Special Meeting of the Real Estate Committee  
Friday, May 17, 2019, 12:00 - 1:00 PM  
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>Doris Koo</td>
<td>Paul Feldman</td>
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<td>Sue Taoka</td>
<td>Gloria Burton  (arrived 12:10 PM)</td>
<td>Jeff Natter</td>
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<td></td>
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<td>Denise Stiffarm</td>
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<td></td>
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<td>Ellie Menzies</td>
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<td>Gene Yoon</td>
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<td>Michael Finch</td>
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Doris Koo called the special meeting to order at 12:05 PM. A quorum was present. There was no public comment.

Update on lease negotiations with SCIDpda

The Executive Director Jeff Natter and the Real Estate Committee Chair Doris Koo updated the Real Estate Committee on lease negotiations with SCIDpda:

- The Executive Director presented the PHPDA’s proposed action to SCIDpda exploring potential selling of property.
  - No detail was discussed on purchase price, due dates, earnest money, etc.
  - SCIDpda will convey next steps after their upcoming Board meeting.
  - They were receptive to the purchase agreement. We will further explore terms and conditions and address any other concerns.

- After the Governing Council Executive Session on May 14th, the Committee would like to discuss the following: asking price, earnest money, time frame, and terms and conditions.
  - Comparison of lease vs sale. The Governing Council requested a high-level one-page summary to be created by PHPDA legal counsel.
  - Provide data to frame the asking price based on market price at this point in time
  - Analyze revenue proceeds and risks mitigation in regards to phasing buildings A and B, deferred payment of revenue, and risk of total loss of leverage because there won’t be a final ground lease.

- The covenants on the property may impact the value of the property (including 150 units of low income housing and the siting of AiPACE). Questions to consider:
  - What is the value of the property given the encumbrance of the property?
  - What’s the fair market value of the property?

- What’s important to the Governing Council? Pros and Cons of a selling the property:
  - Concerns about selling our land permanently:
    - If SCIDpda were to sell the property, we would request first right to buy back.
    - If they cannot perform in 5 years, we can buy back for a dollar.
  - This is a negotiation with another PDA (not a for profit developer) so this is staying in the public stewardship. Important value on a public stage.
  - Understand the fair market value through an appraisal. Any land acquisition loan will require an appraisal done by a firm that a lender can approve.
  - Shared appraisal is not recommended. For audit purposes, the PHPDA should have our own appraisal.
    - Appraisal services estimated to be around $8k. If over $10k, the appraisal will require Governing Council approval.
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- Legal Counsel and Real Estate Consultant advised for an appraisal.  
- We can continue moving forward without an appraisal to be prepared for the July Governing Council meeting.  
- Real Estate Consultant Michael Finch shared a draft term sheet that included conditions of the sale. The Committee felt the term sheet was ready to be shared with the Governing Council at its May 14th meeting.

Action Items

- Release term-sheet to SCIDpda in time for their board meeting. Term-sheet is clear that all conditions are subject to Governing Council approval.  
  - Submit to SCIDpda a clean watermarked version by Monday.  
  - SCIDpda will present the purchase concept to their Board.  
  - The Real Estate Committee will meet again in June.  
    - If SCIDpda's board approves forward movement, we want to get a small team together with Maiko to present a draft of the purchase agreement.  
    - Provide a deadline to SCIDpda so that we can get back to the Governing Council by next month.  
- Real Estate Consultant Michael Finch will order an appraisal.  
- Legal Counsel Denise Stiffarm will look at a timeline and cost for subdivision.  
- We will update SCIDpda with discussions. We will need their response to review in the next Governing Council meeting.  
- Provide the Governing Council an update on appraisal activity and ask for the approval to move forward with subdivision with the condition that it will not be finalized if the concept does not move forward. We would withdraw the application in that event.

Adjournment

The meeting adjourned at 1:00 PM.

Minutes approved: ___________________________  
(Date)  
June 5, 2019