as defined in RCW 39.89.020(8)) are no longer necessary or obligated to pay the costs of any of the public improvements as set forth in Section 2 of the City Ordinance; or (2) December 31, 2032.

(c) *Organization of Separate Entity and Its Powers.* See Section 3 above. No separate legal entity is necessary in conjunction with this Agreement.

(d) *Responsibilities of the Parties.* See provisions above.

(e) *Agreement to be Filed.* The City shall file this Agreement with its City Clerk. The County shall file this Agreement with the County Auditor or alternatively list the Agreement on the County's website.

(f) *Financing.* See Section 2 above.

(g) *Termination.* This Agreement may not be terminated any earlier than as provided in paragraph (b) above.

(h) *Property Upon Termination.* Title to all property acquired by any party in the performance of this Agreement shall remain with the acquiring party upon termination of this Agreement.

5. Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein.

6. Counterpart. The parties may sign this Agreement in one or more counterparts hereto and each counterpart shall be treated as an original.

7. Binding Effect. Both parties have full power and authority to execute and deliver this Agreement and to perform their respective obligations under this Agreement. This Agreement constitutes a valid and binding obligation of the County and the City and is enforceable in accordance with its provisions.

8. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Washington.

[Remainder of Page Intentionally Left Blank]


IN WITNESS WHEREOF, the parties have executed the Agreement and it shall be effective as of the last date of execution below.

Executed this 14th day of May, 2007 by:

CITY OF SPOKANE
Spokane County, Washington


Mayor

ATTEST:



City Clerk

(SEAL)



Executed this 8th day of May, 2007 by:

BOARD OF COUNTY COMMISSIONERS
OF SPOKANE COUNTY, WASHINGTON


Mark Richard, Chair


Bonnie Mager, Vice-Chair


Todd Mielke, Commissioner

ATTEST:

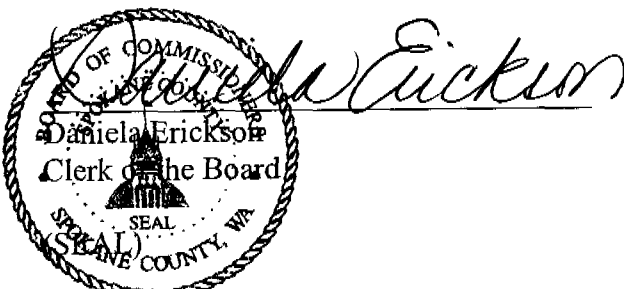


EXHIBIT A

Schedule 1 Boundaries of Increment Area

[To come.]

WEST QUADRANT INCREMENT AREA DESCRIPTION

Point of Beginning is South edge of North Branch of Spokane River and East R.O.W. Line of Washington Street; thence Westerly to following South edge of Spokane River to the approximate South R.O.W. Line of Boone Avenue which is the North property line of Parcel # 25141.0007; thence Easterly along said Property Line and crossing Evergreen St then along the south ROW line of vacated Boone Ave which is also the South Property line of Parcel # 25141.0014 extended to the west ROW line of Summit Blvd, then north along said ROW line extended across Boone Ave to the North ROW line of Boone Ave. Then East along said North ROW line of Boone Ave to West Property Line of Lot 8, Block 12, Chamberlin's Addition; thence Northerly along said Property Line, extending North through Alley and continuing along West Property Line of Lot 5, Block 12, Chamberlin's Addition, continuing North to the North R.O.W. Line of Sharp Avenue; thence West along said North R.O.W. Line to East R.O.W. Line of Oak Street; thence Northerly along said East R.O.W. Line to South R.O.W. Line of Alley between Sinto Avenue and Sharp Avenue; thence West along said South R.O.W. Line extended to West R.O.W. Line of Belt Street; thence North along said West R.O.W. Line to South R.O.W. Line of Sinto Avenue; thence West along said South R.O.W. Line to West R.O.W. Line of Chestnut Street; thence North along said West R.O.W. Line extended to North R.O.W. Line of Maxwell Avenue; thence East along said North R.O.W. Line to West R.O.W. Line of Belt Street; thence Northeasterly to North R.O.W. Line of Maxwell Avenue and Pettit Drive; thence Easterly following said North R.O.W. Line to West Property Line of Lot 8, Block 37, Chamberlin's Addition; thence North along said Property Line extended, becoming West Property Lines of Lot 5, Block 37; Lot 2, Block 4; Lot 2, Block 12, continuing North across Spofford Avenue to South Boundary of Parcel 25124.1514; thence West along said South Boundary to Southwest Corner of said Parcel; thence North along West Parcel Line extended to North R.O.W. Line of Alley between Spofford Avenue and Augusta Avenue; thence East along said R.O.W. Line to the West Property Line of Lot 2, Block 12, Muzzy's Addition; thence North along said West Property Line extended to North R.O.W. Line of Augusta Avenue, continuing North along West Property Line of Lot 11, Block 19, Muzzy's Addition across Alley between Augusta Avenue and Nora Avenue, continuing North along West Property Line of Lot 2, Block 19, Muzzy's Addition across Nora Avenue to North R.O.W. Line of Nora Avenue; thence East along said R.O.W. across Ash Street and Maple Street to East Property Line extended of Lot 4, Block 8, Coler Boulevard Addition; thence South along said Line extended across Alley between Nora Avenue and Augusta Avenue, continuing South along East Property Line of Lot 9, Block 8, Coler Boulevard Addition, continuing South across Alley between Augusta Avenue and Spofford Avenue, continuing South along East Property Line of Lot 9, Block 5, Coler Boulevard Addition, continuing South across Spofford Avenue, continuing South along the East Property Line of Lot 4, Block 2, Coler Boulevard Addition, continuing South across Mission Avenue, continuing south along East Boundary Line of Lot 3, Block 39, Chamberlin's Addition, continuing South across Alley between Mission Avenue and Maxwell Avenue, continuing South along East Boundary of Lot 10, Block 39, Chamberlin's Addition to North R.O.W. Line of Maxwell Avenue; thence East along said

(Revised - Rec'd 7/12/07)

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R.O.W. Line to East R.O.W. Line of Walnut Street; thence south along said R.O.W. Line to North R.O.W. Line of Alley South of Maxwell Avenue and North of Sinto Avenue extended; thence East along said R.O.W. line to East R.O.W. Line of Cedar Street; thence South along said R.O.W. Line to North R.O.W. Line of Sinto Avenue; thence East along said R.O.W. to Centerline extended of vacated Adams Street; thence South along said Centerline to North R.O.W. Line of Sharp Avenue; thence East along said R.O.W. Line to East R.O.W. Line of vacated Adams Street; thence South along the East R.O.W. Line of Adams Street to North R.O.W. Line of Boone Avenue; thence East along said R.O.W. Line extended through Madison Street to West Property Line of Parcel 35182.3210; thence generally North along Monroe Street on both sides in accordance with the revised Centers and Corridors Zone (Adopted August 2004) from Boone Avenue to Courtland Avenue; thence, at East edge of Centers and Corridors Zone, further defined as East R.O.W. Line of Boone Avenue and North R.O.W. Line of Lincoln Street; thence South along said East R.O.W. Line to North R.O.W. Line of Mallon Avenue; thence east along said North R.O.W. Line of Mallon Ave to the West ROW of Howard St. Then North along said west ROW Line to North R.O.W. Line of Dean Avenue; thence East along said North R.O.W. Line of Dean St to East R.O.W. Line of Washington Street. Then South along said Washington Street R.O.W. across North Branch of Spokane River to South side of said North Branch; thence generally westerly along said River Bank to Point of Beginning.