Meeting of the Real Estate Committee  
Monday, May 1, 2019, 9:00 AM - 10:30 AM  
Quarters 2, Beacon Hill Campus  
1200 12th Ave South, Seattle, WA

<table>
<thead>
<tr>
<th>MEMBERS PRESENT</th>
<th>NOT PRESENT</th>
<th>ALSO PRESENT</th>
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<tbody>
<tr>
<td>Bob Cook</td>
<td>Paul Feldman</td>
<td>Sue Taoka</td>
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<tr>
<td>Doris Koo (phone)</td>
<td>Gloria Burton</td>
<td>Ellie Menzies</td>
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<tr>
<td>(arrived 9:22 AM)</td>
<td></td>
<td>Denise Stiffarm</td>
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<td></td>
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<td>Jeff Natter</td>
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<td>Gene Yoon</td>
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<td>Michael Finch</td>
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The Executive Director called the meeting to order at 9:11 AM. A quorum was present. There was no public comment.

Consent Calendar Minutes

The Real Estate Committee voted to approve the April 3, 2019 minutes (Moved/2nded by Paul Feldman/Bob Cook, 3 of 3 in favor)

Update on Lease Negotiations with SCIDpda

Denise Stiffarm and Michael Finch helped summarize major points of discussion to update the Real Estate Committee on lease negotiations with SCIDpda.

- SCIDpda's plan is to phase construction of building A and building B. They are planning to build building A first with 262 units total between the two buildings, all below 80% AMI with some income averaging.
  - With some income averaging, this could work out to be a similar net value.
  - They would move the parking garage to be only under building A with at least 100 units.
  - Building A will meet all building requirements and commitments made by the PHPDA.
  - Building B will potentially be built some other time in the future. Any ground lease payments will not be paid to the PHPDA until building B is constructed.
  - The PHPDA had placed in the lease document that if SCIDpda decides to phase the project, and if they do not build B in time certain, they would be required to sublet.
    - The PHPDA will decide as to whether it feels acceptable to lease the property without any certainty of gaining capitalized lease payment.
  - The Committee discussed if Building B can be constructed before Building A to maximize PHPDA assets and construction efficiency.
    - Discussed if tree/fence can be temporarily removed for construction, but this is most likely not permitted.
- SCIDpda's agreement to enter into a ground lease with terms set and executed upon receipt of funding towards the end of 2020.
  - The term of the ground lease, based upon the phasing concept, could be longer than 90 years, based on financing and when building B is constructed.
  - Lease payment issue: SCIDpda will agree to assume King County loan obligation but will not agree to pay any portion back to the PHPDA if that loan is converted to a grant. All relief from the loan will be dedicated to buildings.
  - Option payment: agreed to pay $150 k annually during their option period until they sign a ground lease.
- Determine what predevelopment expenses are eligible for reimbursement.
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- SCIDpda believes only about 35% of pre-development costs are consultant reimbursable.
- 100% reimbursable termination of lease, which means SCIDpda will take on a responsibility of a loan. The chances of converting the loan to a grant are uncertain.
- Reimburse only 50% of landscape work with 100% possible after review.
- 100% real estate attorney.
- Our rough estimate at this time is 70-75% of what we’ve provided them (~$1.2 mil)
- They will not be able to pay until they are able to execute ground lease (Dec 2020), and if they do not execute for any reason, they have no obligation to refund. If they do not execute, and the PHPDA wants them to transfer any of their work product, they would require the PHPDA to pay for that work product.
- The Committee noted potential to subdivide the property, creating two separate buildable lots, with the potential to be condo’ed later.

Potential Purchase Agreement instead of Leasing

The Real Estate Committee discussed the possibility of selling the North Lot with a purchase agreement instead of leasing the land.
- Federal restrictions will be disappearing in 2021.
- The PHPDA can still add some restrictions and standards on the property, putting covenants on the property.
- The PHPDA will request right of first refusal to purchase the property back.
- Price to be discussed. A nonrefundable $375k as option payments, with predevelopment reimbursable expenses, obligations of the King County Loan, and $5 mil as asked purchasing price, totaling $6.5 million. The PHPDA will come out whole or close to whole.
  - The PHPDA will work with King County to make sure that the loan has assumed obligations, and the existing covenants will be transferred to SCIDpda at closing.
  - There is nonrefundable earnest money and we’ll be collecting the parking revenue during the meantime.
- Timing: long feasibility period. They’ve been evaluating this property. There should be a relatively short window to negotiate a purchase agreement with a feasibility period, once that is waived.
  - The key is aligning the closing with the deed restrictions and their funding cycle.
- Affordable housing covenant with the current King County Loan. We will reinforce this with the term of the King County loan (70 years after construction). Recommended 99 years.
- The road between the North lot and Tower, used by both entities:
  - Reciprocal access agreement on that portion.
  - Separate legal parcel and have them construct it and deed it over to us to give access to Tower and North lot development.
  - Maintenance of this space. Are our concerns performance or ownership and control?
    - Owning and seeking reimbursement costs may be challenging. If they own it, there’s absolute obligation.
- The PHPDA Charter allows us to do this without City Council approval, but public hearing and comments process is required with prior advertised notice.
- SCIDpda would still have all the same landmark requirements with the existing fences.
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Next Steps

The Real Estate Committee expressed interest in moving forward with a bullet point term sheet by the end of next week to internally discuss with the Governing Council at their meeting on the 14th. The Governing Council will review the draft terms in Executive Session.

Adjournment

The meeting adjourned at 10:23 AM.

Minutes approved: [Signature] [June 5, 2019] (Date)