

GROUND LEASE

BETWEEN

CITY OF BELLEVUE, a Washington municipal corporation,  
(Lessor)

and

[\_\_\_\_\_], a Washington limited liability limited partnership  
(Lessee)

for

KELLY TRANSIT ORIENTED DEVELOPMENT SITE

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**GROUND LEASE**

This GROUND LEASE ("Lease") dated as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, is entered into by and between the CITY OF BELLEVUE, a Washington municipal corporation, ("Lessor") and [\_\_\_\_\_], a Washington limited liability limited partnership ("Lessee").

**RECITALS:**

A. The need for affordable housing in Bellevue is critical to supporting the City’s growth, economic diversity, and community well-being. The City is committed to addressing this essential issue and providing housing that is affordable to all income levels, including lower-income individuals and families.

B. The City is also committed to furthering arts and culture in the BelRed Subarea of the City. In 2009, the City formally recognized the BelRed Arts District as part of the BelRed Subarea Plan, and in 2022 the City adopted the BelRed Arts District Implementation Plan. Today the BelRed Arts District is home to more than 100 creative businesses and cultural organizations and is a hotbed of arts and culture activities. The City recognizes the need for affordable housing, especially for artists and the creative workforce, as well as the desirability of providing affordable creative spaces, cultural venues, and community space to serve future residents.

C. The City is the owner of approximately 1.15 acres of land with approximately 33,000 square feet of developable land located at 1500 130<sup>th</sup> Ave. NE, Bellevue, Washington (“Land”), commonly known as the Kelly TOD site and legally described on Attachment A attached to this Lease and incorporated herein by this reference as if set forth in full.

D. The Land has been identified by the City as a suitable location for a new affordable housing project (the “Project”) near public transit that will spur further walkable development in the BelRed Arts District. The Land has also been identified as a location that can support catalytic placemaking that preserves and continues the creative spirit of the BelRed Arts District and enhances a growing transit-oriented community.

E. On February 14, 2025, the City published a request for proposals for development of the Land with a mixed-use development consisting of approximately 140-300 affordable housing units contained in an equitable, cost-efficient, and high-quality building that includes affordable living spaces tailored to the needs of artists and creative professionals.

F. On June 2, 2025, the City received seven proposals from potential development partners. The City ultimately selected BRIDGE Housing Corporation, a California nonprofit corporation and affiliate of the Lessee (“BRIDGE”) to develop the Kelly TOD site based on the strength of its proposal.

G. The City and BRIDGE executed a Predevelopment Agreement (the “Predevelopment Agreement”) on \_\_\_\_\_, 2026. The Predevelopment Agreement set forth the parties’ obligations during the design and financing of the Project and provided for execution of this Lease upon satisfaction of certain contingencies and prerequisites, all of which have now been met.

NOW, THEREFORE, for and in consideration of the mutual promises and agreements of Lessor and Lessee set forth in the Lease, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

**ARTICLE 1**  
**THE LEASE**

Section 1.1 Leased Land. Subject to the terms and conditions hereof, Lessor hereby leases to Lessee the Land.

Section 1.2 Term. The term of this Lease shall commence as of \_\_\_\_\_, 20\_\_\_\_ (the “Commencement Date”), and unless sooner terminated pursuant to the provisions hereof, this Ground Lease shall continue in full force and effect for a term (“Term”) of ninety-nine (99) years from the Commencement Date.

Section 1.3 Use. Lessee shall use the Land solely for the development, construction and operation of the Project, consisting of the following elements:

1.3.1 A mixed use building (the “Building”) containing:

1.3.1.1 A total of \_\_\_\_\_ affordable multifamily rental units. The mix of unit sizes and affordability levels shall be as set forth in Attachment B to this Lease or as otherwise approved by Lessor’s City Manager or designee (collectively hereafter “the City Manager”); and

1.3.1.2 A ground floor creative facility space (“Creative Facility Space”) within the Building of approximately \_\_\_\_\_ square feet in size which Lessee will be responsible for completing in cold shell condition only in accordance with the plans and specifications and as described in Attachment E attached hereto (“Cold Shell Condition”), with any Creative Facility Unit Owner (defined herein) or sublessee operator to be responsible for the buildout of the tenant improvements and operation of the space. The Creative Facility space shall be provided at no cost, with no rent or purchase price (as applicable) charged to the Creative Facility Unit Owner or sublessee operator except for common area and triple net lease expenses as set forth in the condominium declaration or sublease agreement and mutually agreed upon. The Creative Facility Space is intended to be occupied by arts-focused uses that serve residents and the surrounding neighborhood, which may include, without limitation, such arts-focused uses as private or shared studios, community events or classes, and gallery space to showcase the work of residents and local artists, or any other arts-focused uses as determined to be desirable and appropriate by Lessee and Creative Facility Unit Owner or sublessee of the Creative Facility Space; and

1.3.1.3 Secure bicycle storage for residents, either in a centralized location or within individual units, as well as a secure bicycle storage area for staff associated with the ground floor Creative Facility space. Short-term bike racks will be installed and maintained near primary building entries and around the site perimeter to serve visitors.

1.3.2 Plaza(s), utilities, and other site amenities, as required by the Bellevue City Code or through the City of Bellevue development review process. Lessee will install and maintain wayfinding signage consistent with the City of Bellevue’s design standards to enhance pedestrian access to nearby light rail and transit connections.

1.3.3 Lessee’s use of the Land is also limited by the restrictions set forth in Sections 6.3 and 17 of this Lease and by the land use regulations set forth in the Bellevue City Code, as the same now exists or as hereafter amended.

Section 1.4 Rent - Performance in Lieu of Additional Rent. Lessee shall pay Lessor rent (“Rent”) of One Dollar (\$1.00) per year for each year of the Term and Lessor and Lessee agree that the Rent for the entire term has been paid in full at the execution of this Lease. The parties mutually acknowledge and agree that Lessee’s obligation to construct, operate, and maintain the affordable housing rental units on the Land in accordance with the terms and conditions of this Lease is sufficient additional consideration for Lessor to lease the Land to Lessee and there shall be no additional monetary Rent due and payable from Lessee to Lessor as long as Lessee’s obligations under this Lease are met.

Section 1.5 Lessee Taking Land “As-Is-Where-Is”. Except with respect to the representations and warranties set forth in Section 8.1, Lessee acknowledges (i) that Lessee has entered into this Lease with the intention of making and relying upon its own investigation of the physical, structural and environmental condition of the Land, and (ii) that Lessor is not making and has not at any time made any representation or warranty of any kind or nature, either oral or written, directly or indirectly, expressed, implied, statutory or otherwise, with respect to the Land. Based on Lessee’s familiarity with the Land, Lessee’s due diligence relating to the Land and Lessee’s experience and knowledge as to the market in which the Land are situated and as to the investment in and operation of real estate in the nature of the Land and commercial real estate in general, Lessee will take the Land on the Commencement Date in its “AS IS, WHERE IS AND WITH ALL FAULTS” condition, with existing streets and street improvements, and without any representation or warranty whatsoever. Lessee fully assumes the risk that adverse latent or patent physical, structural, or environmental conditions may not have been revealed by Lessee’s investigations. Lessor and Lessee acknowledge that the terms and conditions of this Lease, including but not limited to, the agreement of Lessor to accept Lessee’s obligations in lieu of rent, have taken into account the provisions of this Section 1.5.

Section 1.6 Regulatory Authority. It is expressly understood and acknowledged by Lessor and Lessee that Lessee has entered into this Lease in its capacity as owner of the Property and not in its capacity as a regulatory agency. Nothing in this Lease shall be construed as a waiver, abridgment, or limitation of Lessee’s regulatory authority and police powers, or of Lessee’s City Council’s legislative discretion, which are reserved in full.

Section 1.7 Leasehold Excise Tax. In addition to the rental amount specified in Section 1.4, Lessee shall pay any applicable leasehold excise tax. To the extent that an exemption or a reduction to the leasehold excise tax is possible, Lessor shall cooperate with Lessee to obtain that exemption or reduction.

## **ARTICLE 2**

### **THE IMPROVEMENTS**

Section 2.1 Construction. Subject to the terms of this Lease, Lessee shall have the right and the obligation (a) to develop and construct the improvements described in Section 1.3 (the “Improvements”), (b) if Lessee requests to have its leasehold interest subjected to a condominium regime, to thereafter assign a portion of this Lease and convey that portion of the Improvements comprising the Creative Facility space to a Creative Facility Unit Owner as provided in Section 2.4 below, or (c) to lease the portion of the Improvements comprising the Creative Facility space to BRIDGE or an affiliate pursuant to a master lease and/or to sublease the Creative Facility space to a third party operator), subject to the review and approval of the City Manager, which shall not be

unreasonably withheld, conditioned or delayed. The Project will be designed, constructed, and maintained to meet or exceed Evergreen Sustainable Development Standard v4.1. The Project will also meet all requirements of the City of Bellevue Land Use Code, including the requirements of the BelRed land use district. If this Lease is terminated prior to the completion of the Improvements, or if construction of the Improvements is abandoned for any reason, and Lessee or a Leasehold Mortgagee (as such term is defined in Section 7.1 below) does not exercise the rights to complete the Project pursuant to Article 7 or Section 11.5, Lessee shall be responsible for and shall bear all costs of removing all structures and debris from the Land and then surrendering possession of the Land to Lessor.

### Section 2.2 Permits, Licenses and Easements.

2.2.1 All site plan approvals, building permits and other permits, licenses, permissions, consents, and approvals required to be obtained from governmental agencies or third parties in connection with construction of the Improvements and any subsequent alterations, repairs, replacements, or renewals to the Improvements shall be acquired as required by applicable laws, ordinances, or regulations by and at the sole cost and expense of Lessee. Lessee shall cause all work on the Land during the Term to be performed in accordance with all permits and applicable laws and all directions and regulations of all governmental agencies and representatives of such agencies having jurisdiction.

2.2.2 As part of site planning and permitting, Lessor and Lessee have identified and recorded any necessary right-of-way dedications and easements necessary to support the Project. In the event that additional easements or right-of-way dedications become necessary during the Term, Lessor and Lessee agree to use reasonable efforts to cooperate with and support each other in obtaining any and all permits, licenses, easements, right-of-way authorizations, and other authorizations required by any governmental authority having jurisdiction over the Land, with respect to any construction or other work to be performed on the Land, subject to the reservation of Lessor's regulatory authority as described in Section 1.6 and with the understanding that any such permits, licenses, easements, right-of-way dedications, and other authorizations shall be at no cost to Lessor.

2.2.3 Lessee shall complete construction and obtain a certificate of occupancy (which may be a temporary certificate of occupancy) for the Improvements no later than [REDACTED], 20 [REDACTED] (the "Outside Completion Date"), subject to extension for Force Majeure, unless Lessor consents to an extension, which consent shall not be unreasonably withheld, conditioned, or delayed; provided that notwithstanding any other provisions herein, a Leasehold Mortgagee or Tax Credit Investor and their successors and assigns shall have not less than three years from the Outside Completion Date to complete construction of the Project. Lessee shall market the dwelling units to eligible households for occupancy upon completion of construction and issuance of a certificate of occupancy.

### Section 2.3 Ownership.

2.3.1 Lessor will at all times hold legal title to the Land and will be the owner of the Land for Washington state law purposes.

2.3.2 Subject to the provisions of Sections 2.3.3 and 2.4, however, the parties intend that Lessee alone shall be entitled to all of the federal tax attributes of ownership of the Improvements, including, without limitation, the right to claim depreciation or cost recovery deductions and the right to claim the Low Income Housing Tax Credits ("LIHTCs") described in Section 42 of the United States Internal Revenue Code, and that Lessee shall have the right to amortize capital costs and to claim any other federal tax benefits attributable to the Improvements and the equipment therein.

2.3.3 If Lessee elects to subject its leasehold interest to a condominium regime as contemplated in Section 2.4 below, Lessor acknowledges and agrees that: (i) from the date of this Lease until the establishment of the condominium regime, the Improvements, including all additions, alterations and improvements thereto or replacements thereof and all appurtenances thereto, fixtures, machinery and equipment installed on the Land shall be owned solely by Lessee; (ii) from and after the establishment of the condominium regime, the Improvements, including all additions, alterations and improvements thereto or replacements thereof and all appurtenances thereto, fixtures, machinery and equipment installed on the Land, shall be owned by the Unit Owners as defined in Section 2.4; (iii) following conveyance of the portion of the Improvements comprising the Creative Facility Unit as defined in Section 2.4 to Creative Facility Unit Owner the Creative Facility Unit shall be owned solely by Creative Facility Unit Owner during the Term and the Housing Unit shall be owned solely by Lessee as the Housing Unit Owner during the Term. During the Term and for the tax years after commencement of the Term, and until the establishment of the condominium regime as contemplated by Section 2.4 below, Lessee shall be entitled to all tax attributes of ownership of the Improvements. From and after the establishment of the condominium regime as contemplated by Section 2.4 below, the Housing Unit Owner and the Creative Facility Unit Lessee, as the case may be, shall be entitled to all tax attributes of ownership of each Unit Owner's Unit.

2.3.4 At the expiration or earlier termination of this Lease, the Improvements, additions, alterations, and improvements thereon and thereto or replacements thereof, and all appurtenances, fixtures, machinery, and equipment installed therein, shall become the property of Lessor, provided, that Lessor may, in Lessor's sole discretion, direct Lessee to remove the Improvements from the Land at Lessee's sole cost and expense, and to return the Land to Lessor as vacant land.

#### Section 2.4 Condominium Regime.

2.4.1 Upon sufficient completion of the Building (as defined above), Lessee may, at Lessee's election, subject Lessee's leasehold interest in the Land to a condominium regime (the "Condominium") under the Washington Common Interest Ownership Act. The Condominium would be comprised of two leasehold condominium units: (1) a unit containing the residential dwelling units and associated improvements (the "Housing Unit" or "Unit 1") meeting the affordability requirements of this Lease, and (2) a unit containing the Creative Facility Space (the "Creative Facility Unit" or "Unit 2"). If created, the Condominium may also include certain common elements and limited common elements, including any landscaping, and other site amenities. After the formation of the Condominium, Lessee may elect to convey ownership of the Creative Facility Unit and a portion of this Lease to a separate entity (the "Creative Facility Unit Owner") meeting the approval of the Lessor, which approval shall not be unreasonably withheld, conditioned, or delayed; provided that the Creative Facility Owner need not be approved by the Lessor if the Creative Facility Owner is BRIDGE or an entity controlled by BRIDGE. If BRIDGE or an entity controlled by BRIDGE is the Creative Facility Owner, any sublessee operator of the Creative Facility Space must be approved by the Lessor, which approval shall not be unreasonably withheld, conditioned, or delayed. Lessee and the approved Creative Facility Unit Owner will execute and deliver a Partial Assignment of Lease (the "Lease Assignment"), pursuant to which the Creative Facility Unit Owner will assume from Lessee all that portion of Lessee's interest in this Lease and the Improvements attributable to ownership of the Creative Facility Unit. Subsequent to the Lease Assignment, the term "Lessee" will refer to the owner of the Housing Unit (the "Housing Unit Owner") and the owner of the Creative Facility Unit (the "Creative Facility Unit Owner"), each individually and only relating to each unit owner's ownership of its respective unit and not jointly and severally. Jointly, the Housing Unit Owner and the Creative Facility Unit Owner shall sometimes be referred to in this Lease as "Unit Owners."

2.4.2 The declaration, bylaws and all other documents to be prepared for the Condominium (the “Condominium Documents”) shall be substantially in the form agreed upon by Lessor, Lessee, Leasehold Mortgagee(s), and Tax Credit Investor (as that term is defined below) prior to execution. The Condominium will be administered and managed by an association (the “Condominium Association”) made up of the Housing Unit Owner and the Creative Facility Unit Owner. Subject to Lessor’s prior written approval of the condominium declaration and condominium map, which approval shall not be unreasonably withheld, conditioned, or delayed, Lessor hereby agrees to the recording of the Condominium, at the sole expense of Lessee, and shall provide such written consents as are necessary for the establishment of the Condominium.

2.4.3 Lessor and Lessee hereby agree that, upon recording of the condominium declaration and condominium map in the real property records of King County and conveyance of the Creative Facility Unit to Creative Facility Unit Owner and execution and delivery of the Lease Assignment by Housing Unit Owner and Creative Facility Unit Owner, the terms “Land” and “Project” as used in this Lease with respect to the Housing Unit Owner’s interest in this Lease shall mean only the Housing Unit and the Housing Unit Owner’s undivided ownership interest in the common elements and limited common elements associated with the Housing Unit, and the term “Improvements” shall mean only those Improvements comprising the Housing Unit and Housing Unit Owner’s undivided ownership interest in the common elements and limited common elements associated with the Housing Unit. The parties further acknowledge and agree that, once the Condominium is established and the Creative Facility Unit is conveyed to Creative Facility Unit Owner and the Lease Assignment is executed and delivered, Housing Unit Owner shall have no obligations under this Lease with respect to the Creative Facility Unit.

2.4.4 Similarly, Lessor hereby agrees that, upon execution and delivery of the Lease Assignment by Housing Unit Owner and Creative Facility Unit Owner, the terms “Land” and “Project” as used in this Lease with respect to Creative Facility Unit Owner’s interest in this Lease shall mean only the Creative Facility Unit and the Creative Facility Unit Owner’s undivided ownership interest in the common elements and limited common elements associated with the Creative Facility Unit, and the term “Improvements” as used in this Lease with respect to Creative Facility Unit Owner’s interest in this Lease shall mean only those Improvements comprising the Creative Facility Unit and the Creative Facility Unit Owner’s undivided ownership interest in the common elements and limited common elements associated with the Creative Facility Unit. Lessor further acknowledges and agrees that, once the Creative Facility Unit is conveyed to Creative Facility Unit Owner and the Lease Assignment is executed and delivered, Creative Facility Unit Owner shall have no obligations under this Lease with respect to the Housing Unit.

2.4.5 As further set out in Section 11.3, Lessor expressly acknowledges that any event of default under this Lease caused by Creative Facility Unit Owner or with respect to the Creative Facility Unit shall not constitute a default by Housing Unit Owner under this Lease.

Section 2.5 Financing. Prior to execution of this Lease and pursuant to the Pre-Development Agreement, Lessor has approved Lessee’s plan to finance construction of the Project (“Financing Plan”), including through the use of public, private, and philanthropic sources. Lessee has secured binding commitments from all funding sources identified in the approved Financing Plan. Lessee will use all funds obtained from the funding sources designated for construction of the Project to construct the Project and will comply with all terms and conditions of such financing. Any material change in the Financing Plan shall require approval of Lessor’s City Manager, which shall not be unreasonably withheld, conditioned, or delayed; provided, that for the avoidance of doubt, future amendments to or refinancing of the initial financing obtained by Lessee pursuant to the Financing Plan throughout the

term of this Lease shall not be subject to Lessor approval provided that such financing arrangements and resulting encumbrances comply with Section 3.2 and do not materially affect Lessor's rights or increase Lessor's duties or obligations under this Lease. If additional financing is necessary, Lessee shall be solely responsible for obtaining the necessary financing.

### **ARTICLE 3** **LIENS**

Section 3.1 Liens Against Lessor's Fee Interest. Except as otherwise provided herein, Lessee shall not have any right, authority or power to bind Lessor, Lessor's estate or other assets or any interest of Lessor in the Land, for any claim for labor or material or for any other charge or expense, lien or security interest incurred in connection with the development, construction or operation of the Land, Project and Improvements or any change, alteration or addition thereto. Provided, nothing in this Lease shall be construed as acknowledging or otherwise conceding that the Land is subject to lien rights under Washington law.

3.1.1 Lessee and Lessor have recorded such dedications of right-of-way and easements that have been identified as necessary for Lessee's development of the Land prior to or concurrently with entering into this Lease. In the event that additional easements or dedications become necessary for development or operation of the Improvements, Lessor agrees to consider and to approve the same, provided that such easements or dedications are in locations on the Land reasonably satisfactory to Lessor, do not unreasonably burden any property of Lessor other than the Land, and do not unreasonably restrict or otherwise adversely affect Lessor's use of its other property. Lessor's approval shall not be unreasonably withheld, conditioned, or delayed, and Lessor shall provide such written consents or signatures as are necessary to the recording of such easements or dedications.

3.1.2 Lessor expressly acknowledges that Lessee will be obtaining financing for the development and operation of the Land from a variety of private and governmental funding sources and that such financing may require restrictive covenants or regulatory agreements (collectively, "Restrictive Financing Covenant") to be recorded not only against Lessee's leasehold interest, but also against Lessor's fee interest. Subject to Lessor's prior review and written approval, which shall not be unreasonably withheld, conditioned, or delayed, Lessor hereby agrees to the recording, at Lessee's sole expense, of any Restrictive Financing Covenant as is required for the development and operation of the Improvements and shall provide such written consents as are necessary to the recording of any Restrictive Financing Covenant.

3.1.3 Lessor expressly acknowledges that Lessee will be entering into leases with eligible households with incomes at or below the thresholds set forth in Section 1.3 for rental of the individual dwelling units within the Housing Unit.

Section 3.2 Liens Against Lessee's Leasehold Interest. Lessor acknowledges that Lessee will be obtaining financing for the development and operation of the Land from a variety of private and governmental funding sources, that such financing shall require Lessee to provide security interests in its leasehold interest in the Land and that such financing sources will further require Lessee to enter into various regulatory and other agreements restricting the use of the Land to the uses set forth in Section 1.3. Lessee may encumber its leasehold interest in the Land for the purposes of such financing and Lessor hereby expressly agrees and consents to Lessee entering into such financing arrangements and the resulting encumbrances of Lessee's leasehold interests in the Land, provided that such financing arrangements and resulting encumbrances shall be subject to the terms of this Lease and shall not materially affect Lessor's rights or increase Lessor's duties or obligations under this Lease. Lessee may,

after the initial development of the Project, obtain additional financing (or refinancing) provided that such financing complies with the provisions of this Section 3.2.

Section 3.3 Mechanics' Liens. Lessee agrees that it will not permit any claim of lien made by any mechanic, materialman, laborer, or other similar liens to stand against Lessor's fee simple interest in the Land for work or materials furnished to Lessee in connection with any construction, improvements, maintenance, or repair thereof made by Lessee or its agents upon the Land. Lessee shall cause any such claim or lien to be fully discharged within ninety (90) days after the date of filing thereof; provided, however, that in the event Lessee, in good faith, disputes the validity or amount of any such claim of lien, and if Lessee shall record or file a bond in the office of the King County Recorder in an amount and form sufficient to release the claim of lien as provided RCW 60.04.161, as the same now exists or as hereafter amended or superseded, Lessee shall not be deemed to be in breach of this Section 3.3, so long as Lessee is diligently pursuing a resolution of such dispute. Upon entry of final judgment resolving the dispute, if litigation or arbitration results therefrom, Lessee shall discharge said lien within ninety (90) days.

Section 3.4 Creative Facility Unit Financing. If Lessee requests Lessor to subject Lessee's interest to a condominium regime as provided in Section 2.4, Lessor acknowledges that Creative Facility Unit Owner may be obtaining financing for the development and operation of the Creative Facility Unit from a variety of private and governmental funding sources, that such financing may require Creative Facility Unit Owner to provide security interests in its interest in the Creative Facility Unit and that such financing sources may further require Creative Facility Unit Owner to enter into various regulatory and other agreements restricting the use of the Creative Facility Unit. Creative Facility Unit Owner may encumber its interest in the Creative Facility Unit for the purposes of such financing and Lessor hereby expressly agrees and consents to Creative Facility Unit Owner entering into such financing arrangements and the resulting encumbrances of the Creative Facility Unit, provided that such financing arrangements and resulting encumbrances shall be subject to the terms of this Lease and shall not materially affect Lessor's rights or increase Lessor's duties or obligations under this Lease. Creative Facility Unit Owner may, after the initial development of the Creative Facility Unit, obtain additional financing (or refinancing) provided that such financing complies with the provisions of this Section 3.4. In no event shall Creative Facility Unit Owner have the right to encumber Housing Unit Owner's interest in this Lease or portions of the improvements comprising the Housing Unit.

**ARTICLE 4**  
**TAXES; UTILITIES**

Section 4.1 Payment of Taxes. Lessee shall pay before they become delinquent, all real property taxes assessed or levied against the Land and Improvements. Lessee shall also pay all personal property taxes assessed or levied against the equipment, machinery, fixtures, furniture, and furnishings thereon and all other taxes, charges, fees or costs imposed by any governmental or quasi-governmental entity or utility, including but not limited to, leasehold excise tax. To the extent that an exemption or a reduction to any real property or personal property tax is possible, Lessor shall cooperate with Lessee to obtain that exemption or reduction. Lessee shall have the right in good faith, in a proper procedural manner, and at its sole cost, to contest and resist any taxes or assessments or other dispositions levied against or imposed upon the Land and Improvements. Lessee shall defend and indemnify Lessor from all taxes incurred during the term of this Lease.

Section 4.2 Utilities. Lessee shall arrange for and pay before they become delinquent all charges for utility services furnished to the Land including, but not limited to, electricity, gas, water, sanitary sewer, stormwater, telephone and solid waste collection charges. Lessor shall have no responsibility for

the payment of these utility costs. Lessee shall defend and indemnify Lessor from all such charges incurred during the term of this Lease.

## **ARTICLE 5** **INSURANCE**

**Section 5.1 General.** Lessee shall maintain in full force and effect during the Term, and at Lessee's sole cost and expense, insurance satisfying all the requirements set forth below, provided that insurance that complies with the requirement of any Leasehold Mortgagee shall meet the requirements of this Article 5. The insurance policies are subject to approval by Lessor in its sole discretion as to amount, form, endorsements, deductibles and insurer, and must cover all risks Lessor requires. The specific coverages, limits, standards and forms set forth in this Section establish the requirements that shall apply unless the Lessor shall, by notice in writing, approve or require different or additional coverages, limits, standards or forms. Capitalized terms used in this Section and not defined shall be construed in accordance with customary usage in the insurance industry as of the date of this Lease, unless the context clearly requires otherwise. Failure of Lessee to fully comply with the insurance requirements of this Section will be considered a material breach of contract.

**Section 5.2 Coverages Required of Lessee.** Lessee shall maintain all of the following:

5.2.1 Commercial General Liability ("CGL") insurance, written on an Insurance Services Office ("ISO") occurrence form (ISO form CG 00 01) or equivalent, including Land/Operations; Products/Completed Operations; Personal/Advertising injury; Contractual Liability; and Independent Contractors Liability. The minimum limits of liability for bodily injury and property damage shall be \$2,000,000 each occurrence and \$5,000,000 general and Products/Completed Operations aggregate. The use of umbrella/excess liability policies to reach the limits required is acceptable.

5.2.2 Property insurance on all buildings, improvements and fixtures on a "Special Form" perils basis, in an amount equal to 100% replacement cost thereof, against (i) Loss from the perils of fire and other risks of direct physical loss (excluding earthquake but including flood damage if the Land is in a SFHA flood hazard area), not less broad than provided by the insurance industry standard "Causes of Loss - Special Form (CP 10 30)"; (ii) Loss or damage from water damage, or sprinkler systems now or hereafter installed in any building on the Land; (iii) loss or damage by explosion of steam boilers, pressure vessels, oil, or gasoline storage tanks; machinery, heating or air conditioning, elevator and escalator equipment or similar apparatus, provided the Land contains equipment of such nature; (iv) business interruption or extra expense, with sufficient coverage to provide for the loss of rent and other fixed costs during any interruption of Lessee's business, loss of occupancy, or use because of fire or other cause, in such amounts as are satisfactory to Lessor, and (v) any other insurance required by law or by the terms of any other financing documents.

**Section 5.3 Additional Required Coverage During Construction.** Lessee shall maintain the following additional insurance coverage during construction of the Improvements:

5.3.1 Builder's Risk. Lessee shall maintain or cause to be maintained, at Lessee's expense, Builder's Risk Property insurance which shall be in effect during any construction, modification, renovation or demolition activity where the Lessee's property insurance cannot accommodate the coverage, covering all such activity and all portions of the Land affected thereby. Such Builder's Risk policy shall provide "Special Form" perils coverage, in an amount equal to 100% replacement cost, against loss from the perils of fire and other risks of direct physical loss (excluding earthquake coverage but including flood coverage if the Land is in a SFHA flood hazard area), together

with such “soft costs” and other endorsements and coverages as City may from time to time reasonably require. Notwithstanding the foregoing, if Lessee self-insures for such Builder’s Risk policy, “soft cost” coverages shall not be required.

5.3.2 Contractors. Lessee shall ensure that any contractor working on the Land maintains CGL insurance, written on an Insurance Services Office (“ISO”) occurrence form (ISO form CG 00 01) or equivalent, including Land/Operations; Products/Completed Operations; Personal/Advertising injury; Contractual Liability; and Independent Contractors Liability. The minimum limits of liability for bodily injury and property damage shall be \$1,000,000 each occurrence and \$1,000,000 general and Products/Completed Operations aggregate. Notwithstanding the foregoing, the prime contractor shall carry \$5,000,000 general and Products/Completed Operations aggregate. If the Land contains any hazardous materials, asbestos or lead-based paint, Lessee shall ensure that the prime and any abatement contractor or subcontractor performing abatement or handling hazardous materials working on the Land, or if Lessee is working on the Land, that said party also maintains Pollution Legal Liability coverage at a minimum limit of \$5,000,000 per occurrence and aggregate. Lessee shall further ensure that the CGL and Pollution Legal Liability insurance maintained by Lessee and/or Lessee’s contractor(s) shall include “The City of Bellevue and all funding agencies, their officers, elected officials, employees, agents, and volunteers” as additional insureds for primary and non-contributory limits of liability.

5.3.3 Worker’s Compensation. Lessee shall ensure that Lessee and any contractor on the Land maintain Worker’s Compensation for the State of Washington (“Industrial Insurance”) as required by Title 51 of the Revised Code of Washington.

5.3.4 Policy Requirements. Lessee shall ensure that any policy maintained to meet the requirements of this Section 5.3 shall include the general contractor and all subcontractors as insured or that a separate policy of insurance as stated above is maintained for the contractor and each subcontractor. All coverages for contractors and subcontractors shall be subject to all the requirements stated herein and applicable to their activities.

Section 5.4 Deductible or Self-Insured Retention. If Lessee's insurance contains a deductible or self-insured retention amount, Lessee shall:

5.4.1 Obtain the written approval of Lessor for the deductible or self-insured retention amount in excess of Two Hundred Fifty Thousand Dollars (\$250,000) per occurrence prior to the effective date of such policy.

5.4.2 Be responsible for payment of the portion of any claim or loss equal to or less than the deductible or self-insured retention amount).

5.4.3 Intentionally deleted.

Section 5.5 Conditions. The insurance policy or policies, endorsements therefore, and subsequent renewals shall:

5.5.1 Be issued by an insurance company that is (i) rated A- or better and VI or larger in the A.M. Best’s Key Rating Guide; and (ii) approved to do business in the State of Washington or filed with the Washington Insurance Commissioner as a surplus line by a Washington surplus line broker;

5.5.2 Be primary as respects Lessor, and any other insurance maintained by Lessor shall be excess and not contributing insurance with Lessee's insurance; and

5.5.3 In the case of any liability policy, include a provision (whether by endorsement or otherwise) agreeing that, except with respect to the limits of insurance and any rights specifically assigned to the first named insured, the insurance will apply (i) as if each party insured thereunder (whether as a named insured, additional named insured, or additional insured) were the only party insured by such policy; and (ii) separately as to each insured against whom a claim is made or a suit is brought).

Section 5.6 Endorsements in Favor of Lessor.

5.6.1 Lessee shall ensure that the CGL and, if required, the Pollution Legal Liability insurance maintained by Lessee shall include the City of Bellevue and its officers, elected officials, employees, agents, and volunteers as additional insureds for primary and non-contributory limits of liability.

5.6.2 Lessee shall ensure that all Property Insurance policies, including Builder's Risk, shall (i) contain a standard mortgagee or lender clause (438BFU or equivalent acceptable to the Lessor) making all losses payable to Lessor except as otherwise provided in this Lease, (ii) contain cancellation provisions requiring not less than thirty (30) days written notice, except ten (10) days with respect to cancellation for non-payment of premium, to Lessor as a condition precedent to any cancellation thereof; (iii) not be subject to any co-insurance or other similar contribution or limitation provisions unless such provisions are expressly approved in writing by Lessor.

Section 5.7 Evidence of Insurance. Lessee shall furnish Lessor with certificates of insurance and endorsements required by this Lease. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements for each insurance policy are to be received and approved by Lessor prior to the commencement of construction activities. Lessor reserves the right to require complete, certified and redacted copies of all required insurance policies at any time. Within ten (10) days following the expiration of the term of any insurance policy, Lessee shall furnish Lessor with written evidence of renewal, with premiums paid, or issuance of a satisfactory replacement policy. With respect to any multi-property insurance policy that is based on a Schedule of Values, Lessee shall deliver a current schedule as approved by the insurer no less frequently than annually. The approval of any insurance by Lessor will not be a representation of the solvency of any insurer or the sufficiency of any insurance. Lessee shall reimburse Lessor for any premiums paid for such insurance by Lessor upon Lessee's default in so insuring the improvements or failure timely to provide evidence of renewal thereof.

Section 5.8 Waiver of Subrogation. All insurance required to be maintained by Lessee hereunder shall contain a waiver of subrogation against Lessor, and an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of Lessee that might otherwise result in forfeiture of said insurance and the further agreement of the insurer waiving all rights of set-off, counterclaim or deductions against Lessor. To the extent any loss is covered by property insurance carried by a party, each party waives all right of recovery against the other for any loss or damage covered by the party's respective first party commercial property insurance policies for all perils insured thereunder and in the event of any commercially insured property loss, neither party's insurance carrier shall have a subrogation claim against the other party.

Section 5.9 Right of Lessor to Obtain Insurance. Notwithstanding anything to the contrary herein, in the event Lessee fails to pay any premium required to renew any policy when required hereunder or otherwise fails to provide, maintain, keep in full force and effect or, after not less than ten (10) days prior written notice to Lessee, to deliver and furnish to Lessor the policies of insurance required hereunder, in addition to all other remedies available under this Lease, Lessor, in its sole and absolute discretion and without obligation with respect thereto, may pay such premiums or procure such insurance or single-interest insurance of such risks covering Lessor's interest, and Lessee will reimburse Lessor for all premiums thereon (and interest thereon at the rate of percent (2%) per annum from the date of expenditure by Lessor until the date of payment by Lessee) promptly upon demand by Lessor, and until such payment is made by Lessee the amount of all such premiums together with interest thereon shall be secured by this Lease.

5.10 Lessor Insurance. Lessor shall maintain in effect at all times insurance coverage consistent with the coverage customarily carried by ground lessors of property comparable in size, type, quality and location as the Land.

## **ARTICLE 6** **MAINTENANCE AND ALTERATIONS**

Section 6.1 Maintenance of Leased Land and Improvements. During the Term, at Lessee's sole cost and expense, Lessee shall keep and maintain the Project, all Improvements, and all appurtenances thereunto belonging, in good and safe order, condition and repair. Lessee shall be responsible for any repairs and replacements, whether structural or nonstructural, ordinary or extraordinary, necessary to maintain the Improvements thereon. At Lessee's own expense, Lessee shall keep and maintain the Improvements in compliance with all applicable laws, rules, regulations and ordinances of all federal, state, county, municipal and other public authorities having or claiming jurisdiction. Additionally, Lessee shall protect against and refrain from creating or allowing the creation of a Recognized Environmental Condition (as defined in ASTM Standard E1527-21, as the same now exists or is hereafter amended). During the Term, Lessee, at Lessee's sole cost and expense, shall take all actions necessary to eliminate, remove, remediate or otherwise clean up any Recognized Environmental Condition that is attributable to Lessee's use of the Land.

Section 6.2 Alterations to Leased Land and Improvements. Lessee shall make no major additions, alterations or changes in or to the Improvements after initial construction unless approved in writing by the Lessor, which approval shall not be unreasonably withheld, conditioned, or delayed. As used in this Section, a "major addition, alteration, or change" is one which 1) requires a permit and results in a change to the building envelope, the number of units, or unit size, or 2) has a total cost exceeding \$100,000, as adjusted annually on January 1 by the greater of three percent (3%) or the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) published by the U.S. Bureau of Labor Statistics, but excludes routine maintenance and normal wear and tear repairs or renovations or replacements in kind that restore the property to its previous condition without materially changing its character or function. All additions, alterations or changes shall be subject to the permitted uses of the Land set forth in Section 1.3 and any restriction on the use of financing proceeds set forth in Section 3.2.

Section 6.3 Prohibited Uses of Leased Land. In addition to any other prohibitions or limitations on Lessee's use of the Land contained in the Lease, Lessee shall not: i) use the Land in any illegal manner; ii) create any damage, nuisance or waste to the Land, including any objectionable noise, vibration, or odor to be emitted or escape from the Land to the extent that they constitute a nuisance, or cause defacement or injury of the Improvements, including impairment of their strength or durability;

iii) cause damage or injury to nearby properties or property owners; iv) create any condition which would constitute a fire or environmental hazard, or be dangerous to persons or property; v) sell any alcoholic beverages or alcoholic liquors on the Land excepting upon Lessor's prior written consent and pursuant to the limitations of state issued permit(s) or license(s); vi) sell or dispense any controlled substances or any marijuana (medical or recreational) on or about the Land; vii) store gasoline or other highly combustible materials on the Land except for commercially reasonable amounts of gasoline or fuel for yard equipment; viii) permit the sale of any pornographic or sexually explicit material or sex paraphernalia on the Land; ix) permit any cash, credit card, or coin-operated novelty or gaming machines or other facility used for gambling such as off-track betting on the Land without the prior written consent of Lessor; x) permit the use of the Land for a second-hand store, pawnshop, or for conducting auction, distress or fire sale, or bankruptcy or going-out-of-business sale or the like; xi) maintain disabled vehicles, or engage in automotive repair or maintenance on parking lots, in garages, or elsewhere on the Land; xii) operate a mortuary, funeral parlor or home or similar service establishment on the Land; xiii) allow any industrial use or processing or rendering use on the Land; xiv) operate any facility for the dumping, disposing, incinerating or reducing of garbage on the Land; xv) operate a massage parlor, hot tub facility or suntan facility on the Land; xvi) permit any on-site dry cleaning facility on the Land; xvii) operate a night club, bar or all night convenience store on the Land; xviii) permit any drug or alcohol treatment facilities or clinics on the Land; xix) permit an adult motion picture arcade or show, strip show, sale of nudity or sexual services or escort services on the Land; xx) operate a check cashing or pay day loan business on the Land; xxi) permit a bail bonds business or other similar services on the Land; xxii) permit any use not permitted under applicable zoning laws on the Land; xxiii) operate a tattoo or piercing parlor or headshop on the Land; xxiv) permit the operation of any 24-hour establishment on the Land; (xxv) permit any business providing palmistry, palm reading, fortune telling, phrenology, clairvoyance, or other psychic services; xxvi) permit the premises to be used, directly or indirectly, for the purpose of assisting a campaign for the election of any person to any office or for the promotion of or opposition to any ballot proposition, provided that this subsection (xxvi) shall not be construed as prohibiting individual residents from running for office or volunteering for or being employed by campaigns or ballot initiatives; or xxvii) permit any food establishment that is open before 6:00 a.m. or after 9:00 p.m. on the Land.

## **ARTICLE 7**

### **PERMITTED MORTGAGES**

Section 7.1 Leasehold Mortgage Provisions. Lessee intends that the development of the Improvements be financed with various public and private debt and/or grants from public agencies and lenders referred to collectively herein as "Lenders." For purposes of this Lease, a "Leasehold Mortgage" is (1) any mortgage, deed of trust, security agreement or collateral assignment in favor of a public agency or an Institutional Lender, (2) any mortgage, deed of trust, security agreement, or collateral assignment entered into as part of the development of the Project, and (3) any other mortgages, deeds of trust, security agreements or collateral assignments permitted by Lessor hereunder encumbering either (a) Lessee's leasehold interest in the Land or (b) an owner's interest in the Housing Unit or Creative Facility Unit. A "Leasehold Mortgagee" is a holder of a Leasehold Mortgage. For purposes hereof an "Institutional Lender" shall mean an entity that is a commercial bank, savings bank, savings and loan institution, insurance company, pension fund, investment bank, opportunity fund, mortgage investment conduit, real estate investment trust, commercial finance lender or other similar financial institution which ordinarily engages in the business of making, holding or servicing commercial (including multifamily residential) real estate loans, including any Affiliate thereof. Any Leasehold Mortgagee or designee thereof that acquires title to the leasehold estate or any part thereof, any person that acquires title to the leasehold estate through any judicial or non-judicial foreclosure sale, deed or assignment in lieu thereof, or any sale or transfer made under any order of any court to satisfy wholly or in part

obligations secured by any Leasehold Mortgage, and the successors and assigns of any such Leasehold Mortgagee, is referred to as a “Transferee”. Each Leasehold Mortgagee and Transferee is an intended beneficiary of the terms of this Lease.

Section 7.2 Leasehold Mortgages and Transfers Authorized - Limitations. Lessor acknowledges that Lessee’s financing for the Project will require Lessee to provide security interests in Lessee’s leasehold interest in the Land, and its interests in the Improvements, Lessor acknowledges that Creative Facility Unit Owner’s financing for the Creative Facility Unit will require Creative Facility Unit Owner or its affiliate to provide security interests in its interest in the Creative Facility Unit (such security interests, and any assignments of rents, issues or profits derived from the ownership, use or operation of the Improvements shall also be considered Leasehold Mortgages). For the purposes of this Article 7, “Lessee” shall refer to both Housing Unit Owner and Creative Facility Unit Owner if and when Creative Facility Unit Owner becomes the owner of the Creative Facility Unit, as applicable in the context in which such term is used. Subject to the terms of this Lease (including the prior notice requirements set forth in this Section), Housing Unit Owner and/or Creative Facility Unit Owner may grant Leasehold Mortgages upon or affecting their rights (and only their rights) in this Lease or in the Land, and such Leasehold Mortgages shall be expressly permitted and shall not require the consent of Lessor or constitute a breach of any provision of or a default under this Lease. Lessee shall provide Lessor with copies of all proposed loan and security documents at least thirty (30) days prior to the grant of any Leasehold Mortgage for a refinance transaction. Modifications or amendment of any Leasehold Mortgage or any document or agreement entered into connection therewith shall not require the consent of Lessor.

Section 7.3 Foreclosure. Foreclosure of any Leasehold Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Leasehold Mortgage, or any conveyance of the leasehold estate hereunder or any part thereof and Lessee’s interest in the Improvements and other rights hereunder, or any part thereof, to any Leasehold Mortgagee or other person through, or in lieu of, foreclosure, trustee’s sale or other proceedings in the nature thereof shall not require the consent of Lessor or constitute a breach of any provision of or a default under the Lease, and upon such foreclosure, sale or conveyance Lessor shall recognize the purchaser or other direct or indirect transferee in connection therewith as the Lessee hereunder to the extent of the interest so transferred. Lessor reserves the right, but shall have no obligation whatsoever, to cure any default by Lessee to prevent foreclosure and may exercise any rights it may have to recover its costs from Lessee or to otherwise terminate Lessee’s interest in this Lease. Lessor reserves the right to bid at any trustee’s sale or other proceeding brought by any Leasehold Mortgagee to foreclose any Leasehold Mortgage.

Section 7.4 Notice to Leasehold Mortgagee. During any period in which a Leasehold Mortgage is in place, Lessor shall give each Leasehold Mortgagee at the address set forth in this Lease or at the last address of such Leasehold Mortgagee provided in a written notice to Lessor pursuant to the terms hereof, a duplicate copy of all notices of default or other notices (other than rent or periodic billing notices) that Lessor may give to or serve in writing upon Lessee pursuant to the terms of the Lease, at the same time as such notice is given to or served upon Lessee, provided that such notice shall be duly given when sent to the Leasehold Mortgagee at the notice address set forth herein (or the last address of such Leasehold Mortgagee provided in a written notice to Lessor pursuant to the terms hereof), by US Mail, certified or registered mail, return receipt requested, or by a recognized overnight commercial delivery service; and provided, further, that the failure of Lessor to send a copy of such notice to Leasehold Mortgagee shall not subject Lessor to any liability hereunder. Notwithstanding the foregoing, in no event may Lessor exercise any remedy following a default hereunder unless and until it has provided written notice of the same to Leasehold Mortgagees in accordance with this Lease. The address of the Leasehold Mortgagee originally designated in the Leasehold Mortgage may be changed upon

written notice delivered to Lessor. Lessor may additionally provide a copy of such notice to a Leasehold Mortgagee by email as a courtesy but Lessor is under no obligation to do so.

Section 7.5 Right of Leasehold Mortgagee to Cure. Any Leasehold Mortgagee, at its option at any time within one hundred twenty (120) days, or such longer period as may be applicable as provided below, following the expiration of the right of Lessee to cure any default under the Lease, may pay any amount or do any act or thing required of Lessee by the terms of the Lease. Payments made and acts performed by such Leasehold Mortgagee within such one hundred twenty (120) day period, or such longer period as may be applicable as provided below, shall be effective to prevent a termination of the rights of Lessee hereunder, if such payments and acts conform to the terms of such notice from Lessor or if, together with any performance by Lessee or any other person with any cure rights, they are sufficient, except as to timing, to exercise the Lessee's right to cure that so expired, but in order to prevent termination of the Lease, a Leasehold Mortgagee shall not be required to cure (A) default on obligations of Lessee to satisfy or otherwise discharge any lien, charge, or encumbrance against Lessee's interest in the Lease caused by a wrongful act of Lessee; or (B) defaults on obligations of Lessee under any indemnity provision in this Lease arising from acts or omissions of Lessee; or (C) other past monetary obligations then in default and not reasonably susceptible of being cured by such Leasehold Mortgagee (it being understood that the lack of funds of the Lessee or the Leasehold Mortgagee shall not excuse performance by Lessee or Leasehold Mortgagee); (D) defaults which are of a nature personal to the Lessee and therefore not capable of being cured by a Leasehold Mortgagee or are otherwise not reasonably susceptible of cure by a Leasehold Mortgagee; or (E) any default resulting from the acts or omissions of the Lessor ("Excluded Defaults"). For purposes of clarification and illustration, it is the intention of the parties hereto that Excluded Defaults shall include (but not as an exclusive list) claims, damages, liability and expenses, including personal injury and property damage arising or alleged to be arising from actions or inactions of Lessee such as failure to pay insurance premiums, allowing dangerous conditions to exist at the Land or failure to operate the Land in accordance with regulatory restrictions. Accordingly, in such event Leasehold Mortgagee shall not be required to cure such Excluded Defaults to avoid termination of the Lease, but Leasehold Mortgagee would be required to remediate, ameliorate, or eliminate such continuing conditions to Lessor's reasonable satisfaction to avoid such termination. If the default by Lessee is of such nature that it cannot practicably be cured without possession of the Land, then the one hundred twenty-day period set forth above shall be extended for so long as a Leasehold Mortgagee shall be proceeding with reasonable diligence to foreclose on the Lessee's interest or otherwise obtain possession of the Land for itself or a receiver.

Prior to the expiration of the cure rights of Leasehold Mortgagees and the Tax Credit Investor, Lessor shall not effect or cause any purported termination of the Lease nor take any action to deny Lessee or any sublessee possession, occupancy, or quiet enjoyment of the Land or any part thereof.

Without limiting the rights of Leasehold Mortgagees as stated above, and whether or not there shall be any notice of default hereunder, each Leasehold Mortgagee shall have the right, but not the obligation, at any time prior to termination of the Lease to pay all of the rent due hereunder, with all due interest and late charges, to procure any insurance, to pay any taxes or assessments, to make any repairs or improvements, to do any other act or thing required of Lessee hereunder, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions hereof to prevent termination of and/or cure a default under the Lease. Any Leasehold Mortgagee and its agents and contractors shall have full access to the Land for purposes of accomplishing any of the foregoing. Any of the foregoing done by any Leasehold Mortgagee shall be as effective to prevent a termination of and/or cure a default under the Lease as the same would have been if done by Lessee.

Section 7.6 Right to New Lease. If this Lease terminates for any reason, including the rejection of this Lease in a bankruptcy proceeding, then Lessor shall give written notice of such fact to each Leasehold Mortgagee and Creative Facility Unit Owner, and if one or more Leasehold Mortgagees or Creative Facility Unit Owner gives written notice to Lessor within thirty (30) days following delivery of such notice of termination by Lessor, Lessor agrees in such case to enter into a new ground lease for the Land (a "New Lease") with the most senior Leasehold Mortgagee or its affiliated designee providing such notice for the remainder of the term of this Lease (including any option terms) effective as of the date of such termination, or if no Leasehold Mortgagee gives such notice, then with Creative Facility Unit Owner if it timely gives such notice, at the rent and additional rent and upon the other terms, conditions, covenants and agreements contained in this Lease and with equal priority thereto, on the conditions set forth in this Article 7. Notwithstanding anything to the contrary contained herein, no termination of this Lease shall become effective until, and the lien of each Leasehold Mortgage on the Land shall remain effective until, either a New Lease has been made pursuant to this Article 7 or no Leasehold Mortgagee or Creative Facility Unit Owner has timely accepted (or caused to be accepted) a New Lease, upon the expiration of the 30-day period as set forth above. Upon entering into a New Lease, such Leasehold Mortgagee or Creative Facility Unit Owner or its affiliated designee shall cure any monetary default by Lessee hereunder, except Excluded Defaults.

The Lessee under the New Lease shall have the same right, title and interest in and to all Improvements and all obligations as Lessee had under the terminated Lease (other than with respect to Excluded Defaults) and the Lessor and the new Lessee shall execute and deliver any deed or other instrument and take such other action as may be reasonably necessary to confirm or assure such right, title, interest or obligations.

Nothing in this Article or the Lease shall be construed to imply that the Lease may be terminated by reason of rejection in any bankruptcy proceeding of the Lessee. The parties intend, for the protection of Leasehold Mortgagees, that any such rejection shall not cause a termination of the Lease.

If the Lessor shall, without termination of the Lease, evict the Lessee, or if the Lessee shall abandon the Land, then any reletting thereof shall be subject to the liens and rights of Leasehold Mortgagees, and in any event Lessor shall not relet the Land or any part thereof, other than renewal of occupancies of residential Lessees and leases or other occupancy agreements with new residential Lessees consistent with any covenants of record for low-income housing, without sixty (60) days' advance written notice to all Leasehold Mortgagees of the intended reletting and the terms thereof, and if any Leasehold Mortgagee shall, within thirty days of receipt of such notice, give notice to the Lessor of such Leasehold Mortgagee's intent to pursue proceedings to foreclose on the Land or otherwise cause the transfer thereof, then so long as the Leasehold Mortgagee shall diligently pursue such proceedings the Lessor shall not proceed with such reletting without the written consent of such Leasehold Mortgagee.

If a Leasehold Mortgagee shall elect to demand a New Lease under this Article and only in the event that such Leasehold Mortgagee is not recognized as a proper plaintiff, Lessor agrees, at the request of, on behalf of and at the expense of the Leasehold Mortgagee, to institute and pursue diligently to conclusion any appropriate legal remedy or remedies to oust or remove the original Lessee from the Land, and those sublessees actually occupying the Land, or any part thereof, as designated by the Leasehold Mortgagee, subject to the rights of non-defaulting residential Lessees in occupancy of apartment units at the Land. Leasehold Mortgagees shall cooperate with Lessor in connection with any such actions.

Nothing herein contained shall require any Leasehold Mortgagee to accept a New Lease.

Section 7.7 Limitation on Liability of Leasehold Mortgagee. No Leasehold Mortgagee shall be liable to Lessor unless it expressly assumes such liability in writing. In the event any Leasehold Mortgagee or other Transferee becomes the Lessee under the Lease or under any new lease obtained pursuant to this Article, the Leasehold Mortgagee or other Transferee shall not be liable for the obligations of the Lessee under the Lease that do not accrue during the period of time that the Leasehold Mortgagee or such other Transferee, as the case may be, remains the actual Lessee under the Lease or new lease, holding record title to the leasehold interest thereunder. In no event shall any Leasehold Mortgagee or other Transferee be (i) liable for the erection, completion or restoration of any improvements; (ii) liable for any condition of the Improvements that existed prior to the date of its acquisition of Lessee's interest in the Improvements, or for any damage, loss, or injury caused by such preexisting condition, or for the correction thereof or the compliance with any law related thereto; (iii) bound by any amendment of the Lease made without the prior written consent of the Leasehold Mortgagee; or (iv) liable for any act or omission of any prior lessee of any portion of the Improvements (including Lessee). Any liability of any Leasehold Mortgagee or other Transferee shall be limited to its interests in the leasehold and the Land and shall be enforceable solely against those interests.

Section 7.8 Estoppel Certificates; Non-disturbance Agreements. Lessor and Lessee agree that upon request from any sublessee(s) of the non-residential space, Lessor will agree to grant nondisturbance and attornment agreement(s) in a form reasonably acceptable to Lessor. Lessor and Lessee agree that at any time and from time to time upon not less than twenty (20) days' prior written notice by the other party, or upon request from any Leasehold Mortgagee or a permitted assignee, Lessor or Lessee will execute, acknowledge and deliver to the other party or to such Leasehold Mortgagee a statement in writing certifying (a) that the Lease is unmodified and in full force and effect if such be the case or, if not, the extent to which the Lease has been modified; (b) the date through which the Rent has been paid; and (c) that, to the knowledge of the certifier (if such be the case), there is no default, set-off, defense or other claim against Lessor or Lessee, as applicable, other than those, if any, so specified under the provisions of the Lease or such statement. It is intended that any such statement may be relied upon by any persons proposing to acquire the interest of Lessor, Lessee or any Leasehold Mortgagee, as the case may be, in the Lease or by any prospective Leasehold Mortgagee or assignee of any Leasehold Mortgage. The Estoppel Certificate shall be in substantially the form attached as Attachment C to this Lease and incorporated herein by this reference as if set forth in full.

Section 7.9 Actions not Effective Without Leasehold Mortgagee and Tax Credit Investor Consent. No cancellation, surrender, or modification or amendment of the Lease, and no waiver of any of Lessee's rights thereunder, shall be effective as to any Leasehold Mortgagee unless consented to in writing by each Leasehold Mortgagee and the Tax Credit Investor. No subordination of Lessee's interest in the leasehold or the Land, or the rents or income therefrom, to any encumbrance or assignment granted by Lessor, and no joinder by Lessee in any such encumbrance or assignment, shall be valid without the express written consent of each Leasehold Mortgagee and the Tax Credit Investor. No consent or waiver of any Lender as Leasehold Mortgagee or the Tax Credit Investor shall be effective for purposes of the Lease unless it is made in writing.

Section 7.10 No Merger. Any acquisition of the fee interest in the Land by Lessee (or any fee interest in the Improvements by Lessor), or other event by which the leasehold estate hereunder or any part thereof and the fee interest in the Improvements shall come into common ownership, shall not cause a merger of the leasehold interest hereunder or the fee interest in the Improvements with the fee interest in Land, without the express written consent of each Leasehold Mortgagee. Any merger of fee and leasehold estates that may occur, whether voluntary or involuntary, in whole or in part, shall not result

in termination of this Lease or extinguishment of any Leasehold Mortgage, in whole or in part, without the express written consent of each Leasehold Mortgagee.

Section 7.11 Bankruptcy of Lessor. If the Lease is rejected by Lessor or Lessor's trustee in bankruptcy following the bankruptcy of Lessor under the United States Bankruptcy Code (Title 11 U.S.C.), as now or hereafter in effect, Lessee shall not have the right to treat the Lease as terminated except with the prior written consent of all Leasehold Mortgagees, and the right to treat the Lease as terminated in such event shall be deemed assigned to each and every Leasehold Mortgagee whether or not specifically set forth in any such Leasehold Mortgage, so that the concurrence in writing of Lessee and each Leasehold Mortgagee shall be required as a condition to treating the Lease as terminated in connection with any such bankruptcy proceeding.

Section 7.12 Encumbrances by Lessor. Except as provided in Sections 3.2 and 3.4, Lessor shall not encumber the fee interest in the Land, nor assign or encumber Lessor's interest in the Lease, unless the assignment or encumbrance is required or imposed by law or by its express terms is subject and subordinate to this Lease and the rights and interests of the Lessee and Leasehold Mortgagees hereunder.

Section 7.13 Registration of Leasehold Mortgagees. Lessee shall provide written notice to Lessor of the name and address of each Leasehold Mortgagee under this Lease.

Section 7.14 Rights of Investor and Notice. Any person, firm, or corporation acquiring a limited partnership interest in Lessee in connection with the syndication of federal Low-Income Housing Tax Credits or other tax credits (the "Tax Credit Investor") shall have the same notice and cure rights as any Leasehold Mortgagee, which rights shall run concurrently with those of the Leasehold Mortgagee for so long as it is a limited partner of the Lessee. The initial addresses for any notices to Tax Credit Investor, as of the date hereof, are set forth in Section 19.11 of this Lease.

The initial addresses for notice to the Leasehold Mortgagees pursuant to this Article are set forth in Section 19.11 of the Lease.

## **ARTICLE 8**

### **REPRESENTATIONS AND WARRANTIES**

Section 8.1 Representations and Warranties of Lessor. As an inducement to Lessee to enter into and proceed under this Lease, Lessor warrants and represents to Lessee as follows, which warranties, representations and covenants are true and correct as of the date of this Lease and will be true and correct as of the Commencement Date, to the best knowledge of the Lessor:

8.1.1 The execution and delivery of this Lease and the performance of all acts heretofore or hereafter made or taken or to be made or taken, pertaining to the Lessor or the Land by the Lessor have been or will be duly authorized by all necessary agency or other action, and the consummation of any such transactions with or on behalf of the Lessor will not constitute a breach or violation of, or a default under, the charter or by laws or other governing documents of the Lessor or any agreement by which Lessor, nor constitute a violation of any law, administrative regulation or court decree; and

8.1.2 Lessor has received no written notice and has no knowledge, nor has Lessor been otherwise advised, of any pending or threatened taking relating to all or any part of the Land.

8.1.3 There is no action, suit, litigation, or proceeding pending or, to the best of Lessor's knowledge, threatened against Lessor and/or the Land that could: (i) prevent or impair Lessor's entry into this Lease or the performance of its obligations hereunder; or (ii) prevent or impair the Lessee's ability to construct, rehabilitate or develop the Project on the Land.

8.1.4 There are no mortgages, deeds of trust or other similar encumbrances encumbering Lessor's fee estate.

8.1.5 Lessor is the owner of the Land and holds good and marketable fee title to the Land. No other person has any ownership interest in the Land or any right to acquire an ownership interest in the Land. Other than the Lessor, no other party has a possessory interest or right of occupancy in the Land.

8.1.6 To the best of Lessor's actual knowledge as of the date of this Agreement: (i) all environmental reports ("Environmental Reports") performed by or on behalf of Lessor with respect to the Land have been provided to Lessee; and (ii) Lessor has not received any notice from any federal, state or local governmental agency regarding any violation of any Environmental Law. As used in this subsection, "Lessor's actual knowledge" means only the actual knowledge of Loren Matlick, the City's Real Property Division Manager, who Lessor represents and warrants is the most knowledgeable current employee of Lessor's with respect to the subject representations and warranties (notwithstanding anything to the contrary set forth in this Lease, the foregoing individual shall not have any personal liability with respect to any matters set forth in this Lease or any of Lessor's representations and/or warranties herein being or becoming untrue, inaccurate or incomplete).

Section 8.2 Representations, Warranties and Covenants of Lessee. As an inducement to Lessor to enter into and to proceed under this Lease, Lessee warrants and represents to Lessor as follows, which warranties, representations and covenants are true and correct as of the date of this Lease:

8.2.1 Lessee has the right, power and authority to enter into this Lease and the right, power and authority to comply with the terms, obligations, provisions and conditions contained in this Lease; and

8.2.2 The entry by Lessee into this Lease and the performance of all of the terms, provisions and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach or default under any other agreements to which Lessee is a party or by which it is bound.

## **ARTICLE 9**

### **EMINENT DOMAIN**

Section 9.1 Total Condemnation. If the whole of the Land and the Improvements, (or such portion of the Land and Improvements as renders it infeasible, in Lessee's sole discretion, for Lessee to continue to operate and maintain the Land and Improvements), shall be appropriated or condemned under power of eminent domain during the Term (including any transfer made under threat of any such taking, appropriation, or condemnation), Lessee reserves unto itself the right to prosecute its claim for an award for damages for the termination of this Lease caused by such appropriation or taking, together with damages based on the value of Lessee's Improvements on the Land and damages Lessee may sustain caused by such appropriation and taking of, or the injury to, Lessee's leasehold interest in the Land and ownership interest in the Improvements. Lessor shall be entitled to prosecute its claim for the fee interest in the Land, subject to this Lease and damages Lessor may sustain caused by such

appropriation and taking of, or the injury to, Lessor's fee interest. In such event, this Lease shall terminate when Lessee can no longer use the Land in the manner herein intended, or when possession thereof shall be required by the appropriating or condemning authority, whichever shall first occur; but such termination of this Lease shall not preclude nor restrict Lessee's right to an award as herein before provided.

Section 9.2 Partial Condemnation. In the event that a part of the Land shall be taken or condemned under circumstances in which Lessee desires to continue this Lease, this Lease shall continue in full force and effect and shall terminate only as to that part of the Land so taken. In that event Lessee shall, at its own cost and expense, make all repairs to the buildings and Improvements on the Land affected by such taking or condemnation to the extent necessary to restore the same to a complete architectural unit (to the extent permitted, however, taking into consideration the amount of land remaining after any such taking or purchase). Compensation available or paid to Lessor or Lessee upon such a partial taking or condemnation shall be paid (i) to Lessee to the extent that such compensation is attributable the taking of Lessee's leasehold interest in the Land and ownership interest in the Improvements, and (ii) to Creative Facility Unit Owner to the extent that such compensation is attributable the taking of the Creative Facility Unit, and any remainder shall be paid to Lessor.

Section 9.3 Temporary Taking. If there shall be a temporary taking with respect to all or any part of the Land or of Lessee's interest in this Lease, then the Term shall not be reduced and Lessee shall continue to pay in full all rents, and other charges required herein, without reduction or abatement thereof at the times herein specified; provided, however, that Lessee shall not be required to perform such obligations that Lessee is prevented from performing by reason of such temporary taking.

Section 9.4 Joinder. If a Leasehold Mortgage exists, Lessor agrees that it will not object to the the Leasehold Mortgagees, to the extent permitted by law, intervening or being joined as parties in the litigation. Leasehold Mortgagees shall have such rights to participate in the condemnation proceedings and to share in the condemnation proceeds as may be prescribed by law and by the terms of the Leasehold Mortgages.

## **ARTICLE 10**

### **DAMAGE OR DESTRUCTION**

Section 10.1 Damage or Destruction to Leased Land. Lessee shall give prompt written notice to Lessor after the occurrence of any material damage or destruction caused by fire, earthquake, act of God or other casualty to or in connection with the Land, the Improvements or any portion thereof (hereinafter sometimes referred to as a "Casualty"). Subject to Section 10.2 below, if during the Term the Improvements shall be materially damaged or destroyed by Casualty, Lessee shall, subject to the terms of the Leasehold Mortgages and the Condominium declaration, promptly and with all due diligence, apply for and collect all applicable insurance proceeds recoverable with respect to such casualty and shall fully repair or restore the Improvements in accordance with the requirements of the most senior Leasehold Mortgage. For purposes of the foregoing, "material damage" shall mean damage with a cost to repair of over \$200,000, as adjusted annually on January 1 by the greater of three percent (3%) or the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) published by the U.S. Bureau of Labor Statistics.

Section 10.2 Right to Terminate. In the event Lessee shall determine, subject to the rights of the Leasehold Mortgagees and subject to the terms of the Condominium declaration, by notice to Lessor given within thirty (30) days after receipt by Lessee of any such insurance proceeds, that it is not economically practical to restore the Improvements and/or the Land to substantially the same condition

in which they existed prior to the occurrence of such Casualty, then Lessee may terminate this Lease as of a date that is not less than thirty (30) days after the date of such notice. However, notwithstanding anything to the contrary in the foregoing, Lessee shall not have the right to terminate this Lease pursuant to this Section 10.2 without Lessor's prior written consent, which may be withheld in Lessor's sole discretion, if there are, at the time of such Casualty or at the time Lessee desires to exercise such right of termination, any encumbrances on the fee interest of Lessor requested by Lessee (including, without limitation, any Extended Use Regulatory Agreement required under Section 42 of the Internal Revenue Code); provided that the Condominium regime shall not prohibit Lessee's termination of this Lease. If Lessee terminates this Lease pursuant to this Section 10.2, Lessee shall be responsible for and shall bear all costs of removing the remaining Improvements and debris from the Land and then surrendering possession of the Land to Lessor immediately.

Section 10.3 Damage or Destruction near the end of the Term. If, during the last ten (10) years of the Term, the Improvements shall be damaged by casualty, then Lessee shall have the option, to be exercised within one hundred eighty (180) days after such casualty:

10.3.1 To repair or restore the Improvements as provided in Section 10.1; or

10.3.2 Subject to the rights of Leasehold Mortgagees, to terminate this Lease by notice to Lessor, which termination shall be deemed to be effective as of a date not less than thirty (30) days after the date such notice is received by Lessor. If Lessee terminates this Lease pursuant to this Section 10.3, Lessee shall surrender possession of the Land to Lessor upon the effective date of termination and assign to Lessor (or, if same has already been received by Lessee, pay to Lessor) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Land, subject to the prior rights of any Leasehold Mortgage therein, as referenced in Section 10.4 below.

Section 10.4 Distribution of Insurance Proceeds. In the event that this Lease is terminated pursuant to this Article 10, the insurance proceeds received as the result of such casualty shall be distributed as follows: (a) if any Leasehold Mortgages are in place, to the Leasehold Mortgagee to the extent of any indebtedness then owed to such Leasehold Mortgagees; and (b) to Lessee or Lessor pursuant to Section 10.3.

Section 10.5 Obligations of the Condominium Association. Pursuant to Article 14 of the Lease, the obligations of Lessee pursuant to this Article may be performed by the Condominium Association. The Condominium Association shall not be required to carry out the obligations of the Lessee pursuant to this Article.

## **ARTICLE 11**

### **EVENTS OF DEFAULT AND REMEDIES**

Section 11.1 Default By Lessee. Each of the following is a material default and breach of this Lease by Lessee, provided that any failure to comply with any of the covenants or provisions of this Lease shall be subject to extension for Force Majeure:

11.1.1 Failure to make any required Rent or any other payment as and when due, if the failure continues for a period of ten (10) business days after written notice from Lessor.

11.1.2 Material breach of or failure to comply with any of the covenants or provisions of this Lease, other than those described in Section 11.1.1, if the failure continues for a period of sixty (60) days after written notice from Lessor. If the nature of Lessee's default reasonably requires more

than sixty (60) days for its cure, Lessee will not be in default if it commences to cure within the sixty (60) day period and thereafter diligently pursues its completion.

11.1.3 Failure to complete construction of and obtain a certificate of occupancy for the Improvements by the deadline provided in Section 2.2.3, unless an extension is consented to by Lessor, which consent shall not be unreasonably withheld.

11.1.4 Failure to operate the Improvements for the uses provided in Sections 1.3 and 17 for any reason other than occurrence of a casualty, condemnation, or *Force Majeure* for a period of one hundred twenty (120) or more consecutive calendar days, provided that if Housing Unit Owner or Creative Facility Unit Owner resumes operation of the Housing Unit or the Creative Facility Unit, respectively, according to the terms of this Lease within sixty (60) days after Lessor gives notice of default, the default shall be deemed cured.

11.1.5 As used in this Lease the term "Force Majeure" means any prevention, delay, or stoppage due to events beyond Lessee's reasonable control, including pandemics, epidemics or similar infection outbreak; fire, flood, earthquake or explosion; extreme adverse weather more severe than the average weather expected for the season; strikes or labor disputes; materials or equipment embargoes or blockades; supply chain disruptions; acts of God; war, insurrection, invasion, or hostile government actions; civil commotion, riots or other casualty; any actions by any governmental authorities (other than issuance or an appeal of any permits, approval or other entitlements); legal actions attacking the validity of this Lease, the Lessor's authority to lease or develop the Property, or the Lessee's occupancy of the Property, or any other similar casualties beyond the reasonable control of the Lessee, except casualties directly or indirectly resulting from the acts or omissions of the Lessee.

Section 11.2 Remedies Upon Default By Lessee. If any material default or breach by Lessee occurs, Lessor may, subject in all respects to the provisions of this Lease with respect to Lessor's rights to cure defaults by Lessee, with respect to the rights of any Leasehold Mortgagees and the Tax Credit Investor and with respect to the rights of any owner of the Creative Facility Unit, and subject further to the provisions of Section 11.3 and 11.5 of this Lease, do any or all of the following:

11.2.1 Except as set forth in Section 11.7, upon one hundred twenty (120) day's written notice to Lessee, terminate Lessee's right to possession of the Land, and this Lease shall terminate. Lessor may re-enter and take possession of and remove, at Lessee's costs and expense, all persons or property, and Lessee shall immediately surrender possession of the Land to Lessor.

11.2.2 Maintain Lessee's right to possession, and this Lease shall continue in force whether or not Lessee has abandoned the Land. Lessor shall be entitled to enforce all of its rights and remedies under this Lease, including the right to recover rent as it becomes due.

11.2.3 Pursue any other remedy available to Lessor under the law or equity. These remedies are not exclusive.

Notwithstanding any other provision herein, in the event Lessor exercises its remedies pursuant to Section 11.2.1 or 11.2.3 and terminates this Lease, Lessee may, within thirty (30) days following such termination reinstate this Lease for the balance of the term, by paying to Lessor an amount equal to the actual damages incurred by Lessor as a result of such breach and payment of any actual costs or expenses incurred by Lessor, including reasonable attorneys' fees and disbursements, as a result of such breach or reinstatement of this Lease.

Further notwithstanding anything to contrary herein, Lessor agrees that it will take no action to effect a termination of this Lease by reason of any breach or default by Lessee under this Lease at any time that Lessee or any affiliate of Lessee is the general partner of the Lessee without first giving to the Tax Credit Investor reasonable time, not to exceed one hundred twenty (120) days, to replace the Lessee's general partner and/or to admit an additional general partner of the Lessee and cause such new general partner to cure the breach or default hereunder, provided, however, that as a condition of such forbearance, Lessor must receive notice from the Tax Credit Investor of the substitution of a new general partner of the Lessee within sixty (60) days following receipt of Lessor's notice of the breach or default, and Lessee, following such substitution of general partner, shall thereupon proceed with reasonable diligence to cure such breach or default.

Section 11.3 Severance of Defaults. If and at such time as the Land is submitted to the Washington Common Interest Ownership Act, the Creative Facility Unit is conveyed to Creative Facility Unit Owner and the Lease is partially assigned pursuant to Section 15.2, no further act or failure to act by a Unit Owner shall constitute a default under this Lease except as to the defaulting Unit Owner and therefore if the default is the result of an act or omission of a particular Unit Owner, no other Unit Owner shall be considered in default under this Lease so long as such other Unit Owner complies with the terms of this Lease. In no event shall Housing Unit Owner have any obligation, liability, or responsibility for anything relative to the Creative Facility Unit or any obligation of Creative Facility Unit Owner with respect to Creative Facility Unit Owner's interest in this Lease, including, without limitation, taxes, insurance, and utilities.

Section 11.4 Default by Lessor. Lessor shall be in default of this Lease if it fails to perform any material provision of this Lease that it is obligated to perform or if any of Lessor's representations or warranties is untrue in any material respect and if the failure to perform is not cured within thirty (30) days after written notice of the default has been given to Lessor. If the default cannot reasonably be cured within thirty (30) days, Lessor shall not be in default of this Lease if Lessor commences to cure the default within such thirty-day period and thereafter diligently pursues its completion.

Section 11.5 Remedies Upon Default by Lessor. Lessee may upon Lessor's default pursue any remedy available to Lessee under the law or equity.

Section 11.6 Notice of Default and Right to Cure by Owner of the Creative Facility Unit. The Creative Facility Unit Owner shall have the right to cure any default of the Housing Unit Owner under this Lease as to such defaulting party's interest and Creative Facility Unit Owner shall have the right to reinstate this Lease for the balance of the Term pursuant to Section 11.2. Lessor shall deliver written notice of any default of Lessee under this Lease to the owner of the Creative Facility Unit at the address provided in writing by the Lessee. The owner of the Creative Facility Unit shall have the same time periods to effect a cure of such default as provided to the Lessee in Section 11.1.

Section 11.7 Reversion. Upon expiration of the Term of this Lease or earlier termination or cancellation of this Lease with respect to all units of the Condominium and subject to Article 7, the Land shall revert to and become the sole property of Lessor and all rights of the Unit Owners in their respective units shall terminate. Upon expiration of the Term of this Lease or earlier termination or cancellation of this Lease with respect to less than all of units of the Condominium and subject to Article 7, the defaulting Unit Owner's unit of the Condominium shall revert to and become the sole property of Lessor and all rights of the defaulting Unit Owner in such unit shall terminate. In such an event, Lessor shall not terminate this Lease and Lessor shall become the successor owner of the defaulting Unit Owner's unit in the Condominium.

**ARTICLE 12**  
**QUIET ENJOYMENT AND POSSESSION, INSPECTIONS**

Lessor covenants and warrants that Lessee, upon payment of all sums herein provided and upon performance and observance of all of its covenants herein contained, shall peaceably and quietly have, hold, occupy, use and enjoy, and shall have the full, exclusive and unrestricted use and enjoyment of, all of the Land during the Term, subject only to the provisions of this Lease, Lessor's reserve use and rights provided in Sections 3.2 and 3.4, and all applicable laws, ordinances and regulations.

**ARTICLE 13**  
**VACATION OF LEASED LAND**

Lessee covenants that upon any termination of this Lease, whether by lapse of time or because of any of the conditions or provisions contained herein, Lessee will peaceably and quietly yield and surrender possession of the Land to Lessor. An action of forcible detainer shall lie if Lessee holds over after a demand for possession is made by Lessor.

**ARTICLE 14**  
**PERFORMANCE BY CONDOMINIUM ASSOCIATION**

Any act required to be performed by Lessee pursuant to the terms of this Lease may be performed by the Condominium Association and shall be acceptable as Lessee's act by Lessor.

**ARTICLE 15**  
**TRANSFERS**

Section 15.1 Permitted Transfer by Lessee. Except as otherwise provided in this Article 15 and subject to all statutory and regulatory requirements applicable to this leasehold, Lessee shall have no right to transfer any legal or beneficial interest in Lessee's estate hereunder without Lessor's prior written consent, which shall not be unreasonably withheld. Notwithstanding the foregoing, Lessor consents to the following transfers or assignments without further Lessor approval: (i) transfer of this Lease by Lessee to BRIDGE or its affiliate at the end of the initial fifteen year LIHTC compliance period; (ii) the conveyance of the Creative Facility Unit to a Creative Facility Unit Owner if a condominium is formed, subject to Lessor's written approval of the conveyance documents, which approval shall not be unreasonably withheld, conditioned, or delayed, and, if a condominium is not formed, a master lease to BRIDGE or an affiliate and/or a sublease of the Creative Facility Space to a 3<sup>rd</sup> party operator pursuant to Section 2.1; (iii) a transfer by Lessee to any Leasehold Mortgagee in compliance with Article 7 hereof, and to an assignment or other transfer by any Leasehold Mortgagee to a third party purchaser following a foreclosure sale or acceptance by the Leasehold Mortgagee or its designee of a deed-in-lieu of foreclosure; (iv) any residential leases or rentals by Lessee to households qualifying as described in Section 1.3 and Attachment B for residential dwellings to be constructed as part of the Improvements and any lease of a portion of the Creative Facility Unit by Creative Facility Unit Owner pursuant to Section 1.3 if a separate condominium unit is created; (v) any transfer of a partnership interest in the Lessee, including syndication by Tax Credit Investor (which includes the transfer, sale or assignment of limited partnership interests in Lessee to any entity in which the Tax Credit Investor or an affiliate thereof, has an ownership interest, directly or indirectly, and manages directly or indirectly the affairs of such entity); (vi) any transfer of a partnership interest in Lessee or in Housing Unit Owner if a separate condominium unit is created that occurs in connection with the exercise of general partner removal rights by the Tax Credit Investor; and (vii) any transfer of the Housing Unit if a separate condominium unit is created to Lessee or an affiliate at the end of the initial fifteen year tax credit compliance period

or pursuant to any repurchase right or option granted under the amended and restated partnership agreement of Lessee. Lessor agrees to consider approving a transfer of this Lease or the Housing Unit, as applicable, to an eligible organization as defined in RCW 43.185A.040 following the end of the initial fifteen year tax credit compliance period, which approval shall not be unreasonably withheld, conditioned, or delayed. Furthermore, notwithstanding the foregoing, following completion of construction of the Improvements, Lessor acknowledges that Lessor's consent shall not be required for an internal reorganization of the corporate structure of the sole member of the general partner of Lessee.

Upon the granting of any consent (deemed or otherwise) by Lessor with respect to a transfer by Lessee, this Lease shall be binding upon the assignee, Leasehold Mortgagees and other transferees.

Section 15.2 Assignment. Conveyance of all or any part of an interest in a unit in the Condominium by Lessee shall constitute an assignment to the transferee of all or the appropriate part of Lessee's interest in the Land, equal to Lessee's allocation of undivided interest in the common elements of the Condominium, even if no instrument of assignment is executed. Acceptance of a deed to a unit by a unit purchaser shall be deemed to constitute acceptance of such assignment and no separate instrument shall be required. Upon such conveyance, this Lease shall be construed as a separate lease between Lessor and such new Unit Owner, subject to modification and termination without affecting the remainder of the Land. Upon conveyance of an interest in a unit by Lessee and the assignment by Lessee of its entire interest under this Lease with respect to a unit, Lessee shall be released from further liability under this Lease with respect to such unit.

## **ARTICLE 16** **INDEMNIFICATIONS**

### Section 16.1 General Indemnifications

16.1.1 By Lessor. Subject to the Washington Tort Claims Act and the Washington Constitution, Lessor agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Lessee) the Lessee, its partners, its officers, commissioners, directors, affiliates, agents and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys fees and expenses), arising directly or indirectly out of the performance of, or arising from or relating to Lessor's obligations under this Lease or otherwise caused by Lessor, its affiliates, directors, agents or employees.

These indemnities shall survive the termination of the Lease.

16.1.2 By Lessee. Notwithstanding any other provision of this Lease, the Lessee hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Lessor) the Lessor, its officers, agents and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys fees and expenses), arising directly or indirectly out of the performance of, or arising from or relating to Lessee's obligations under, this Lease or the construction or operation of the Improvements, including, without limitation, any and all claims by, for, or against tenants of Lessee or the invitees of such tenants; provided, that the foregoing indemnification obligations by Lessee shall not extend or apply to the negligent acts and omissions or willful misconduct of Lessor. In addition, if any contractor or subcontractor which performed any

construction work for the Lessee or the Lessee's affiliates on the Improvements shall assert any claim against the Lessor on account of any damage alleged to have been caused by the Lessee or the Lessee's affiliates, their members, partners, officers, commissioners, directors, affiliates (other than Lessor), agents or employees, or their construction contractors, the Lessee shall defend at its own expense any suit based upon such claim; and if any judgment or claim against the Lessor shall be allowed, the Lessee shall pay or cause to be paid or satisfied such judgment or claim and pay all costs and expenses in connection therewith.

These indemnities shall survive the termination or expiration of the Lease.

Section 16.2 Environmental Indemnification by Lessee.

16.2.1 Definitions. As used in this Lease:

16.2.1.1 The term "Environmental Laws" means all federal, state, and local laws, statutes, rules, regulations, ordinances, and codes, and any judicial or administrative interpretation thereof or requirement thereunder, relating to the regulation or protection of human health, safety, the environment and natural resources, including the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. §§ 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. §§ 5101 et seq.), the Clean Air Act (42 U.S.C. §§ 7401 et seq.), the Clean Water Act (33 U.S.C. §§ 1251 et seq.), the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 et seq.), the Toxic Substances Control Act (15 U.S.C. §§ 2601 et seq.), the Emergency Planning and Community Right-To-Know Act (42 U.S.C. §§ 11001 et seq.), and any similar or comparable state or local laws, including without limitation, the Model Toxics Control Act (Chapter 70A.305 RCW).

16.2.1.2 The term "Hazardous Materials" means any waste, pollutant, contaminant, chemical, petroleum product, pesticide, fertilizer, substance, or material that: (i) after release into the environment and upon exposure, ingestion, inhalation, or assimilation, either directly from the environment or indirectly by ingestion through food chains, will or may reasonably be anticipated to cause death, disease, behavior abnormalities, cancer, or genetic abnormalities; or (ii) is defined, classified, or designated as hazardous, toxic, radioactive, dangerous, or other comparable term or category under any Environmental Laws; provided, that Hazardous Materials shall not include safe and lawful use, transportation and storage of reasonable quantities and types of ordinary cleaning supplies, art supplies, household products and similar items routinely used in the normal construction, operation, maintenance, repair, and occupancy of a mixed-use building with arts-focused space and multifamily residential units and petroleum products customarily used in the operation and maintenance of motor vehicles from time to time located on the property's parking areas, so long as all of the foregoing are used, stored, handled, transported and disposed of in compliance with applicable Environmental Laws.

16.2.1.3 The term "Environmental Claim" means any claim, action, cause of action, investigation or notice (written or oral) by any person or entity alleging potential liability (including, without limitation, potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (i) the manufacture, treatment, processing, distribution, use, transport, handling, deposit, storage, disposal, leaking or other presence, or release into the environment of any "Hazardous Materials" (as defined above) in, at, on, under, from or about any location, whether or not owned or operated by Lessor or Lessee, or (ii) circumstances forming the basis of any violation or alleged violation of any Environmental Law.

16.2.2 EXCEPT WITH RESPECT TO THE LESSOR'S EXPRESS REPRESENTATIONS AND WARRANTIES HEREUNDER, LESSEE HEREBY EXPRESSLY ASSUMES ALL RISKS, LIABILITIES, CLAIMS, DAMAGES, AND COSTS (AND AGREES THAT LESSOR SHALL NOT BE LIABLE FOR ANY SPECIAL, DIRECT, INDIRECT, CONSEQUENTIAL, OR OTHER DAMAGES) RESULTING OR ARISING FROM OR RELATED TO THE OWNERSHIP, USE, CONDITION, LOCATION, MAINTENANCE, REPAIR OR OPERATION OF THE PROJECT ON THE LAND. LESSEE ACKNOWLEDGES THAT ANY CONDITION OF THE LAND WHICH LESSEE DISCOVERS PRIOR TO OR AFTER THE CLOSING DATE HAS BEEN ACCEPTED BY LESSEE AND, EXCEPT AS TO ANY LIABILITY ARISING FROM LESSOR'S EXPRESS REPRESENTATIONS AND WARRANTIES HEREUNDER, LESSEE EXPRESSLY WAIVES, RELEASES, AND AGREES TO INDEMNIFY, DEFEND, AND HOLD HARMLESS LESSOR AND LESSOR'S OFFICERS, AGENTS, AND EMPLOYEES FROM ANY CLAIMS UNDER FEDERAL LAW, STATE LAW, OR OTHER LAW, WHETHER KNOWN OR UNKNOWN, PAST, PRESENT OR FUTURE, THAT LESSEE MIGHT OTHERWISE HAVE AGAINST LESSOR OR LESSOR'S OFFICERS, AGENTS, OR EMPLOYEES RELATING TO THE PHYSICAL CHARACTERISTICS OR CONDITION OF THE LAND INCLUDING THE ENVIRONMENTAL CONDITION OF THE LAND AND ANY OBLIGATION OF THE LESSOR TO CONTRIBUTE TO REMEDIATION OF ANY SUCH ENVIRONMENTAL CONDITION. LESSEE ACKNOWLEDGES THAT THE TERMS AND CONDITIONS OF THIS LEASE REFLECT THE "AS-IS" NATURE OF THIS LAND TRANSACTION AND ANY FAULTS, LIABILITIES, DEFECTS OR OTHER ADVERSE MATTERS THAT MAY BE ASSOCIATED WITH THE LAND. LESSEE HAS FULLY REVIEWED THE DISCLAIMERS AND WAIVERS SET FORTH IN THIS LEASE WITH ITS COUNSEL AND UNDERSTANDS THE SIGNIFICANCE AND EFFECT THEREOF

## **ARTICLE 17**

### **MANAGEMENT AND OPERATION**

Section 17.1 Generally. Lessee shall at all times manage and operate the Land, Improvements, and Project for the purposes set forth in Section 1.3, including but not limited to, managing the multifamily dwelling units to be affordable to households with incomes that meet the limits described on Attachment B to this Lease, and constructing the cold shell of the Creative Facility Space and subsequently conveying or leasing such space as provided in Section 17.3 below.

Section 17.2 Affordable Housing Covenant. As a condition of entering into this Lease, Lessee and Lessor have recorded or are recording concurrently herewith an Affordable Housing Covenant ("Affordable Housing Covenant") or Regulatory Agreement requiring Lessee to develop, operate, and maintain the multifamily rental units in the Project at rent levels affordable to households with income levels set forth in the Covenant or Regulatory Agreement. Lessee and Lessor do not intend that any merger of estates will occur as the result of the recording of the Covenant or Regulatory Agreement, regardless of the retained ownership of the Land by Lessor or the leasehold or unit owner interests of Lessee. Lessee shall comply with the recorded Affordable Housing Covenant or Regulatory Agreement, and any breach thereof shall constitute a material breach and grounds for termination of this Lease as provided in Article 11.

Section 17.3 Operation of Creative Facility Space. Lessee shall be responsible for completing the Creative Facility Space/Unit in Cold Shell Condition only and thereafter either assigning a portion of this Lease and conveying that portion of the Improvements comprising the Creative Facility space to

a Creative Facility Unit Owner as provided in Section 2.4, or leasing the portion of the Improvements comprising the Creative Facility space to BRIDGE or an affiliate pursuant to a master lease and/or subleasing the Creative Facility space to a third party operator. Such creative facility space shall be used for arts-focused uses that serve residents and the surrounding neighborhood, which arts-focused uses may include, without limitation, private or shared studios, community arts events or classes, and gallery space to showcase the work of residents and local artists or any other arts-focused uses as determined to be desirable and appropriate by Lessee. For the avoidance of doubt, any use(s) of the Creative Facility Space, including by any Creative Facility Unit Owner or sublessee of the Creative Facility Space, must be approved by the Lessee and Lessor. In addition, a portion of the Creative Facility Space/Unit may be used for micro-retail and pop-up retail, including spaces for local artists, visiting artists, and residents to display and sell their artwork. The BelRed Arts District Community Alliance, along with any additional nonprofit arts-focused community-based organization(s), which shall have an "Arts, Culture, & Heritage" National Taxonomy of Exempt Entities (NTEE) code ("Arts Partner"), identified by Lessee and approved by Lessor (which approval shall not be unreasonably withheld, conditioned or delayed) shall be consulted with and shall assist with the management and operation of the Creative Facility Space/Unit, including that such Arts Partner may act as the Creative Facility Unit Owner or sublessee of such space. If the BelRed Arts District Community Alliance is unable to or chooses not to participate in the Project, or if BRIDGE deems in consultation with the City that it is in the best interest of the Project to work with alternative Arts Partner(s), BRIDGE will propose to the City alternative Arts Partner(s) that can contribute to the vitality and inclusiveness of the Project and will proceed with a mutually agreeable Arts Partner(s). The replacement Arts Partner shall be subject to approval of the City, which shall not be unreasonably withheld, conditioned or denied. Any buildout of tenant improvements, furnishing, equipping or operating of such Creative Facility Space shall be solely the responsibility of the Creative Facility Unit Owner or sublessee of such space, and Lessee shall have no responsibility for construction of the Creative Facility Space beyond Cold Shell Condition or ongoing operation of such Creative Facility Space for arts-focused uses. The parties acknowledge and agree that any buildout of tenant improvements, furnishing, equipping or operating of such Creative Facility Space shall in no event be commenced prior to the receipt of a temporary certificate of occupancy for the Improvements without the prior written consent of the Lessee, in Lessee's sole discretion. If such arts-focused uses become infeasible or impractical for any reason in Lessee's and/or the Creative Facility Unit Owner's determination, a failure to use the space exclusively for arts-focused uses shall not be a default hereunder, however, Lessee and/or the Creative Facility Unit Owner, as applicable, shall use commercially reasonable efforts to coordinate with Lessor to identify alternative community uses or organizations that may occupy and use the space in a manner that contributes to the vitality and inclusiveness of the development.

Section 17.4 Ongoing Engagement of Arts and Culture Community. Lessee and Lessor have agreed upon an initial ongoing engagement strategy attached hereto as Attachment D, which may be subject to modification from time to time, to be followed by Lessee and/or the Creative Facility Unit Owner or sublessee, as applicable, during the term of this Lease. Lessee and/or the Creative Facility Unit Owner or sublessee shall use commercially reasonable good faith efforts to follow this engagement strategy unless a modification is approved by the City Manager, not to be unreasonably withheld, conditioned or delayed; provided, that for the avoidance of doubt, a failure to conduct ongoing outreach under the approved engagement strategy shall not be a default hereunder.

**ARTICLE 18**  
**REPORTING, INSPECTIONS, AND ACCESS TO RECORDS**

Section 18.1 Inspections. In addition to any inspections required in the normal course of permitting and construction, Lessee shall permit Lessor, its agents and employees, subject to the rights of tenants under their residential leases and the privacy rights of tenants, to enter the Building and the Land at reasonable hours and with advance notice for the purpose of inspecting the same in order to determine compliance with the terms, covenants and conditions of this Lease. Lessee's permission shall not constitute any indemnity nor create any liability concerning claims or causes of action by tenants related to such entering or inspection.

Section 18.2 Records. Lessee shall maintain complete and accurate records pertaining to the construction, maintenance, and operation of the Project and shall make such records available to the City for inspection upon request. Lessor shall have the right to inspect such records maintained on the Land or elsewhere upon reasonable advance notice to Lessee. The purpose of such inspection shall be solely to determine whether Lessee is in compliance with the terms of this Lease.

Section 18.3 Public Disclosure. Lessee acknowledges that Lessor is a public agency and is subject to the Washington Public Records Act, Chapter 42.56 RCW, as the same now exists or as it may hereafter be superseded or amended. Lessee further acknowledges that Lessor may be required to disclose certain records related to this Lease or the Project, in accordance with applicable law or as part of Lessor's internal review and approval process. Lessee agrees to cooperate with Lessor and provide copies of any records necessary to satisfy Lessor's public disclosure obligations at no cost to Lessor.

## **ARTICLE 19**

### **MISCELLANEOUS PROVISIONS**

Section 19.1 Entire Agreement, Modifications. This Lease, including all Attachments hereto, supersedes all prior discussions and agreements between the parties with respect to the leasing of the Land. Specifically, but without limitation, this Lease supersedes the Predevelopment Agreement, as provided therein. This Lease contains the sole and entire understanding between the parties with respect to the leasing of the Land pursuant to this Lease, and all promises, inducements, offers, solicitations, agreements, representations and warranties heretofore made between the Parties, if any, are merged into this Lease. This Lease, including all Attachments hereto, shall not be modified or amended in any respect, except by written instrument specifically referencing such a modification or amendment which is executed by or on behalf of the Parties in the same manner as this Lease, including all Attachments hereto, is executed and to which each Leasehold Mortgagee has consented in writing. Minor amendments to this Lease, including amendments to the dates set forth in this Lease may be approved on behalf of Lessor by Lessor's City Manager. As used herein, the term "minor amendment" means an amendment that does not significantly alter or delete any of the elements of the Improvements described herein and which does not significantly delay construction of the Improvements or the provision of the affordable housing units or Creative Facility facilities which are the subject of this Lease. Such minor amendments include, but are not limited to, changes to any proposed special populations served as a requirement of funding, changes to the total number of units such that the total unit count remains at or above 140 units, a change in the overall unit mix such that the number of 2 and 3-bedroom units remain above 35% of the overall project unit mix, a change to affordability levels such that the weighted average AMI remains within 10 percentage points above the affordability levels in Attachment B, revisions to any insurance or reporting requirements, alternative uses of the Creative Facility Space pursuant to Section 17.3, and any changes to the initial community engagement strategy attached as Attachment D. Any amendment of this Lease that is not a "minor amendment" under the preceding sentence shall be considered a "major amendment." Major amendments to this Lease must be approved by Lessor's City Council to be binding upon Lessor.

Section 19.2 Governing Law and Choice of Venue. This Lease, and the rights and obligations of the parties hereunder, shall be governed by and construed in accordance with the substantive laws of the State of Washington. Any legal action to enforce the terms of this Lease shall be brought in King County, Washington. The prevailing party in such action shall be entitled to its attorney's fees and costs.

Section 19.3 Binding Effect. This Lease shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors, administrators, executors and permitted assigns.

Section 19.4 Severability. In the event any provision or portion of this Lease is held by any court of competent jurisdiction to be invalid or unenforceable, such holdings shall not affect the remainder hereof, and the remaining provisions shall continue in full force and effect to the same extent as would have been the case had such invalid or unenforceable provision or portion never been a part hereof, except to the extent the rights and obligations of the parties have been materially altered by such unenforceability.

Section 19.5 Further Assurances. From and after the Commencement of this Lease, Lessor and Lessee, at the request of the other party, shall make, execute and deliver or obtain and deliver all such affidavits, deeds, certificates, resolutions and other instruments and documents, and shall do or cause to be done all such other things that either party may reasonably require in order to effectuate the provisions and the intention of this Lease.

Section 19.6 Captions. All captions, headings, paragraphs, subparagraphs, letters and other reference captions are solely for the purpose of facilitating convenient reference to this Lease, shall not supplement, limit or otherwise vary the text of this Lease in any respect, and shall be wholly disregarded when interpreting the meaning of any terms or provisions hereof. All references to particular articles, sections, subsections, paragraphs and subparagraphs by number refer to the text of such items as so numbered in this Lease.

Section 19.7 Gender. Words of any gender used in this Lease shall be held and construed to include any other gender, and words of a singular number shall be held to include the plural, and vice versa, unless the context requires otherwise.

Section 19.8 Attachments. Each and every Attachment referred to or otherwise mentioned in this Lease is attached to this Lease and is and shall be construed to be made a part of this Lease by such reference or other mention at each point at which such reference or other mention occurs, in the same manner and with the same effect as if each Attachment were set forth in full at length every time it is referred to and other-wise mentioned.

Section 19.9 References. All references to paragraphs or subparagraphs shall be deemed to refer to the appropriate paragraph or subparagraph of this Lease. Unless otherwise specified in this Lease, the terms "herein", "hereof", "hereinafter", "hereunder" and other terms of like or similar import, shall be deemed to refer to this Lease as a whole, and not to any particular paragraph or subparagraph hereof.

Section 19.10 Rights Cumulative. Except as expressly limited by the terms of this Lease, all rights, powers and privileges conferred hereunder shall be cumulative and not restrictive of those provided at law or in equity.

Section 19.11 Notices. All, notices, requests, demands, or other communications required or permitted to be given hereunder shall be in writing and shall be addressed and delivered by hand or by certified mail, return receipt requested, or by Federal Express, or another recognized, reputable

overnight courier service, or by hand delivery by a recognized, reputable courier, to each party at the addresses set forth below. Any such notice, request, demand or other communication shall be considered given or delivered, as the case may be, on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which proper notice was not given shall be deemed to be receipt of the notice, request, demand or other communication. By giving prior written notice thereof, any party, from time to time, may change its address for notices hereunder. Legal counsel for the respective parties may send to the other party any notices, requests, demands or other communications required or permitted to be given hereunder by such party.

To Lessor: City of Bellevue  
450 110<sup>th</sup> Avenue NE  
Bellevue, WA 98004  
Attn: Finance and Asset Management Real Property Division

With a copy to: City of Bellevue  
450 110<sup>th</sup> Avenue NE  
Bellevue, WA 98004  
Attn: City Attorney

To Lessee: [\_\_\_\_\_]   
c/o BRIDGE Housing Corporation  
350 California Street, Suite 1600  
San Francisco, CA 94101  
Attention: [Noah Rosen]

With a Copy to: BRIDGE Housing Corporation  
15260 Ventura Blvd, Suite 800  
Sherman Oaks, CA 91403  
Attention: Legal Counsel

With a Copy to: [\_\_\_\_\_]

To Tax Credit  
Investor: [\_\_\_\_\_]

With a Copy to: [\_\_\_\_\_]

For so long as the Tax Credit Investor is a limited partner of Lessee, a copy of all notices to the Lessee shall also be delivered to the Tax Credit Investor at the address set forth in Section 7.13.

Section 19.12 Counterparts. This Lease may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same agreement.

Section 19.13 Time of Essence. Time is and shall be of the essence in this Lease.

Section 19.14 Memorandum of Lease. This Lease shall not be recorded but Lessor and Lessee agree to record a Memorandum of Lease at Lessee's expense.

Section 19.15 No Third-Party Beneficiaries. Except to the extent expressly provided in this Lease, this Lease is not intended to confer upon any person other than the parties to this Lease any rights or remedies under this Lease.

Section 19.16. Unit Owners to Attempt to Resolve Disputes. In the event Lessor declares an alleged breach by a Unit Owner of such Unit Owner's obligations under the Lease (a "Unit Owner Lease Default"), then, if requested by Lessor as provided in the Condominium Documents, the Condominium Association will participate in joint communications among Lessor, the allegedly defaulting Unit Owner, and the Condominium Association to attempt to arrive at a mutually acceptable resolution to the alleged Unit Owner Lease Default. The Unit Owners, as the members of the Condominium Association, hereby acknowledge and agree to act in accordance with the foregoing provision. Failure of the Condominium Association or the allegedly defaulting Unit Owner to participate in such joint communications as set forth herein or the failure to reach a resolution of such alleged Unit Owner Lease Default shall not, in and of itself, constitute a default under the Lease.

In the event Lessor declares an alleged breach under the Lease which is not attributable to a particular Unit Owner or which is attributable to the Condominium Association (a "Condominium Lease Default"), then, if requested by the Condominium Association as provided in the Condominium Documents, each of the Unit Owners will participate in joint communications among Lessor, the Condominium Association, and Unit Owners to attempt to arrive at a mutually acceptable resolution to the alleged Condominium Lease Default. The Unit Owners, as the members of the Condominium Association, hereby acknowledge and agree to act in accordance with the foregoing provision. Failure of the Condominium Association or the Unit Owners to participate in such joint communications as set forth herein or the failure to reach a resolution of such alleged Condominium Lease Default shall not, in and of itself, constitute a default under the Lease.

Section 19.17 Nondiscrimination.

19.17.1 Fair Housing. Lessee agrees to and shall comply with all Federal, State and local laws and ordinances, including without limitation fair housing laws prohibiting discrimination with regard to age, sex, marital status, sexual orientation, race, creed, color, national origin, citizenship or immigration status, honorably discharged veteran or military status, or the presence of any sensory, mental, or physical disability or the use of a trained dog guide or service animal by a person with a disability, unless based upon a bona fide occupational qualification.

19.17.2 Equal Employment Opportunity. Lessee shall comply with all applicable equal employment opportunity and nondiscrimination laws of the United States, the State of Washington, and the City of Bellevue, and rules, regulations, orders, and directives of the associated administrative agencies and their officers.

Section 19.18 Audits and Reports. In addition to the reports required by Section 18, Lessee will furnish the following reports to Lessor:

19.18.1 For the Housing Unit, annually:

19.18.1.1 Audited financials for Lessee (including operating statement including calculation of net cash flow, financial statement or audit and an account of expenditures and remaining fund balances).

19.18.1.2 Current certificates of insurance.

19.18.1.3 A Narrative statement describing any activities undertaken under the lease (e.g. material capital repairs, material capital replacements, substantial improvements undertaken, insurance claims, litigation, fair housing and neighborhood complaints and their outcomes, and to the extent there are any changes to policies and procedures such as marketing materials showing approach to affirmative marketing, changes to management plan and Lessee service charges). As used in this subsection, a “material capital repair,” “material capital replacement,” or “substantial improvement” is a repair, replacement, or improvement for which the cost equals or exceeds \$50,000.00.

19.18.1.4 These reports shall be furnished to the Lessor by June 30 annually.

19.18.1.5 Such reports may be in the form of periodic reports prepared for funding or regulatory agencies regarding the operation and financial condition of the Housing Unit if the information specified in 19.18.1.1 through 19.18.1.3 is contained in one or more of these reports. These periodic reports include those prepared for the Washington State Housing Finance Commission (“WSHFC”).

19.18.2 Quarterly, until construction of the initial planned improvements are complete:

19.18.2.1 Regular monitoring reports, in a form and with content specified by Lessor, demonstrating compliance with the terms of the Lease.

19.18.3 Lessee and its Sublessees shall prepare and maintain in good order, accurate and up-to-date records demonstrating compliance with the terms of this Lease and documenting the operation of the building, shall retain records for the duration of the lease term plus six years, or if subject to audit findings, six years after such finding have been resolved, whichever is longer and shall make all such records available for inspection and copying promptly upon Lessor’s request.

IN WITNESS WHEREOF, this Lease is made and entered into in multiple original counterparts on the day and year first above written.

LESSOR:

Date: \_\_\_\_\_

CITY OF BELLEVUE, a Washington municipal corporation

\_\_\_\_\_  
Director of Finance and Asset Management, \_\_\_\_\_

LESSEE

Date: \_\_\_\_\_

[ \_\_\_\_\_ ]

\_\_\_\_\_  
By: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF WASHINGTON            )  
  ) ss.  
COUNTY OF KING                )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me and said person acknowledged that they were authorized to execute this instrument and acknowledged it as the Director of Finance and Asset Management of the City of Bellevue to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

SUBSCRIBED AND SWORN to before me this \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_

(Signature of Notary)

\_\_\_\_\_

(Print or stamp name of Notary)

NOTARY PUBLIC in and for the State of  
Washington, residing at \_\_\_\_\_

My Appointment Expires: \_\_\_\_\_

[To be updated prior to execution]

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me and said person acknowledged that they were authorized to execute this instrument and acknowledged it as the \_\_\_\_\_ of \_\_\_\_\_, to be the free and voluntary act of such corporation for the uses and purposes mentioned in this instrument.

SUBSCRIBED AND SWORN to before me this \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
(Signature of Notary)

\_\_\_\_\_  
(Print or stamp name of Notary)

NOTARY PUBLIC in and for the State of  
Washington, residing at \_\_\_\_\_

My Appointment Expires: \_\_\_\_\_

**ATTACHMENT A TO GROUND LEASE**

**LEGAL DESCRIPTION OF LAND**

**ATTACHMENT B TO GROUND LEASE**

**UNIT MIX AND LEVELS OF AFFORDABILITY**

**ATTACHMENT C TO GROUND LEASE**

**FORM OF ESTOPPEL CERTIFICATE**

**ATTACHMENT D TO GROUND LEASE**

**ENGAGEMENT STRATEGY**

**ATTACHMENT E TO GROUND LEASE**  
**COLD SHELL DESCRIPTION**