



**Valbridge**  
PROPERTY ADVISORS

## South Block

Block bordered by W. Spokane Falls Boulevard, N. Washington Street,  
N. Bernard Street and W. Main Avenue  
Spokane, Spokane County, Washington 99201



FOR  
**Spokane Public Facilities**  
c/o Mr. Stanley M. Schwartz  
Witherspoon Kelley  
422 W. Riverside Avenue, Suite 1100  
Spokane, WA 99201

**Valbridge Property Advisors |  
Auble, Jolicoeur & Gentry, Inc.**

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Valbridge Job No.:  
WA03-13-0246-000



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August 28, 2013

Spokane Public Facilities  
c/o Mr. Stanley Schwartz  
Witherspoon Kelley  
422 W. Riverside Avenue, Site 1100  
Spokane, Washington 99201

RE: South Block  
Block bordered by W. Spokane Falls Boulevard, N. Washington Street,  
N. Bernard Street and W. Main Avenue  
Spokane, Spokane County, Washington 99201

Dear Mr. Schwartz:

At your request, I have appraised the property referenced above to form preliminary opinions of the Market Value of the Fee Simple Interest as of June 28, 2013, the last date on which I inspected the property that is the subject of this appraisal and report. The following summary appraisal report states or summarizes the most pertinent data gathered, the techniques employed, the reasoning leading to my value opinions, and the value conclusions.

The subject property is known as the South Block, a 126,450-sf/2.90-acre parcel of land bordered by W. Spokane Falls Boulevard, N. Washington Street, N. Bernard Street and W. Main Avenue in the Spokane, Washington central business district. The site is currently improved with a 319-space, paved parking lot; 19 of the spaces are on city-owned right-of-way that must be returned to the city and converted back into roadway in the event of sale. The parking lot has roughly 300 spaces net of the spaces on the right-of-way.

I developed my analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of my client as I understand them.

Witherspoon Kelley is the client in this assignment and is acting as an Agent for Spokane Public Facilities District (PFD). The PFD is the sole intended user of this appraisal and report. The intended use is to assist the PFD in pricing the property for sale. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

Based on the analysis contained in the following report, I have formed the following preliminary opinions of value:

Value Conclusions			
South Block Property			
Land Value (as vacant/ready for const.)	126,450 sf	x \$62.48/sf	\$7,900,000
Unfunded Cleanup Liability	126,450 sf	x \$7.91/sf (\$1,000,000)	
Site Improvement Removal	126,450 sf	x \$0.50/sf (\$63,000)	
Main Avenue Restoration			(\$105,000)
<u>Site Improvement Value</u>	<u>126,450 sf</u>	<u>x \$0.00/sf</u>	<u>\$0</u>
<u>Subtotal-Adjustments</u>	<u>126,450 sf</u>	<u>-x \$9.24/sf</u>	<u>(\$1,168,000)</u>
<u>Land Value Net of Additional Costs</u>	<u>126,450 sf</u>	<u>x \$53.24/sf</u>	<u>\$6,732,000</u>
<b>Rounded to nearest \$10,000</b>	<b>126,450 sf</b>	<b>x \$53.22/sf</b>	<b>\$6,730,000</b>
Value of Spaces in New Development	\$ 400,000	÷6.00%	\$ 6,666,667
<b>Rounded to nearest \$10,000</b>			<b>\$6,670,000</b>
<b>Implied Value of Other Property Rights</b>	<b>126,450 sf</b>	<b>x \$0.47/sf</b>	<b>\$60,000</b>

This letter of transmittal must be accompanied by all sections of this report for the value opinions set forth above to be valid.

Respectfully submitted,  
 Valbridge Property Advisors  
 Auble, Jolicoeur & Gentry, Inc.



Bruce C. Jolicoeur, MAI  
 Senior Managing Director  
 Certified General Real Estate Appraiser  
 Washington State License #1100633  
[bjolicoeur@valbridge.com](mailto:bjolicoeur@valbridge.com)

# Certification

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I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinion, and conclusion.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. Bruce C. Jolicoeur, MAI, made a personal inspection of the property that is the subject of this report.
9. Diane L. Quann, Researcher, assisted in writing the property descriptions, collecting comparable data, and confirming comparables. No one else provided significant real property appraisal assistance to the person signing this certification.
10. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, I, Bruce C. Jolicoeur, MAI, have completed the continuing education program of the Appraisal Institute.
13. I have performed previous appraisal analysis or consulting services involving the subject property within the three years prior to this assignment.



Bruce C. Jolicoeur, MAI  
Washington State Certified General Appraiser #1100633  
Expiration Date: April 24, 2015

# General Assumptions & Limiting Conditions

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This appraisal is subject to the following limiting conditions:

1. The legal description is assumed to be correct.
2. We accept no responsibility for matters legal in character, nor do we express any opinion about the quality of the title which is assumed to be marketable. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, we assume that the subject property has no encroachments, zoning violations or adverse restrictions.
4. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
5. Unless expressly specified in this Agreement, the fee for this appraisal does not include attending or testifying at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding(s). If any partner or employee of Auble, Jolicoeur & Gentry, Inc., is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Auble, Jolicoeur & Gentry, Inc. for the time that its employees spend in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
6. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
7. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
8. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property and/or understanding the appraisal analysis. We accept no responsibility for the accuracy of these documents.
9. The appraiser has made no survey of the property. Although we have developed our estimates of property size and other property characteristics from sources that we believe to be reliable, we have not independently verified the accuracy of the information and assume no responsibility for its accuracy.
10. The information, estimates and opinions which were obtained from sources outside of this office, are assumed to be reliable. We have not verified the information and assume no liability for its accuracy.

11. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Auble, Jolicoeur & Gentry, Inc. Valbridge Property Advisors, Inc. has not been engaged to provide this report, does not provide valuation services, and has taken no part in the preparation of this report.
12. Possession of this appraisal report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. We claim no expertise in matters which require specialized investigation or knowledge beyond levels common among real estate appraisers. Examples of these matters include, but are not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client. Any party who is not the client identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Auble, Jolicoeur & Gentry, Inc. and Client. The appraiser assumes no liability for unauthorized use of the appraisal report by a third party.
15. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
16. The value opinion provided herein is subject to any and all predications set forth in this report.
17. If required by governmental authorities, any environmental impact statement prepared for the subject property will be favorable and will be approved.
18. It is assumed that the property has no hidden or unapparent conditions which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
19. Unless otherwise stated in the attached report, we inspected the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. The condition of the building systems, including but not limited to the heating, cooling, ventilation, electrical and plumbing equipment, is assumed to be commensurate with the condition of the balance of the improvements unless otherwise stated.
20. We do not guarantee that improvements or development on the site complies with building code and life safety code requirements. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.



21. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the data that we deem to be the most accurate and/or reliable are used within this appraisal and report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
22. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
23. Unless expressly granted in writing, this appraisal is not intended to be used, and may not be used, on behalf of or in connection with a real estate syndicate or syndicates. A real estate syndicate means a general or limited partnership, joint venture, unincorporated association or similar organization formed for the purpose of, and engaged in, an investment or gain from and interest in real property, including, but not limited to a sale or exchange, trade or development of such real property, on behalf of others, or which is required to be registered with the United States Securities and Exchange Commission or any state regulatory agency which regulates investments made as a public offering. It is agreed that any user of this appraisal who uses it contrary to the prohibitions in this section indemnifies the appraiser and the appraiser's firm and holds them harmless of and from all claims, including attorney's fees, arising from said use.
24. Unless otherwise stated in this report, we observed no hazardous material(s), which may or may not be present on the property. The appraiser has no knowledge of the existence of such materials on or in the property and, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value conclusion is predicted on the assumption that the property has no environmental contamination has no such material on or in the property that would cause a loss in value. We accept no responsibility for any such conditions, or for the cost of any expertise or engineering knowledge required to discover such materials and/or conditions. The client is urged to retain an expert in this field, if desired.
25. We have not surveyed the property for compliance with the various requirements of the Americans with Disabilities Act ("ADA") which became effective January 26, 1992. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
26. Unless otherwise stated in the appraisal report, this appraisal is of the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.

27. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
28. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
29. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. We accept no responsibility or liability for assumptions, forecasts and projections that do not materialize.
30. It is your responsibility to read the report and to inform the appraiser of any errors or omissions of which you are aware, prior to utilizing the report.
31. This report and any associated work files are subject to evaluation by Valbridge Property Advisors, Inc. for quality control purposes.
32. All disputes shall be settled by binding arbitration in accordance with then then-existing commercial arbitration rules of the American Arbitration Association (the "AAA").
33. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.



# Summary of Salient Facts

<b>Property Name:</b>	South Block
<b>Address:</b>	Block bordered by W. Spokane Falls Boulevard, N. Washington Street, N. Bernard Street and W. Main Avenue Spokane, Spokane County, Washington 99201
<b>Assessor's Parcel Numbers:</b>	35184.2106, .2105, .2104, .2103, .2102, .2101, .0701, .0702, .0703, .2107, .2108, .2109, .2110, .2111 and .2112.
<b>Property Rights Appraised:</b>	Fee Simple
<b>Current Zoning:</b>	DTC and DTC-100, Downtown Core
<b>Site Size:</b>	126,450 sf (2.90 acres)
<b>Existing Improvements</b>	
<b>Property Type:</b>	Land; improved with a paved parking lot
<b>Improvements:</b>	319 paved parking spaces, appurtenant lighting, and landscaping. 300 of the spaces are on PFD-owned land.
<b>Condition:</b>	Good
<b>Extraordinary Assumptions:</b>	None
<b>Hypothetical Conditions:</b>	None
<b>Highest and Best Use</b>	
<b>As Vacant:</b>	Commercial development consistent with CBD
<b>As Improved:</b>	Parking is an appropriate interim highest and best use
<b>Date of Inspection:</b>	Numerous times up to and including June 28, 2013
<b>Date of Report Preparation:</b>	August 28, 2013

Value Conclusions			
South Block Property			
Land Value (as vacant/ready for const.)	126,450 sf	x \$62.48/sf	\$7,900,000
Unfunded Cleanup Liability	126,450 sf	x \$7.91/sf (\$1,000,000)	
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**AERIAL VIEW/BIRD'S-EYE VIEW**



**PLAT MAP**



# Introduction

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## Client and Other Intended Users of the Appraisal

The client in this assignment is Mr. Stanley M. Schwartz of Witherspoon Kelley, Agent for Spokane Public Facilities District (PFD). The client and the Public Facilities District are the sole intended users of the appraisal and report.

## Intended Use of the Appraisal

The intended use is to assist in pricing the property for sale.

## Real Estate Identification

The subject property is an entire city block bordered by W. Spokane Falls Boulevard on the north, N. Washington Street on the west, N. Bernard Street on the east, and W. Main Avenue on the south, in Spokane, Washington. The Spokane County Assessor's office identifies the subject property as Assessor's parcel numbers: 35184.2106, .2105, .2104, .2103, .2102, .2101, .0701, .0702, .0703, .2107, .2108, .2109, .2110, .2111 and .2112.

## Legal Description

According to the Spokane County Assessor's Office the abbreviated legal description is:

Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10, Block 8 in Resurvey and Addition to Spokane Falls and Lots 1, 2, 3, 4, 5 and 6 in Block 7 of Havermale's Add to Spokane Falls City of Spokane, County of Spokane, State of Washington. Not included in the above legal description are vacated alleys, which the PFD owns and will be included in the proposed sale.

## Real Property Interest Appraised

I have appraised the Fee Simple Interest in the subject property.

## Appraisal Problem/Valuation Scenarios

The property is appraised "as is", recognizing that a portion of the parking lot is built on city-owned Main Avenue right-of-way which must be restored to roadway and returned to the city upon sale.

## Effective Dates of Value

The effective date of value is June 28, 2013. I inspected the property numerous times including June 28, 2013.

## Date of Report

The date of this report is August 28, 2013, the date of the letter of transmittal. My conclusions reflect current market conditions.

## Scope of Work

### Extent to Which the Property is Identified

- Legal Characteristics: Spokane County Assessor's maps and records were used to identify the property's legal description. Zoning information was obtained from the City of Spokane.
- Economic Characteristics: I reviewed historical operating statements for year-end 2010, 2011 and 2012, surveyed competing parking operations, and compared the subject property to other properties with similar locational and physical characteristics.

- **Physical Characteristics:** I personally inspected the site to identify the property's physical characteristics. A survey prepared by Taylor Engineering on December 1, 2009, provides the most reliable indication of site size.

#### Extent to Which the Property was Inspected

I personally walked the property.

#### Type and Extent of the Data Researched

I researched and analyzed: 1) market area statistics and data, 2) property-specific, market-analysis data, 3) zoning and land-use data, and 4) current data on comparable listings, sales, and rentals in the competitive market area.

#### Type and Extent of Analysis Applied

The subject site is an operating parking lot. Local developer Walt and Karen Worthy propose developing a convention-oriented hotel and related improvements on the site. An analysis of the proposed convention center hotel is beyond the scope of this appraisal.

I observed surrounding land use trends, the condition of the improvements, demand for the subject property, and relative legal limitations in concluding a highest and best use. I then valued the subject based on the highest and best use conclusion, relying on the Sales Comparison Approach.

#### Type of Appraisal and Report Option

This is a Summary Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2b (S-R Rule).

### **Use of Real Estate as of the Effective Date of Value**

The subject property is a 319-space paved surface parking lot as of June 28, 2013.

### **Ownership and Sales History**

According to the Spokane County Assessor's office the current owner is Spokane Public Facilities District. In January 2009, Diamond Parking transferred three of the parcels: 35184.2103, .2106 and .2111 to the Spokane Public Facilities District for the amount of \$2,108,533.50. This acquisition was made under threat of condemnation and does not reflect a "market" transaction. Other parcels were also acquired under threat of condemnation and are not "market" transactions. There have been no other sale transactions of the subject property in the past three years.

On August 13, 2013, Convention Center Hotel, LLC (CC Hotel) signed a "Joint Development Agreement" with the Spokane Public Facilities District (PFD), to develop a high rise hotel development consisting of at least 700 rooms and 900 parking stalls, at least 300 of which shall be designated for public parking to be owned by the PFD ("Improvements"). Concurrent with the Joint Development Agreement, the parties also signed a Purchase and Sale Agreement. Selected terms of the agreement are summarized in the following table.

## Joint Development Agreement Summary

Date:	13-Aug-13
Parties:	Convention Center Hotel, LLC (CC Hotel), Walt and Karen Worthy, Guarantor Spokane Public Facilities District
Property:	Narratively described
Use:	Development of a high rise hotel with at least 700 rooms and at least 900 parking stalls, at least 300 of which shall be for public parking to be owned by the PFD. Worthys will bear sole financial responsibility for the design, development, and construction of the improvements. Parties will cooperate in developing and constructing a Skywalk connecting the proposed hotel to the PFD facilities (convention center/INB Performing Arts Center facilities). The PFD will bear sole financial responsibility for Skywalk development and construction.
Agreements (Selected)	
(3) Purchase and Sale Agreement	Concurrent with the Joint Development Agreement, parties entered into a Real Property Purchase and Sale Agreement ("PSA"), through which PFD will convey to Davenport the Property through a bargain and sale deed ("Deed").
(4) Conditions to Transfer of Property	
4.1 Preliminary Study Period	Worthys shall have a thirty (30) day period beginning on the Effective Date to conduct a comprehensive investigation and evaluation of all aspects of the Property and Improvement Work, in such scope and detail as may be required by Worthy, in their sole opinion and at their sole expense...
4.2 Submission of Preliminary Plans	At conclusion of Preliminary Study Period, Worth shall submit Preliminary Improvement Plan including site plan depicting proposed improvements, basement plan, first floor plan, mezzanine floor plan, guest floor plan, parking garage floor plan, elevations, other matters.
4.3 Appraisal	On or before date that preliminary plans are approved, PFD shall receive and accept a real property appraisal establishing the market value of the property and that adequate consideration is present from Worthy to serve the public interest.
4.4 PFD Approval of Final Plans	Within 180 days, Worthy will prepare site plan, construction documents, construction schedule.
4.8 Condition of Title	Worthy's obligations are contingent on CC Hotel's ability to obtain title insurance.
4.8.1 Use Restriction	Worthy to execute restrictive covenant limiting use of property to a hotel, parking garage, related first floor commercial uses and other ancillary uses.
4.11 Parking Management	Worthy to receive all parking revenue. Worthy to pay to District \$400,000/yr beginning in Month 6 of hotel operation. Rate adjusts after Year 5 based on avg. rate at Parkade, BofA and WA Trust garages. District reserves right to set event rates in Public Parking Garage. CC Hotel to perform all structural and non structural repairs & maintenance and operating expenses.
4.12 Environmental Remediation	District will pay up to \$500,000, CC Hotel pays balance
4.13 Completion Guarantee	\$10,000,000 deed of trust on River View Corporate Center to secure Worthy's performance; released when Hotel and Parking Garage are substantially complete.

### **List of Items Requested but Not Provided**

None

### **Extraordinary Assumptions**

None.

### **Hypothetical Conditions**

None



# City & Neighborhood Analysis

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**Location and Boundaries:**

The neighborhood is in the Spokane Central Business District (“CBD”). CBD boundaries include Monroe Street on the west, Division Street on the east, an elevated railroad viaduct between 1<sup>st</sup> and 2<sup>nd</sup> Avenues on the south, and the Spokane River on the north.

**Access:**

The Division Street/Browne Street Couplet, Maple Street/Ash Street Couplet, Lincoln Street/Monroe Street Couplet, and the Washington Street/Stevens Street Couplet each provide north/south access to and through the CBD. Each has a bridge over the Spokane River on the north and all but Washington Street/Stevens Street have an interchange at I-90, which borders the CBD along the south. 2<sup>nd</sup> and 3<sup>rd</sup> Avenues form a couplet providing east/west access along the southern edge of the CBD, while Sprague Avenue/1<sup>st</sup> Avenue form an east/west couplet through the CBD core. Riverside Avenue is a two-way arterial through the CBD core.

**Neighborhood Improvements:**

The CBD core is densely developed with mid-rise offices, hotels, retail centers, and other supportive commercial development. It has long been the financial center of the community, a major retail area, and the center of most convention-oriented business. With a few exceptions, financial institutions have located on Riverside Avenue, while Main Avenue has been the center of retail activity.

Significant new development and redevelopment occurred along both streets in the 1970s and early 1980s, spurred in part by Expo ‘74, the World’s Fair held in Spokane in 1974 and its afterglow. Most of Spokane’s identifiable Class “A” office buildings, including the Chase Bank (formerly Washington Mutual) Financial Center, the Washington Trust Financial Center, the Bank of America Building (built as the SeaFirst Financial Center), and the Wells Fargo Financial Center (built as the Farm Credit Bank), were developed in this time frame.

A number of factors, including the new “district” zoning, development incentives, and a national trend toward re-urbanization, spurred redevelopment in the core over the past 10 years. One of the most significant development trends in the greater CBD was the conversion of three-story or taller buildings into a mixed-use building with residential units on the upper floors and commercial units at ground level. In addition to residential condominium units, market-rate apartments were built out on upper floors of many of the older buildings downtown and have met with good market acceptance.

Major improvements in the neighborhood include Riverfront Park along the north side of Spokane Falls Boulevard, between Washington and Post Streets, the INB Performing Arts Center at the northeast corner of Washington Street and Spokane Falls Boulevard, and the Spokane Convention Center, extending from the INB Performing Arts Center to Division Street on the east end of the CBD. The Public Facilities District (PFD) acquired the block immediately south of the Performing Arts Center, demolished old buildings, and developed a 319-stall surface parking lot (subject property).

The Downtown Spokane Development Plan envisions substantial growth in retail, office and housing space, promoting the arts and the renovation of historic buildings. Development envisioned under this plan includes additional parking garages, retail, restaurants, and mixed uses. The plan encourages preservation and rehabilitation of older buildings.

**Public Facilities and Transportation:**

The neighborhood has all public utilities and services available. Spokane Transit Authority provides bus transportation.

**Sub-Neighborhood Characteristics:**

The subject property is in an area of widely varying improvements. The blocks north of the subject front on the Spokane River. Developments include the Spokane Convention Center, the INB Performing Arts Center, and the Doubletree Hotel. The Spokane Public Facilities District (PFD) is in the early stages of a 90,000-sf expansion of the convention center onto a site formerly improved with Shenanigans Restaurant, immediately east and north of the Doubletree Hotel. The proposed facility will add exhibit hall, meeting room and support space to the existing Convention Center.

West of the subject property is Auntie's Bookstore and offices, south are several small commercial buildings and parking lots, and east are several offices including Spokane School District 81 headquarters. Farther east are a Chili's restaurant, a high-rise apartment for low income seniors and various offices and commercial buildings.

**Neighborhood Trends:**

Developments such as River Park Square, the Davenport Hotel, the Davenport Tower, the Lincoln Building redevelopment, 809 W. Main condominiums and the Spokane Convention Center expansion, Spokane's Central Business District has had fairly significant revitalization over the past 10 years.

With the onset of the "Great Recession", little development has occurred since 2007 although some fairly significant construction is proposed. In September 2012, the Spokane Public Facilities District and local developer/hotelier Walt Worthy announced an agreement for a new convention hotel on the block located immediately south of the INB Performing Arts Center (Opera House). As currently envisioned, the hotel will have 700 rooms and up to 120,000 sf of convention and ballroom space. The due diligence process is now underway. Construction is proposed to start in Autumn 2013 with completion in mid to late 2014.

At least one additional hotel is being considered for construction in the CBD or its immediate periphery. Details have not been released although one site reportedly under consideration is along Main Avenue near the shopping core. Other parcels are available in the Kendall Yards development north of the Spokane River.

Just south of the Spokane River and east of Division Street is a large mixed-use development created from a former railroad switching yard. Private developers were the first to build in this area in the 1990s. Among the prominent developments are a corporate owned Courtyard by Marriott, privately owned Fairfield Inn, Perkins Restaurant, a high image multi-tenant office building and a

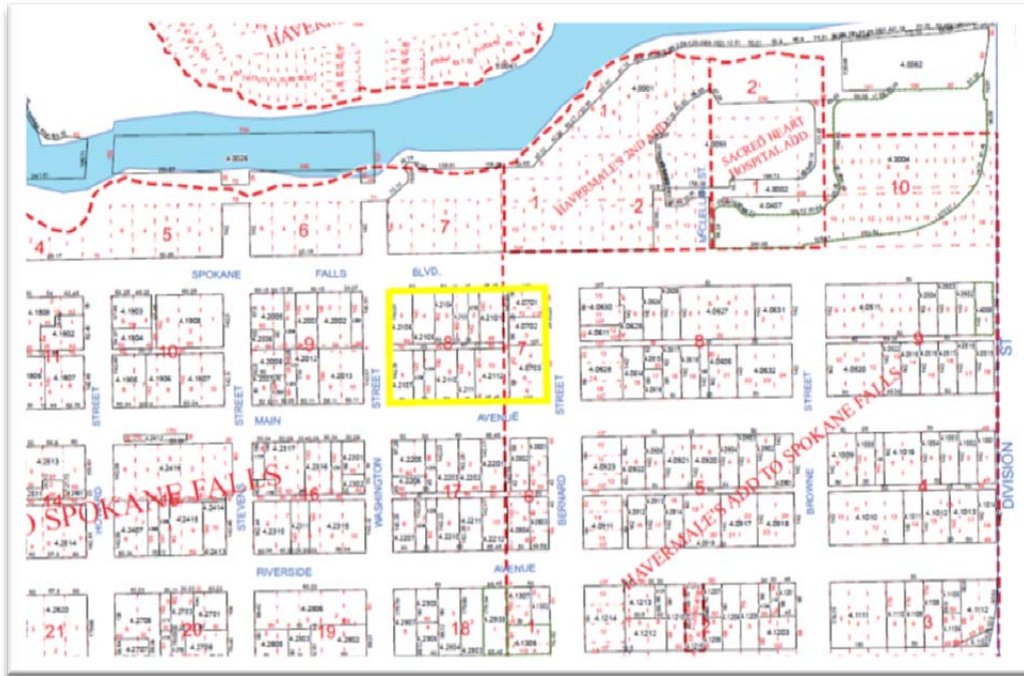
large residential condominium project. Washington State University (WSU) developed a nursing college and other educational facilities were built nearby.

WSU eventually purchased all remaining land in this development and many other parcels south of Spokane Falls Boulevard (then Trent Avenue). The area is now the WSU-Spokane campus. WSU, in conjunction with the University of Washington, is developing a medical college on a portion of the campus. The main building is now under construction.

The CBD core is nearly 100% built-up, except for the surface parking areas. The trend is for continued redevelopment albeit at a far slower pace than in the past decade.

# Site Description

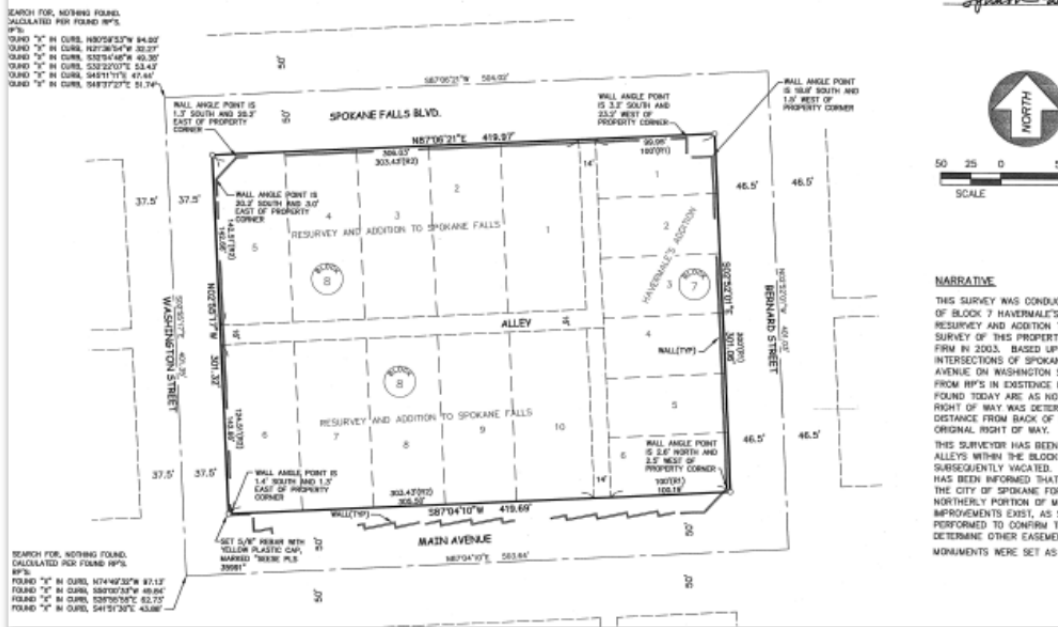
## PARCEL MAP



## SURVEY

# RECORD OF SURVEY

A PORTION OF THE SOUTHEAST QUARTER OF SECTION 18, TOWNSHIP 25 NORTH, RANGE 43 EAST, W.M., CITY OF SPOKANE, SPOKANE COUNTY, WASHINGTON



## General Data

Location: The entire block bordered by W. Spokane Falls Boulevard on the north, N. Bernard Street along the east, W. Main Street along the south and N. Washington Street along the west, in downtown Spokane, Washington.

Street Address: 214 N. Washington Street, 315-335 W. Spokane Falls Boulevard, 205-227 N. Bernard Street and 316-340 W. Main Street, Spokane, Washington 99201

Assessor Parcel Numbers: 35184.2106, .2105, .2104, .2103, .2102, .2101, .0701, .0702, .0703, .2107, .2108, .2109, .2110, .2111 and .2112.

## Adjacent Uses

North: INB Performing Arts Center, Spokane Convention Center, Spokane River, Riverfront Park

South: Surface parking lot, Eye Care Team, four-story building with office/retail on ground floor and apartments above

East: Spokane Public Schools Administrative offices, FedEx/Kinkos

West: Liberty Building with Auntie's Book Store, Pottery Place Plus

## Physical Characteristics

Site Area: The site dimensions employed in the adjoining table are from the Taylor Engineering survey of the property recorded on December 1, 2009. The site is very nearly a perfect rectangle. By averaging the opposite sides, an accurate estimate of the dimensions and of the site area can be calculated. The resulting 126,450-sf estimated area is significantly larger than the Assessor's 119,054-sf estimate but is also based on a more precise measurement. The site area used in the appraisal and in this report is 126,450 sf.

<u>Land Area Calculation</u>	
Spokane Falls Blvd.	419.97 ft
<u>Main Ave.</u>	<u>419.69 ft</u>
Average (East/West Dimension)	419.83 ft
Washington St.	301.32 ft
<u>Bernard St.</u>	<u>301.06 ft</u>
Average (North/South Dimension)	x 301.19 ft
Estimated Area	126,448.6 sf
Rounded to nearest 5 sf	<u>126,450 sf</u>
<u>Source: Taylor Engineering Survey, 12/1/2009</u>	

Shape: Rectangular

Topography: Level and at grade with surrounding streets

## Access

	<b>Spokane Falls Blvd.</b>	<b>Bernard St.</b>	<b>Main Ave.</b>	<b>Washington St.</b>
Street Name:	Arterial	City Street	Arterial	Arterial
Street Type:	One	One	One	One
Curb Cuts:	No	No	No	No
Alley Access:	Yes	Yes	Yes	Yes
Signalized Intersections:				

## Site Improvements

**On-Site Improvements:** Asphalt paved surface parking lot for 319 vehicles. Perimeter is a decorative masonry wall and adjoining shrubbery. Interior includes some curbing, landscaping, lighting, payment kiosks. As currently developed, the parking lot extends onto Bernard Street and Main Avenue rights-of-way. Nineteen parking spaces plus the perimeter wall and landscaping extend onto the rights-of-way. This use is by license agreement (see Easements and Encroachments below.)

## Utilities

**Water:** City of Spokane  
**Sewer:** City of Spokane  
**Electricity:** Avista Utilities  
**Natural Gas:** Avista Utilities  
**Refuse Hauling:** City of Spokane Solid Waste Management

**Flood Zone Data** According to FIRM Panel #53063C0541D, dated July 6, 2010, the subject property is in Zone X, an area of minimal flood hazard.

## Other Site Conditions

**Soils:** According to the USDA NRCS web soil survey, the native soil is urban land, gravelly substratum with 0 to 15 percent slopes.

**Environmental Issues:** Geo Engineers prepared a Geotechnical Engineering Evaluation on the site as of April 1, 2009. The test borings found a mixture of silt, sand, boulders, and brick and concrete debris. Most pits were 5' deep although some were 19' deep. The materials reportedly compact poorly. The materials are consistent with debris rumored to have been buried on-site following the Great Spokane Fire in 1889. At least one test boring found no debris. PFD representatives reportedly encountered debris of this description when building the parking lot. Unacceptable soils were excavated and removed to the extent necessary. Debris at deeper levels was left in-situ.

The proposed development will reportedly include a 12' deep basement over much of the site. Basements of this depth are common in other commercial buildings in downtown Spokane. It is reasonable to expect that any buyer would also anticipate constructing a basement in conjunction with a new development. The site conditions must be remediated to accommodate development that uses more than just the surface of the property. The cost of this remediation would be treated as an adjustment to the sales price. This adjustment is discussed in the Final Reconciliation later in this report.

**Easements & Encroachments:** A title report for the subject property has not been provided. Addenda to the Joint Development Agreement includes a Revocable License and Permit between the City of Spokane and the Spokane Public Facilities District (PFD) to allow the PFD to use the north lane of Main Avenue for off-street public parking.



The agreement indemnifies the City, requires the PFD to develop the parking in compliance with codes and standards, and that the use of the land will be for a public purpose, in this case parking for the convention center.

The License and Permit remains in force unless or until the City revokes the permit or as long as the Permittee “..engages in the activity or occupies the property adjacent to the Permit Area...” The sale of the property and a resulting change in use removes the Permittee, causes an end to the use, and triggers an end to the License and Permit.

“If the permit is revoked ... Permittee shall leave the right-of-way free and clear of encroachments and/or improvements of any kind and shall improve the License Area for use as public right-of-way consistent with the City’s standards and to the City’s satisfaction.” The cost of restoring the right-of-way is the PFD’s responsibility but could be shifted to a buyer of the property.

## Site Ratings

Location:	Excellent. The site is prominently located across from the Spokane Convention Center and the INB Performing Arts Center, one block from the downtown core.
Size and Shape:	Good to very good. This is a very large site; few developments could use the entire site. Viewed alternately, it would be nearly impossible to assemble a site of this size outside of eminent domain. It presents a rare opportunity to the development community. The rectangular shape is ideal for development.
Topography:	Very good. The site is level and at grade with streets.
Access:	Very Good. The site has access from all four adjoining streets.
Exposure:	Excellent. The site is easily visible from all adjoining streets.

## Zoning Designation

Zoning Designation:	DTC, Downtown Core
General Designation:	Downtown
Permitted Uses:	Residential Household Living, Major Event Entertainment, Office, Basic Utilities, Colleges, Daycare, Medical Centers, Parks and Open Areas, Religious Institutions, Schools are all permitted uses. Uses with limitations include: Group Living, Commercial Parking, Drive-through Facility, Retail Sales and Service, Manufacturing and Production, Wholesale Sales, Community Service, Wireless Communications Facilities.
Conditional Uses & Special Exceptions:	The three parcels at the northwest corner of Spokane Falls Boulevard and N. Washington Street are zoned DTC-100 which has height restriction of 100 feet.
Zoning Comments:	The downtown core category is applied to the core area of the downtown. It allows for the most intensive building height and massing within the downtown and the city.

## Legal Status

Conformity Conclusion: I am not a professional planner. Based on my limited analysis of the property and of the applicable codes, and my limited knowledge in this area, the current use appears to conform to current requirements.

## Highest & Best Use

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The highest and best use of a property is the reasonably probable and legal use of vacant land or an improved property that is: physically possible, appropriately supported, financially feasible, and that results in the highest value.

Highest and best use as if vacant is a commercial development consistent with or supportive of nearby uses. The proposed 700-room convention hotel and 900-stall parking facility is a good representation of such a use.

Highest and best use as improved: The parking lot is an appropriate interim use of the site, but does not fully utilize the site's potential.

### **Most Probable Buyer/User**

As of the date of value, the most probable buyer of the subject property is a developer of an income-producing project.

# Land Valuation

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## Methodology

Land is valued using the Sales Comparison Approach. I researched public records and other sources, and interviewed knowledgeable real estate professionals in the area to identify and verify sales and listings of properties that are comparable to the subject property.

The CBD is fully built-up; very few parcels are vacant but many are under-utilized as parking lots. Relatively few sales occur in or near the CBD in good economic times; in the grips of the current recession, few significant sales have occurred since 2007. Faced with limited data, I analyzed older sales in or near the CBD and tempered these data with other indications.

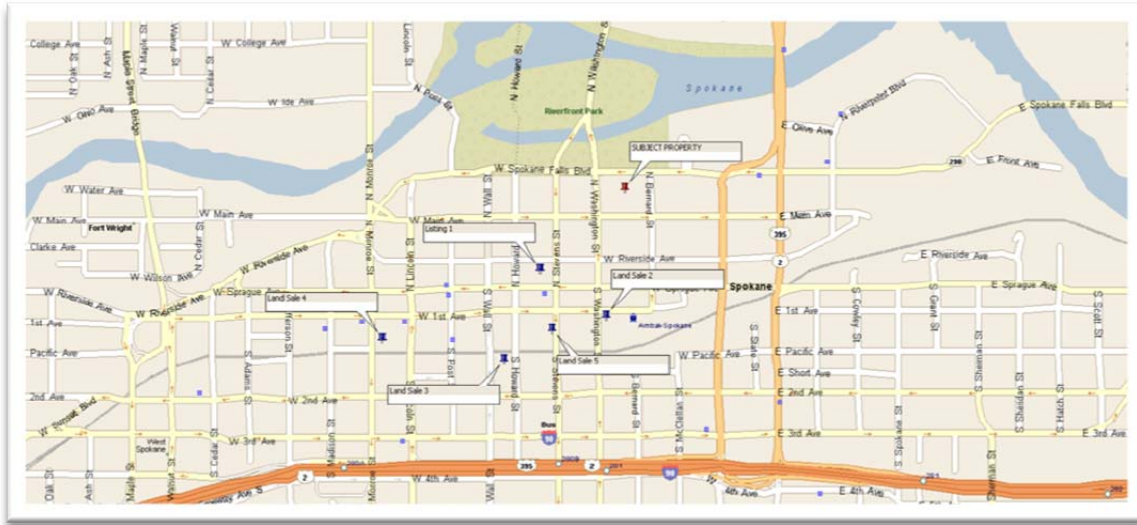
The sites have several characteristics which are most significant in selecting comparable sales that provide a good indication of the subject property's market value:

- The subject property is located at the edge of the CBD core with good access to public facilities and major private development. Few properties have the benefit of this prime location. I researched sales of properties in similar locations, but with too few such sales, I also included sales farther from the core, including one sale located south of the railroad viaduct, just south of the core. This location is very attractive but still far inferior to the subject.
- At roughly 126,450 sf, the subject is exceptionally large. This is both a benefit and a potential problem. The site is large enough to accommodate a large development without the need to assemble other parcels. Its large size also supports a relatively high price, which may limit the number of prospective buyers. The benefit of an assembled site far outweighs limitations that size also imposes. My research was limited to sales of larger parcels.

Four sales and one listing provide the best indication of the subject's market value as vacant and available for redevelopment. The sales were of the Fee Simple Interest; no adjustments were necessary for "Property Rights". All were cash or cash equivalent sales; no adjustments were necessary for financing terms. All sales were arm's-length transactions; no adjustments were necessary for "Conditions of Sale". Demolition and special site development costs are added to the sale prices. All of the sales had or have improvements that add to the property's value. I have deducted the contributory value of these improvements to produce an indication of the land value without improvements.

Although prices for parcels located on the CBD periphery increased rapidly through 2007, prices in the CBD core have changed very little. No market conditions (appreciation/depreciation) adjustments are used.

**COMPARABLE LAND SALES LOCATION MAP**



**Sales Analysis**

Listing 1 is a large parcel located roughly three blocks southwest of the subject property and bordered by Riverside Avenue on the north, Howard Street on the west, and Sprague Avenue on the south. The site is nearly an entire city block, except for the northeast corner which is improved with an historic office building. The site is currently finished as a surface parking lot, but has been listed off and on for several years for redevelopment. Despite its relatively large size, the property is far smaller than the subject property. It is well located within the financial district and has generally easy access. Despite these factors, the development community has been unable to identify a use that would justify the property's relatively high price. Even after adjusting for differences, this listing reflects a higher rate than appropriate for the subject property.

**Comparable Land Sales Grid  
PFD Land (South Block)**

Identification	Subject	Listing 1	Sale 2	Sale 3	Sale 4	Sale 5
Address	Wash./Main/Spokane Falls/Bernard Spokane, WA CBD	509 W. Riverside Spokane, WA CBD	Fmr Evergreen Pkng Lot 331 W. 1st Ave. Spokane, WA CBD	153 S. Wall Spokane, WA CBD	151 S. Monroe Spokane, WA CBD	124 S. Stevens Spokane, WA CBD
Assessors Parcel #		35184.2703, 2705-2710	35191.0012	35191.2610, 2611	35192.5324	35191.5523
Sale/As Of Date	Jun-13	Apr-05	Dec-12	Jul-09	Dec-08	Nov-06
Owner/Seller		JJM Properties	Evergreen Parking, Inc.	Prizm Spokane	WULA	N. River Drive Co.
Buyer Confirmed With			Diamond Parking, Inc. Seller	INHS Buyer	121 Monroe LLC (Diamond) Buyer	Sonrise/Sundevil/Black Buyer
Proximity to Subject	Subject	3-Blk Southwest	3 blks S.	5 blks SW.	9 blks SW	3 blks S.
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Block Placement	Whole Block	Corner	Corner	Interior	Interior	Interior
Access	Good	Sprague/Howard/Rvrside	1st Ave (None from Wash.)	Wall/Howard	Monroe & Alley	Stevens/Alley
Zoning	DTC	DTC	DTG	DTG	DTC	DTG
Sale Price	\$0	\$4,500,000	\$550,000	\$750,000	\$1,225,000	\$450,000
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms	Cash	Cash Eq	Cash Eq	Cash Eq	Cash Eq	Cash Eq
Conditions of Sale	\$0	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Adjusted Price	\$0	\$4,500,000	\$550,000	\$750,000	\$1,225,000	\$450,000
LID's/Off Site/Rezoning/Imps.	\$0	Paving, etc. (\$178,000)	Paving, etc. (\$52,000)	Paving, etc. (\$60,000)	Paving, etc. (\$45,000)	Paving, etc. (\$29,000)
Analysis Price	\$0	\$4,322,000	\$498,000	\$690,000	\$1,180,000	\$421,000
Site Area (sf)	126,450 sf	44,598 sf	27,558 sf	24,042 sf	18,183 sf	11,674 sf
Site Area (acres)	2.90 acres	1.02 acres	0.63 acres	0.55 acres	0.42 acres	0.27 acres
Analysis Rate	\$0	\$96.91/sf	\$18.07/sf	\$28.70/sf	\$64.90/sf	\$36.06/sf
Market Condition Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%
Market Conditions Adj. Rate		\$0.00/sf	\$0.00/sf	\$0.00/sf	\$0.00/sf	\$0.00/sf
Physical Cond. Adjust.		\$96.91/sf	\$18.07/sf	\$28.70/sf	\$64.90/sf	\$36.06/sf
Location	CBD	Equal	85%	125%	20%	85%
Size	Rect./Good	-14%	-17%	-18%	-19%	-20%
Shape/Utility	Equal	Equal	Equal	Equal	Equal	Equal
Zoning	DTS	Equal	Equal	Equal	Equal	Equal
Access/Exposure	Corner/Good	10%	10%	10%	10%	10%
Topography	Level	Equal	25%	Equal	Equal	Equal
Utilities/Infrastructure	All developed	Equal	Equal	Equal	Equal	Equal
Other		None	None	None	None	None
Total Adjustment		-14%	103%	117%	11%	75%
Adjusted Price/sf		\$83.34/sf	\$36.68/sf	\$62.28/sf	\$72.04/sf	\$63.11/sf

Sale 2 is the December 2012 sale of a smaller parcel located two blocks south of the subject property at the southeast corner of Washington Street and 1st Avenue. This site is elevated roughly 12' above both streets at their intersection but has at-grade access near its northeast corner. The property is paved and used for parking. The buyer is a prominent investor and parking facility operator. This is the most recent sale in the immediate area. It is significantly inferior to the subject property in location, topography and exposure. Even after making large adjustments for these differences, the sale remains inferior and reflects a lower rate than likely for the subject property.

Sale 3 is a large, level parcel located just south of the railroad viaduct that separates the CBD core from its periphery to the south. The property is a paved parking lot and the buyer intended to continue this use. Its location south of the viaduct is significantly inferior to the subject property's location. The sale also has inferior exposure but is significantly smaller, which requires a moderate downward adjustment. After adjusting for these differences, Sale 3 provides a reasonable to slightly lower indication.

Sale 4 is a smaller parcel located along the east side of Monroe Street just north of the railroad viaduct, in the Davenport Entertainment District. The buyer is a prominent investor and parking facility operator. The sale required moderate adjustments for its inferior location and access/exposure, but a downward adjustment for its smaller size. After adjusting for these differences, Sale 4 provides a reasonable indication for the subject property.

Sale 5 is a much smaller parcel located along the west side of Stevens Street, immediately north of the railroad viaduct, five blocks southwest of the subject property. This paved parking lot once served the Ridpath Hotel. The buyer intended to use it in conjunction with a rehabilitation of the hotel. It requires a large adjustment for its inferior location, a moderate adjustment for inferior access/exposure, and a large adjustment for its smaller size. After adjusting for these differences, Sale 5 provides a reasonable to slightly lower indication than likely for the subject property.

## Conclusion

After adjusting for differences from the subject property, the sale comparables indicate \$36.68/sf to \$83.34/sf with three of five from \$62.28/sf to \$72.04/sf. Listing 1 reflects a higher rate while Sale 2 reflects a far lower rate. The subject property should fall into the range indicated by Sales 3, 4, and 5.

The subject property is exceptionally well located across from the INB Performing Arts Center and Spokane's Convention Center. Access is easy and the site has prominent exposure. These factors should support a conclusion toward the high end of the range. At 2.9 acres, the subject property is also an exceptionally large site. Its size will limit the number of prospective buyers and place downward pressure on the price. Considering the property's large size, a moderately conservative conclusion is appropriate. Reconciling these factors, a conclusion toward the low end of the most supportable range, or \$62.50/sf is most strongly supported.

Land Value Conclusions PFD Land (South Block)			
Land Value Conclusion	126,450 sf	x \$62.50/sf	\$7,903,125
<b>Rounded to nearest \$10,000</b>			<b>\$7,900,000</b>

This conclusion is for a site without environmental contamination and in a ready-to-build condition. Remediating contamination, removing site improvements, and restoring Main Avenue must be done before the sale to achieve this value, or price should be discounted for the costs to cure these factors.



### Environmental Remediation

Despite the environmental studies performed on the subject property, it is not possible to know the true sale conditions until excavation actually occurs. In excavating for the parking lot, the contractor found a mixture of good and bad soils but also concluded that the additional time it would take to excavate only the bad soils would be more costly than excavating both the good and bad soils. Some of the site has been remediated but the extent of remediated soils is not known. It is reasonable to expect that, even with work done to date, at least 50% of the site or roughly 63,225 sf, has inappropriate soils that must be excavated and removed. The proposed development requires a 12' deep basement. At this depth and area, nearly 759,000 cubic feet or 28,100 cubic yards of soil are potentially contaminated. Applying a 30% swell factor after excavation increases the potential contaminated soils to 36,530 cyd.

In excavations done for the parking lot construction, the cost for hauling and disposal was roughly \$50/cubic yard before oversight and administration. With the volumes estimated above, the potential cost to remediate soils is over \$1,475,000. The PFD has agreed to pay up to \$500,000 leaving a ±\$1,000,000 liability for the property buyer. These costs are summarized in the adjoining table.

<b>Site Cleanup Budget</b>			
Site Area		126,450 sf	
<u>Percent Possibly Contaminated</u>		<u>x 50.00%</u>	
Potential Contaminated Area		63,225 sf	
<u>Depth</u>		<u>12 ft</u>	
Contaminated Ground		758,700 cf	28,100 cyd
<u>Swell</u>	<u>30%</u>	<u>28,100 cf</u>	<u>8,430 cyd</u>
Estimated Contaminated Ground			36,530 cyd
Cost to Excavate & Dispose			x \$50.00/cyd
Potential Remediation Cost (Hard)			\$1,405,000
<u>Administration/Oversight</u>	<u>5%</u>	<u>x \$1,405,000</u>	<u>\$70,250</u>
Total Potential Excess Remediation			\$1,475,250
<u>Less: PFD Paid Remediation</u>			<u>-\$500,000</u>
Net Excess Remediation			\$975,250
Rounded up to nearest \$25,000			\$1,000,000

### Site Improvement Removal

The site improvements include asphalt paving, concrete curbing, landscaping, and the perimeter wall. A \$0.50/sf allowance is sufficient for removing and disposing site improvements.

### Main Avenue Restoration

Main Avenue must be restored to its pre-parking lot configuration. In subdivisions, costs to install curbing, sidewalks, and paving are commonly \$65 to \$125/linear foot. The additional difficulty of working in an urban environment along a heavily traveled roadway will produce higher costs. A \$250/linear foot allowance is appropriate. The total cost allowance is (420' x \$250/lf=) \$105,000.

## Land Value Conclusion-Net of Costs

As calculated in the following table, the "net" land value after deducting costs to make the site "ready to build" is \$6,730,000 or roughly \$53/sf. This rate is within the unadjusted sale rates and reasonable, particularly when the site size, necessary work, and uncertain soil conditions are considered.

<b>Value Conclusions</b>			
<b>South Block Property</b>			
Land Value (as vacant/ready for const.)	126,450 sf	x \$62.48/sf	\$7,900,000
Unfunded Cleanup Liability	126,450 sf	x \$7.91/sf (\$1,000,000)	
Site Improvement Removal	126,450 sf	x \$0.50/sf (\$63,000)	
Main Avenue Restoration			(\$105,000)
<u>Site Improvement Value</u>	<u>126,450 sf</u>	<u>x \$0.00/sf</u>	<u>\$0</u>
<u>Subtotal-Adjustments</u>	<u>126,450 sf</u>	<u>-x \$9.24/sf</u>	<u>(\$1,168,000)</u>
<u>Land Value Net of Additional Costs</u>	<u>126,450 sf</u>	<u>x \$53.24/sf</u>	<u>\$6,732,000</u>
<b>Rounded to nearest \$10,000</b>	<b>126,450 sf</b>	<b>x \$53.22/sf</b>	<b>\$6,730,000</b>

# Compensation Analysis-Parking Related Revenue

As compensation for the site, the Spokane Public Facilities District (PFD) will receive title to 300 covered spaces in the proposed 900-space parking structure. Convention Center Hotel, LLC (CCH) will pay \$400,000 net of all expenses, on an annual basis for the use of the parking spaces. The PFD will have no associated operating costs.

Revenue will adjust up or down based on changes in rates charged at the Bank of America (Unico) Financial Center and the Washington Trust Financial Center parking garages. Rates in these competing facilities have increased over time.

The PFD will have first claim on revenue from the parking operation. This risk of receiving this revenue stream is low; investors would ascribe no vacancy to this income stream. Net operating income is \$400,000/year.

Investors view net leased investments, where the owner has no exposure to expenses and no management responsibilities, as most desirable. With low risk of vacancy and a very stable income stream over a long period of time, investors will accept relatively low yield rates on net-leased investments; hence, capitalization rates are also very low.

The market for net-leased properties is very strong. Demand is high while the inventory of available net leased investments is low. According to the 2013 2<sup>nd</sup> Quarter PwC Investor Survey<sup>1</sup>, *"Demand continues to outweigh supply in the national net lease market and some investors are altering their investment strategies to remain active players... As a result of the supply-demand imbalance in this market, Survey participants unanimously agree that market conditions favor sellers."* These conditions place downward pressure on capitalization rates.

Table 31  
**NET LEASE MARKET**  
 Second Quarter 2013

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
<b>DISCOUNT RATE (IRR)<sup>a</sup></b>					
Range	7.00% – 9.00%	7.00% – 9.00%	7.00% – 9.00%	8.00% – 9.50%	8.00% – 12.00%
Average	7.94%	7.83%	8.16%	8.50%	9.35%
Change (Basis Points)		11.00	-22.00	-56.00	-141.00
<b>OVERALL CAP RATE (OAR)<sup>a</sup></b>					
Range	6.00% – 8.50%	6.00% – 8.75%	6.00% – 8.75%	6.75% – 12.00%	6.00% – 10.00%
Average	7.03%	7.15%	7.40%	8.98%	7.63%
Change (Basis Points)		-12.00	-37.00	-195.00	-60.00
<b>MARKETING TIME (Mnths)</b>					
Range	2 – 12	1 – 12	1 – 12	2 – 12	2 – 6
Change	4.8	4.3	4.7	5.9	4.4

a. Rate on unleveraged, all-cash transactions

Source: PriceWaterhouseCoopers Real Estate Investors Survey, 2nd Quarter 2013.

<sup>1</sup> PwC Real Estate Investors Survey, 2<sup>nd</sup> Quarter, 2013

With high demand but few investment opportunities, investors are reluctant to sell net leased investments. Among the more active markets for net leased investments is pharmacies. Walgreens, CVS, and Rite Aid are all actively building new facilities then selling the properties as net-leased investments. Leases typically have a 20- to 25-year term plus options that can extend the leases to 75 years. Rent is often flat for 10 to 20 years and then increases at predetermined rates. The investment income is very predictable.

As the adjoining table reflects, asking capitalization rates are very low for these net-leased investments. Walgreens has the highest credit rating of the three major companies; investors believe leases to Walgreens have lower risk and justify lower capitalization rates. There also appears to be a significant correlation between the age of Walgreens buildings and the capitalization rate, as the rates in the table reflect.

Tenant	2010 - 2012	2005 - 2009	2000 - 2004	Pre-2000
Walgreens	5.93%	6.00%	7.00%	7.55%
CVS	6.00%	6.10%	6.88%	8.00%
Rite Aid	8.00%	8.58%	9.00%	9.55%

The following tables detail overall capitalization rates from current listings and sales of Walgreens properties over the past year. The median asking rate is 6.00%; the median rate for sales in 2012 is 6.27% and 6.10% for sales that closed in 4<sup>th</sup> Quarter 2012. Both the listings and the sales reflect lower capitalization rates for newer improvements. The numbered sales include sales with most similar location or age to the subject building, with capitalization rates ranging from 6.00% to 6.79%, with the three most recent sales at 6.00% to 6.10%.

#	Property	Address	Location	Yr. Built	Status	NOI	Sales Price	OAR
A	Walgreens	N. Texas St. & Cement Hill Rd.	Fairfield, CA	2012	LISTING	\$ 418,640	\$ 7,975,000	5.25%
B	Walgreens	US 31 & Main St.	Cullman, AL	2012	LISTING	\$ 400,000	\$ 6,670,000	6.00%
C	Walgreens	2635 Rice Street	Roseville, MN	2010	LISTING	\$ 660,000	\$ 11,000,000	6.00%
D	Walgreens	2270 Clove Road	Staten Island, NY	2009	LISTING	\$ 710,000	\$ 12,567,000	5.65%
E	Walgreens	900 N. Sixth Street	Blytheville, AR	2009	LISTING	\$ 345,000	\$ 5,520,000	6.25%
F	Walgreens	1401 E. Harding Ave.	Pine Bluff, AR	2009	LISTING	\$ 241,500	\$ 3,864,000	6.25%
G	Walgreens	7370 Lagae Road	Castle Rock, CO	2008	LISTING	\$ 425,000	\$ 7,083,300	6.00%
H	Walgreens	5702 Raymond Rd.	Madison, WI	2007	LISTING	\$ 360,000	\$ 6,000,000	6.00%
I	Walgreens	708 E. Seltice Way	Post Falls, ID	2003	LISTING	\$ 355,000	\$ 5,259,259	6.75%
J	Walgreens	16824 Highway 99	Lynnwood, WA	2002	LISTING	\$ 414,000	\$ 5,890,000	7.03%
<b>Median Listing Capitalization Rate:</b>								<b>6.00%</b>

Direct Capitalization Analysis - Sales								
#	Property	Address	Location	Yr. Built	Sale Date	NOI	Sales Price	OAR
1	Walgreens	1765 Middlesex Street	Lowell, MA	2012	12/31/2012	\$ 554,000	\$ 8,725,000	6.35%
2	Walgreens	1440 Pine Grove Road	Steamboat Springs, CO	2012	12/17/2012	\$ 370,000	\$ 6,435,000	5.75%
3	Walgreens	15320 E. Hampden Avenue	Aurora, CO	2011	12/20/2011	\$ 556,853	\$ 8,200,000	6.79%
4	Walgreens	2035 NW Stewart Parkway	Roseburg, OR	2011	12/14/2011	\$ 565,000	\$ 8,316,000	6.79%
5	Walgreens	6400 W. Nob Hill Boulevard	Yakima, WA	2010	6/18/2012	\$ 450,000	\$ 7,377,000	6.10%
6	Walgreens	2870 28th Street	Boulder, CO	2010	4/13/2012	\$ 461,875	\$ 7,389,400	6.25%
7	Walgreens	1093 N. Main Street	Dayville, CT	2009	12/26/2012	\$ 385,000	\$ 6,311,475	6.10%
8	Walgreens	700 E. 13th Street	Whitefish, MT	2009	10/15/2012	\$ 360,000	\$ 6,000,000	6.00%
9	Walgreens	5721 Airport Road	Santa Fe, NM	2008	12/22/2011	\$ 400,000	\$ 6,250,000	6.40%
10	Walgreens	8996 Stacy Road	McKinney, TX	2008	11/15/2011	\$ 458,000	\$ 7,300,000	6.27%
11	Walgreens	1327 Meadowlark Drive	Salem, NC	2007	12/31/2012	\$ 373,000	\$ 5,968,000	6.25%
12	Walgreens	3540 N. Pearl Street	Tacoma, WA	2003	3/7/2012	\$ 345,000	\$ 5,028,000	6.86%
13	Walgreens	2105 E. Wellesley Avenue	Spokane, WA	2000	4/5/2012	\$ 371,952	\$ 4,800,000	7.75%
<b>Median Capitalization Rate -</b>								<b>6.27%</b>
<b>Median - 4th Quarter 2012 -</b>								<b>6.35%</b>

The subject's relatively secure income stream bolstered by the PFD's first claim on revenue support an overall capitalization rate at the low end of this range, or 6%. The value of the ongoing income stream from the rental of the 300 spaces is:

**Ongoing Income from 300 Parking Spaces: \$400,000 ÷ 6.00% = \$6,670,000**

# Reconciliation

## Summary of Value Conclusions

The following table summarizes the value conclusions. The value of the 300 parking spaces in the new development correlate to within \$60,000 of the net value of the site. Normal variances in sale prices of up to 4% are not uncommon. The variance between the net value of the site and the value of the finished parking spaces is 0.8%. Within the context of a \$6.7 million transaction, this difference is negligible and within rounding.

Value Conclusions			
South Block Property			
Land Value (as vacant/ready for const.)	126,450 sf	x \$62.48/sf	\$7,900,000
Unfunded Cleanup Liability	126,450 sf	x \$7.91/sf (\$1,000,000)	
Site Improvement Removal	126,450 sf	x \$0.50/sf (\$63,000)	
Main Avenue Restoration			(\$105,000)
<u>Site Improvement Value</u>	<u>126,450 sf</u>	<u>x \$0.00/sf</u>	<u>\$0</u>
<u>Subtotal-Adjustments</u>	<u>126,450 sf</u>	<u>-x \$9.24/sf</u>	<u>(\$1,168,000)</u>
<u>Land Value Net of Additional Costs</u>	<u>126,450 sf</u>	<u>x \$53.24/sf</u>	<u>\$6,732,000</u>
<b>Rounded to nearest \$10,000</b>	<b>126,450 sf</b>	<b>x \$53.22/sf</b>	<b>\$6,730,000</b>
Value of Spaces in New Development	\$ 400,000	÷6.00%	\$ 6,666,667
<b>Rounded to nearest \$10,000</b>			<b>\$6,670,000</b>
<b>Implied Value of Other Property Rights</b>	<b>126,450 sf</b>	<b>x \$0.47/sf</b>	<b>\$60,000</b>

## Exposure and Marketing Periods

Exposure time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The likely exposure time for the subject property, if priced near its market value, is six to 12 months.

# Addenda

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- Joint Development Agreement
- Purchase and Sale Agreement
- Land Sale Comparables
- Glossary
- Appraiser Qualifications

## **Joint Development Agreement**



## JOINT DEVELOPMENT AGREEMENT

THIS JOINT DEVELOPMENT AGREEMENT (the "**Agreement**") is made as of the 13 day of August, 2013 ("**Effective Date**") by and between Convention Center Hotel, LLC, a Washington limited liability company ("**CC Hotel**"), Walt Worthy and Karen Worthy, husband and wife ("**Guarantor**") (CC Hotel and Guarantor sometimes hereinafter collectively referred to as "**Worthy**"), and THE SPOKANE PUBLIC FACILITIES DISTRICT, a Washington municipal corporation ("**PFD**"), hereinafter sometimes individually referred to as a "**Party**" and collectively referred to as the "**Parties**."

### RECITALS

A. PFD is the fee owner of certain real property located in the City of Spokane, Spokane County, Washington, as more particularly described on Exhibit A attached hereto and made a part hereof (the "**Property**").

B. The Property is adjacent to the Spokane Convention Center ("**Convention Center**") and INB Performing Arts Center (collectively "**District Facilities**"), which is owned and operated by PFD and legally described on the attached Exhibit B. The PFD will expand the Convention Center in 2013 and 2014 in accordance with the plans and specifications attached hereto as Exhibit C ("**Convention Center Expansion**").

C. The Parties desire to cooperate with each other in developing and constructing on the Property a high rise hotel consisting of at least 700 rooms that is affiliated with or part of a major hotel brand such as Marriot, Hilton, Hyatt or similar property ("**Hotel**") and 900 parking stalls ("**Parking Garage**"), at least 300 of which shall be designated for public parking to be owned by PFD ("**PFD Garage**") (the Hotel, Parking Garage, PFD Garage and related improvements are hereinafter collectively referred to as the "**Improvements**"). CC Hotel will assume primary responsibility, including but not limited to the sole financial responsibility (as a principal and not as PFD's agent) for the design, development and construction of the Improvements upon the terms and conditions hereinafter set forth, and Guarantor has agreed to personally guarantee the financial obligations of CC Hotel, and as such, will execute a guaranty in the form attached hereto as Exhibit K.

D. The Parties also desire to cooperate with each other in developing and constructing a skywalk ("**Skywalk**") connecting the Improvements and District Facilities, with PFD assuming primary responsibility, including but not limited to the sole financial responsibility (as a principal and not as Worthy's agent) for the design, development and construction of the Skywalk upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree:

1. Incorporation by Reference. The above recitals are hereby incorporated specifically by this reference.

2. Definitions. The following capitalized terms have the meaning set forth below:

2.1 "City" means the City of Spokane, a Washington municipal corporation.

2.2 "Governmental Approvals" means the receipt of valid Permits, permission or other approvals and entitlements necessary for the construction, use and operation of the Improvements and Skywalk that are issued by a Governmental Authority.

2.3 "Governmental Authority" means any federal, Washington State, Spokane County, or City of Spokane governmental entity that exercises executive, legislative, administrative, regulatory, judicial, or public authority with respect to the Property.

2.4 "Improvement Work" means the construction and installation of the Improvements according to the Improvement Plans, requirements of any Governmental Authority and other agreed documents.

2.5 "Permits" means all written approvals, licenses, permits, authorizations, consents, grants, franchises, orders, exemptions filed, variances, notices or registrations with or by any Governmental Authority under any law, ordinance, regulation or entitlements that authorizes development and use of the Improvements and Skywalk.

2.6 "Project" means the Convention Center Expansion, the construction of the Improvements and the Skywalk, and any other purposes or activities ancillary to any of the foregoing contemplated by this Agreement.

3. Purchase and Sale Agreement. Concurrently with the execution of this Agreement, and as part of the same transaction, the Parties will enter into a Real Property Purchase and Sale Agreement ("PSA"), the form of which is attached as Exhibit D, pursuant to which PFD will convey to CC Hotel the Property through a bargain and sale deed ("**Deed**") in the form of Exhibit E attached hereto.

4. Conditions to Transfer of Property. The following conditions and obligations of this Section shall be completed prior to the obligation of the PFD to deliver, and of Worthy to accept, the Deed, as set forth in the PSA (the "**Transfer Date**").

4.1 Preliminary Study Period. Worthy shall have a thirty (30) day period (the "**Preliminary Study Period**") beginning on the Effective Date to conduct a comprehensive investigation and evaluation of all aspects of the Property and Improvement Work, in such scope and detail as may be required by Worthy, in their sole opinion and at their sole expense, including, without limitation:

4.1.1 a study of its physical condition and attributes;

4.1.2 an assessment of the Property, if determined by Worthy to be needed, to determine the presence and extent of hazardous and toxic waste and substances and other environmental concerns;

4.1.3 a review of all licenses, easements, agreements, entitlements or Permits affecting the Property;

4.1.4 the financial feasibility of constructing and operating the Improvements; and

4.1.5 other matters agreed by the Parties.

Worthy shall not cause any liens to be filed against the Property as a result of any work done on the Property as part of any such investigation, testing or assessment. Worthy shall repair and restore the Property to its original condition it was found, reasonable wear and tear excepted, at no cost to the PFD, upon the conclusion of any testing done during the Preliminary Study Period, and shall further indemnify and hold the PFD harmless from and against any and all costs, expenses (including reasonable attorney's fees) damages and losses resulting from their failure to do so. During the Preliminary Study Period, PFD grants to Worthy, and Worthy's agents and employees, the right to enter the Property, at Worthy's sole expense and risk, to make any and all physical inspections, surveys and tests of the Property as Worthy shall require.

It is agreed that Worthy's Preliminary Study Period is for the sole purpose of Worthy familiarizing itself with the Property and Worthy shall not be deemed to have approved or accepted any aspect or element of the Property after having engaged in its preliminary studies.

At any time before the expiration of the Preliminary Study Period, Worthy shall notify PFD in writing that it objects to matters set forth in this Section 4.1 or waives all the contingencies set forth in this Section. In the event that, at the conclusion of the Preliminary Study Period, Worthy reasonably determines, in good faith, that the Property is not suitable for his intended purpose and use as described herein, and the PFD is either unwilling or unable to make such changes to the Property or its condition as Worthy may request, this Agreement and the PSA shall terminate and shall be of no further force or effect whatsoever. If Worthy does not notify the PFD as set forth herein, the contingencies in this subsection shall be deemed waived.

4.2 Submission of Preliminary Improvements Plans. At the conclusion of the Preliminary Study Period, Worthy shall submit to the PFD preliminary Improvements plans ("**Preliminary Improvements Plans**"). The Preliminary Improvements Plans shall be submitted for review and approval by the PFD and shall include (i) a site plan depicting the proposed Improvements, to include but not be limited to, the location of buildings, structures, pedestrian and vehicle ingress and egress to the Property, the Parking Garage (including the location of the PFD Garage) and Hotel, (ii) a basement floor plan, (iii) a first floor plan, (iv) a mezzanine floor plan, (v) a guest floor plan, (vi) a Parking Garage floor plan for levels 1-4, (vii) renderings showing the elevation and general appearance of the Improvements, and (viii) such other matters that will reasonably lead to the development of the Improvement Plans set forth in Section 4.4 below.

The Parties shall meet and confer in good faith in order to reach agreement on the Preliminary Improvements Plans. The Preliminary Improvements Plans shall be deemed approved by PFD unless Worthy receives a written notice of disapproval from PFD within thirty (30) days from the receipt by PFD of the Preliminary Improvements Plans. In the event PFD delivers written notice of disapproval as set forth above, Worthy shall revise the Preliminary Improvements Plans as Worthy deems necessary, and thereafter resubmit the same to PFD for review and approval, which approval shall not be unreasonably withheld, conditioned or delayed and shall be deemed approved unless Worthy receives a written notice of disapproval of the revised Preliminary Improvements Plans within ten (10) business days of the receipt by PFD of the revised Preliminary Improvements Plans. Worthy and PFD will negotiate in good faith to resolve any further disagreement relating to the Preliminary Improvements Plans. If the Parties are unable to resolve their disagreement within a reasonable period of time not to exceed fifteen (15) days following the delivery of the written notice of disapproval to Worthy of the revised Preliminary Improvements Plans, then either Party may invoke the provisions of Section 14.1 of this Agreement.

4.3 Appraisal. On or before the date the Preliminary Improvements Plans are approved by the PFD, the PFD shall receive and accept a real property appraisal ("**Appraisal**") establishing (i) the market value of the Property and (ii) that, in the business judgment of the Board of Directors of the PFD, adequate consideration from Worthy is present to serve the public interest and purposes of the PFD.

4.4 PFD Approval of Final Improvement Plans. Within one hundred (180) days of the Effective Date, or as otherwise mutually agreed, Worthy shall prepare or cause to be prepared the following documents, in substantial conformance with the approved Preliminary Improvements Plans for review and approval by PFD:

4.4.1 a site plan depicting the proposed Improvements, including preliminary schematic drawings showing the location of the Improvements in conformance with anticipated Governmental Approvals ("**Improvement Site Plan**");

4.4.2 documents, including but not limited to working drawings, elevations, plans and specifications which will be the basis for construction documents, and a rendering showing the Improvements along with identifying the persons and entities that will develop, design, and construct the Improvements (the "**Improvement Development Plan**"); and

4.4.3 a schedule for the completion of the Improvements according to the Improvement Development Plan ("**Improvement Schedule**").

The identified terms set forth in 4.4.1 through 4.4.3 above are collectively referred to as the "**Improvement Plans**."

The Parties shall meet and confer in good faith in order to reach agreement on the Improvement Plans. The Improvement Plans shall be deemed approved by PFD unless

Worthy receives a written notice of disapproval from PFD within thirty (30) days from the receipt by PFD of the Improvement Plans. In the event PFD delivers written notice of disapproval as set forth above, Worthy shall revise the Improvement Plans as Worthy deems necessary, and thereafter resubmit the same to PFD for review and approval, which approval shall not be unreasonably withheld, conditioned or delayed and shall be deemed approved unless Worthy receives a written notice of disapproval of the revised Improvement Plans within ten (10) business days of the receipt by PFD of the revised Improvement Plans. Worthy and PFD will negotiate in good faith to resolve any further disagreement relating to the Improvement Plans. If the Parties are unable to resolve their disagreement within a reasonable period of time not to exceed fifteen (15) days following the delivery of the written notice of disapproval to Worthy of the revised Improvement Plans, then either Party may invoke the provisions of Section 14.1 of this Agreement.

4.5 Worthy Approval of Skywalk Plan. Simultaneous with delivery of the Improvement Plans, or as otherwise mutually agreed, PFD shall deliver for review and approval by Worthy:

4.5.1 documents, including but not limited to working drawings, elevations and plans and specifications, showing the scope of work and identifying the persons and entities that will design the Skywalk (the "**Skywalk Development Plan**"); and

4.5.2 a schedule for completion of the Skywalk according to the Skywalk Development Plan ("**Skywalk Schedule**").

The identified terms set forth in 4.5.1 and 4.5.2 above are collectively referred to as the "**Skywalk Plan.**"

The Parties shall meet and confer in good faith in order to reach agreement on the Skywalk Plan. The Skywalk Plan shall be deemed approved by Worthy unless PFD receives a written notice of disapproval from Worthy within thirty (30) days from the receipt by Worthy of the Skywalk Plan. In the event Worthy delivers written notice of disapproval as set forth above, PFD shall revise the Skywalk Plan as PFD deems necessary, and thereafter resubmit the same to Worthy for review and approval, which approval shall not be unreasonably withheld, conditioned or delayed and shall be deemed approved unless PFD receives a written notice of disapproval of the revised Skywalk Plan within ten (10) business days of the receipt by Worthy of the revised Skywalk Plan. Worthy and PFD will negotiate in good faith to resolve any further disagreement relating to the Skywalk Plan. If the Parties are unable to resolve their disagreement within a reasonable period of time not to exceed fifteen (15) days following the delivery of the written notice of disapproval to PFD of the revised Skywalk Plan, then either Party may invoke the provisions of Section 14.1 of this Agreement.

4.6 Property Configuration and Skywalk. Following acceptance of the Improvement Plans and the Skywalk Plan, the PFD shall, with due diligence, obtain the following, at its sole expense:

4.6.1 a boundary line adjustment or subdivision in accordance with the Spokane Municipal Code to create a separate lot for the Parking Garage subject to the Parties agreeing to the matters set forth in Section 4.7, below;

4.6.2 Permits for the use and construction of the Skywalk; and

4.6.3 a vacation by all applicable Governmental Authorities of the alleyway located within the Real Property;

4.7 Governmental Approval of Improvements. Worthy shall obtain all Governmental Approvals and Permits that are required for the Improvement Work to be done on the Property by CC Hotel. CC Hotel shall apply to and obtain from the appropriate Governmental Authorities, public utilities, or other entities for all such Permits and approvals. PFD shall promptly provide to Worthy any information in PFD's possession that is required in order for CC Hotel to make application for or to obtain any such approvals and Permits. PFD shall promptly execute and deliver any documents that are required to be signed by PFD in order to obtain such Permit(s).

4.8 Condition of Title. The Parties acknowledge that Worthy's obligations under this Agreement and the PSA shall be contingent on CC Hotel's ability to obtain, prior to the Transfer Date, title insurance in the amount of the value of the Property as determined by the Appraisal, insuring marketable title to the Property in the name of CC Hotel, in fee simple, and subject only to such title exceptions and endorsements as shall be acceptable to Worthy (the "**Final Title Policy**"), which Final Title Policy shall be issued by First American Title Insurance Company ("**First American**"). The PFD has previously delivered to Guarantor a preliminary commitment for title insurance obtained from Inland Professional Title, LLC, under Order Number BWM – 00044028-T24 and dated September 20, 2012 (the "**Preliminary Commitment**"). PFD agrees to exercise its best efforts to remove, delete or otherwise cause special exception numbers 3, 15, 16, 17, 18, 19 and 21 in the Preliminary Commitment to be removed from the Final Title Policy. Promptly after the Effective Date, the PFD shall cause First American to issue an updated preliminary commitment and subsequently deliver a copy of such updated preliminary commitment to all Parties for review and consideration. Any state or local transfer taxes, real estate excise tax, real property taxes, monetary encumbrances and assessments caused by the conveyance of the Property to CC Hotel for any and all time periods prior to the Transfer Date shall be paid by the PFD on the Transfer Date.

4.8.1 Use Restrictions. On the Transfer Date, Worthy agrees to execute and record a restrictive covenant, the form of which is attached as Exhibit F, which limits the use of the Property to a Hotel, Parking Garage, related first floor commercial use along Main Avenue, and other ancillary uses. On the Transfer Date, PFD and the City (which consent will be obtained through the best efforts of the PFD) agree to execute and record a restrictive covenant, the form of which is attached as Exhibit G, whereby PFD and the City covenant that the Convention Center will be used exclusively as a Convention Center.



Said covenant shall further provide that, notwithstanding any of the above, Worthy may convert a portion of the Property to residential living units upon the written consent of the PFD, which consent shall not be unreasonably conditioned, delayed or withheld, so long as any such conversion does not exceed 20% of the total square footage developed as hotel rooms and there are at least 560 hotel rooms remaining after any such conversion.

4.9 Signage. The PFD shall, upon terms agreeable to the Parties, terminate all signage leases recorded against the Property prior to the Transfer Date. The Parties will thereafter mutually agree upon joint signage for the Improvements and District Facilities and execute and record any signage easements deemed necessary.

4.10 Condominium. The Parties shall agree upon the form and content of a condominium declaration which provides for the development and construction of the Property as a condominium to include the PFD Garage as a unit therein. Upon completion of the Parking Garage and the condominium survey, the PFD Garage shall be transferred to the PFD through a statutory warranty deed. This Section shall be deemed a reservation agreement and shall survive the Transfer Date. The condominium declaration and statutory warranty deed shall be substantially in conformance with Exhibit H.

4.11 Parking Management. The Parties shall agree upon a parking management agreement between CC Hotel and the PFD for the PFD Garage, to be substantially in the form attached hereto as Exhibit I, that provides for the operation of the Parking Garage to include, but not be limited to, the following matters:

4.11.1 Upon the availability of any portion of the Parking Garage for parking purposes, the PFD will receive one-third (1/3) of the "Gross Revenue less sales tax" generated from the Parking Garage. Notwithstanding the foregoing, for the period of time commencing on the date that is the later to occur of (i) the date the Hotel receives a temporary certificate of occupancy, or (ii) the date the Hotel becomes available for use, and ending on the date that is six (6) months later (the "**No Payment Period**"), the PFD shall not be entitled to any profits or revenues generated from the Parking Garage. At the expiration of the No Payment Period, Worthy shall make a payment to the PFD in the total amount of Four Hundred Thousand Dollars (\$400,000.00), with the same amount due annually on the same day thereafter (the "**Parking Revenue Fee**"). As of the Effective Date, the weighted average of the monthly parking rates in the Parkade, the Bank of America and Washington Trust Bank garages, located in the downtown core of the City ("**Downtown Parking Garages**"), is \$129.96 (the "**Average Downtown Parking Rates**"). The Parking Revenue Fee shall be adjusted after the fifth year of payment, and every five (5) years thereafter, either up or down, by the percentage change in the Average Downtown Parking Rates charged by the Downtown Parking Garages (or comparable covered parking garages in the downtown core of the City, if the foregoing facilities are no longer in operation);

4.11.2 The PFD reserves the right, and Worthy hereby consents, that the PFD, for up to twelve (12) events per year, PFD guests may use and occupy the

PFD Garage at significantly reduced rates determined pursuant to the discretion of the PFD;

4.11.3 The Third Amendment to the Interlocal Cooperation Agreement with the City of Spokane (OPR 2003-0658) states that "all parking rates on the South Block shall be subject to approval by the District Board of Directors in an open public meeting." In compliance with the Third Amendment, for events held at the District Facilities, the event parking rate for 300 parking spaces as of the Effective Date is ten dollars (\$10.00). The event parking rate may be adjusted by the PFD provided a change to the event parking rate shall: (i) be mutually agreed with Worthy, which agreement shall not be unreasonably withheld; (ii) not exceed the market rates for similar parking in the reasonable vicinity of the District Facilities; and (iii) not increase or decrease by more than twenty-five percent (25%) during any twelve (12) month period.

4.11.4 Methods of operation and standards of maintenance for the Parking Garage which methods of operation are intended to, among other things, (a) provide safe, accessible parking for the general public, and the Hotel; (b) ensure convenient ingress, egress and location identification, including directional signage within the Parking Garage and Hotel; and (c) maximize the availability of private and public parking within the Parking Garage, except the portions of the Parking Garage used for the Hotel valet parking;

4.11.5 Subject to subsection 4.11.2, operation of the Parking Garage to create an inventory of approximately 900 parking spaces which are allocated to general public use, private use and valet parking such that when all or a portion of the spaces are not anticipated to be used by the Hotel, they shall be allocated to use by the general public; and

4.11.6 The obligation of CC Hotel, at its sole cost and expense to perform all structural and nonstructural repairs, maintenance and operational expenses with respect to the Parking Garage and PFD Garage.

4.11.7 The parking management agreement shall be in effect for ninety-nine years or for so long as the PFD, its successors and assigns owns a condominium unit in the Parking Garage, whichever first occurs.

4.12 Environmental Remediation. A remediation agreement between the Parties in the form attached hereto as Exhibit J, to provide reimbursement from the PFD to Worthy for up to \$500,000.00 for the removal and remediation of hazardous substances on the Property for the purpose of constructing the Improvements.

4.13 Restoration and Completion Guaranty. A restoration and completion guaranty agreement with related documents executed by Guarantor in the form(s) attached hereto as Exhibit K, which guaranty will be limited and secured by granting a first position deed of trust in the amount of Ten Million Dollars (\$10,000,000) on the office building owned by Guarantor, commonly known as the River View Corporate

Center, and located generally at 16201 E. Indiana Avenue, Spokane Valley, WA 99216, which deed of trust shall secure Worthy's performance, construction or removal of the Improvements, and shall be released when the Parking Garage and Hotel are substantially complete. The Guaranty shall provide that the PFD may elect to receive the Property "as is" free and clear of all liens and monetary encumbrances from CC Hotel with the Improvements constructed to date. Under such election, Worthy's guaranty shall be limited to paying the PFD the estimated cost to demolish the Improvements as evidenced from a bona fide bid from a licensed contractor experienced in demolition work of similar scope and complexity.

4.14 Solar Lighting System. The Parties will negotiate, in good faith, the price and terms to sell the solar lighting system on the Property to CC Hotel. Pursuant to PFD Policy 3.7, the solar lighting system shall be sold for reasonable value. In the event the Parties do not reach agreement on the sale of the solar lighting system, the PFD reserves the right to remove the same prior to commencement of construction as set forth in Section 5, below.

4.15 Removal of Improvements. The PFD will (i) remove and retain all parking equipment, signage, kiosks, bicycle lockers and related facilities on the Property; (ii) remove or cause to be removed the billboard sign on the corner of Spokane Falls Boulevard and Washington Streets; and (iii) leave in place the perimeter walls, site furniture and all landscaping materials, trees, etc. in the planting beds adjacent to the perimeter walls on the Property unless the PFD and Worthy agree otherwise.

4.16 Completion of Exhibits. The Parties acknowledge, as of the Effective Date, Exhibits D through N are not attached to this Joint Development Agreement and remain to be completed pursuant to agreement of the Parties. The Parties hereby agree to work in good faith to complete the above listed Exhibits within sixty (60) days from the Effective Date or other agreed date, provided if the Parties do not reach agreement on the above listed Exhibits, this Joint Development Agreement may be terminated as set forth in Section 14.1, herein.

5. Early Occupancy and Construction of Improvements Prior to the Transfer Date.

5.1 Use and Occupancy of the Property. Following PFD approval of the Preliminary Improvements Plans, but prior to the Transfer Date, Worthy is hereby given the right by the PFD to use and occupy the Property and begin preliminary construction activities, including but not limited to, measuring, surveying, staking, excavating, and demolishing existing improvements ("**Preliminary Construction Activities**") provided Worthy shall submit to the PFD for its approval, not to be unreasonably withheld, demolition and construction staging plans which phases the Preliminary Construction Activities. The purpose of the phased demolition and construction staging is to preserve and retain as much surface parking as is reasonably practicable to both reduce the inconvenience to patrons, visitors and guests of the District Facilities and generate revenue to the PFD. It is the intent of the Parties to allow parking operations to continue on the Property (or portions thereof) for as long as is reasonably practical. All costs of the parking operation shall be borne by the PFD, and the revenues generated shall inure

to the PFD. Worthy shall obtain all Permits to perform the Preliminary Construction Activities.

5.2 Main Avenue between Washington and Bernard Streets. Pursuant to a Revocable License and Permit attached hereto as Exhibit O, the PFD was granted the authority to use and occupy Main Avenue between Washington and Bernard Streets for the purpose of developing off-street public parking ("**Permitted Encroachment**") to serve the District Facilities. The Revocable License and Permit shall not be assigned to Worthy and shall terminate, no later than, the Transfer Date. Prior to the Transfer Date but following the PFD's approval of the Preliminary Improvements Plan, Worthy shall, upon notice and direction from the City, but within Worthy's sole discretion, remove the Permitted Encroachment from the right-of-way according to Section 3(c) of the Revocable License and Permit. Thereafter, Worthy shall reconstruct Main Avenue between Washington and Bernard Streets for use as a public right-of-way consistent with the City's standards and to the City's satisfaction. Such removal and reconstruction shall be done at the sole cost and expense of Worthy.

6. Commencement of Construction after the Transfer Date. Within ninety (90) days after the Transfer Date, Worthy shall cause to be commenced the construction of the Improvements in accordance with the Improvement Plans on the Property. Nothing herein is intended to create a contractual relationship or privity between PFD and the General Contractor engaged by Worthy.

Prior to commencement of construction, Worthy shall obtain a set of design and construction documents which contain plans, specifications, general and special conditions, all in conformance with the Improvement Plans given under Section 4.4 herein (the "**Construction Documents**") . The Construction Documents shall contain plans, drawings and specifications that are acceptable to the Governmental Authority for the purpose of obtaining the Permits.

6.1 Construction Management. Worthy shall be responsible for managing the construction of the Improvements with reasonable care, prudence, and attention to quality to ensure compliance with the Improvement Plans.

6.2 Construction Contract. Worthy shall act as general contractor to perform the Improvement Work.

6.3 Progress of Improvements Work. Worthy shall diligently perform and fully complete the Improvements according to the Improvement Plans Improvement Schedule and Construction Documents.

6.3.1 Worthy shall be responsible for providing and scheduling all equipment, personnel, move-in and move-out necessary to complete the Improvements consistent with the Improvement Schedule.

6.3.2 Worthy shall provide provide qualified workers in sufficient numbers to comply with the Improvement Schedule and Construction Documents.

6.3.3 Guarantor, or a designated representative of Worthy, shall be available to meet with the PFD's representative once per month at a minimum, or upon other mutually agreeable times, on site to review the constructed Improvements and work progress consistent with the Improvement Plans, Improvement Schedule and Construction Documents.

6.4 Workmanship and Licensing.

6.4.1 Worthy shall ensure the Improvements are constructed in a good and workmanlike manner, using means and methods that are in full compliance with all applicable laws, ordinances, regulations and codes. Worthy shall undertake, at all times, action(s) necessary to secure Governmental Approvals of the Improvements from Government Authorities.

6.4.2 Worthy guarantees all labor, materials and workmanship for all Improvements completed under this Agreement are free from defects and are in conformance with the Contract Documents. Worthy's guarantee shall remain in effect for a period of one year from completion of the Improvements and receipt of the final certificate of occupancy from the City. If at any time during the guarantee periods set forth above any part of the materials or workmanship furnished by Worthy for the PFD Garage shall be defective or not in conformance with the Contract Documents, Worthy shall, within a reasonable period of time following receipt of written notice from the PFD, repair or replace such defective or nonconforming materials and workmanship. Should Worthy fail to correct any defective or nonconforming Work during the guarantee periods, the PFD may correct the same and Worthy shall pay the cost incurred by the PFD to repair or replace the material and/or the nonconforming work.

6.4.3

6.5 Protection of Work/Clean-Up.

6.5.1 Worthy shall be responsible for protecting all materials furnished and work performed by Worthy's workers and subcontractors. Worthy shall also be liable for any loss or damage to the Improvements or any part thereof that has been completed, or to any equipment and materials on the job site, caused by Worthy, Worthy's workers and subcontractors.

6.5.2 Worthy shall remove its waste materials from the Property during the course of construction. Upon completion of the Improvements, Worthy shall remove from the Property all temporary structures, debris and waste incident to its operations and performance of the work under this Agreement.

6.5.3 Worthy shall comply with all applicable federal, state, county and/or local safety regulations in the performance of the work under this Agreement.

6.6 Changes in the Improvements. PFD may request changes or additions to the Parking Garage under this Agreement, as may be mutually agreed upon by the Parties. All such changes or additions shall be made and performed under the terms and conditions of this Agreement; *provided, however*, that any changes to the Improvement Schedule resulting from any changes or additions, and allocation of the responsibility to pay the costs of the same, must be agreed upon by the Parties at the time such changes or additions are requested.

6.7 Completion of Parking Garage. As set forth on the Improvement Plans and Construction Documents, Worthy, following final completion of the Parking Garage shall allow the PFD to conduct an inspection of the PFD Garage to determine compliance with the Improvement Plans and Construction Documents.

6.8 Branding of Hotel. At least ninety (90) days prior to the Hotel being substantially complete as set forth in the Construction Documents, Worthy shall, within its sole and absolute discretion, brand the Hotel as a premium brand designation of (i.e. "Four Diamond Level") Marriott, Hilton or Hyatt (a "**Premier Brand Designation**"). In the event Worthy does not brand the Hotel with a Premier Brand Designation by the date set forth above, Worthy shall pay liquidated damages to the PFD in the amount of \$150,000.00 per year for each and every year or part thereof during which the Hotel is not affiliated with a Premier Brand Designation or other major brand, as may be mutually agreed to between Parties. As of the Effective Date, the Parties acknowledge that absent the use of a Premier Brand Designation, Worthy shall, upon written request of the PFD, meet and confer in order to determine an alternate major brand for the Hotel, and in the event the PFD fails to approve of the major brand proposed by Worthy (which approval shall not be unreasonably withheld, conditioned or delayed), then the same shall be resolved through Section 14.2 of this Agreement.

The Parties further stipulate and agree that the liquidated damages are a reasonable forecast of the amount of damages to be suffered by the PFD if the Hotel is not affiliated with a Premier Brand Designation or other major brand. This liquidated damage provision has been mutually negotiated between the Parties.

7. Construction of Skywalk. After the Transfer Date, PFD shall, in cooperation with Worthy, construct or enter into an agreement with a licensed, bonded and insured contractor for the purpose of constructing the Skywalk in accordance with the Skywalk Plans to connect the Convention Center with the Improvements. Nothing herein is intended to create a contractual relationship or privity between Worthy and the contractor engaged by PFD.

7.1 Construction Management. PFD shall be responsible for managing the construction of the Skywalk with reasonable care, prudence, and attention to quality to ensure compliance with the Skywalk Plan. PFD shall be responsible for all construction costs associated with the Skywalk.

7.2 Construction Contract. PFD shall select a general contractor in compliance with the public works laws to construct and install the Skywalk according to the Skywalk Plan, the contractor's estimate (bid) and other agreed documents



(collectively the "**Skywalk Work**"). The Improvement Work and the Skywalk Work are hereinafter collectively referred to as the "**Work**."

7.3 Completion Guaranty. PFD shall require that construction of the Skywalk shall commence and be completed within the time limits set forth in the Skywalk Completion Guaranty attached hereto as Exhibit L.

7.4 Skywalk Easement Agreement. The Parties agree to grant and record after the Transfer Date an easement, the form of which is attached as Exhibit M, for access, ingress, egress, structural support, maintenance and use of the Skywalk.

7.5 Construction and Access License. Worthy hereby agrees to execute and deliver a license, the form of which is attached as Exhibit N, granting PFD, its successors, assigns, mortgagees, lessees, sublessees, employees, agents, customers, licensees, and business invitees a temporary and non-exclusive license for ingress, egress, and construction purposes in and across the Property while the Skywalk Work is in progress.

8. Fees, Costs and Expenses. PFD shall be responsible for all fees, costs, and expenses associated with the Skywalk, Appraisal, any required division of the Property and preparation and filing of the condominium declaration required to create the PFD Garage. Worthy shall otherwise be responsible for all fees, costs, and expenses associated with the Improvements.

9. Relationship of the Parties. It is hereby understood, agreed and declared that Worthy is not the agent or contractor of the PFD and that no partnership, joint venture or other entity or arrangement is created through this Agreement. Notwithstanding the review and approval rights granted herein, the PFD is interested only in the results to be achieved under this Agreement as recognized by the PFD through this Agreement and that the right to control the particular manner, method and means in which the Improvement Work is performed is solely within the discretion of the Worthy.

The PFD shall have no liability to Worthy or to anyone claiming through or under Worthy by reason of the execution or performance of this Agreement. All costs, expenses and fees related to the Improvements are the sole responsibility of Worthy and not an obligation of the PFD.

10. Indemnity. Each Party shall indemnify, defend and hold the other, their agents, employees, directors, attorneys, contractors, and subcontractors harmless against and from any and all liability, costs, damages or expenses arising from or related to the conduct, management, or performance of the other Party, including, without limitation: (i) any breach or default on the part of a Party in performance of any covenant or agreement on its or their part to be performed pursuant to the terms of this Agreement; (ii) any act of negligence by a Party or any of its/their agents, servants, employees, subcontractors, or licensees; or (iii) any accident, injury, or damage howsoever caused to any person, firm, or corporation. Such indemnity shall include any reasonable counsel fees incurred in defending such claim, action, or proceeding brought by any person, firm or entity against a Party. This indemnification shall not be affected by a claim that

negligence contributed in part to the loss or damage. The Parties agree to cooperate in the event either Party is subject to litigation relating to this Agreement.

11. Insurance.

11.1 Property Insurance. Worthy shall purchase and maintain course of construction and multi-peril property insurance for the full cost of the Improvements as of the time of any loss. This insurance shall name the other Party as additional insureds, and shall insure against loss from the perils of fire, extended coverage, and shall include "all risk" insurance for physical loss or damage, including, without duplication of coverage, at least theft, vandalism, malicious mischief, transit, collapse, flood, earthquake (to the extent commercially available at reasonable prices), testing, and damage resulting from defective design, workmanship, or material.

11.2 Liability Insurance. The Parties shall purchase and maintain a policy of comprehensive general liability insurance ("**Liability Insurance**") in an amount not less than Four Million Dollars (\$4,000,000.00) per occurrence naming all Parties as additional insureds. This Liability Insurance shall insure against liability for personal injury, bodily injury, death to any person or persons, premises operations (including explosion, collapse, and underground coverage), elevator, independent contractors, and blanket contractual liability on all written contracts.

11.3 Workers Compensation Insurance. Worthy shall furnish evidence that it has in force worker's compensation insurance, as required by law, and employer's liability insurance for the protection of its employees. The PFD shall furnish evidence that it has in force worker's compensation insurance, as required by law, and employer's liability insurance for the protection of its employees. The PFD's general contractor shall provide Worthy, upon Worthy's request, proof of the PFD's general contractor's compliance with all applicable workers' compensation laws and regulations with regard to Skywalk Work performed under this Agreement.

11.4 Certificates of Insurance. Within ten (10) days of the Transfer Date, the Parties shall obtain certificates evidencing the insurance required under this Section 11 which shall state the coverage shall not be canceled, changed, or non-renewed without ten (10) days' advance notice to the other Party, and a renewal certificate shall be obtained at least ten (10) days prior to expiration of any policy. Each Party shall notify the other upon its receipt of any claim that exceeds One Hundred Thousand Dollars (\$100,000.00) on the policies required under this Section 11. Such insurance shall be with an insurer licensed to transact business in Washington having an A.M. Best rating of A VI or better.

12. Waiver of Subrogation.

12.1.1 PFD and Worthy waive all rights against each other, their respective contractors, and subcontractors for damages caused by perils covered by their insurance, except such rights as they may have to the proceeds of such insurance held by others.

12.1.2 PFD and Worthy waive all rights against each other and their respective contractors and subcontractors for loss or damage to any equipment used in connection with the Work and covered by any property insurance.

13. Liens and Claims. Worthy shall deliver the Parking Garage under this Agreement free from any and all claims, encumbrances or liens of subcontractors and/or materials suppliers. The PFD shall deliver the Skywalk under this Agreement free from any and all claims, encumbrances or liens of subcontractors and/or materials suppliers. Within thirty (30) days after written demand, each offending Party shall cause the effect of any claim, encumbrance, or lien to be removed, at that Party's discretion, either by posting of a lien bond or payment of the lien amount and, in the event the offending Party shall fail to do so, the nonoffending Party is authorized to use whatever means in its discretion it may deem appropriate to cause such claim, encumbrance or lien to be removed or dismissed. The Parties may litigate a claim, encumbrance or lien only if such Party has provided a lien bond in a form reasonably satisfactory to the other Party. The Parties agrees to indemnify, defend and hold each other harmless from all incidental or consequential damages resulting to the indemnified Party from such claim, encumbrance or lien.

14. Disputes.

14.1 Termination of Agreement. If the Parties cannot come to an agreement and thereby have a dispute with respect to any matter delineated in Sections 4.2, 4.4, 4.5, 4.8, 4.10-4.13, 4.16 17.3 or 18, then the Parties may elect to attempt to resolve such dispute through mediation. Notwithstanding the foregoing, if the Parties cannot agree to resolve such dispute through mediation or otherwise, or if Worthy and/or the PFD so elects, this Agreement shall terminate. If the elected remedy is to terminate this Agreement: (a) the Property shall revert to the PFD, and if subsequent to the Transfer Date, Worthy by Bargain and Sale Deed, will convey the Property to the PFD free and clear of all monetary encumbrances and (b) unless otherwise directed by the PFD Worthy must, at its sole cost and expense, timely, but not longer than twelve (12) months, restore and reconstruct the parking lot that existed on the Property to substantially the same condition that it existed on the Effective Date of this Agreement, including, without limitation, restoring the Permitted Encroachment. The costs of reconveyance shall be shared equally by the Parties.

14.2 Arbitration. Subject to the provisions of Section 14.1, all claims, disputes, and other matters in question arising out of, or relating to, this Agreement or a breach thereof, except for claims that have been waived by the making or acceptance of final payment, may be decided by arbitration in accordance with RCW Chapter 7.04A.

14.2.1 Notice of Arbitration. Should a Party elect to arbitrate a claim or dispute, notice of the demand for arbitration with a statement of claim containing facts and the legal support shall be served in writing upon the other Party. The demand shall be made within a reasonable time after the claim, dispute, or other matter in question has arisen, and in no event shall it be made after the date when institution of legal or equitable proceedings based on such claim, dispute, or other matter in question would be barred by the applicable statute of limitations. If the

dispute remains unresolved thirty (30) days after the written demand, a notice of arbitration shall be filed with the American Arbitration Association.

14.2.2 Award. The award rendered by the arbitrators shall be final, and judgment may be entered in accordance with Washington law in a court having jurisdiction.

14.2.3 Continuation of Obligations. Unless otherwise agreed in writing, Worthy and PFD shall continue to perform their obligations during any arbitration proceedings.

14.2.4 Consolidation. All claims that are related to or dependent on each other, shall be heard by the same arbitrator or arbitrators, even though the Parties are not the same, unless a specific contract prohibits such consolidation.

15. Events of Default; Remedies.

15.1 Events of Default. Upon the occurrence of any one or more of the following events which shall continue and not be cured in accordance with the notice and opportunity to cure provisions set forth in this Section 15, the non-defaulting Party may, at its option, declare a default under this Agreement:

15.1.1 a Party fails to comply with any of the terms and conditions or fails to perform any of its obligations under this Agreement or any document and/or instrument given in connection therewith and such failure continues for a period of thirty (30) days after written notice from the other Party;

15.1.2 a Party breaches any warranty made by it under this Agreement, or any representation herein is or has become untrue;

15.1.3 subject to the provisions of Section 15 hereof, if the Work is not carried on with reasonable dispatch, is abandoned, or the Work has ceased for a period of thirty (30) consecutive days;

15.1.4 if a lien for the supply of materials or the furnishing of labor is filed against the Improvements or Property, and remains unsatisfied or unbonded within ten (10) days after written notice to the offending Party;

15.1.5 any attempted assignment of this Agreement without the other Party's consent; or

15.1.6 a Party becomes insolvent as evidenced by its admission in writing of its inability to meet its obligations as they mature; or makes an assignment for the benefit of creditors, or at any time is adjudicated bankrupt; or at any time applies for the appointment of a trustee or receiver of any substantial part of its properties; or any such trustee or receiver is appointed, and if in any such action the insolvent Party indicates its approval of, consent to or acquiescence in such appointment, or any such trustee or receiver is not discharged within sixty

(60) days; or any proceedings involving such Party are at any time commenced by or against such Party under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute of the United States or any state thereof, and if such proceeding shall be initiated and remain undismissed for sixty (60) days.

15.2 Cure. If a default is not reasonably susceptible of cure within the cure period provided in Section 15.1 above, but the defaulting Party commences to cure such default within the applicable cure period and thereafter diligently prosecutes the cure to completion, and completes such cure within thirty (30) days of commencing the cure, such default shall not become an event of default.

15.3 Remedies. Following an event of default that is not cured as set forth above, the non-defaulting Party may terminate this Agreement. If Worthy is the defaulting Party: (a) the Property shall revert to the PFD pursuant to Section 14.1 and (b) unless otherwise directed by the PFD Worthy shall restore the Property to its prior condition, as described in Section 14.1. The Parties agree that the remedy of specific performance shall not be available.

16. Force Majeure. Performance by either Party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, casualties, acts of God, acts of the public enemy, lack of transportation, governmental restrictions, regulations, orders or priority, unusually severe weather, acts or omissions of the other Party, or acts or failures to act of Governmental Authority after diligent best efforts to cause the Governmental Authority to act. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, but only if notice by the Party claiming such extension is sent to the other Party within fifteen (15) days of the commencement of the cause.

17. Challenges to Project. Should a claim, action or lawsuit be brought or filed by a third party with respect to any part of the Project (including all referenced documents and exhibits) or the application of an order, rule, enactment or regulation be determined to modify or suspend all or part of this Agreement, the Parties shall cooperate in the defense of such matter as follows:

17.1 Notice. Each Party shall give written notice of the matter that reasonably may be subject to the indemnity or shared defense provisions of this Agreement. Such notice shall be given within five (5) days after receipt of the notice of claim, or service of a lawsuit.

17.2 Joint Defense. Following notice the Parties shall within ten (10) days mutually conclude they have common interests in defending against such claim, action or lawsuit and will thereafter enter into a joint defense agreement upon terms and conditions mutually acceptable to both Parties provided each Party shall assume its own costs, fees and expenses associated with such agreement. If a joint defense agreement is not entered

into by the Parties, this Agreement may be terminated on notice from either Party with no further obligation or liability to the other Party.

17.3 Delay in the Project. If challenges of the nature described in this Section 17 occur, and as a result delays to the Improvement Schedule actually occur or Worthy reasonably believes that delays to such schedule will likely occur, in either case amounting to a delay or foreseeable delay, as the case may be, in the Improvement Schedule of twelve (12) months or more, either Party may elect to invoke the provisions of Section 14.1.

18. Effect of Order, Rule or Law. In the event that any order, rule, enactment or regulation, entered, existing or adopted after the Effective Date: (a) modifies a term or condition herein; (b) prevents or precludes either Party from complying with one or more of the provisions of this Agreement or the Improvements anticipated to be built on the Property; or (c) otherwise materially affects the purpose or performance of the obligations under this Agreement, then to the extent feasible such provision(s) of this Agreement shall be modified, stricken or suspended as may be necessary to comply with such order, rule, enactment or regulation. Upon notice, entry or adoption of any such order, rule, enactment, law or regulation, the Parties shall meet and confer in good faith to determine the effect of the same on the purposes and intent of this Agreement. If such modification or suspension is unfeasible in either Party's reasonable business judgment, then as its sole remedy, either Party shall have the right to terminate this Agreement by written notice to the other Party. In addition to the above, the Parties, jointly, shall have the right to challenge the order, rule, enactment or regulation preventing compliance or performance with the terms of this Agreement, and, in the event such challenge is successful, this Agreement shall remain unmodified and in full force and effect.

19. Waiver/Hold Harmless. Each Party with the intention of binding themselves and their respective heirs, legal representatives and assigns do hereby waive and hold harmless the other Party, its officers, agents, employees, successors and assigns from any and all claims, demands and causes of action, damages, costs, expenses, compensation and attorney fees, and any other claims or damages of any kind whatsoever arising out of or connected with, directly or indirectly, this Agreement or any other matter which effects the modification, suspension, or termination of this Agreement. This waiver and hold harmless includes but is not limited to all injuries and damages known or unknown and those that might develop during the performance of this Agreement.

20. Notice.

All notices required or permitted to be given hereunder shall be in writing and shall be deemed delivered when received at the address set forth below.

If to PFD:                      Spokane Public Facilities District  
720 W. Mallon Ave.  
Spokane, WA 99210

With copy to:                  Stanley M. Schwartz  
Witherspoon Kelley



422 W. Riverside, Ste. 1100  
Spokane, WA 99201

If to Worthy: Attn: Walter B. Worthy  
16201 E. Indiana Avenue  
Spokane Valley, WA 99216

With copy to: James S. Black  
Lukins & Annis, P.S.  
717 W. Sprague Avenue, Suite 1600  
Spokane, WA 99201

21. Binding Effect. This Agreement will bind and inure to the benefit of the Parties and their successors and assigns.

22. Entire Agreement. This Agreement shall supersede any prior representation or agreement, written or oral. This Agreement shall not be subject to modification or amendment except in a writing executed by both Parties.

23. Attorney Fees. In any action to enforce any provision of this Agreement, the prevailing Party shall be entitled to recover in addition to any other amounts awarded, its reasonable attorney fees and costs of action.

24. Counterparts. This Agreement may be executed in multiple counterparts, including facsimile and other electronically delivered counterparts, which when signed by both Parties and taken together shall constitute a binding agreement. Governing Law. This Agreement shall be interpreted and governed by and under the laws of Washington.

26. Assignment. Worthy's rights and obligations under this Agreement may be assigned only with the prior written consent of PFD. In the event of an assignment, all rights and obligations shall extend to and be binding upon the representatives, successors and assigns of the Parties.

27. Survival. All provisions of this Agreement shall survive closing of the Property and shall not be merged within the Deed and shall remain in full force and effect.


28. Time of the Essence. Time is of the essence in the payment and the performance of the Parties obligations under this Agreement.

*[signature page follows]*

IN WITNESS WHEREOF, Worthy and PFD do hereby execute this Agreement as of the Effective Date.


PFD:

The Spokane Public Facilities District, a Washington municipal corporation

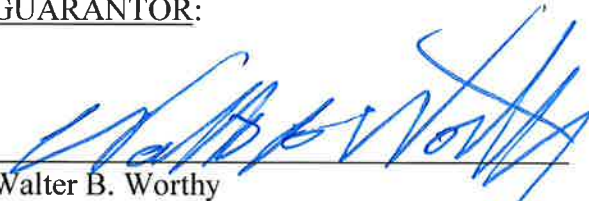
By:   
Name: KEVIN TROTTER  
Its: CEO

CC HOTEL:

Convention Center Hotel, LLC, a Washington limited liability company

By:   
Name: Walter B. Worthy  
Its: Manager

GUARANTOR:

  
Walter B. Worthy

  
Karen L. Worthy

## EXHIBIT INDEX

Exhibit A	The Property
Exhibit B	The Convention Center Property
Exhibit C	Convention Center Expansion
Exhibit D	Real Property Purchase and Sale Agreement
Exhibit E	Bargain and Sale Deed
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Exhibit G	Restrictive Covenant – PFD
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Exhibit O	Revocable License and Permit

## **Purchase and Sale Agreement**

## PURCHASE AND SALE AGREEMENT

This Agreement for Purchase and Sale of Property Rights ("**Agreement**") is made by and between the Spokane Public Facilities District, Washington municipal corporation ("**District**" or "**Seller**") and Convention Center Hotel, LLC, a Washington limited liability company, or assigns ("**CC Hotel**" or "**Buyer**"), jointly referred to as the "**Parties**".

### RECITALS

A. Seller owns certain real property and other improvements situated in Spokane, Washington, located between Spokane Falls Boulevard to the north, Bernard Street to the east, Washington Street to the west, and Main Avenue to the South, and identified as Spokane County Tax Parcel Nos. 35184.2106, .2105, .2104, .2103, .2102, .2101, .0701, .0702, .0703, .2107, .2108, .2109, .2110, .2111, and .2112 (hereinafter the "**Property**"). The Property is legally described in **Exhibit A** and depicted in **Exhibit B**, both of which are attached hereto.

B. The Property is presently improved with a surface parking lot consisting of 300 parking stalls owned by the District and 19 occupied through a License Agreement as set forth on **Exhibit C** hereto. The surface parking lot, along with landscaping, lighting, stormwater drainage and other improvements provide public parking contiguous to the INB Performing Arts Center, Convention Center and related improvements ("**District Facilities**").

C. The District has determined that a portion of the Property is not needed for District purposes, and has declared the same to be surplus.

D. Through a separate Joint Development Agreement, Buyer, after the Closing Date (as defined herein) will develop a high-rise hotel consisting of at least 700 rooms and 900 parking stalls in a multi-story parking garage, of which 300 parking stalls would be under the ownership of the District through a condominium interest (collectively the "**Improvements**").

E. To develop the Improvements, this Agreement provides for a conveyance, in fee simple, of the Property from Seller to Buyer.

F. Words and terms not defined in this Agreement shall have the meaning set forth in the Joint Development Agreement.

NOW, THEREFORE, the Parties agree as follows:

### AGREEMENT

In consideration of the following terms, conditions and covenants, it is agreed as follows.

1. Offer and Acceptance. Buyer, by affixing its signature to this Agreement, having it notarized, and returning it to the District at the address hereinafter set forth on or before August 14, 2013, offers to purchase the Property upon the terms, conditions and covenants set forth herein.

After receipt of this signed Agreement and Joint Development Agreement from Buyer, the District's Board of Directors shall place this Agreement on the Board agenda for action at the next regular meeting of the Board. Following acceptance of this Agreement by the Board, this Agreement shall be signed by the Board and notarized (the "**Effective Date**"). Thereafter, the Parties shall perform pursuant to the terms of this Agreement.

2. Sale of Property. Seller shall sell, convey and transfer fee simple interest to the Property to Buyer upon the terms and conditions herein set forth herein to include without limitation all of Seller's right, title and interest in the Property, subject to the requirements of this Agreement and the Joint Development Agreement executed by the Parties and dated \_\_\_\_\_.

The Property shall be conveyed with a restrictive covenant, which limits the use of the Property to a hotel, parking garage and other ancillary and related uses as generally described in the Joint Development Agreement. This covenant shall be executed by the Parties at Closing and recorded against the Property.

3. Consideration. The consideration for the Property is set forth in the Joint Development Agreement.

3.1 Earnest Money Deposit. Within five (5) business days following the Effective Date, Buyer shall deposit with the Escrow Holder a signed original of this Agreement and the amount of Five Thousand and 00/100 Dollars (\$5,000.00) (the "**Earnest Money Deposit**"). Interest on the Earnest Money Deposit shall be for the benefit of whichever party is entitled to the Earnest Money Deposit at Closing or termination.

4. Escrow and Title Insurance.

4.1 Escrow. The purchase and sale and transfer of title of the Property shall be accomplished through an escrow (the "**Escrow**") established at First American Title Company in Spokane Washington ((509) 456-0550), or other entity jointly selected by the Parties (the "**Escrow Holder**"). Upon the request of the Escrow Holder, the Parties shall execute any supplemental escrow instructions required by Escrow Holder for the purpose of implementing and carrying out the terms of this Agreement.

4.2 Deposit of Funds. The Earnest Money shall be retained by the Escrow Holder and disbursed as hereinafter provided.

4.3 Close of Escrow. The escrow instructions shall provide for Escrow to close (the "**Closing** ") as soon as practicable after satisfaction of the "**Conditions to Transfer Property** " set forth in section 4 of the Joint Development Agreement ("**Closing Date**"). The Closing Date may be extended upon agreement of the Parties if Buyer reasonably requires additional time, not to exceed sixty (60) days to review or complete matters contained in this Agreement.

4.4 Title Insurance. Buyer shall, at its expense, within twenty (20) days of the Effective Date, obtain a preliminary commitment for title insurance ("**Title Report**") from First American Title Company (the "**Title Company**"), which shall also provide a copy thereof to Seller. Buyer shall identify in writing provided to Seller within fifteen (15) days of its receipt of the Title Report, those liens, encumbrances or other matters which are deemed objectionable in its reasonable discretion ("**Buyer's Title Notice**"). If objections to title are made, Seller shall either cure or obtain title insurance coverage for said objections prior to Closing, and provide notice thereof in writing within ten (10) days of its receipt of Buyer's Notice. If Seller is unable, unwilling to cure or insure any such objections, Buyer shall, thereafter, have five (5) business days to notify Seller of its election to either terminate this Agreement by written notice whereupon all obligations of the Parties shall cease and the Earnest Money shall be refunded to Buyer, or waive its objections to title and proceed to close the transaction. Seller's failure to respond to Buyer's Title Notice shall be deemed a statement that Seller is unwilling to cure Buyer's objections. If Buyer fails to object in writing within fifteen (15) days of receipt of the Title Report, then any objections will be deemed waived and the Title Report will be deemed approved.

At the Closing, Buyer, at its expense, shall also be able to obtain an extended form ALTA Owner's Title Insurance Policy (the "**Extended Policy**") issued by the Title Company, insuring title to Buyer in the full amount of the Purchase Price and containing no exceptions or conditions other than the Permitted Exceptions.

4.5 Permitted Exceptions. Permitted Exceptions mean the following (the "**Permitted Exceptions**"):

4.5.1 As set forth in Paragraph 4.4, any exception to title set forth in the Title Report (i) to which Buyer does not object in Buyer's Title Notice, (ii) to which Buyer objected, but Seller has agreed to cure at or prior to the Closing, or (iii) to which Buyer later waives its objection after receiving Seller's response letter.

4.5.2. The standard printed general and special exceptions and exclusions contained in the title policy form.

4.6 Actions of Escrow Holder. On the Closing Date, Escrow Holder shall perform the following:

4.6.1 Recordation. Cause the Deed (as defined in Paragraph 4.7.1) with accompanying excise tax affidavit, and any other applicable documents, to be recorded in the Official Records of the County where the Property is located, and obtain conformed copies thereof for distribution to Buyer and Seller.

4.6.2 Disbursement of Funds. Disburse all funds deposited with Escrow Holder as follows (and in the following order):



(1) Pay all closing costs to be paid through Escrow (including, without limitation, recording fees, property and excise taxes, if any, premiums for the Title Policies, and escrow fees).

(2) Pay, or cause to be removed from title, all mortgages, deeds of trust and other monetary liens (except liens created or incurred by Buyer) for the account of Buyer.

(3) Disburse any remaining funds to Buyer in accordance with payment instructions to be delivered to Escrow Holder by the Parties.

4.6.3 Delivery of Documents. Escrow Holder shall:

(1) Direct the Title Company to issue the Title Policy to Buyer in accordance with this Agreement.

(2) Deliver to Buyer: (i) conformed copies of the Deed and other recorded documents; (ii) originals of the other Closing Documents; and (iii) Buyer's closing statement.

(3) Deliver to Seller: (i) conformed copies of the Deed and other recorded documents; (ii) copies of the other Closing Documents; and (iii) Seller's closing statement.

4.7 Documents at Closing - Seller. Seller shall execute and deliver to Escrow Holder the following documents, before the Closing Date and, except as otherwise provided below, Escrow Holder shall deliver to Buyer immediately following the Closing Date, the following documents (the "**Closing Documents**"), all in form and substance reasonably acceptable to Buyer:

4.7.1 A properly executed Bargain and Sale Deed, subject only to the Permitted Exceptions, conveying fee simple title to the Property to Buyer ("**Deed**"), which shall be recorded at the time of the Closing Date.

4.7.2 A properly executed termination of all existing lease and other agreements for the Property if required pursuant to any Title exception.

4.7.3 No-foreign person affidavits (the "**IRC Affidavits**") stating that Seller is not a foreign person as defined in Section 1445(b)(2) of the Internal Revenue Code.

4.7.4 Real Estate Excise Tax Affidavit.

4.7.5 All other documents reasonably necessary to effectuate the transactions contemplated by this Agreement.

4.8 Documents at Closing - Buyer. Buyer shall execute and deliver to Escrow Holder the following documents, before the Closing Date and, except as otherwise provided below, Escrow Holder shall deliver to Seller immediately following the Closing Date, the following documents all in form and substance reasonably acceptable to Seller:

4.8.1 The Bargain and Sale Deed identified in Section 4.7.1 above to acknowledge its form and content.

4.8.2 No-foreign person affidavits (the "IRC Affidavits") stating that Seller is not a foreign person as defined in Section 1445(b)(2) of the Internal Revenue Code.

4.8.3 Real Estate Excise Tax Affidavit.

4.8.4 All other documents reasonably necessary to effectuate the transactions contemplated by this Agreement.

5. Closing Costs.

5.1 On the Closing Date, Buyer shall pay the following costs and expenses in connection with this transaction:

- (A) One-half of the escrow fees;
- (B) All Title insurance fees and premiums for Extended Policy coverage;
- (C) Prorated future real property taxes, if any;
- (D) All of Buyer's real estate commissions, if any, earned for this transaction;
- (E) Recording fees; and
- (F) Buyer's attorneys' fees.

5.2 On the Closing Date, Seller shall pay (or cause to be removed from title to the Property) the following:

- (A) Monetary liens, encumbrances and similar matters due and payable prior to the Closing Date;
- (B) One-half of the escrow fees;
- (C) Real property and personal property taxes through the Closing Date;
- (D) Real estate excise and sales taxes to the extent due under WAC 458-61A-205;

- (E) Title insurance fees and premium for standard coverage policy;
- (F) All of Seller's real estate commissions, if any, earned for this transaction;
- (G) The costs of the boundary line adjustment or any other type of land division set forth herein that may be required to effectuate the intent of this Agreement; and
- (H) Seller's attorneys' fees.

6. Right of Entry. Following acceptance of this Agreement by the Parties, and subject to the confidentiality provisions of this Agreement, Buyer, its agents, employees or contractors may, for a period of fourteen (14) days immediately following the Effective Date of this Agreement, enter upon the Property Parcel at times reasonably acceptable to Seller for the purpose of investigating, inspecting, surveying, testing the soil or improvements (including buildings, structures, etc.). Buyer shall upon request by Seller, provide Seller with copies of all studies, tests or surveys.

Buyer agrees to indemnify and hold Seller and current lessee harmless for: (a) any loss, cost or expense resulting from damage to the Property or injury to persons resulting from the work conducted pursuant to this paragraph, except to the extent such damage is caused by the negligence or intentional acts of the Seller or its agents, and (b) all liens, encumbrances, demands, charges or fees incurred by or resulting from Buyer, its agents, employees and contractors' activity on the Property.

Buyer shall provide Seller and Seller's with notice of its intent to enter the Property describing the date of entry, the purpose and activities to be conducted on Property. Buyer's activity or work on the Property shall be performed with minimum disturbance to the Property and the business being conducted by Seller's thereon. Seller and Buyer agree to cooperate with each other in good faith to maintain the confidential nature of the transactions subject of this Agreement. Upon completion of the work or activity, the Property shall be restored to the condition in which it was found.

If Buyer shall fail for any reason to exercise its right enter upon the Property to conduct the tests, inspections, etc. subject of this Paragraph 6 within the time period provided above, unless such time frames have been extended by mutual written agreement of the parties then, in such event, Buyer shall be deemed to have waived its right to enter upon the Property.

7. Conditions Precedent to Closing. Closing of this Agreement is subject to the satisfaction or waiver by the Parties of the following conditions. If the following conditions are not satisfied prior to Closing, either party reserves the right to terminate this Agreement by delivering written notice of termination to the other and the Escrow Holder, whereupon the Earnest Money, with interest, shall be returned to Buyer. If notice is not delivered prior to Closing, this Agreement shall remain in full force and effect.

The Parties agree to exercise good faith and best efforts to complete and satisfy the following conditions of closing.

7.1 Joint Development Agreement. The Parties shall have negotiated and executed a mutually acceptable Joint Development Agreement with the conditions and obligations of Section 4 therein having been completed together with any related or ancillary documents required thereunder.

7.2 Title Policies. The Title Company shall have issued, or irrevocably and unconditionally committed to issue, the Title Policy subject only to the Permitted Exceptions.

7.3 Condition of Property. There shall have been no material adverse change to the Property to date of Closing.

7.4 The Parking Parcel. Seller, as set forth in the Joint Development Agreement shall obtain from the City of Spokane ("City") a boundary line adjustment or other land division acceptable to the Parties to create a separate lot for the Parking Garage, with in which Seller's parking condominium will be located. The form and content of the land division application, together with all the conditions of approval from the City, shall be acceptable to both the Buyer and the Seller. Should any of the conditions of approval not be reasonably acceptable to either Party, then that Party may, upon reasonable prior notice, terminate this Agreement.

7.5 No Litigation. No lawsuit, arbitration or other action, proceeding or claim shall be pending which: (i) seeks to restrain or prevent the sale of the Property to Buyer; or (2) the outcome of which would have an adverse effect on Buyer's ownership of the Property.

7.6 Zoning of Property. The Property shall be zoned or otherwise reasonably conditioned to permit Buyer's and Seller's intended use, which is generally described in this Agreement.

7.7 Condition of Title. Seller shall not have permitted or consented to any lien, encumbrance or any matter to cause the condition of title to be changed from that set forth in the Title Report, nor shall Seller have entered into any licenses, agreements, leases or covenants that authorize any right of possession or use to all or any portion of the Property, which would remain in effect after Closing, if any, have either been terminated or assigned to Buyer, as Buyer may elect.

7.8 Representation. The representations and warranties in paragraph 9 are true and correct on the Closing Date.

8. Representations and Warranties of Seller. In addition to the representations and warranties contained in other paragraphs of this Agreement, Seller hereby makes the representations and warranties herein set forth. Each representation and warranty: (i) is material

and relied upon by Buyer; (ii) is true in all respects as of the date of this Agreement and shall be true in all respects on the Closing Date; and (iii) shall continue in full force and effect regardless of what investigations Buyer shall have made with respect to the subject matter thereof.

8.1 Seller Sole Owner. Seller is the sole owner of the entire right, title and interest in the Property, all improvements thereon, subject only to those matters set forth in the Title Report.

8.2 Consent. Seller has obtained or will obtain before the closing date, all required consents, releases and permissions, necessary in Title Company's opinion to convey the Property to Buyer.

8.3 Encumbrances and Encroachments. The Property is, and as of the closing date, will be free and clear of all liens, encumbrances, claims, rights, demands, easements, leases, and agreements of any kind or character (including, but without limitation, liens or claims for taxes, mortgages, or other title-retention agreements, deeds of trust, security agreement and pledges) except for Permitted Exceptions and those title matters to which Buyer objected and to which Seller has agreed to cure prior to at the Closing.

8.4 Zoning. To Seller's knowledge without investigation, the Property is, or will be before the closing date, zoned or permitted for Buyer's intended use mixed use development primarily within the hospitality business.

8.5 Contemplated Use. To the best of Seller's knowledge, without investigation, none of the easements, interests, or agreements to which the Property is or may be subject has interfered with, or may interfere with, the Buyer's proposed use of the Property. Notwithstanding the forgoing, Seller specifically advises Buyer that a portion of the parking spaces developed on the south end of the property are located within City of Spokane right-of-way pursuant to a License Agreement, a copy of which has been provided by Seller to Buyer. The parties anticipate that the area occupied by the District pursuant to the aforementioned license will be returned to the City and the License Agreement canceled upon Closing of the Property.

8.6 Condemnation. To Seller's knowledge without investigation, there is no pending condemnation or similar proceeding affecting the Property or any portion thereof, and Seller has not received any written notice and has no knowledge that any such proceeding is contemplated.

8.7 Environmental Condition. Buyer specifically acknowledges that Seller has disclosed the presence of hazardous or toxic or similarly described substances (as defined under federal, state or local law, regulation, ordinance, resolution, or court or administrative decision or opinion) ("**hazardous substances**") on, over, or under the Property or adjacent thereto. In this regard, Seller has made available reports for Buyer's review (the "**Environmental Reports**") as set forth on Exhibit D:

8.8 Leases, etc. Except as disclosed by Seller and the Title Company to include any existing agreements between Seller and Buyer, there are, to the best of Seller's knowledge, no leases, subleases, licenses, concessions, outstanding options or rights of first refusal to purchase the Property, any adjacent or any portion thereof or interest therein, or other agreements, written or oral, granting to any person the right of ingress, egress, use or occupancy of, on, under, above or across any portion of the Property.

8.9 Persons in Possession. There are no persons (other than Seller and Seller's Lessee) in possession of the Property.

8.10 Hazardous Substances. Except as disclosed in the Environmental Reports, to the best of Seller's knowledge, without further inquiry or investigation, the Property is not in violation of any Environmental Laws (as defined below). As set forth in the Environmental Reports, *there are* Hazardous Substances (as defined below) on, under or about the Property, which to the best of Seller's knowledge have been contained or otherwise identified on the Property. To the best of Seller's knowledge, without investigation, no underground storage tanks have been removed from the Property, and no underground storage tanks are located on the Property. To the best of Seller's knowledge, there is no pending or threatened investigation or remedial action by any governmental agency regarding the release of Hazardous Substances or the violation of any Environmental Law at the Property. The term "Hazardous Substance" means any hazardous or toxic substance, material or waste, pollutants or contaminants, as defined, listed or regulated now or in the future by any federal, state or local law, ordinance, code, regulation, rule, order or decree regulating, relating to or imposing liability or standards of conduct concerning, any environmental conditions, health or industrial hygiene (collectively, "**Environmental Laws**"), including without limitation, (i) chlorinated solvents, (ii) petroleum products or by-products, (iii) asbestos, (iv) polychlorinated biphenyls, and (v) anything that would be a hazardous waste, material or substance, toxic substance or pollutant, as defined under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601 et. Seq.; Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et. Seq.; Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et. Seq., the Clean Water Act, 42 U.S.C. § 1251 et. Seq., the Washington Environmental Policy Act, RCW Ch. 43.21, the Washington Water Pollution Control Act, RCW 90.48.010 et seq., the Washington Hazardous Waste Management Act, RCW Ch. 70.105, the Washington Model Toxics Control Act, RCW Ch. 70.105D, and the regulations promulgated thereunder.

8.10 Limitation on Seller's Representations and Warranties. Except for Seller's representations and warranties expressly set forth herein, it is understood and agreed that Seller is not making and specifically disclaims any other warranties or representations of any kind, nature or character whatsoever, express or implied, with respect to the Property and the Improvements or to be located on the Property, including, without limitation, the absence of any representation or warranty related or pertaining to matters of tax

consequences, physical or environmental conditions, availability of access, ingress or egress, profitability, operating history or projections with respect to the Property, and, without limiting the generality of the forgoing, Seller gives no warranty with respect to the value, condition, profitability, suitability, habitability, or fitness for a particular use or purpose of the Property. Except for any representation and warranty of Seller expressly set forth in this Agreement, the Joint Development Agreement or the deed, Buyer acknowledges that the Property is sold and purchased in its "As-Is, Where-Is" condition, that it has not been provided with or relied upon any representation or warranty from Seller, or Seller's agents, consultants, employee's, officers, directors, or attorneys, that is not expressly set forth herein. Buyer further represents that they are is a knowledgeable buyer of real estate and that Buyer is relying on Buyer's own expertise and that of Buyer's consultants in purchasing the Property. Buyer, at their sole cost and expense, will conduct such inspections and investigations of the subject property as Buyer deems appropriate or necessary, including, but not limited to, the physical and environmental, soil, hydrologic and geologic conditions thereof and the suitability of the Property for Buyer's intended use, and shall solely rely upon same. Buyer further acknowledges and agrees that there are no oral agreements, warranties or representations, collateral to or affecting the subject property by Seller, any agent of Seller or any third party. The terms and conditions of this paragraph shall expressly survive the closing and shall not merge with the provisions of any closing documents. Seller is not liable or bound in any manner by any oral or written statements, representations, or information pertaining to the Property furnished by any real estate broker, agent, consultant, officer, director, attorney, employee, servant or other person, unless the same are specifically set forth or referred to herein or acknowledged in writing by Seller. Buyer further acknowledges and agrees that the provisions of this paragraph were a material factor in the determination of the purchase price for the Property.

9. Representations and Warranties of Buyer. Buyer represents and warrants to Seller that:

9.1 Binding Obligation. This Agreement constitutes a binding obligation of Buyer, duly enforceable in accordance with its terms.

9.2 No Consent Required. No consent of any other person, entity or governmental authority is required for Buyer's lawful execution, delivery and performance of this P&S Agreement.

9.3 No Violation. Buyer's execution, delivery and performance of this Agreement will not violate or constitute a default (with or without notice, time lapse or both) under any other agreement to which the Buyer is a Party or any other instrument, note, pledge, guaranty or obligation by which Buyer is bound.

9.4 Survival. The representations of Buyer in this Agreement shall survive the Closing.

10. As-Is Sale. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THE PARTIES HEREBY UNCONDITIONALLY AGREE AND ACKNOWLEDGE

THAT EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT AND THE JOINT DEVELOPMENT AGREEMENT: (I) THE PROPERTY IS ACQUIRED "AS-IS"; (II) BUYER HAS MADE OR WILL MAKE ITS OWN INVESTIGATIONS AND INSPECTIONS OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, THE PHYSICAL ASPECTS OF THE PROPERTY AND THE PROPERTY'S COMPLIANCE WITH ALL LAWS APPLICABLE TO THE PROPERTY'S CURRENT OR INTENDED USE OR DEVELOPMENT; (III) BUYER IS RELYING SOLELY ON SUCH REPORTS AND THEIR OWN INVESTIGATIONS AS TO THE PROPERTY, ITS CONDITION AND OTHER CHARACTERISTICS AND COMPLIANCE WITH LAWS; AND (IV) EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT AND THE JOINT DEVELOPMENT AGREEMENT, BUYER IS NOT MAKING THE PURCHASE OF THE PROPERTY IN RELIANCE UPON ANY STATEMENTS OR REPRESENTATIONS, EXPRESS OR IMPLIED, MADE BY THE SELLER, ITS AGENTS OR BROKERS, AS TO THE CONDITION OF OR CHARACTERISTICS OF THE PROPERTY, ITS FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, THE PROPERTY'S COMPLIANCE WITH ANY ZONING OR OTHER RULES, REGULATIONS, LAWS OR STATUTES APPLICABLE TO THE PROPERTY, OR THE USES PERMITTED ON, OR THE DEVELOPMENT REQUIREMENTS FOR, OR ANY OTHER MATTERS RELATING TO THE PROPERTY.

11. Cooperation. Buyer and Seller agree to cooperate with each other in good faith in the execution of all documents, land use applications and all other matters as is required by either party to perform the obligations of the Parties hereunder.

12. Notices. All notices required or permitted to be given hereunder shall be in writing and shall be deemed delivered when received by the Seller at the address set forth below.

If to Buyer:                   Walt & Karen Worthy  
                                      Davenport Hotel & Tower  
                                      10 S Post Street  
                                      Spokane, WA 99201

If to Seller:                   Kevin Twohig, Chief Executive Officer  
                                      Spokane Public Facilities District  
                                      720 West Mallon Avenue  
                                      Spokane WA 99201

13. Possession. Buyer shall be entitled to possession on Closing.

14. Time. Time is of the essence of this agreement. If the date for any performance under this Agreement falls on a weekend or a holiday, the time for such performance shall extend to the next business day.

15. Default. If Buyer shall default in the performance of any of the terms and conditions of this Agreement, or if the closing shall not occur due to Buyer's breach of any of the covenants contained herein, the Seller may, in addition to any remedy for default available under the Joint Development Agreement, retain the Earnest Money as liquidated damages, and this Agreement shall be canceled. If the Seller fails or refuses to fully comply with the terms of this



Agreement, for any cause other than Buyer's default hereunder, in addition to any remedy for default available under the Joint Development Agreement, Buyer may, at its option (a) rescind this Agreement and recover from the Seller the Earnest Money, or (b) pursue a suit for specific performance.

  
Seller's Initials

  
Buyer's Initials

16. Entire Agreement/Modification. This written Agreement together with the Development Agreement constitutes the entire and complete Agreements between the Parties hereto and supersedes any prior oral or written agreements between the Parties with respect to the Property. It is expressly agreed that there are no verbal understandings or agreements which in any way change the terms, covenants and conditions herein set forth. No modifications of this Agreement and waiver of any of its terms and conditions shall be effective unless in writing and duly executed by the Parties hereto.

17. Binding Effect. All covenants, agreements, warranties and provisions of this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns. This Agreement shall be governed by the laws of the state of Washington.

18. Assignment. Neither party may assign this Agreement except upon mutual agreement.

19. Commission. The Parties represent and warrant that they have not obtained or contracted for the services of a real estate agent, broker or other person who would be due a fee or commission on the sale of the Property. If any real estate brokerage commission or fee is payable, the Party that incurred the obligation shall indemnify and hold harmless the other from and against any and all claims and payments for any real estate commission fees which are due and owing on the sale of the Property.

20. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which will be deemed an original document, but all of which together will constitute one and the same instrument.

21. Survival. All provisions of this Agreement and the Joint Development Agreement which by their terms would survive the Closing shall survive and not be merged with the Deed, including, without limitation, Section 8, 24 and 25 of this Agreement.

22. Governing Law. The laws of the State of Washington shall govern the validity, enforcement and interpretation of this Agreement. Venue shall be Spokane County.

23. Risk of Loss. If, prior to Closing, any portion of the Property or any improvement on the Property are destroyed or materially damaged by fire or other casualty, Buyer may elect to terminate this Agreement and receive its Earnest Money plus interest.

24. Attorneys' Fees. If any action is brought by either party against the other party for the enforcement of this Agreement or any document or instrument delivered pursuant hereto, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees, costs and expenses incurred in connection with the prosecution or defense of such action or any appeal thereof. For purposes of this Agreement, the term "attorneys' fees" or "attorneys' fees and costs" shall mean the fees and expenses of counsel to the Parties hereto, which may include expert witness fees, printing, duplicating and other expenses, delivery charges, and fees billed for law clerks, paralegals and other persons not admitted to the bar but performing services under the supervision of an attorney.

25. Mediation and Remedies. If either party has a claim or dispute under this Agreement, notice of the same shall be sent to the other party. The notice shall provide a brief description of the dispute.

25.1 Mediation. If the Parties are unable to resolve the dispute within five (5) business days of the notice, the parties shall engage a mediator to assist the parties in resolving the dispute. The mediator's fees and costs shall be equally shared by the parties.

25.2 Remedies. If mediation is unsuccessful, the Parties may seek all remedies available at law or equity.

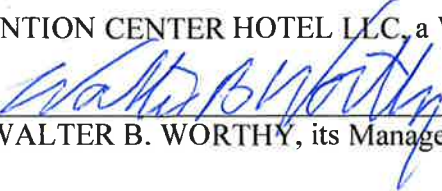
26. Disclosure Statements. Buyer, as required by state law, hereby waives receipt of the Sellers' Disclosure Statements except as to Section 6 of said Statements which are attached.

[Signatures on following page]

In witness whereof, the Parties hereto have entered into this Agreement as of this 13 day of August, 2013 ("Effective Date").

**BUYER**

CONVENTION CENTER HOTEL LLC, a Washington limited liability company

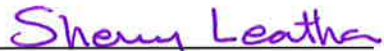
By:   
WALTER B. WORTHY, its Manager

**SELLER**

SPOKANE PUBLIC FACILITIES DISTRICT, a Washington municipal corporation

By:   
Kevin Twohig, CEO

Attest:

By:   
Sherry Leatha, Clerk of the Board

STATE OF WA )  
:ss.  
County of Spokane )

On this 13 day of August, 2013, before me personally Walter B. Worthy, to me known to be the Manager of Convention Center Hotel LLC, a Washington limited liability company, and executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of the company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument for the purposes thereof.

In witness whereof, I have hereunto set my hand and affixed my official seal the day and year first above written.



Sherry Leatha  
Printed Name: Sherry Leatha  
Notary Public in and for the State  
of WA, residing at Spokane  
My Appointment expires 11-28-13

STATE OF WASHINGTON )  
:ss.  
County of Spokane )

On this 13 day of August, 2013, before me personally appeared, Kevin Twohig, to me known to be the Chief Executive Officer of the Spokane Public Facilities District, a municipal corporation of the State of Washington that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of the corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal the day and year first above written.



Sherry Leatha  
Printed Name: Sherry Leatha  
Notary Public in and for the State  
of WA, residing at Spokane  
My Appointment expires 11-28-13

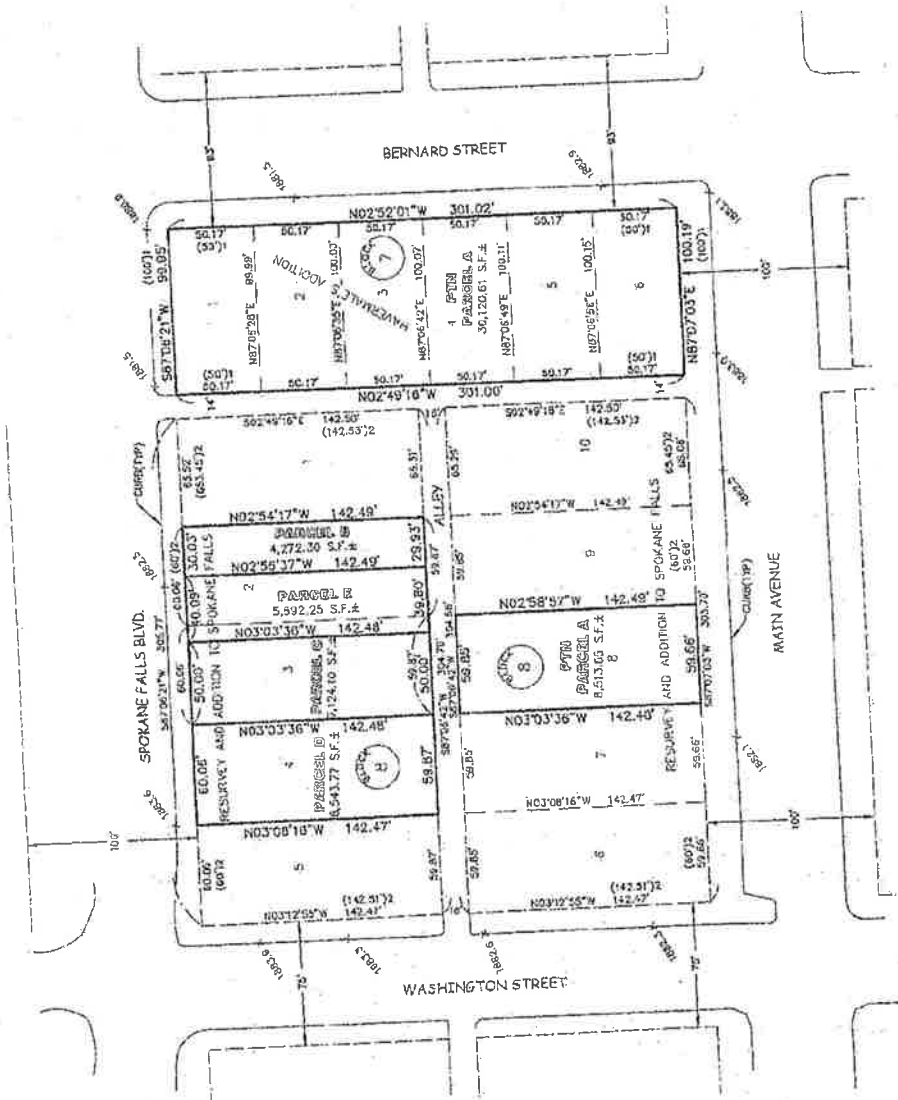
**Exhibit A**  
**Legal Description for the Property**

[If a legal description is not attached, the Parties, prior to Closing, shall agree upon the legal description that is consistent with the Property identified in the Agreement.]

**Exhibit B**  
**Property Depiction**

# RESULTS OF SURVEY

A PORTION OF THE SOUTHEAST QUARTER OF SECTION 18, TOWNSHIP 25 NORTH, RANGE 43 EAST, W.M., CITY OF SPOKANE, SPOKANE COUNTY, WASHINGTON



LEGEND  
X 1234.5 SPOT ELEVATION

**NARRATIVE**  
This survey was conducted as a dependent resurvey of that property described as follows:  
Parcel A: Block 2, Lot 1, S and E, Block 7, HAVERMALES ADDITION, Spokane Falls, as per Plat recorded in Volume "A" of Plats, Page 22, in the City of Spokane, Spokane County, Washington.  
AND Lot 8, Block 8, RESURVEY AND ADDITION TO SPOKANE FALLS, according to the Plat recorded in Volume "A" of Plats, Page 1, in the City of Spokane, Spokane County, Washington.  
Parcel B: The East Half of Lot 2, Block 2, RESURVEY AND ADDITION TO SPOKANE FALLS, as per Plat recorded in Volume "A" of Plats, Page 1, in the City of Spokane, Spokane County, Washington.  
Parcel C: The West 50 feet of Lot 3, Block 8, RESURVEY AND ADDITION TO SPOKANE FALLS, as per Plat recorded in Volume "A" of Plats, Page 1, in the City of Spokane, Spokane County, Washington.  
Parcel D: Lot 4, Block 8, RESURVEY AND ADDITION TO SPOKANE FALLS, as per Plat recorded in Volume "A" of Plats, Page 1, in the City of Spokane, Spokane County, Washington.  
Parcel E: One Half interest in the following described property: The West Half of Lot 2 and the East 10 feet of Lot 3, Block 8, RESURVEY AND ADDITION TO SPOKANE FALLS, as per Plat recorded in Volume "A" of Plats, Page 1, in the City of Spokane, Spokane County, Washington.

**HAVERMALES ADDITION** was recorded in Spokane County in 1880. The RESURVEY AND ADDITION TO SPOKANE FALLS in 1880. The RESURVEY AND ADDITION TO SPOKANE FALLS was recorded in 1981. There are several monument lines and street centerlines in the vicinity which have been relinquished over the years. Unfortunately, many references to monument lines and street centerlines were not fully referenced on the original plat. The closest intersections which are fully referenced are determined to be the back edge of these older portions of the sidewalk around the block would be the best evidence of perpetuation of original block lines. A comparison of the original plat with the current survey record. Centerline of alleyways was determined by splitting original curb on the alleyway entries.

Note that there may be other matters affecting the subject property but not shown that would be disclosed by a current title report. No monuments were set during the course of this survey.

**REFERENCES**  
( ) Plat of HAVERMALES ADDITION TO SPOKANE FALLS, Volume A, Page 22  
( ) Plat of RESURVEY AND ADDITION TO SPOKANE FALLS, Volume A, Page 1

**ACCURACY STATEMENT (WAC 332-130-100)**  
THIS SURVEY WAS PERFORMED USING A LEICA 3 SECOND TOTAL STATION AND A LEICA SYSTEM 1200 SMARTROVER FOR A COMBINATION OF FIELD TRAVERSE AND GPS SURVEY. METHODS TO MEET OR EXCEED THE REQUIRED STANDARDS FOR LAND BOUNDARY SURVEYS PER WAC 332-130-090. Assumed

**BASES OF BEARING**  
Geodetic North

**BASES OF ELEVATION**  
Assumed

**SURVEYOR'S CERTIFICATE**  
This map correctly represents a survey made by me or under my direction in compliance with the provisions of the Engineering Act of the Republic of Spokane Public Facilities District in October, 2008.  
David M. Sense, P.L.S. 35891

**DATE:** 10/24/08  
**SCALE:** 1"=40'  
**DRAWN BY:** DMS  
**CHECKED BY:** DMS  
**JOB NO.:** 08082  
**DWG. NO.:** 03082 ROS  
**SHEET 1 OF 1**

**RESULTS OF SURVEY FOR SPOKANE PUBLIC FACILITIES DISTRICT**  
**Taylor Engineering, Inc.**  
Civil Design and Land Planning  
106 Madison Ave., Suite 300  
Spokane, Washington, 99202-3475  
Phone: (509) 325-3475

**PROFESSIONAL SEAL:** D.M. SENSE, P.L.S. 35891

**GRID COORDINATES:** S.18, T.25N, R.43E

**Exhibit C**  
**Surface Parking and**  
**License Agreement**



City of Spokane  
Department of Engineering Services  
808 W. Spokane Falls Blvd.  
Spokane WA 99201

### REVOCABLE LICENSE AND PERMIT

This Revocable License and Permit ("Permit"), is made by and between the CITY OF SPOKANE, a municipal corporation of the State of Washington, hereinafter "City", and SPOKANE PUBLIC FACILITIES DISTRICT, a Washington municipal corporation, whose address is 720 West Mallon Avenue, Spokane, Washington 99201, hereinafter referred to as "Permitee", jointly referred to as "Parties".

WHEREAS, the City, as a municipal corporation of the first class, is authorized to regulate and control the use of streets and highways within the corporate limits of the City; and

WHEREAS, the Permitee has requested a revocable license and permit from the City, for the purpose of allowing an improvement to encroach within the public right-of-way controlled by the City; and

WHEREAS, the City, through this Revocable License and Permit permits the use of public property in accordance with the terms set forth herein below; and

WHEREAS, the City and Permitee previously entered into certain agreements relative to Permitee's plans to improve and expand the Spokane Convention Center and related facilities, as follows: Interlocal Cooperation Agreement, having an effective date of August 20, 2003; Lease, having an effective date of August 29, 2003; and a Property Transfer Agreement, having an effective date of August 29, 2003. The foregoing agreements are collectively referred to as the "CCX Project Agreements"; and

WHEREAS, the Parties recently entered into a Third Amendment to Interlocal Cooperation Agreement and First Amendment to Lease Agreement wherein, for good and valuable consideration, the City agreed to entertain Permitee's request to vacate, close, or otherwise allow the District to use the north lane of Main avenue between Washington and Bernard Streets, which are presently being used for on-street parking, to accommodate Permitee's plans to construct off-street public parking space and facilities for the primary purpose of providing parking for people using the Spokane Convention Center and related facilities and, if approved, to not require Permitee to pay any fee associated with said vacation, closure, or use -- Now, Therefore

In consideration of the recitals set forth above, and the terms, conditions, and covenants hereafter the Parties agree as follows:

1. **REVOCABLE PERMIT.** The City hereby grants to Permittee a Revocable License and Permit to use, occupy, and encroach upon the public right-of-way described as: the North 20 feet of Main Avenue Right-of-Way from Washington Street to Bernard Street (the "Permit Area"). This Revocable License and Permit is granted in order to accommodate the Permittee in the development of a surface parking lot on Permittee's property appurtenant to said permitted area described as follows: Lots 4 through 6, Block 7, Havermale Addition and Lots 6 through 12, Block 8, Resurvey and Addition to Spokane Falls, Parcel Numbers 35184.0703, 35184.2107, 35184.2108, 35184.2109, 35184.2110, 35184.2111 and 35184.2112 (hereinafter the "Permittee's Adjacent Property").

2. **PURPOSE.** The purpose for Permittee's encroachment upon the public right-of-way is to allow Permittee to construct and maintain certain public off-street parking space and facilities that encroach upon the Permit Area as described in Exhibit "A" attached hereto (the "Permitted Improvements"), and for no other purpose. Except as specifically set forth herein, the City makes no representation that the Permit Area may be used for Permittee's intended purposes. Permittee has determined to its satisfaction that this Permit provides Permittee with adequate right to use the Permit Area for such purposes and is not relying on any representations by the City in this regard. This Permit does not relieve Permittee from its obligation to secure additional permits and bonds as required by the City prior to any work being performed in the public right-of-way or Permittee's adjacent property. Nor shall this Permit be construed in any manner whatsoever as a waiver of any conditions and/or fees associated with development approval, the Spokane Municipal Code, or other codes, statutes, or regulations applicable to development of the Property. Such provisions shall apply with full force and effect, in addition to the terms of this Permit.

### **3. COVENANTS BY PERMITEE.**

(a) **Construction/Maintenance.** Permittee shall, at no cost or expense to the City, construct and maintain the Permitted Improvements in accordance with the attached Exhibit "A". The Permitted Improvements shall be: (1) subject to approval by the City Building Official and City Director of Engineering Services ("Director"); (2) designed, built, and maintained so as to not create a hazard to persons or property or violate any City Ordinance or State law; and (3) designed and built so that the improvements located in Permittee's Adjacent Property shall not be rendered nonconforming by the revocation or termination of this Permit – i.e., required elements, such as drainage swales, shall be located on Permittee's Adjacent Property. In no case shall buildings, foundations, or supporting structures be placed in the Permit Area. In the event Permittee fails to repair or maintain the Permitted Improvements to the satisfaction of the Director, the City at its sole option and discretion, may perform maintenance and repair with Permittee liable to the City for the cost of such maintenance or repair. Aside from the Permitted Improvements, Permittee shall not make any other improvements or alterations to the Permit Area without the City's prior written approval, which the City may withhold for any reason. Permittee shall be responsible for all elements of the design of all Permitted Improvements (including, without limitation, compliance with law, functionality of design, and the structural integrity of the Permitted Improvements), and the City's approval of Permittee's plans shall in no event relieve Permittee of the responsibility for such design. Permittee shall make all such Permitted Improvements in accordance with all laws, rules, regulations, ordinances and requirements of governmental agencies, offices, and boards having jurisdiction. Permittee shall bear the cost of relocating traffic signals, traffic lights, public utilities and other municipal operations or functions necessitated by construction of the Permitted Improvements, if any. All work performed and all Permitted Improvements must be done and

completed in a workmanlike manner. Permittee expressly acknowledges and agrees that the City's rights under this Permit to approve the Permitted Improvements (i) do not create or impose upon the City any standard or duty of care toward Permittee, all of which are hereby disclaimed, (ii) may not be relied upon by Permittee in determining whether Permittee has satisfied any and all applicable laws, regulations, and codes with respect to the construction of the Permitted Improvements, and (iii) may not be asserted, nor may the City's exercise or failure to exercise any such rights be asserted, against the City by Permittee as a defense, legal or equitable, to Permittee's obligation to fulfill such standards and requirements regardless of any acceptance of work by the City.

(b) Signage. The Permitted Improvements shall not have on its exterior any commercial advertising, reader boards or other signs without the prior written approval of the Director and the Director of the City's Street Department ("Street Director"). The City shall have the right, without compensatory payment, to attach to the Permitted Improvements, any signage that is deemed necessary by the Street Director for the safe and expeditious flow of vehicle or pedestrian traffic along the right-of-way.

(c) Removal. If Permittee does not construct the Permitted Improvements in accordance with this Permit, this Permit may be revoked unilaterally by the Director. Permittee shall have the right at any time to remove the Permitted Improvements from the City right-of-way/Permit Area at its own expense. If this Permit is so revoked, and/or if Permittee abandons the Permit Area or otherwise elects to remove the Permitted Improvements from the City right-of-way/Permit Area, Permittee shall leave the right-of-way free and clear of encroachments and/or improvements of any kind and shall improve the License Area for use as public right-of-way consistent with the City's standards and to the City's satisfaction.

(d) Hazardous Materials. Permittee, its successors and assigns, will not discharge, disperse, release, store, treat, generate, dispose of any pollutant or other toxic or hazardous substance, including any solid, liquid, gas, or thermal irritant or contaminant, acid, chemicals, or wastes onto the property described or the public right-of-way appurtenant to said property. For the purposes of this paragraph, hazardous substances shall include, but are not limited to, substance defined as "hazardous substances," "hazardous materials," "hazardous waste," "toxic substances," in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, and RCW Title 70 and the regulations promulgated pursuant to the above cited laws.

#### **4. INDEMNIFICATION AND INSURANCE.**

(a) Permittee, its successors or assigns, will protect, defend, save, indemnify and hold harmless City, its agents and employees from all claims, actions, costs, damages, or expenses of any nature whatsoever by reason of the acts or omissions of Permittee, its agents, contractors, licensees, invitees, or employees arising out of or in connection with any acts or activities related to this Permit. Permittee further agrees to defend City and its agents or employees in any litigation, including payment of any costs or attorney's fees, for any claims or action commenced arising out of or in connection with acts or activities related to this Permit. This obligation shall not include such claims, cost, damages, or expenses which may be caused by the negligence of either the City or its agents or employees; provided that if the claims or damages are caused by or result from the concurrent negligence of (a) the City, its agents or employees and (b) Permittee, its agents, employees, contractors, licensees or invitees, or involves those actions covered by RCW 4.24.115, this indemnity provision shall be valid and

enforceable only to the extent of the negligence of the Permittee or Permittee's agents, employees, contractors, licensees or invitees.

Permittee's obligation to indemnify the City under this section includes an obligation to indemnify for losses resulting from death or injury to Permittee's employees, and Permittee accordingly hereby waives any and all immunities it now has or hereafter may have under any Industrial Insurance Act, or other worker's compensation, disability benefit or other similar act which would otherwise be applicable in the case of such a claim. This provision has been specifically negotiated.

HED/400  
\_\_\_\_\_  
City's Initials

(S)  
\_\_\_\_\_  
Permittee's Initials

(b) During the term of this Permit, Permittee shall maintain the insurance policies described in the CCX Project Agreements, and particularly in Attachment 8 of the Interlocal Cooperation Agreement, dated August 20, 2003, by and between Permittee and the City, and shall name the City as an additional insured on such policies with respect to the rights and privileges granted to Permittee under this Permit. The City shall receive a copy or satisfactory evidence that said policies have been purchased and are in full force. Notice of cancellation shall be sent to the City thirty days prior to any insurance cancellation. The City reserves the right to unilaterally modify this insurance requirement as market and legal conditions reflect, and Permittee shall comply with such modifications. If Permittee fails to perform any of its obligations under this Section 4(b), then the City may perform the same and the cost thereof shall be payable by Permittee upon the demand of the City.

(c) Permittee waives all rights of recovery against the City, its subtenants, agents, officers, employees, and contractors, for loss or damage to the Permitted Improvements, or for loss or damage to Permittee's adjacent property, resulting from fire or other causes which are normally covered by fire and extended coverage insurance, regardless of whether the loss or damage is due to negligence or otherwise, to the extent insurance proceeds are actually obtained from third party insurance companies. Permittee shall cause its insurance carriers to consent to such waiver and to waive all rights of subrogation against the City.

5. **TERM.** Unless or until the City revokes this permit as provided herein, permittee may use the Permit Area to construct, maintain, and repair the Permitted Improvements for so long as Permittee engages in the activity or occupies the property adjacent to the Permit Area in accordance with present and then-existing City land use (zoning) requirements and complies with this Permit.

6. **REVOCATION.** If Permittee fails to fulfill any of its obligations under this Permit, or pursuant to City ordinance or State law, the City may require Permittee to remove the Permitted Improvements at Permittee's expense. The procedure for revocation of this Permit, to the extent applicable, is set forth in the Spokane Municipal Code 4.04.080 through 4.04.100, as amended. The permit officer is the Director or his designee. Further, the City reserves all rights and remedies which are available at law or in equity. If this Permit is revoked, as provided herein, or through City ordinance, the cost of removal of the Permitted Improvements shall comprise a lien against Permittee's property for all costs of removal, including reasonable attorney fees.

7. **PUBLIC PURPOSE.** In the event the City Council finds, after a public hearing on the matter, that the Permit Area or any part thereof, is needed for use as public right-of-way, this Permit may be terminated by the City. Prior to the City Council public hearing, the City shall: (a) prepare a report from a licensed civil engineer that concludes, based upon reasonable engineering judgment, that the Permit Area is necessary for public street purposes, with no reasonable alternative ("Engineering Report"); (b) consider in good faith information presented by Permittee in response to the Engineering Report; and (c) provide the Engineering Report, at least, 90 days before the City Council hearing. If the City Council finds the Permit Area is necessary for public right-of-way, Permittee shall following notice from the Director, commence to remove therefrom, within 180 days of the notice, the Permitted Improvements or any part thereof, and to restore the Permit Area for use as public right-of-way consistent with the City's then current street standards and to the City's satisfaction, all without cost or expense to the City. The City shall be allowed to reoccupy the Permit Area without the payment of damages or expenses of any kind to the Permittee, its successors or assigns. The City Council's decision that the Permit Area is needed for public right-of-way purposes pursuant to this Section 7 shall be binding and Permittee waives any and all appeal rights or claims relative to the City Council's decision. The termination process provided for in this Section 7 is in addition to and independent of the revocation process authorized pursuant to Section 6 above.

8. **SEVERANCE.** If any portion or provision of this Permit is held invalid by a court, the validity and enforceability of the remainder of this Permit shall not be affected thereby and Permittee shall have no claim for damages or otherwise against the City by reason of such invalidity.

9. **NOTICES.** All notices to the City shall be made to:

CITY OF SPOKANE  
808 W. Spokane Falls Blvd.  
Spokane, WA 99201

and copies to:

Engineering Services  
Attn: Director  
City of Spokane  
808 W. Spokane Falls Blvd.  
Spokane, WA 99201

Notices directed to Permittee shall be made to:

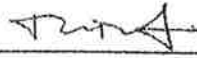
Spokane Public Facilities District  
Kevin Twohig, Executive Director  
721 West Mallon Avenue  
Spokane, WA 99201

10. **TAXES.** Permittee is responsible for and shall pay all real and personal taxes which may be assessed as a result of the rights and privileges granted under this Permit including the Leasehold Excise Tax.

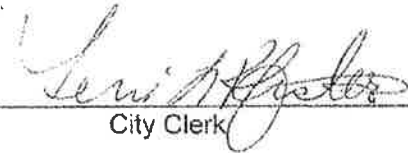
11. **RECORDING.** This Permit may be recorded by either party.

This Agreement is entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_.


CITY OF SPOKANE

By:  8/10/09  
Title: Thomas E. Danek, Jr.  
City Administrator  
City of Spokane

Attest:

  
City Clerk

Approved as to form:

  
Assistant City Attorney

SPOKANE PUBLIC FACILITIES DISTRICT


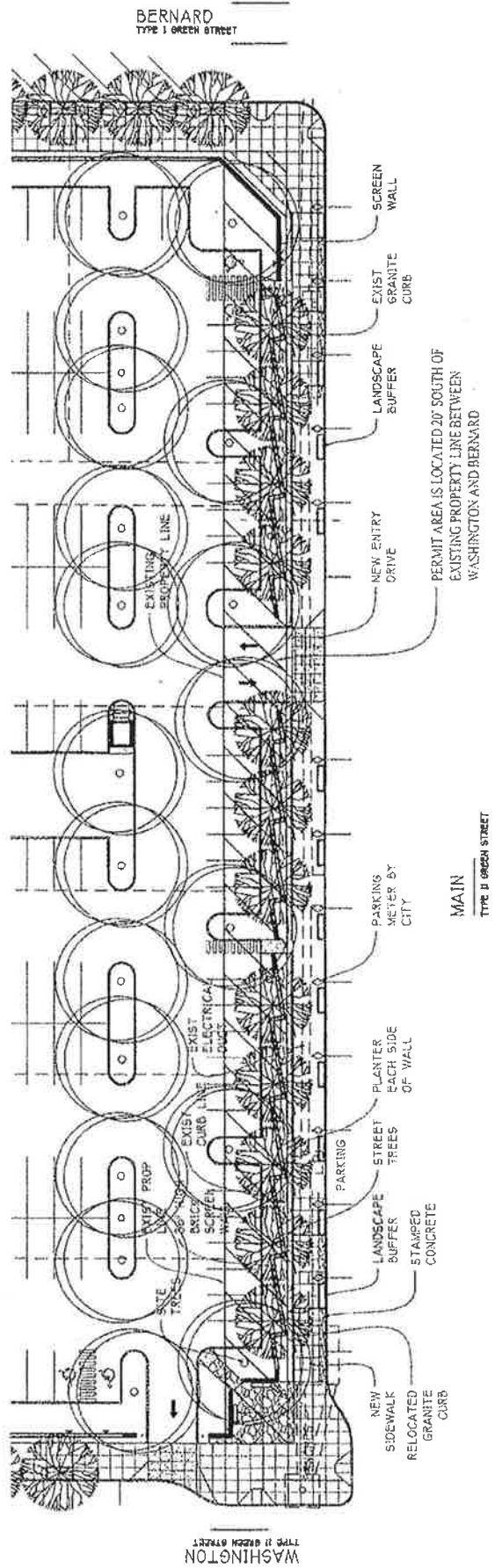
By:   
Title: SD DIRECTOR

EXHIBIT A

[Drawings Depicting Permit Area and Permitted Improvements]



MAIN AVENUE PLAN 6/30/09 EXHIBIT A



**Exhibit D**  
**Environmental Reports**

- A. Phase I and Limited Phase II Environmental Site Assessment – Option 3 Site issued September 20, 2002
- B. Geotechnical Engineering Study – Option 3 Site issued September 26, 2002
- C. Geotechnical Engineering Evaluation – South Block Surface parking Lot issued April 1, 2009
- D. Supplemental Phase II Environmental Site Assessment issued May 29, 2009
- E. Preliminary Remedial Action – South Block Parking Lot issued February 16, 2010

**Exhibit E**  
**Disclosure Statements**

**6. ENVIRONMENTAL**

- A. Has there been any flooding, standing water, or drainage problems on the property that affect the property or access to the property?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

- B. Is there any material damage to the property from fire, wind, floods, beach movements, earthquake, expansive soils, or landslides?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

- C. Are there any shorelines, wetlands, floodplains, or critical areas on the property?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

- D. Are there any substances, materials, or products in or on the property that may be environmental concerns, such as asbestos, formaldehyde, radon gas, lead-based paint, fuel or chemical storage tanks, or contaminated soil or water?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

E. Is there any soil or groundwater contamination?

- Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

F. Has the property been used as a legal or illegal dumping site?

- Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

G. Has the property been used as an illegal drug manufacturing site?

- Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

**7. RESIDENTIAL DISCLOSURE STATEMENT - ENVIRONMENTAL**

A. Have there been any flooding, standing water, or drainage problems on the property or access to the property?

- Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

B. Does any part of the property contain fill dirt, waste, or other fill material?

- Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

C. Is there any material damage to the property from fire, wind, floods, beach movements, earthquake, expansive soils, or landslides?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

D. Are there any shorelines, wetlands, floodplains, or critical areas on the property?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

E. Are there any substances, materials, or products in or on the property that may be environmental concerns, such as asbestos, formaldehyde, radon gas, lead-based paint, fuel or chemical storage tanks, or contaminated soil or water?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

F. Has the property been used for commercial or industrial purposes?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

G. Is there any soil or groundwater contamination?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

- H. Are there transmission poles or other electrical utility equipment installed, maintained, or buried on the property that do not provide utility service to the structures on the property?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

- I. Has the property been used as a legal or illegal dumping site?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

- J. Has the property been used as an illegal drug manufacturing site?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

- K. Are there any radio towers that cause interference with cellular telephone reception?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

- L. Are there any pending special assessments?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

- M. Are there any shared "common areas" or any joint maintenance agreements (facilities such as walls, fences, landscaping, pools, tennis courts, walkways, or other areas co-owned in undivided interest with others)?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

7. **IMPROVED RESIDENTIAL REAL PROPERTY - ENVIRONMENTAL**

- A. Has there been any flooding, standing water, or drainage problems on the property that affect the property or access to the property?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

- B. Does any part of the property contain fill dirt, waste, or other fill material?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

- C. Is there any material damage to the property from fire, wind, floods, beach movements, earthquake, expansive soils, or landslides?

Yes  
 No  
 Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

D. Are there any shorelines, wetlands, floodplains, or critical areas on the property?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

E. Are there any substances, materials, or products in or on the property that may be environmental concerns, such as asbestos, formaldehyde, radon gas, lead-based paint, fuel or chemical storage tanks, or contaminated soil or water?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

F. Has the property been used for commercial or industrial purposes?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

G. Is there any soil or groundwater contamination?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

H. Are there transmission poles or other electrical utility equipment installed, maintained, or buried on the property that do not provide utility service to the structures on the property?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

I. Has the property been used as a legal or illegal dumping site?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

J. Has the property been used as an illegal drug manufacturing site?

- Yes
- No
- Don't know

See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.

K. Are there any radio towers in the area that cause interference with cellular telephone reception?

- Yes
- No
- Don't know


See Section 8.7 and 8.10 of the Purchase and Sale Agreement and all environmental reports thereunder.



## Land Sale Comparables

# Listing 1

<b>Record No:</b> 2335	<b>Property Type:</b> Shell Building
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<p><b>LOCATION DATA</b></p> <p><b>Identification:</b> Former Listing - Wendle Reugh Block 509 W. Riverside Avenue Block bounded by Sprague and Riverside Avenues, Howard and Stevens Streets Spokane, Spokane County, WA</p> <p><b>Geographic Area:</b> CBD and Periphery</p> <p><b>Legal Description:</b> Lots 1-5 excepting the northern 100' of Lot 1 and the Eastern Half of the Northern 100' of lot 2, Block 20, Resurvey and Addition to Spokane Falls, City and County of Spokane, Washington.</p> <p><b>Tax ID/APN:</b> 35184.2703, -.2705 to -.2710</p>	
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<b>SALE DATA</b>			
<b>Grantor:</b> JJM Properties	<b>Property Rights:</b> Fee Simple		
<b>Recording Date:</b> 4/25/2005	<b>Verification:</b> Reugh Construction, 838-3641; BCJ;		
<b>Sale Price:</b> \$4,500,000			
<b>Cash Equivalent:</b> \$4,500,000			
<b>Adjusted Sale Price:</b> \$4,500,000			

<b>FINANCIAL DATA</b>			<b>ANALYSIS</b>		
	<b>HISTORIC</b>	<b>PROFORMA</b>		<b>ACTUAL</b>	<b>ANALYSIS</b>
<b>Occupancy At Sale:</b>	0%	0%	<b>Sale Price:</b>	\$4,500,000	\$4,500,000
			<b>Estimated Land Value:</b>	\$2,229,900	\$2,229,900
			<b>Improvement Value:</b>	\$2,270,100	\$2,270,100
			<b>Sale Price/SF:</b>	\$42.77	\$42.77
			<b>Bldg Price/SF:</b>	\$21.58	\$21.58
			<b>Floor Area Ratio:</b>	2.36	
			<b>Land to Building Ratio:</b>	0.42:1	

<b>PHYSICAL DATA</b>			
<b>LAND</b>			
<b>Gross Land Area:</b> 1.024 Acres; 44,598 sf	<b>Access:</b> Paved via Riverside and Sprague Avenues, Howard an		
<b>Zoning:</b> CBD-1, Downtown Core	<b>Estimated Land Value:</b> \$2,229,900		
<b>Topography:</b> Level	<b>Value of Improvements:</b> \$2,270,100		
<b>Utilities:</b> All public available	<b>Land to Bldg Ratio:</b> 0.42:1		
<b>Shape:</b> L-Shaped			

## Listing 1 (Cont.)

**PHYSICAL DATA (Cont.)****IMPROVEMENTS****Gross Building Area (SF):** Gross 105,205**Building Type:** Office - Multi Tenant**Gross Area:** Gross 105,205**AREA BREAKDOWN**

<u>NAME</u>	<u>SIZE</u>	<u>COMMENTS</u>
509 W. Riverside Avenue	42,140	
515 W. Riverside Avenue	20,615	
518 W. Sprague Avenue	42,450	

**Construction Type:** Masonry**Stories:** two-seven**Year Built:** 1890 to 1934**Condition:** Poor**Location:** CBD**PROPERTY DESCRIPTION**

This site occupies the majority of the block bounded by Riverside Avenue on the north, Sprague Avenue on the south, Howard Street on the west, and Stevens Street on the east in Spokane's CBD. The site occupies 44,598 sf and is improved with three buildings, all fronting Riverside Avenue, that total 105,205 sf. The buildings at 509 and 515 W. Riverside are seven stories, while the building with an address of 518 W. Sprague (that actually fronts Riverside) is three stories. The buildings on the south side of the block were razed in 2004.

**REMARKS**

Several offers have been made on this property but fell through. The remaining tenants, all ground level retailers, vacated in 2004. The buildings along the south side of the block were razed in 2004, while the buildings along the north side that front Riverside Avenue have been spared. An offer for \$4,500,000 has been submitted to the owner.

All improvements were razed and the site graded for a parking lot in 2007.

## Land Sale 2

<b>Record No:</b>	10439	<b>Property Type:</b>	Land - Parking Lot
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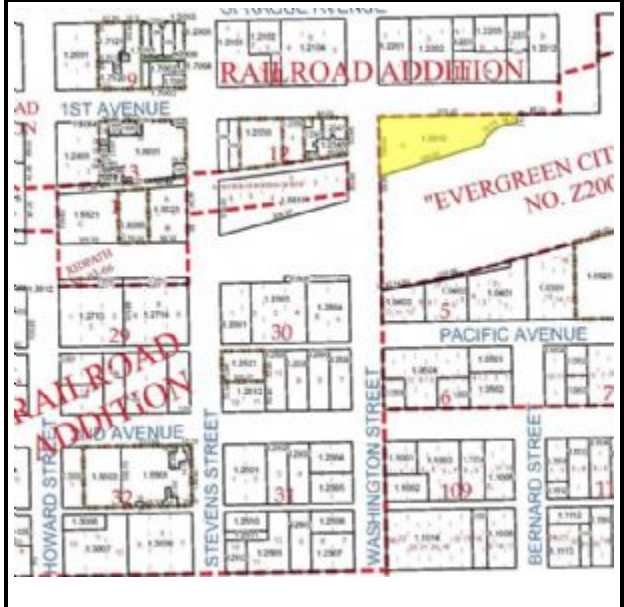
### LOCATION DATA

**Identification:** Evergreen Parking Lot  
 331 W. 1st Avenue  
 Southeast corner of 1st Avenue and Washington Street  
 Spokane, Spokane County, WA 99201

**Geographic Area:** CBD and Periphery

**Legal Description:** Lot "A" of Evergreen City Short Plat No. Z-2003-44-SP, recorded September 3, 2003 under Spokane County Auditor No. 4597226 in Book 18 of Plats, page 29, situate in the City of Spokane County of Spokane, State of Washington.

**Tax ID/APN:** 35191.0012



### SALE DATA

<b>Grantor:</b>	Evergreen Parking, LLC	<b>Property Rights:</b>	Fee Simple
<b>Grantee:</b>	Diamond Parking, Inc.	<b>Verification:</b>	John Emacio, Seller, 509-624-5288, 1/3/2013; Updated by Aubree Scheideman; Confirmed by Carl C. Durkoop
<b>Document No.:</b>	201213797		
<b>Recording Date:</b>	12/12/2012		
<b>Sale Price:</b>	\$550,000		
<b>Adjustments:</b>	(\$52,000) asphalt paving 20,669 sf @ \$2.50/sf		
<b>Adjusted Sale Price:</b>	\$498,000		

### PHYSICAL DATA

**Gross Land Area:** 0.633 Acres; 27,558 sf

**Usable Land Area:** 0.474483471 Acres; 20,668 sf;

**Front Footage:** 321.03 ft 1st Avenue; 138.88 ft Washington Street;

**Zoning:** DTC Downtown Core

**Topography:** Level

**Utilities:** All available

**Shape:** Irregular

**Access:** Paved from 1st Avenue

**Existing/Proposed:** Existing 58-stall surface parking Lot

### ANALYSIS

	ACTUAL	ANALYSIS
<b>Sale Price:</b>	\$550,000	\$498,000
<b>Sale Price/Gross Acre:</b>	\$869,366.43	\$787,171.78
<b>Sale Price/Gross SF:</b>	\$19.96	\$18.07
<b>Sale Price/Usable Acre:</b>	\$1,159,155.24	\$1,049,562.38
<b>Sale Price/Usable SF:</b>	\$26.61	\$24.09

### PROPERTY DESCRIPTION

The 27,558-sf subject property parcel is improved with a 58-space, asphalt-paved, surface parking lot located adjacent to the Spokane Intermodal Center in the Spokane Central Business District. The irregularly-shaped site is located at the southeast corner of 1st Avenue and Washington Street. Access is from one curb cut on 1st Avenue near the northeast corner of the site. All paving is complete to the lot lines, with exception of some landscaping along the western and northern boundary. The landscaping consists of bushes and a variety of trees that provide privacy to the parking patrons.

### REMARKS

The parking lot was purchased in December 2012, for \$550,000. A downward adjustment of \$51,673 has been made for the asphalt paving. Approximately 75% of the 27,558-sf site is asphalt paved (20,669 sf x \$2.50/sf = \$51,673), resulting in an adjusted sale price of \$498,327, or \$24.11/sf of usable area.

## Land Sale 3

<b>Record No:</b>	7531	<b>Property Type:</b>	Land - Parking Lot
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### LOCATION DATA

<b>Identification:</b>	Surface Parking Lot 153 S. Wall Street Between Howard and Wall Streets, immediately south of railroad viaduct Spokane, Spokane County, WA
<b>Geographic Area:</b>	CBD and Periphery
<b>Legal Description:</b>	Lots 1-3, Block 28, Railroad Addition to Spokane Falls, City and County of Spokane, Washington EXCEPT any portion lying northerly of a line 20' southerly, as measured at right angles, to the southerly retaining wall supporting The Burlington Northern and Santa Fe Railway Company viaduct.
<b>Tax ID/APN:</b>	35191.2610 and .2611
<b>S-T-R:</b>	19-25-43
<b>Longitude:</b>	-117.42146W
<b>Latitude:</b>	47.65545N



### SALE DATA

<b>Grantor:</b>	Prium Spokane Buildings, LLC	<b>Property Rights:</b>	Fee Simple
<b>Grantee:</b>	Inland Northwest Health Services (INHS)	<b>Conditions of Sale:</b>	Part of INHS's Wells Fargo Building condo purchase
<b>Document No.:</b>	Bargain & Sale #5812561	<b>Marketing Time:</b>	Not on the market
<b>Recording Date:</b>	7/10/2009	<b>Sale History:</b>	2001: \$378,000. 2006: \$750,000.
<b>Sale Price:</b>	\$750,000 (price negotiated in 2006)	<b>Verification:</b>	John Craig, INHS, 5/8/2009; Confirmed by Christina Dickey
<b>Adjustments:</b>	(\$60,105) value to existing parking lot improvements	<b>Sale Comments:</b>	Updated closed by CAD on 10/28/09.
<b>Adjusted Sale Price:</b>	\$689,895		

### PHYSICAL DATA

<b>Gross Land Area:</b>	0.552 Acres; 24,042 sf
<b>Front Footage:</b>	270 ft Total Frontage; 135 ft on Howard Street; 135 ft on Wall Street;
<b>Zoning:</b>	CBD-4 (DTG under new zoning effective 1/10)
<b>Topography:</b>	Level
<b>Utilities:</b>	All public available
<b>Dimensions:</b>	135' x 178'
<b>Shape:</b>	Rectangular
<b>Access:</b>	Paved from Howard and Wall Streets
<b>Existing/Proposed:</b>	Existing 112-space surface parking lot
<b>Actual Units:</b>	112

### ANALYSIS

	ACTUAL	ANALYSIS
<b>Sale Price:</b>	\$750,000	\$689,895
<b>Sale Price/Gross Acre:</b>	\$1,358,871.97	\$1,249,971.97
<b>Sale Price/Gross SF:</b>	\$31.20	\$28.70
<b>Sale Price/Unit:</b>	\$6,696.43	\$6,159.78
<b>Sale Price/Front Foot:</b>	\$2,777.78	\$2,555.17

### PROPERTY DESCRIPTION

This site is situated between Howard and Wall Streets, immediately south of the railroad viaduct in Spokane's Central Business District (CBD) in Spokane, Washington. It was improved with a surface parking lot at the time of sale.

### REMARKS

The sale price has been adjusted downward \$2.50/sf for the value of the existing parking lot improvements. Walt Worthy purchased the property in 2006 for \$750,000 and reported, at that time, that he likely paid \$100,000 too much for the property, but that he needed the parking for his nearby office building (Wells Fargo Building). At that time, INHS was negotiating to lease 60,000 sf in the Wells Fargo Building and needed the parking lot for its employees. As part of the lease, INHS negotiated an option to purchase the space they leased in the Wells Fargo Building as well as to purchase this surface parking lot for the price Mr. Worthy bought it for in 2006. INHS has decided to exercise that option. The transfer of the land occurred on the same deed (Bargain & Sale Deed #5812561) as the condominium space INHS purchased in the Wells Fargo Building.

## Land Sale 4

<b>Record No:</b>	7122	<b>Property Type:</b>	Land - Parking Lot
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### LOCATION DATA

**Identification:** Monroe Street Parking Lot  
151 S. Monroe Street  
East side of Monroe Street, north of railroad viaduct  
Spokane, Spokane County, WA

**Geographic Area:** CBD and Periphery

**Legal Description:** Lot C of City SP Z00-18, Section 19, Township 25N, Range 43E, City and County of Spokane, Washington.

**Tax ID/APN:** 35192.5324

**S-T-R:** 19-25-43

**Longitude:** -117.42584W

**Latitude:** 47.65605N



### SALE DATA

<b>Grantor:</b>	Western United Life Assurance	<b>Property Rights:</b>	Fee Simple
<b>Grantee:</b>	121 Monroe, LLC (Diamond Parking)	<b>Verification:</b>	Dan Geiger, Diamond Parking (Buyer), 509-747-8144, 11/6/2008; Purchase & Sale Agreement, updated closed December 30, 2008; Confirmed by Christina Dickey
<b>Recording Date:</b>	12/9/2008		
<b>Sale Price:</b>	\$1,225,000		
<b>Adjustments:</b>	(\$45,458) asphalt paving @ \$2.50/sf		
<b>Adjusted Sale Price:</b>	\$1,179,542		

### PHYSICAL DATA

**Gross Land Area:** 0.417 Acres; 18,183 sf

**Front Footage:** 91 ft on Monroe Street;

**Zoning:** CBD-1 (DTC under new zoning effective 1/10)

**Utilities:** All public available

**Dimensions:** 91' x 200'

**Shape:** Rectangular

**Access:** Paved from Monroe Street and public alley

**Existing/Proposed:** Existing 81-stall surface parking lot

### ANALYSIS

	ACTUAL	ANALYSIS
<b>Sale Price:</b>	\$1,225,000	\$1,179,542
<b>Sale Price/Gross Acre:</b>	\$2,934,664.25	\$2,825,763.05
<b>Sale Price/Gross SF:</b>	\$67.37	\$64.87

### PROPERTY DESCRIPTION

This 18,183-sf parking lot is located on the east side of Monroe Street, immediately north of the railroad viaduct in Spokane's Central Business District (CBD). The parking lot is asphalt paved and striped with 83 stalls, of which 81 are usable spaces including four that are handicapped. Monroe Street is a one-way, southbound arterial at this location.

### REMARKS

The buyer intends to continue operating the property as a parking lot; however, the price paid also shows a value of raw land. The paving is valued at \$45,458, leaving a price for analysis of \$64.87/sf. Gross income was projected at \$114,000/year.

## Land Sale 5

<b>Record No:</b>	5461	<b>Property Type:</b>	Land - Parking Lot
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### LOCATION DATA

**Identification:** Parking Lot  
124 S. Stevens Street  
West of Stevens Street, north of railroad viaduct  
Spokane, Spokane County, WA 99201

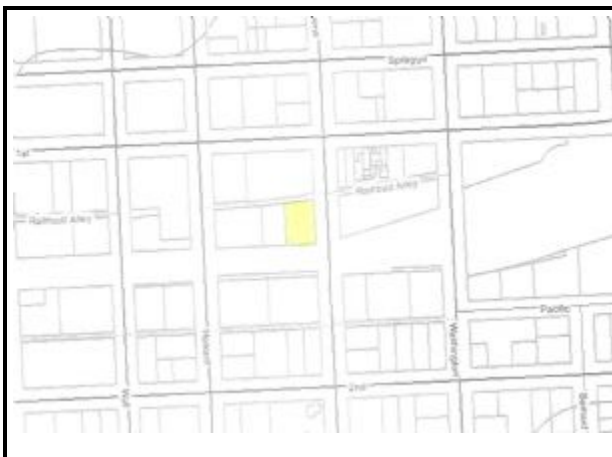
**Geographic Area:** CBD and Periphery

**Legal Description:** CITY SP Z2003-66 (RIDPATH) LTS A & B EXC  
W70FT THEREOF (BK 18 PGS 98 & 99)

**Tax ID/APN:** 35191.5523

**Longitude:** -117.4195

**Latitude:** 47.6559



### SALE DATA

<b>Grantor:</b>	North River Drive Co.	<b>Property Rights:</b>	Fee Simple
<b>Grantee:</b>	Sonrise Land, LLC, Sundevil Development, LLC, David R. Black, LLC	<b>Financing:</b>	Cash
<b>Document No.:</b>	5461608	<b>Verification:</b>	Grant Person - TB Agent, 509-623-1000, 1/8/2007; Public Records; Confirmed by Keven Russell
<b>Recording Date:</b>	11/14/2006		
<b>Sale Price:</b>	\$450,000		
<b>Adjustments:</b>	(\$29,185) Paving		
<b>Adjusted Sale Price:</b>	\$420,815		

### PHYSICAL DATA

**Gross Land Area:** 0.268 Acres; 11,674 sf

**Front Footage:** 126.5 ft Stevens Street;

**Zoning:** CBD-1 (DTC under new zoning effective 1/10)

**Topography:** Level

**Utilities:** All Available

**Shape:** Irregular

**Flood Info:** Not within flood zone

**Access:** Good from Stevens Street

**Existing/Proposed:** Existing 42-stall parking lot

### ANALYSIS

	ACTUAL	ANALYSIS
<b>Sale Price:</b>	\$450,000	\$420,815
<b>Sale Price/Gross Acre:</b>	\$1,679,104.48	\$1,570,205.22
<b>Sale Price/Gross SF:</b>	\$38.55	\$36.05

### PROPERTY DESCRIPTION

This property is located along Stevens Street just north of the BNSF railroad viaduct. The property is currently used as an income-producing parking lot. It is generally level and has good access from Stevens Street and from an alley that borders the property along the north.

### REMARKS

This is the November 14, 2006, sale of a parking lot south of the Ridpath Hotel "Annex". The purchasers bought the property as an investment for use as a parking lot.

The purpose of this sale can be two-fold: as raw land or a parking lot. As raw land, the improvement value of the paving would have to be deducted, allocated a value of \$2.50/sf, or \$29,185. This has been deducted from the sale price to produce an adjusted sale price of \$420,815, or \$36.05/sf.



## Glossary

Definitions are taken from the Dictionary of Real Estate Appraisal, 5<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

### Additional Rent

Any amounts due under a lease that is in addition to base rent. Most common form is operating expense increases. (Dictionary)

### Amortization

The process of retiring a debt or recovering a capital investment, typically though scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

### As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

### Base (Shell) Building

The existing shell condition of a building prior to the installation of tenant improvements. This condition varies from building to building, landlord to landlord, and generally involves the level of finish above the ceiling grid. (Dictionary)

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

### Building Common Area

The areas of the building that provide services to building tenants but which are not included in the rentable area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building

common areas are; floor common areas, parking spaces, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

### Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

### Certificate of Occupancy (COO)

A statement issued by a local government verifying that a newly constructed building is in compliance with all codes and may be occupied.

### Common Area (Public) Factor

In a lease, the common area (public) factor is the multiplier to a tenant's useable space that accounts for the tenant's proportionate share of the common area (restrooms, elevator lobby, mechanical rooms, etc.). The public factor is usually expressed as a percentage and ranges from a low of 5% for a full tenant to as high as 15% or more for a multi-tenant floor. Subtracting one (1) from the quotient of the rentable area divided by the useable area yields the load (public) factor. At times confused with the "loss factor" which is the total rentable area of the full floor less the useable area divided by the rentable area. (BOMA)

### Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property.

CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings. CAM can refer to all operating expenses.

CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15% addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee. (Dictionary)



### Condominium

A form of ownership in which each owner possesses the exclusive right to use and occupy an allotted unit plus an undivided interest in common areas.

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

### Conservation Easement

An interest in real property restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature to continue, subject to the easement. In some locations, a conservation easement may be referred to as a conservation restriction. (Dictionary)

### Contributory Value

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ( $DCR = NOI/Im$ ), which measures the relative ability to a property to meet its debt service out of net operating income. Also called Debt Service Coverage Ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary)

### Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

### Depreciation

1) In appraising, the loss in a property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2) In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method. (Dictionary)

### Disposition Value

The most probable price that a specified interest in real property is likely to bring under the following conditions:

- Consummation of a sale within an exposure time specified by the client;
- The property is subjected to market conditions prevailing as of the date of valuation;

- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time specified by the client;
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

### Easement

The right to use another's land for a stated purpose. (Dictionary)

### EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

### Effective Date

1) The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

### Effective Rent

The rental rate net of financial concessions such as periods of no rent during the lease term and above- or below-market tenant improvements (TI's). (Dictionary)

### EPDM

Ethylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

### Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called an expense recovery clause or stop clause. (Dictionary)

### Estoppel Certificate

A statement of material factors or conditions of which another person can rely because it cannot be denied at a later date. In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an estoppel letter. (Dictionary)

### Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. (Dictionary)

### Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. (Dictionary)

### Exposure Time

1) The time a property remains on the market. 2) The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary)

### Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

### Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

### Floor Common Area

Areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

### Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a full service lease. (Dictionary)

### Going Concern Value

- The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more

accurately termed the market value of the going concern.

- The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. (Dictionary)

### Gross Building Area

The total constructed area of a building. It is generally not used for leasing purposes (BOMA)

### Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50% or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of the same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

### Gross Up Method

A method of calculating variable operating expense in income-producing properties when less than 100% occupancy is assumed. The gross up method approximates the actual expense of providing services to the rentable area of a building given a specified rate of occupancy. (Dictionary)

### Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

### Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

### HVAC

Heating, ventilation, air conditioning. A general term encompassing any system designed to heat and cool a building in its entirety.

### Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are 1) legal permissibility, 2) physical possibility, 3) financial feasibility, and 4) maximally profitability. Alternatively, the probable use of land or improved property-specific with respect to the

user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary)

#### Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

#### Industrial Gross Lease

A lease of industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real estate taxes as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

#### Insurable Value

A type of value for insurance purposes. (Dictionary)

(Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees).

#### Investment Value

The value of a property interest to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

#### Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position as he or she would be if the property had not been taken. (Dictionary)

#### Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary)

#### Leasehold Interest

The tenant's possessory interest created by a lease. (Dictionary)

#### Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

#### Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

#### Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

- Consummation of a sale within a short period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

#### Loan to Value Ratio (LTV)

The amount of money borrowed in relation to the total market value of a property. Expressed as a percentage of the loan amount divided by the property value. (Dictionary)

#### Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included; however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

#### Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations;

term, concessions, renewal and purchase options and tenant improvements (TI's). (Dictionary)

### Market Value

Market Value is defined as: "The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and both acting in what they consider their own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale." (Dictionary)

### Market Value As If Complete

Market value as if complete means the market value of the property with all proposed construction, conversion or rehabilitation hypothetically completed or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

### Market Value As If Stabilized

Market value as if stabilized means the market value of the property at a current point and time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

### Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Standards Board of the Appraisal

Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time). (Dictionary)

### Master Lease

A lease in which the fee owners leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

### Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

### Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the optionee) to buy, sell, or lease real property for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

### Partial Interest

Divided or undivided rights in real estate that represent less than the whole (a fractional interest). (Dictionary)

### Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real estate taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

### Prospective Future Value Upon Completion

Market value "upon completion" is a prospective future value estimate of a property at a point in time when all of its improvements are fully completed. It assumes all proposed construction, conversion, or rehabilitation is hypothetically complete as of a future date when such effort is projected to occur. The projected completion date and the value estimate must reflect the market value of the property in its projected condition, i.e., completely vacant or partially occupied. The cash flow must reflect lease-up costs, required tenant improvements and leasing commissions on all areas not leased and occupied.

### Prospective Future Value Upon Stabilization

Market value “upon stabilization” is a prospective future value estimate of a property at a point in time when stabilized occupancy has been achieved. The projected stabilization date and the value estimate must reflect the absorption period required to achieve stabilization. In addition, the cash flows must reflect lease-up costs, required tenant improvements and leasing commissions on all unleased areas.

### Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary)

### Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

### Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.” (Dictionary)

### Sandwich Leasehold Estate

The interest held by the original lessee when the property is subleased to another party; a type of leasehold estate. (Dictionary)

### Sublease

An agreement in which the lessee (i.e., the tenant) leases part or all of the property to another party and thereby becomes a lessor. (Dictionary)

### Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

### Substantial Completion

Generally used in reference to the construction of tenant improvements (TI's). The tenant's premises are typically deemed to be substantially completed when all of the TI's for the premises have been completed in accordance with the plans and specifications previously approved by the tenant. Sometimes used to define the commencement date of a lease.

### Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

### Triple Net (Net Net Net) Lease

A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called NNN, triple net leases, or fully net lease. (Dictionary)

(The market definition of a triple net leases varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

### Usable Area

The measured area of an office area, store area or building common area on a floor. The total of all the usable areas on a floor shall equal floor usable area of that same floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodeled. (BOMA)

### Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

## Qualifications of Bruce C. Jolicoeur, MAI Senior Managing Director

Valbridge Property Advisors | Auble, Jolicoeur & Gentry, Inc.

### *Independent Valuations for a Variable World*

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#### State Certifications

State of Washington  
State of Idaho  
State of Montana

#### Membership/Affiliations:

Member: Appraisal Institute - MAI Designation  
President: Inland NW Chapter-Appraisal Institute (2008-09;  
1990-91)  
Trustee: Spokane/Kootenai Real Estate Research  
Committee

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#### Education

Bachelor of Science  
Business Administration  
University of Illinois,  
Urbana/Champaign Campus

#### Appraisal Institute & Related Courses:

All courses for MAI & SRPA Designations, 1976-1986  
Uniform Standards of Professional Appraisal Practice (USPAP)  
7-Hour USPAP Update – 2013, 2012  
Separating Real Property, Personal Property & Intangible Business  
Assets - 2013  
Appraisal Overview Curriculum - 2011  
Real Estate Market Forum Speaker – 2007, 2004, 2000, 1998, 1996  
An Intro to Valuing Commercial Green Buildings - 2009  
Analyzing Distressed Real Estate – 2009  
Uniform Appraisal Standards for Federal Land Acquisitions - 2007

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#### Experience:

##### **Senior Managing Director**

Valbridge Property Advisors | Auble, Jolicoeur & Gentry, Inc. (2013-  
Present)

##### **Principal & Senior Analyst/Appraiser**

Auble, Jolicoeur & Gentry, Inc. (1985-2013)

##### **Appraiser**

James S. Black & Company (1982-1984)

##### **Staff Appraiser**

T.J. Meenach Company (1979-1982)

Appraisal/valuation and consulting assignments include: apartment buildings; retail buildings and shopping centers; office buildings; industrial buildings; religious and special purpose properties including schools, churches and cemeteries; hotels and motels; residential subdivisions; and vacant industrial, commercial and residential land. Assignments also include arbitration; environmental contamination; feasibility & market studies; litigation; partial interests/easements; and special benefit studies.