



SEATTLE CITY COUNCIL

Legislative Summary

CB 118717

Record No.: CB 118717

Type: Ordinance (Ord)

Status: Passed

Version: 1

Ord. no: Ord 125075

In Control: City Clerk

File Created: 06/09/2016

Final Action: 07/15/2016

Title: AN ORDINANCE providing for certain remedial actions with respect to the City's Limited Tax General Obligation Improvement and Refunding Bonds, 2007, including providing for the defeasance and redemption of certain of those bonds that are currently outstanding; creating a new fund for the expenditure of disposition proceeds; authorizing the execution of a defeasance trust agreement and the carrying out of a defeasance plan and directing the use of additional disposition proceeds; authorizing certain transfers necessary to carry out the foregoing; authorizing the purchase of certain investments and the use of their proceeds; and ratifying and confirming certain prior acts; all by a 3/4 vote of the City Council.

Date

Notes:

Filed with City Clerk:

Mayor's Signature:

Sponsors: Burgess

Vetoed by Mayor:

Veto Overridden:

Veto Sustained:

Attachments:

Drafter: Michael VanDyck

Filing Requirements/Dept Action:

History of Legislative File

Legal Notice Published:

Yes

No

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Mayor	06/21/2016	Mayor's leg transmitted to Council	City Clerk			
	Action Text:		The Council Bill (CB) was Mayor's leg transmitted to Council. to the City Clerk				
	Notes:						
1	City Clerk	06/21/2016	sent for review	Council President's Office			
	Action Text:		The Council Bill (CB) was sent for review. to the Council President's Office				
	Notes:						

- 1 Council President's Office 06/29/2016 sent for review Affordable Housing, Neighborhoods, and Finance Committee
Action Text: The Council Bill (CB) was sent for review. to the Affordable Housing, Neighborhoods, and Finance Committee
Notes:
- 1 Full Council 07/05/2016 referred Affordable Housing, Neighborhoods, and Finance Committee
- 1 Affordable Housing, Neighborhoods, and Finance Committee 07/06/2016 pass Pass
Action Text: The Committee recommends that Full Council pass the Council Bill (CB).
Notes:
In Favor: 3 Chair Burgess, Vice Chair Herbold, Member Johnson
Opposed: 0
- 1 Full Council 07/11/2016 passed Pass
Action Text: The Council Bill (CB) was passed by the following vote, and the President signed the Bill:
In Favor: 9 Councilmember Bagshaw, Councilmember Burgess, Councilmember González , Council President Harrell, Councilmember Herbold, Councilmember Johnson, Councilmember Juarez, Councilmember O'Brien, Councilmember Sawant
Opposed: 0
- 1 City Clerk 07/12/2016 submitted for Mayor's signature Mayor
Action Text: The Council Bill (CB) was submitted for Mayor's signature. to the Mayor
Notes:
- 1 Mayor 07/15/2016 Signed
Action Text: The Council Bill (CB) was Signed.
Notes:
- 1 Mayor 07/15/2016 returned City Clerk
Action Text: The Council Bill (CB) was returned. to the City Clerk
Notes:
- 1 City Clerk 07/15/2016 attested by City Clerk
Action Text: The Ordinance (Ord) was attested by City Clerk.
Notes:
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CITY OF SEATTLE

ORDINANCE 125075

COUNCIL BILL 118717

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6 AN ORDINANCE providing for certain remedial actions with respect to the City's Limited Tax
7 General Obligation Improvement and Refunding Bonds, 2007, including providing for
8 the defeasance and redemption of certain of those bonds that are currently outstanding;
9 creating a new fund for the expenditure of disposition proceeds; authorizing the execution
10 of a defeasance trust agreement and the carrying out of a defeasance plan and directing
11 the use of additional disposition proceeds; authorizing certain transfers necessary to carry
12 out the foregoing; authorizing the purchase of certain investments and the use of their
13 proceeds; and ratifying and confirming certain prior acts; all by a 3/4 vote of the City
14 Council.

15
16 WHEREAS, pursuant to Ordinance 119155, passed by the City Council on September 21, 1998,
17 and Resolution 29858, adopted by the City Council on October 28, 1998, The City of
18 Seattle, Washington (the "City"), issued its \$60,805,000 Limited Tax General Obligation
19 Bonds, 1998, Series F (the "1998F Bonds"), to pay part of the cost of the City's
20 acquisition of a public parking facility in downtown Seattle consisting of the Garage Unit
21 of Pacific Place, a condominium (the "Garage"); and

22 WHEREAS, pursuant to Ordinance 122286, passed by the City Council on November 20, 2006,
23 and Resolution 30980, adopted by the City Council on April 18, 2007 (collectively, the
24 "2007 Bond Legislation"), the City issued its \$95,550,000 Limited Tax General
25 Obligation Improvement and Refunding Bonds, 2007 (the "2007 Bonds"); and

26 WHEREAS, pursuant to an allocation set forth in Resolution 30980, the City allocated a portion
27 of the 2007 Bonds (the "2007 Garage Refunding Bonds") to refinancing costs of the
28 Garage that had been previously financed by the 1998F Bonds by refunding all of the

1 then-outstanding 1998F Bonds, leaving no unrefunded 1998F Bonds remaining
2 outstanding; and

3 WHEREAS, pursuant to the 2007 Bond Legislation, the City reserved the right to use money
4 available from any lawful source to pay when due the principal of and interest on all or
5 any portion of the 2007 Bonds pursuant to a defeasance plan; and

6 WHEREAS, pursuant to an ordinance to be presented to the City Council for approval on or
7 about the date of this ordinance, the City has determined that it is in the best interests of
8 the City to sell the Garage to Madison Acquisitions II LLC (the "Purchaser"), and, if
9 passed by the City Council, will approve and authorize the execution and delivery by the
10 Director of the Department of Finance and Administrative Services, on behalf of the City,
11 of a Purchase and Sale Agreement for Sale of Real Property (the "Purchase and Sale
12 Agreement"), by and between the City and the Purchaser for the sale of the Garage to the
13 Purchaser in a *bona fide* arm's-length transaction, which sale is expected to close on or
14 before September 30, 2016 (the "Closing Date"); and

15 WHEREAS, under the terms of the Purchase and Sale Agreement, the City will receive from
16 Purchaser on the Closing Date exclusively cash consideration for the sale of the Garage,
17 which the City has determined, based upon a competitive process conducted on behalf of
18 the City by a commercial real estate broker who solicited and received multiple purchase
19 offers, to be an amount not less than the fair market value of the Garage; and

20 WHEREAS, in order to preserve the exclusion of interest on the 2007 Bonds from gross income
21 of the owners thereof for federal income tax purposes, the City has determined to take
22 certain remedial actions in respect of the 2007 Garage Refunding Bonds, as permitted by
23 Treasury Regulations Section 1.141-12(d), including using a portion of the Disposition

1 Proceeds (defined in Section 1 of this ordinance) of the sale of the Garage to establish a
2 yield-restricted defeasance escrow to defease all of the outstanding principal of the 2007
3 Garage Refunding Bonds more particularly described in Schedule 1 to the Defeasance
4 Trust Agreement authorized by this ordinance (the “2007 Defeased Bonds”), and to call,
5 pay, and redeem the 2007 Defeased Bonds on or before October 1, 2017, which is their
6 earliest optional redemption date and a date less than ten and one-half years after the
7 issue date of the 2007 Defeased Bonds; NOW, THEREFORE,

8 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

9 **Section 1. Definitions.** As used in this ordinance, the following words shall have the
10 meanings:

11 **“2007 Bonds”** means the City’s outstanding Limited Tax General Obligation
12 Improvement and Refunding Bonds, 2007, dated May 2, 2007.

13 **“2007 Defeased Bonds”** means the 2007 Garage Refunding Bonds described in
14 Schedule 1 to the Defeasance Trust Agreement.

15 **“2007 Garage Refunding Bonds”** means that portion of the 2007 Bonds that was
16 allocated to carry out the refunding plan for the City’s then-outstanding 1998F Bonds and
17 thereby to refinance part of the cost of the Garage as specified in Exhibit B to Resolution 30980
18 adopted by the City Council on April 18, 2007.

19 **“Bond Counsel”** means a lawyer or a firm of lawyers, selected by the City, of nationally
20 recognized standing in matters pertaining to bonds issued by states and their political
21 subdivisions.

1 **“Bond Fund”** means the City’s General Bond Interest and Redemption Fund, previously
2 created by Ordinance 112112 and established and to be used for the payment of the principal of,
3 premium, if any, and interest on the 2007 Bonds.

4 **“City”** means The City of Seattle, Washington, a municipal corporation duly organized
5 and existing under the laws of the State of Washington.

6 **“City Council”** means the City Council of the City, as duly and regularly constituted
7 from time to time.

8 **“Closing Date”** means the date of closing of the sale of the Garage pursuant to the
9 Purchase and Sale Agreement.

10 **“Defeasance Plan”** means:

11 (a) the deposit into the defeasance trust account established with the
12 Defeasance Trustee of Disposition Proceeds of an amount, available for this purpose in the
13 City’s Garage Defeasance Subfund, sufficient to acquire the Escrow Obligations and provide any
14 required beginning cash balance;

15 (b) the payment out of the defeasance trust account of the principal of and
16 interest on the 2007 Defeased Bonds when due up to and including October 1, 2017, and on
17 October 1, 2017, the redemption of all of the remaining principal of the 2007 Defeased Bonds at
18 a price of par; and

19 (c) the payment of the legal and administrative costs and expenses of carrying
20 out the foregoing elements of the Defeasance Plan.

21 **“Defeasance Trust Agreement”** means a Defeasance Trust Agreement between the City
22 and the Defeasance Trustee substantially in the form attached hereto as Attachment 1 and by this

1 reference incorporated herein, with such changes as are consistent with this ordinance and are
2 approved by the Director of Finance.

3 **“Defeasance Trustee”** means the defeasance trustee hereafter selected by the Director of
4 Finance, and any successor thereto, as defeasance trustee under the Defeasance Trust Agreement.

5 **“Director of Finance”** means the Director of the Finance Division of the Department of
6 Finance and Administrative Services of the City, or any other officer who succeeds to
7 substantially all of the responsibilities of that office.

8 **“Disposition Proceeds”** means the amount received by the City from the sale of the
9 Garage pursuant to the Purchase and Sale Agreement, determined in accordance with Treasury
10 Regulations Section 1.141-12 and other applicable provisions of the Internal Revenue Code.

11 **“Escrow Obligations”** means United States Treasury Certificates of Indebtedness,
12 Notes, and Bonds – State and Local Government Series, or other direct, noncallable obligations
13 of the United States of America purchased to accomplish the defeasance of the 2007 Defeased
14 Bonds.

15 **“Garage”** means a public parking facility in downtown Seattle, located beneath the
16 Pacific Place retail complex, consisting of the Garage Unit of Pacific Place, a condominium.

17 **“Garage Disposition Proceeds Fund”** means the Garage Disposition Proceeds Fund to
18 be created pursuant to Section 3 of this ordinance.

19 **“Garage Defeasance Subfund”** means the Garage Defeasance Subfund to be created in
20 the Bond Fund described in Section 3 of this ordinance.

21 **“Parking Garage Operations Fund”** means the fund created by Ordinance 119158 for
22 the collection of revenues, and for the payment of budgeted expenditures associated with the

1 Garage, including operating expenses and transfers to the Bond Fund in respect of debt service
2 on the 2007 Garage Refunding Bonds.

3 **Section 2. Deposit and Use of Disposition Proceeds.**

4 (a) On the Closing Date, the City shall deposit all Disposition Proceeds into the
5 Parking Garage Operations Fund to be immediately transferred as follows:

6 (1) the amount necessary to carry out the Defeasance Plan shall be transferred
7 to the Garage Defeasance Subfund to carry out the Defeasance Plan; and

8 (2) all remaining Disposition Proceeds (i.e., an amount equal to the total
9 Disposition Proceeds less only the amount the amount necessary to carry out the Defeasance
10 Plan) shall be transferred to the Garage Disposition Proceeds Fund to be used for such budgeted
11 municipal purposes that the Director of Finance determines, in reliance on the opinion of Bond
12 Counsel to the City, would be eligible expenditures for proceeds of tax-exempt governmental
13 bonds or would otherwise meet the applicable requirements of the Internal Revenue Code.

14 (b) The City will neither take any action nor make or permit any use of the
15 Disposition Proceeds, or other funds of the City treated as proceeds of the 2007 Bonds, that will
16 cause interest on the 2007 Bonds to be included in gross income for federal income tax purposes.
17 The City also covenants that it will, to the extent the arbitrage rebate requirement of Section 148
18 of the Code is applicable to the Disposition Proceeds, take all actions necessary to comply (or to
19 be treated as having complied) with that requirement and the payment of any penalties if elected
20 or required to be paid under Section 148 of the Code to prevent interest on the 2007 Bonds from
21 being included in gross income for federal income tax purposes.

22 **Section 3. Creation of New Fund and Subfund.**

1 (a) Creation of the Garage Disposition Proceeds Fund. The City Council hereby
2 authorizes and directs the Director of Finance to create a special fund designated as the “Garage
3 Disposition Proceeds Fund,” which account is to be maintained for the sole purpose of tracking
4 the expenditure of the remaining Disposition Proceeds after the carrying out of the Defeasance
5 Plan.

6 (b) Creation of the Garage Defeasance Subfund within the Bond Fund. The City Council
7 hereby authorizes and directs the Director of Finance to create within the Bond Fund a special
8 account designated as the “Garage Defeasance Subfund,” which account is maintained for the
9 sole purpose of implementing the Defeasance Plan.

10 **Section 4. Defeasance of 2007 Defeased Bonds.**

11 (a) Appointment of Defeasance Trustee; Authorization for Defeasance Trust
12 Agreement. The Director of Finance is hereby authorized and directed to appoint a Defeasance
13 Trustee, negotiate appropriate financial terms for such appointment, and enter into the
14 Defeasance Trust Agreement with the Defeasance Trustee.

15 (b) 2007 Defeased Bonds. The Director of Finance is authorized and directed,
16 in consultation with appropriate City officials and staff, Bond Counsel and the City’s financial
17 advisors, to carry out the defeasance of the 2007 Defeased Bonds in accordance with the
18 Defeasance Plan and this ordinance. A particular description of the 2007 Defeased Bonds shall
19 be set forth in Schedule 1 to the Defeasance Trust Agreement.

20 (c) Acquisition of Escrow Obligations. A sufficient amount of money on
21 deposit in the Garage Defeasance Subfund shall be transferred to the Defeasance Trustee to be
22 used to discharge the obligations of the City relating to the 2007 Defeased Bonds under the 2007
23 Bond Legislation, by providing for the payment of the amounts required to be paid under the

1 Defeasance Plan. To the extent practicable, such obligations shall be discharged fully by the
2 Defeasance Trustee's simultaneous purchase of the Escrow Obligations, bearing such interest
3 and maturing as to principal and interest in such amounts and at such times so as to provide,
4 together with a beginning cash balance, if necessary, for the payment of the amount required to
5 be paid under the Defeasance Plan. The Escrow Obligations shall be listed and more particularly
6 described in Exhibit A attached to the Defeasance Trust Agreement. The City shall deliver to the
7 Defeasance Trustee with the Defeasance Trust Agreement (1) a verification by a nationally
8 recognized independent certified public accounting firm acceptable to the Defeasance Trustee
9 confirming that the payments of principal of and interest on the Escrow Obligations, if paid when
10 due, and any other money held by the Defeasance Trustee will be sufficient to carry out the
11 Defeasance Plan; and (2) an opinion of Bond Counsel to the effect that the interest on the 2007
12 Defeased Bonds will remain excluded from gross income for federal income tax purposes under
13 Sections 103 and 148 of the Federal Tax Code.

14 (d) Administration of Defeasance Plan. The Defeasance Trustee is authorized
15 and directed to purchase the Escrow Obligations and to make the payments required to be made
16 by the Defeasance Plan from the Escrow Obligations and money deposited with the Defeasance
17 Trustee pursuant to this ordinance. All Escrow Obligations and the money deposited with the
18 Defeasance Trustee and any income therefrom shall be held irrevocably and applied in
19 accordance with the provisions of the 2007 Bond Legislation, this ordinance and the Defeasance
20 Trust Agreement. All necessary and proper fees, compensation, and expenses of the Defeasance
21 Trustee for costs incidental to the establishment of the escrow to accomplish the defeasance of
22 the 2007 Defeased Bonds, including verification fees, bond counsel's fees, and other related
23 expenses, shall be paid by the City from Disposition Proceeds for that purpose.

1 (e) Authorization for Replacement Bonds. If necessary or desirable, the City
2 may issue replacement bonds in principal amounts reflecting the defeased and nondefeased
3 portions of the 2007 Bonds. The replacement bonds shall be printed, executed, and authenticated
4 in the same manner as the 2007 Bonds.

5 **Section 5. Findings and Determinations Concerning Defeasance Plan.** The City
6 Council finds and determines that it is in the best interest of the City and its taxpayers that the
7 City carry out the Defeasance Plan and hereby ratifies and approves the Defeasance Plan.

8 **Section 6. Transfer Authorizations.**

9 (a) Transfer to Garage Defeasance Subfund. The City Council hereby authorizes and
10 directs the Director of Finance to transfer or deposit, immediately upon receipt, Disposition
11 Proceeds from the Parking Garage Operations Fund to the Garage Defeasance Subfund in the
12 amount necessary, up to \$59,000,000, to carry out the Defeasance Plan for the 2007 Defeased
13 Bonds.

14 (b) Transfer to Garage Disposition Proceeds Fund. The City Council hereby
15 authorizes and directs the Director of Finance to transfer or deposit the Disposition Proceeds not
16 needed to carry out the Defeasance Plan, immediately upon receipt, from the Parking Garage
17 Operations Fund to the Garage Disposition Proceeds Fund, to be used in accordance with Section
18 2 of this ordinance. If, when the Defeasance Plan has been carried out, any Disposition Proceeds
19 remain from the original amount transferred to the Garage Defeasance Subfund, the Director of
20 Finance is authorized and directed to transfer, or cause to be transferred, such remaining amount
21 to the Garage Disposition Proceeds Fund for use in accordance with Section 2 of this ordinance.

22 **Section 7. General Authorization.** The Mayor and the Director of Finance and each
23 of the other appropriate officers of the City are each authorized and directed to do everything as

1 in their judgment may be necessary, appropriate, or desirable in order to carry out the terms and
2 provisions of, and complete the transactions contemplated by, this ordinance, including, without
3 limitation, the preparation and timely filing with the Internal Revenue Service pursuant to
4 Treasury Regulations Section 1.141-12(d)(3) of written notice of the establishment pursuant to
5 this ordinance of the defeasance escrow for the 2007 Defeased Bonds.


6 **Section 8. Severability.** The provisions of this ordinance are declared to be separate
7 and severable. If a court of competent jurisdiction, all appeals having been exhausted or all
8 appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as
9 to any person or circumstance, such offending provision shall, if feasible, be deemed to be
10 modified to be within the limits of enforceability or validity. However, if the offending provision
11 cannot be so modified, it shall be null and void with respect to the particular person or
12 circumstance, and all other provisions of this ordinance in all other respects, and the offending
13 provision with respect to all other persons and all other circumstances, shall remain valid and
14 enforceable.

15 **Section 9. Ratification of Prior Acts.** Any action taken consistent with the authority
16 of this ordinance, after its passage but prior to the effective date, is ratified, approved, and
17 confirmed.

18 **Section 10. Headings.** The section headings in this ordinance are used for
19 convenience only and shall not constitute a substantive portion of this ordinance.

1 **Section 11.** This ordinance shall take effect and be in force 30 days after its approval by
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by the City Council the 11th day of July, 2016,
5 and signed by me in open session in authentication of its passage this 11th day of
6 July, 2016.

7 

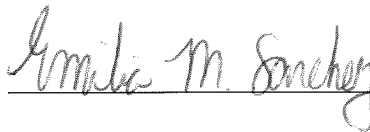
8 President _____ of the City Council

9 Approved by me this 15th day of July, 2016.

10 

11 Edward B. Murray, Mayor

12 Filed by me this 15th day of July, 2016.

13 

14 for Monica Martinez Simmons, City Clerk

15 (Seal)
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21 Attachments:
22 Attachment 1 – Defeasance Trust Agreement

DEFEASANCE TRUST AGREEMENT

THIS DEFEASANCE TRUST AGREEMENT (the "Agreement") is made and entered into as of the ___ day of _____, 2016, by and between THE CITY OF SEATTLE, WASHINGTON (the "City"), a municipal corporation, and _____ of _____, (the "Defeasance Trustee").

WHEREAS, pursuant to Ordinance 119155, passed by the City Council on September 21, 1998, and Resolution 29858, adopted by the City Council on October 28, 1998, the City issued its \$60,805,000 Limited Tax General Obligation Bonds, 1998, Series F (the "1998F Bonds"), to pay part of the cost of the City's acquisition of a public parking facility in downtown Seattle consisting of the Garage Unit of Pacific Place, a condominium (the "Garage"); and

WHEREAS, pursuant to Ordinance 122286, passed by the City council on November 20, 2006, and Resolution 30980, adopted by the City Council on April 18, 2007 (collectively, the "2007 Bond Legislation"), the City issued its \$95,550,000 Limited Tax General Obligation Improvement and Refunding Bonds, 2007 (the "2007 Bonds"), a portion of which was allocated to refund the then-outstanding 1998F Bonds and thereby refinance part of the cost of the Garage (the "2007 Garage Refunding Bonds"); and

WHEREAS, pursuant to the 2007 Bond Legislation, the City reserved the right to use money available from any lawful source to pay when due the principal of and interest on all or any portion of the 2007 Bonds pursuant to a defeasance plan; and

WHEREAS, pursuant to Council Bill _____, passed by the City Council on _____, 2016, the City has determined that it is in the best interests of the City to sell the Garage to _____ (the "Purchaser"), and has approved and authorized the execution and delivery by the Director of the Department of Finance and Administrative Services, on behalf of the City, of a Purchase and Sale Agreement for Sale of Real Property (the "Purchase and Sale Agreement"), by and between the City and the Purchaser for the sale of the Garage to the Purchaser in a bona fide arm's-length transaction, which sale is expected to close on or before _____, 2016 (the "Closing Date"); and

WHEREAS, under the terms of the Purchase and Sale Agreement, the City will receive from Purchaser on the Closing Date exclusively cash consideration for the sale of the Garage, which the City has determined, based upon appraisals prepared and provided to the City by professional real estate appraisers, to be an amount not less than the fair market value of the Garage; and

WHEREAS, in order to preserve the exclusion of interest on the 2007 Bonds from gross income of the owners thereof for federal income tax purposes, by Ordinance _____ (the "Defeasance Legislation") the City has determined to carry out a remedial action in respect of the 2007 Garage Refunding Bonds, as permitted by Treasury Regulations Section 1.141-12(d), by using a portion of the Disposition Proceeds (the "Defeasance Portion") to establish a yield-

restricted defeasance escrow to defease all of the outstanding principal of the 2007 Garage Refunding Bonds more particularly described in Schedule 1 to this Agreement as authorized by the Defeasance Legislation (the "2007 Defeased Bonds"), and to call, pay and redeem the 2007 Defeased Bonds on or before October 1, 2017, which is their earliest optional redemption date and a date less than 10-1/2 years after the issue date of the 2007 Defeased Bonds; and

WHEREAS, the payment of the Defeased Bonds will be accomplished pursuant to this Agreement and the Defeasance Legislation, which documents provide for and, for the purpose of the Internal Revenue Code of 1986, as amended (the "Code"), are to be considered as the Defeasance Plan, by:

(a) The delivery of the Defeasance Portion of the Disposition Proceeds by the City to the Defeasance Trustee on the date of this Agreement (the "Defeasance Date"), which Defeasance Date shall be not more than 30 days after the Closing Date;

(b) The purchase by the Defeasance Trustee on the Defeasance Date of the noncallable direct obligations of the United States of America listed on Exhibit A attached hereto and made a part hereof by this reference (the "Escrow Obligations"), which Escrow Obligations satisfy the requirements of the Verification described in paragraph (c); and

(c) The delivery to the City and the Defeasance Trustee of a verification (the "Verification") by a nationally recognized independent certified public accounting firm verifying the mathematical accuracy of the computations (which computations shall be attached to that report) showing that:

(i) the maturing principal of and interest on the Escrow Obligations, together with the specified beginning cash balance, if any, will provide sufficient money to make the payments set forth in paragraph (e), below, assuming that all principal of and interest on the Escrow Obligations is paid on the due dates thereof and assuming no reinvestment of such maturing principal and interest; and

(ii) the yield on the Escrow Obligations is lower than the arbitrage yield on the 2007 Bonds;

(d) The receipt by the Defeasance Trustee of the maturing installments of principal of and interest on the Escrow Obligations; and

(e) The Defeasance Trustee's payment to the Fiscal Agent for the Defeased Bonds (the "Fiscal Agent") of money sufficient (i) to pay interest on and principal of the Defeased Bonds when due up to and including October 1, 2017, and (ii) on October 1, 2017, to pay and redeem all of the remaining principal of the Defeased Bonds at a price equal to 100% of the stated principal amount thereof;

and

WHEREAS, upon the deposit of the Defeasance Portion of the Disposition Proceeds with the Defeasance Trustee and the purchase by the Defeasance Trustee of the Escrow Obligations to carry out the Defeasance Plan, under the authority of the laws of the State of Washington the principal amount of the Defeased Bonds no longer shall be considered outstanding pursuant to the defeasance provisions of the 2007 Bond Legislation; and

WHEREAS, the City Council, pursuant to the Defeasance Legislation, has duly and validly authorized the execution and delivery of this Agreement, the purchase by the Defeasance Trustee of the Escrow Obligations and the carrying out of the Defeasance Plan; and

WHEREAS, capitalized words used but not defined in this Agreement have the meanings set forth in the Defeasance Legislation;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained and for the benefit of the City, the parties hereto agree as follows:

Section 1. Delivery of Money to Defeasance Trustee. For the purpose of making the payments required by the Defeasance Plan, the City irrevocably conveys, transfers, and assigns to the Defeasance Trustee the Trust Estate, which consists of (a) all amounts deposited with the Defeasance Trustee pursuant to this Agreement, including the Escrow Obligations (and Substitute Obligations (defined in Section 8), if any); (b) the principal thereof and interest thereon; and (c) any reinvestments thereof made pursuant to Section 2. The amounts to be delivered on the Defeasance Date by or on behalf of the City to the Defeasance Trustee pursuant to the Defeasance Plan shall be as set forth in the memorandum summarizing the transfers to take place in the Defeasance Date ("Defeasance Memorandum") and in Exhibit A.

Section 2. Investment and Expenditure of Money. On the Defeasance Date, the Defeasance Trustee shall apply \$ _____ to pay on behalf of the City the purchase and/or subscription prices of the Escrow Obligations, from the sources, in the principal amounts, with the dates of maturity and bearing the interest rates or yields set forth in Exhibit A, and \$ _____ to establish a beginning cash balance, to carry out the Defeasance Plan.

Immediately upon purchase of the Escrow Obligations, the Defeasance Trustee shall deliver to the City evidence of such purchase and payment therefor. Investments in mutual funds and unit investment trusts are prohibited. The costs of carrying out the Defeasance and administering the Defeasance Plan shall be as set forth in the Defeasance Memorandum. All remaining amounts deposited with the Defeasance Trustee in excess of the amounts set forth above shall be promptly transferred to the City for application in accordance with the Defeasance Legislation.

At the written direction of the City, the proceeds and reinvestment proceeds of any Escrow Obligations (and/or Substitute Obligations) (including both principal of and interest on such obligations) held in the Trust Estate that are not needed within one business day to make the payments required by the Defeasance Plan shall be reinvested by the Defeasance Trustee no later

than the next business day following receipt of such written direction. The City may direct such reinvestment subject to the following conditions:

(a) Except as provided in subsection (c) below, the proceeds of such Escrow Obligations and/or Substitute Obligations shall be reinvested in Substitute Obligations at a yield that will not cause the composite yield on the defeasance trust account to exceed _____% during its term, unless the Issuer's instructions are accompanied by a verification of an acceptable higher composite yield and an opinion of Stradling Yocca Carlson & Rauth, P.C., bond counsel to the City, its successor or other nationally recognized bond counsel to the City ("Bond Counsel") approving reinvestment of such proceeds at that higher yield.

(b) The obligations in which such proceeds are reinvested must mature in an amount at least equal to their purchase price on the date or dates directed by the City, but not later than the date (as shown by the then most recent Verification) that such maturing principal is needed to make the payments required by the Defeasance Plan.

(c) If the proceeds of the Escrow Obligations and/or Substitute Obligations, together with other funds remaining in the Trust Estate, are insufficient to reinvest in the smallest denomination of such obligations or are required to be used to make payments required by the Defeasance Plan sooner than the shortest maturity available for such obligations, then those proceeds and funds shall be held in the trust account, fully collateralized in accordance with state and federal banking regulations applicable to such fiduciary accounts, until required to make the payments required by the Defeasance Plan, or until sufficient money is accumulated to permit the investment thereof.

As used in paragraph (a) of this subsection, the term "yield" means that yield computed in accordance with and permitted by the Code applicable to the Trust Estate so as to preserve the exclusion from gross income for federal income tax purposes of the interest on the Defeased Bonds.

The Defeasance Trustee may make any and all investments permitted by the provisions of this section through its own investment department or the investment departments of any of its affiliates, to the extent such activity is consistent with applicable state and federal banking regulations.

Section 3. Sufficiency of and Yield on Escrow Obligations. Based upon the Verification, the City represents that (a) the Escrow Obligations and the maturing principal thereof and the interest thereon, if paid when due, together with the beginning cash balance, shall be sufficient to make when due the payments required by the Defeasance Plan; and (b) the yield on the Escrow Obligations is lower than the arbitrage yield on the 2007 Bonds. Such amounts coming due are sometimes referred to hereinafter as the "payments described in Section 3." The schedules of the sources, amounts, maturities, and interest rates or yields of the Escrow Obligations and of the Defeased Bonds that will fulfill the foregoing requirements are set forth in the Verification.

Section 4. Collection of Proceeds of Escrow Obligations and Application of Such Proceeds and Money. The Defeasance Trustee shall present for payment and shall collect and receive on the due dates thereof the maturing installments of the principal of and the interest on the Escrow Obligations and any Substitute Obligations (defined hereinafter). The Defeasance Trustee shall make payments, but only in the amounts received pursuant to this section, in a timely manner to the Fiscal Agent of the amounts to be paid on the Defeased Bonds as shown in the Verification. Those payments shall be made by check, wire transfer, or such other method of transfer of funds as shall be agreed upon by the Defeasance Trustee and the Fiscal Agent.

Section 5. Notice of Defeasance and Notice of Redemption.

(a) Notices to Bondholders and MSRB. As the agent of the City charged with carrying out the Defeasance Plan, the Defeasance Trustee agrees to provide the notices of defeasance and of redemption of the Defeased Bonds as follows:

- (i) A notice of defeasance for the Defeased Bonds, in substantially the form set forth in Exhibit B, shall be delivered to the Fiscal Agent within two business days following the date of this Agreement, with instructions that such notice be given promptly upon receipt in accordance with the Defeased Bond Legislation to the registered owner of each Defeased Bond.
- (ii) A notice of redemption for the Defeased Bonds, in substantially the form set forth in Exhibit C, shall be delivered to the Fiscal Agent not less than 30 nor more than 60 days prior to October 1, 2017, with instructions that such notice be given in accordance with the Defeased Bond Legislation to the registered owner of each Defeased Bond.
- (iii) No later than two business days following the delivery of the notice of defeasance and the notice of redemption to the Fiscal Agent, the Defeasance Trustee shall also (1) file a copy of such notice with the Municipal Securities Rulemaking Board (the "MSRB"), and (2) mail, postage prepaid, a copy of such notice to (A) each Rating Agency that provided a rating on the Defeased Bonds (Moody's Investors Service, Standard & Poor's and Fitch), and (B) J.P. Morgan Securities Inc. (or its successor) as the underwriter for the Defeased Bonds.

(b) Notices to MSRB. Unless otherwise directed by the City, notices required to be given to the MSRB shall be posted on the MSRB's Electronic Municipal Market Access ("EMMA") website in the electronic format prescribed by the MSRB and accompanied by the identifying information prescribed by the MSRB, including the appropriate CUSIP numbers.

(c) Additional Notices. At the written request of the City from time to time, the Defeasance Trustee agrees to provide to the MSRB such additional notices of material events affecting the Defeased Bonds in the form provided by the City.

(d) Costs. The cost of giving the notices described in this section shall be paid by the City.

Section 6. All Obligations and Money and Proceeds Thereof Held in Trust. The Defeasance Trustee irrevocably agrees to hold the Escrow Obligations, the Substitute Obligations, if any, the principal thereof and interest thereon, and any other money it may receive pursuant to this Agreement, in trust and separate at all times from all other funds and investments held by the Defeasance Trustee, solely for the purpose of making the payments described in Section 3. The City irrevocably conveys, transfers, and assigns to the Defeasance Trustee the Escrow Obligations, any Substitute Obligations, the principal thereof and the interest thereon, and any other money and investments deposited with the Defeasance Trustee pursuant to this Agreement, for the purpose of making such payments. The Defeasance Trustee shall not sell, transfer, assign, or hypothecate any Escrow Obligations or Substitute Obligations except pursuant to Sections 2, 8, 11 and 12 hereof.

Section 7. Reports. The Defeasance Trustee shall provide periodic reports to the City, showing the cash and Escrow Obligations and/or Substitute Obligations held by the Defeasance Trustee pursuant to this Agreement. The report shall detail: the obligations that have matured and amounts received by the Defeasance Trustee by reason of such maturity, the interest earned on such obligations, a list of any investments or reinvestments made by the Defeasance Trustee in other obligations and the interest and/or principal derived therefrom, the amounts paid to the Fiscal Agent for the Refunded Bonds, and all other transactions of the Defeasance Trustee pertaining to its duties and obligations as set forth herein.

Section 8. Substitution of Different Obligations or Other Investments. The City reserves the right to substitute from time to time for Escrow Obligations initially purchased in accordance with Section 2 hereof, or for obligations purchased under this section, other noncallable, nonprepayable direct obligations of the United States of America and/or obligations unconditionally guaranteed by the United States of America as to full and timely payment of principal and interest authorized to be acquired with the amounts deposited with the Refunding Trustee (the "Substitute Obligations"). Prior to effecting any such substitution, the City shall have obtained at its expense and delivered to the Defeasance Trustee:

(a) A verification by a nationally recognized independent certified public accounting firm acceptable to the Defeasance Trustee confirming that the maturing principal of and interest on the Substitute Obligations and any remaining Escrow Obligations to be held by the Defeasance Trustee in the defeasance escrow, if paid when due and assuming no reinvestment thereof, together with any other cash then held by the Defeasance Trustee, will be sufficient to carry out the Defeasance Plan and make all remaining payments described in Section 3; and

(b) An opinion from Bond Counsel that the disposition and substitution or purchase of such securities, under the statutes, rules, and regulations then in force

and applicable to the Defeased Bonds, will not cause the interest on the Defeased Bonds to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Defeased Bonds.

If the verification delivered to the Defeasance Trustee pursuant to Section 8(a) shows that surplus money not needed to make the payments described in Section 3 will result from the sale, transfer, or other disposition of Escrow Obligations and the substitution of Substitute Obligations therefor, that surplus money at the written request of the City shall be released from the trust estate and shall be transferred to the City to be used for any lawful City purpose, subject to any restrictions stated in the opinion of Bond Counsel required by Section 8(b).

Section 9. Amendments to Agreement. This Agreement is irrevocable and shall not be subject to amendment except for the purpose of clarifying any ambiguity, increasing the protection of the rights of the owners of the Defeased Bonds, or preserving the exclusion of the interest on the Defeased Bonds from gross income for federal income tax purposes, and only if such amendment is accompanied by an opinion of Bond Counsel, addressed to the City and the Defeasance Trustee, to the effect that such amendment is necessary for one of the above reasons and does not materially adversely affect the owners of the Defeased Bonds. If such amendment will affect the amount of money and investments in the trust account or the application thereof, there must also be delivered to the Defeasance Trustee prior to the amendment's effective date a Verification confirming that after such amendment the Trust Estate will be sufficient to make the payments required by the Defeasance Plan.

Section 10. Limitation of Liability of Defeasance Trustee. The Defeasance Trustee's liabilities and obligations in connection with this Agreement are confined to those specifically described herein. None of the provisions contained in this Agreement shall require the Defeasance Trustee to use or advance its own funds in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Defeasance Trustee shall be under no liability for the payment of interest on the Trust Estate, except to the extent it receives payments of principal or interest in respect of the investment of funds comprising a portion of the Trust Estate. The Defeasance Trustee is authorized and directed to comply with the provisions of this Agreement and is relieved from all liability for so doing notwithstanding any demand or notice to the contrary by any party hereto. The Defeasance Trustee shall not be responsible or liable for the sufficiency, correctness, genuineness, or validity of the Escrow Obligations or the Substitute Obligations; the performance or compliance by any party other than the Defeasance Trustee with the terms or conditions of any such instruments; or any loss that may occur by reason of forgeries, false representations, or the exercise of the Defeasance Trustee's discretion in any particular manner unless such exercise is negligent or constitutes willful misconduct. If any controversy arises between the City and any third person, the Defeasance Trustee shall not be required to determine the same or to take any action in the premises, but it may institute, in its discretion, an interpleader or other proceedings in connection therewith as it may deem proper, and in following either course, it shall not be liable.

Section 11. Remittance of Funds When Defeased Bonds Paid in Full. At such time as the Defeasance Trustee has received the representation of the City that all of the payments described

in Section 3 have been made and the confirmation of such representation by the Fiscal Agent, together with such other evidence of such payments as shall be satisfactory to the City and the Defeasance Trustee, the Defeasance Trustee shall deliver forthwith or remit to the City any remaining Escrow Obligations, Substitute Obligations, and money held pursuant to this Agreement.

Section 12. Compensation of Defeasance Trustee. The payment arrangement heretofore made between the Defeasance Trustee and the City on compensation and expenses of the Defeasance Trustee for services rendered by it pursuant to the provisions of this Agreement is satisfactory to it and to the City, and no further payment to the Defeasance Trustee shall be required for such purpose. Such arrangement for compensation and expenses is intended as compensation for the ordinary services as contemplated by this Agreement, and if the Defeasance Trustee renders any service hereunder not provided for in this Agreement, or the Defeasance Trustee is made a party to or intervenes in any litigation pertaining to this Agreement or institutes interpleader proceedings relative hereto, the Defeasance Trustee shall be compensated reasonably by the City for such extraordinary services and reimbursed for all fees, costs, liability, and expenses (including reasonable attorneys' fees) occasioned thereby. The Defeasance Trustee shall not have a lien against or otherwise be compensated for its services and expenses from the money, Escrow Obligations, and Substitute Obligations held pursuant to this Agreement to make the payments described in Section 3.

Section 13. Successor Defeasance Trustee. The obligations assumed by the Defeasance Trustee pursuant to this Agreement may be transferred by the Defeasance Trustee to a successor if (a) the Defeasance Trustee has presented evidence satisfactory to the City and to Bond Counsel that the successor trustee meets the requirements of RCW 39.53.070, as now in effect or hereafter amended; (b) the City approves the appointment of the successor trustee; (c) the successor trustee has assumed all of the obligations of the Defeasance Trustee under this Agreement and has been compensated; and (d) all of the Escrow Obligations, Substitute Obligations, and money then held by the Defeasance Trustee pursuant to this Agreement have been duly transferred to such successor trustee.

Notwithstanding anything to the contrary contained in this Agreement, any company into which the Defeasance Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion, or consolidation to which the Defeasance Trustee is a party, or any company to which the Defeasance Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Defeasance Trustee without execution or filing of any paper or further act, if such company is eligible to serve as Defeasance Trustee under RCW 39.53.070.

Section 14. Miscellaneous. This Agreement is governed by Washington law without regard to the conflict of laws provisions thereof and may not be modified except by a writing signed by the parties and subject to the limitations of Section 9. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

Section 15 Direction to Defeasance Trustee by City. The Defeasance Trustee agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Defeasance Trustee shall have received an incumbency certificate (in substantially the form set forth in Exhibit D) listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added to or deleted from the listing. If the City elects to give the Defeasance Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Defeasance Trustee reasonably elects to act upon such instructions, the Defeasance Trustee's understanding of such instructions shall be deemed controlling. The Defeasance Trustee's election to act shall be deemed reasonable if confirmed telephonically with the designated person. The Defeasance Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Defeasance Trustee's reliance upon and compliance with such instructions, notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of its election to use such electronic methods to submit instructions and directions to the Defeasance Trustee.

Section 16. Counterparts. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement pursuant to due and proper authorization, all as of the date and year first above written.

THE CITY OF SEATTLE, WASHINGTON _____, as Defeasance Trustee

By _____

By _____
Title: _____

SCHEDULE 1

2007 DEFEASED BONDS

<u>Maturity Year (October 1)</u>	<u>Par Amount 2007 Defeased Bonds*</u>	<u>Interest Rate</u>
2016		5.00%
2017		5.00
2018		5.00
2019		5.00
2020		5.00
2021		5.00
2022		5.00
2023		5.00
2024		5.00
2025		5.00
2026		5.00
2027		5.00
2028		5.00

* Represents that portion of the principal due on each maturity date of the City's Limited Tax General Obligation Improvement and Refunding Bonds, 2007, that was allocated to the refinancing of the Garage.

EXHIBIT A

THE CITY OF SEATTLE, WASHINGTON

ESCROW OBLIGATIONS

<u>TYPE*</u>	<u>MATURITY</u> <u>DATE</u>	<u>PAR</u> <u>AMOUNT</u>	<u>INTEREST</u> <u>RATE</u>
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*CERT - United States Treasury Certificate of Indebtedness--State and Local Government Series
NOTE - United States Treasury Note--State and Local Government Series

EXHIBIT B

Notice of Defeasance The City of Seattle, Washington Limited Tax General Obligation Improvement and Refunding Bonds, 2007

NOTICE IS HEREBY GIVEN to the owners of the above-captioned bonds with respect to which, pursuant to the Defeasance Trust Agreement dated as of _____, 2016, by and between The City of Seattle, Washington (the "City"), and _____ (the "Defeasance Trustee"), there has been deposited into an escrow account, held by the Defeasance Trustee, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money to pay each year, to and including the respective maturity or redemption dates of such bonds so provided for, the principal thereof and interest thereon (the "Defeased Bonds"). Such Defeased Bonds are therefore deemed to be no longer outstanding pursuant to Section 16 of Ordinance 122286 of the City relating to the Defeased Bonds, but will be paid by application of the assets in such escrow account.

The Defeased Bonds are described as follows:

The City of Seattle, Washington Limited Tax General Obligation Improvement and Refunding Bonds, 2007 (Dated May 2, 2007)

Maturity Date (October 1)	Current CUSIP Nos.	Interest Rate	Par Amount Defeased	Call Date for Defeased Bonds	Defeased Bonds CUSIP Nos.	Amount Undefeased	Non-Defeased CUSIP Nos.
2016	812626UF4	5.00%	\$ _____	N/A		\$ _____	
2017	812626UG2	5.00		N/A			
2018	812626UH0	5.00		10/1/2017			
2019	812626UJ6	5.00		10/1/2017			
2020	812626UK3	5.00		10/1/2017			
2021	812626UL1	5.00		10/1/2017			
2022	812626UM9	5.00		10/1/2017			
2023	812626UN7	5.00		10/1/2017			
2024	812626UP2	5.00		10/1/2017			
2025	812626UQ0	5.00		10/1/2017			
2026	812626UR8	5.00		10/1/2017			
2027	812626US6	5.00		10/1/2017			
2028	812626UT4	5.00		10/1/2017			

_____, as Defeasance Trustee

Dated: _____

EXHIBIT C

Notice of Redemption

**The City of Seattle, Washington
Limited Tax General Obligation Improvement and Refunding Bonds, 2007**

NOTICE IS HEREBY GIVEN that The City of Seattle, Washington, has called for redemption on October 1, 2017, all of its then-outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2007 (the "Bonds").

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus accrued interest to October 1, 2017. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

**U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Ave E
St. Paul, MN 55107**

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on October 1, 2017.

The following Bonds are being redeemed:

<u>Maturity Date (October 1)</u>	<u>Current CUSIP Nos.</u>	<u>Interest Rate</u>	<u>Par Amount Defeased</u>	<u>Defeased Bonds CUSIP Nos.</u>	<u>Amount Undefeased</u>	<u>Non- Defeased CUSIP Nos.</u>
2018	812626UH0	5.00%	\$ _____		\$ _____	
2019	812626UJ6	5.00				
2020	812626UK3	5.00				
2021	812626UL1	5.00				
2022	812626UM9	5.00				
2023	812626UN7	5.00				
2024	812626UP2	5.00				
2025	812626UQ0	5.00				
2026	812626UR8	5.00				
2027	812626US6	5.00				
2028	812626UT4	5.00				

By Order of The City of Seattle, Washington

U.S. Bank National Association, as Paying Agent

Dated: _____

Under Section 3406(a)(1) of the Internal Revenue Code the Registrar may be obligated to withhold a percentage of the principal of a holder who has failed to furnish the Registrar with a valid taxpayer identification number and a certification that the owner is not subject to backup withholding. Owners who wish to avoid the application of these provisions should submit a completed IRS Form W-9 when presenting their certificates for payment.

EXHIBIT D

FORM OF INCUMBENCY CERTIFICATE

I, _____, _____ of The City of Seattle, Washington (the "City"), do hereby certify that the following City officials, or their successors, are authorized to act on behalf of the City under the Defeasance Trust Agreement dated _____, 2016, between the City and _____ as Defeasance Trustee, relating to the City's Limited Tax General Obligation Improvement and Refunding Bonds, 2007:

Name	Title	Signature
Glen M. Lee	Director of Finance	_____
Michael Van Dyck	Debt Manager	_____

Dated _____, 2016.

THE CITY OF SEATTLE, WASHINGTON
