

**LEASE AGREEMENT  
PART A - SIGNATURE FORM**

**PARTIES** THIS LEASE AGREEMENT, entered into by and between **JOHN Y. SATO AND VICTOR M. LOEHRER D/B/A "MAIN STREET ASSOCIATES"** (hereinafter referred to as the "Lessor"), a partnership organized under the State of Washington, and **THE CITY OF SEATTLE** (hereinafter referred to as the "City"), a municipal corporation duly organized and existing under the laws of the State of Washington, as Lessee, WITNESSES THAT:

**PREMISES** The Lessor hereby leases to the City, and the City hereby leases from the Lessor, approximately 8,382 rentable square feet of office space on the second floor of that certain real property commonly known as 220 Third Avenue South, in Seattle, King County, Washington, that may be further described as follows:

The south half of Lot 3 and all of Lot 4, Block 18, Town of Seattle, as laid out by D.S. Maynard and commonly known as Maynard's Plat of Seattle, according to the plat recorded in Volume 1 of Plats, page 23, in Seattle, King County, Washington

as indicated on Attachment 2 - Schematic (hereinafter referred to as the "Premises").

**PURPOSES** The Premises shall be used as office space for the Fire Marshal's Office of the Seattle Fire Department and for such other municipal purposes as the City may deem consistent therewith. The City may permit other governmental agencies and community groups approved by the City to use and occupy the area of the building specifically defined as the Premises under City supervision and control, for which expanded use the written consent of Lessor shall not be required.

**TERM** The Initial Term of this lease shall be for five (5) years commencing on June 1, 1998, and expiring on May 31, 2003, unless terminated earlier pursuant to the provisions hereof.

**EXTENSION OPTION** The City may, at its sole option, extend this lease for one (1) additional five (5)-year Extension Term commencing on June 1, 2003, and expiring May 31, 2008, by providing to the Lessor six (6) months prior written notice of the City's decision to extend the Initial Term.

**TERMINATION OPTION** The City shall have the right to terminate this lease at any time during the Extension Term without penalty or any added liability to the Lessor provided it gives the Lessor at least twelve (12) months prior written notice of such termination.

EXPANSION  
OPTION

The City shall have the option to lease up to an additional 2,000 usable square feet of storage or space in the basement level of the building in which the Premises are located. This option shall be exercised by the City's giving to the Lessor notice of such exercise and the date on which the City's use of such additional space is to commence, which date shall be not less than 45 days later than the date of such notice. This option shall be exercisable only during the first year of the lease term.

RENT

During Initial Term: In consideration of this lease and the Lessor's performance of all covenants and agreements contained herein, the City shall pay rent to the Lessor for said Premises, at the rental rate of Thirteen and 95/100 Dollars (\$13.95) per square foot of office space per year (which equals a monthly rent of Nine Thousand Seven Hundred Forty-four and Seven One-Hundredths Dollars [\$9,744.07]). If the City exercises the Expansion Option, as described above, the rental rate for the storage space shall be Six and 25/100 Dollars (\$6.25) per square foot per year (which equals a monthly rent of One Thousand Forty-one and Sixty-six One-Hundredths Dollars [\$1,041.66]).

During Extension Term (June 1, 2003 through May 31, 2008): During the Extension Term, the City shall pay rent to the Lessor for the Premises and any storage space leased pursuant to this lease, at the respective rates for such space that were in effect during the Initial Term, increased by the aggregate percentage increase in the Consumer Price Index for All Urban Consumers in the Seattle-Tacoma-Bremerton Metropolitan Statistical Area (1982-84=100) that occurred between April, 1998, and April, 2003, using the base 1982-84=100, according to statistics published by the U.S. Department of Labor, Bureau of Labor Statistics or its successor (hereinafter "CPI-U") Provided, that in the event of any change in the index base (1982-84 = 100) or other modification of such index, the parties hereto shall apply whatever conversion factor(s) are necessary to establish the true percentage change in the CPI for any year(s) in which such modification(s) occur, and in the event such index is discontinued, the parties hereto shall select and use for such rent adjustment purpose, another, similar index that reflects consumer price changes.. For illustrative purposes only, assuming the CPI-U for June, 1998 equals 170.5, and the CPI-U for June, 2003 equals 198.9, the percentage increase in the CPI that occurred between June, 1998 and June, 2003 equals = +16.65%. When this percentage is applied to the Initial Term's monthly rent for office space (\$9,704.47), the monthly rent for office space payable from and after June, 2003 becomes \$11,320.26; and when this percentage is applied to the Initial Term's monthly rent for storage space (\$1,041.66), the monthly rent for storage space payable from and after June, 2003 becomes \$11,215.10.

Rent shall be paid on or before the first day of each month during the Initial Term and the Extension Term; Provided, that until such time as the Lessor specifies the amount of the increased monthly rent by a notice and invoice to the City, the City shall remit to the Lessor as a partial payment, the amount of the monthly rent paid during the immediately preceding month. After the City's receipt of the Lessor's notice of the amount of the increased monthly rent, the City shall remit such increased monthly rent as provided herein together with any adjustment thereto that is due and payable hereunder.

RENTAL  
ADJUSTMENT

The rental rates provided herein shall be further reasonably adjusted, annually, from and after June 1, 1999, to reflect the changes in the Lessor's cost of operating the building which costs shall include real estate taxes and assessments; water, sewer, garbage and electrical utility expenses; elevator and HVAC systems maintenance; and janitorial services; and other expenses constituting direct operating costs according to generally accepted accounting principals. The total cost of operating the building in 1998 shall be the Annual Expense Base during the Initial Term, while the total cost of operating the building in 2003 shall be the Annual Expense Base during any Extension Term.

On or about April 1, 1999, and thereafter, on or about April 1st of each calendar year during the Initial Term hereof and any Extension Term, Lessor shall notify the City, in writing, of Lessor's estimate of the operating costs and real estate taxes for the building for the next succeeding lease year (from June 1st of the year in which such notice is to be given through May 31st of the next succeeding calendar year) and the amount thereof that is allocable to the City (the "City's Share"), based on the percentage of the building that the City occupies under this lease. If the City's Share exceeds the then-applicable Annual Expense Base, the City shall pay one-twelfth (1/12th) of such excess in advance on the first day of each month of such lease year. At the end of each lease year, or at the expiration or sooner termination of the lease term, Lessor shall compute the City's Share for such lease year, based on actual costs, and, if the City's Share for such lease year is greater than the sum of the Annual Expense Base and amounts already paid by the City for such lease year, the City shall immediately pay to Lessor the deficiency. If the sum of the Annual Expense Base and amounts paid by the City for such lease year exceeds the City's Share for that lease year, the Lessor shall credit such excess to the payment of rent and additional rent that may thereafter become due; provided, however, upon the expiration or sooner termination of the lease term, if the City has otherwise complied with all other terms and conditions of this lease, Lessor shall refund such excess to the City. Notwithstanding anything contained in this paragraph, the rent payable by the City shall be, in no event, less than the rent specified in the "Rent" paragraph above.

TENANT  
IMPROVEMENTS

Prior to commencement of the Initial Term, the Lessor shall complete, at Lessor's expense, tenant improvements to the Premises according to plans approved by the Seattle Fire Department and other appropriate City departments, as shown on Attachment 2 -Schematic, and as otherwise requested by the City. The Lessor shall invoice the City for that portion of the cost of making such tenant improvements that exceeds the sum of Forty-four Thousand and No Hundredths Dollars (\$44,000.00).

INSURANCE

The policy of public liability insurance required of the Lessor in Part B hereof shall be in at least the following amounts:

- \$1,000,000.00 for injury to, or loss of life of, any individual person;
- \$1,000,000.00 in the aggregate for personal injuries suffered in each occurrence;
- \$1,000,000.00 property damage suffered in each occurrence.

UTILITIES AND  
OTHER SERVICES

Notwithstanding the provisions of Part B, Section hereof, the City shall pay telephone use charges and all telephone installation charges.

AGREEMENT  
CONTENTS

This lease consists of Part A - Signature Form plus Part B - General Terms and Conditions, Attachment 1 - Schedule of Utilities and Other Services, and Attachment 2 - Schematic, all of which, by this reference, are incorporated herein, and embody the entire agreement of the parties hereto. There are no other understandings or agreements, written or oral, between the parties relating to the subject matter hereof.

EFFECTUATION  
OF AGREEMENT

In order to be effective, this lease must be (1) signed by an authorized representative of the Lessor and returned to the City at the address set forth below, accompanied by the required certificate of insurance, and (2) signed by the City's Executive Services Director pursuant to ordinance authority.

IN WITNESS WHEREOF, the parties hereto have affixed their signature below:

THE CITY OF SEATTLE

John Y. Sato & Victor M. Loehrer  
dba MAIN STREET ASSOCIATES



Dwight D. Dively  
Executive Services Director

John Y. Sato, General Partner



Victor M. Loehrer, General Partner

City's address for all communications:

Lessor's address for all communications:

Executive Services Department  
Alaska Building, 14th Floor  
618 Second Avenue  
Seattle, Washington 98104

Main Street Associates  
1200 - 12th Avenue N.E.  
Suite C-185  
Bellevue, Washington 98004

Ordinance \_\_\_\_\_

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that JOHN Y. SATO AND VICTOR M. LOEHRER are the individuals who appeared before me, and said individuals acknowledged that they signed this instrument, on oath stated that they were authorized to execute the instrument and acknowledged it as the partners of the MAIN STREET ASSOCIATES to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 4-23-98

Sylvia M. Hodges  
(Notary Signature)

Sylvia M. Hodges  
(Print Name)



NOTARY PUBLIC in and for the State of Washington, residing at Issaquah.

My appointment expires 7-9-99.

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that Dwight D. Dively is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Executive Services Director of THE CITY OF SEATTLE to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 4/28/98

Lisa S. Peyer  
(Notary Signature)

Lisa S. Peyer  
(Print Name)



NOTARY PUBLIC in and for the State of Washington, residing at Seattle.

My appointment expires 5/25/99.

## LEASE AGREEMENT PART B - GENERAL TERMS AND CONDITIONS

1. **POSSESSION.** In the event of the inability of the Lessor to deliver possession of the Premises, or any portion thereof, at the time of the commencement of the term of this lease, the City, at its option may elect to retain the lease and insist upon possession or to cancel this lease as a result of the Lessor's failure to deliver possession. In the event the City elects to cancel, the Lessor shall be liable for incremental costs and other damages incurred by the City in acquiring comparable property. In the event the City elects to retain the lease, the City shall not be liable for any rent or other expense related to the Premises until such time as the Lessor can deliver possession. In the event that, by mutual agreement, the City takes possession of the Premises, or any part thereof, prior to the commencement of the specified term of this lease, the City shall pay as rent for that additional period that percentage of the monthly rent payable under Part A hereof, prorated on a daily basis, that is equivalent to the percentage of the floor area of the Premises actually occupied by the City during said period.
2. **ACCESS.** The City shall allow the Lessor or the Lessor's agent free access at all reasonable times to said Premises to inspect, clean, or make repairs, additions or alterations to the Premises or any connected property owned by or under the control of the Lessor. This provision shall not be construed as an agreement on the part of the Lessor to make such repairs, additions or alterations nor a waiver of the City's right of quiet enjoyment. All such work by the Lessor shall be undertaken in a way so as to minimize interference with the City's use of the Premises.
3. **UTILITIES AND OTHER SERVICES.** Unless otherwise specified in Part A, hereof, the Lessor, at the Lessor's sole expense, shall provide or shall otherwise pay for, when due, all costs for providing all utilities and other services on or to the Premises including but not limited to elevator service, electricity, gas, water, sewer, garbage, heating and cooling or air conditioning, janitorial, and security. The City shall pay all charges for utility installations and modifications thereto occasioned by the City's requirements.
4. **CARE OF PREMISES.** The Premises shall at all times be kept and used in accordance with the laws of the State of Washington and ordinances of The City of Seattle, and in accordance with all duly authorized directions, rules, and regulations of the Health Officer, Fire Marshall or other proper officer of The City of Seattle; and the City will not permit any waste, damage or injury to the Premises, use or permit in said Premises anything that will increase the rate of fire insurance thereon, maintain anything that may be dangerous to life or limb, permit any objectionable noise or odor to escape or to be emitted from said Premises, or permit anything to be done upon said Premises that in any way will tend to create a nuisance.
5. **MAINTENANCE - REPAIRS.** The Premises have been inspected by both parties and are accepted by the City in their existing condition as of the commencement date of this lease, without reservation except for latent defects or faulty construction of the Premises not discoverable by inspection at the time of taking possession. Except as otherwise provided for herein, the Lessor, at its sole expense, shall keep and preserve the Premises in good repair, including but not limited to all structural and non-structural parts thereof, elevators, plumbing, heating, cooling, and electrical, gas and other utility systems; and other equipment and appurtenances of the Premises and the structure of which the Premises form a part.
6. **DAMAGE OR DESTRUCTION.** In the event the Premises are damaged by fire, earthquake, act of war, or other extraordinary casualty to such an extent as to render the same untenable in whole or in a substantial part thereof, or are destroyed, it shall be optional with the Lessor to repair or rebuild the same, and after the happening of any such event, the City shall give the Lessor or the Lessor's agent written notice thereof within forty-eight (48) hours of such occurrence. The Lessor shall have not more than ten (10) days

after the date of such notification to notify the City in writing of the Lessor's intentions to repair or rebuild said Premises; and if the Lessor elects to repair or rebuild said Premises, the Lessor shall prosecute the work of such repairing or rebuilding without unnecessary delay. During any period in which the Premises are rendered unfit for occupancy because of any such casualty, the rent of said Premises shall be abated in the same ratio that the portion of the Premises rendered for the time being unfit for occupancy bears to the whole of the Premises. In the event the building in which the Premises are located is destroyed or is damaged (even though the Premises hereby leased is not damaged thereby) to such an extent that, in the opinion of the Lessor, it is not practicable to repair or rebuild, then the Lessor may, at its option, terminate the lease by providing written notice thereof to the City within thirty (30) days after such damage or destruction has been determined to be irreparable.

## 7. COMPLIANCE WITH LAW

(a) General Requirement. The Lessor shall perform and comply with all applicable laws of the United States and the State of Washington; the Charter and ordinances of The City of Seattle; and rules, regulations, orders, and directives of their administrative agencies and the officers thereof.

(b) Licenses and Similar Authorizations. The Lessor and/or the City, when applicable, shall secure and maintain in full force and effect during the term of this Agreement, all required licenses, permits, and similar legal authorizations, and comply with all requirements thereof.

(c) Taxes. The Lessor shall pay, before delinquency, all taxes, levies and assessments on the Premises.

(d) Nondiscrimination and Affirmative Action. The Lessor shall comply with all Federal, State and local laws and ordinances prohibiting discrimination with regard to race, color, national origin, ancestry, creed, religion, political ideology, sex, sexual orientation, marital status, or the presence of any sensory, mental or physical handicap.

8. INDEMNIFICATION. The Lessor shall hold City harmless from all claims for accident or injury caused to persons or property by the fault or neglect of the Lessor or any of its employees or agents; or occurring in, on, or about any portion of the structure of which the Premises form a part that is under the control of the Lessor; or caused by any fault or defect inherent in said structure or any defect in or malfunction thereof not discernable by reasonable inspection. The City will hold the Lessor harmless from all claims for accident or injury caused to persons or property by the fault or neglect of the City or any of its employees or agents, to the extent of the fault or neglect of the City. All personal property of the City on said Premises shall be at the risk of and the responsibility of the City.

9. INSURANCE. The Lessor shall secure and maintain in effect during the full term of this lease and each extension thereof, commercial general liability insurance covering the building including the Premises, with policy limits for personal injury and for property damage in an amount not less than \$1,000,000 per occurrence, and \$1,000,000 general aggregate. The Lessor shall deliver to the Facility Services Division of the City's Executive Services Department at the address specified in or pursuant to Section 15 hereof, a copy of a certificate documenting the existence of such insurance within five (5) days after the full execution of this lease and immediately after the renewal date of such insurance; and written notice of the cancellation, termination, reduction or any other change in such insurance coverage not less than twenty-five (25) days prior to the effective date of such change.

10. SIGNS. The City may place identification signs upon the Premises, subject to the prior approval of the Lessor; and permission to place such signs shall not be unreasonably withheld by the Lessor. The Lessor shall have the right to place and maintain "For Rent" signs in a conspicuous place on said Premises and to show the Premises to prospective tenants for thirty (30) days prior to the expiration of this lease.

11. ALTERATIONS, ADDITIONS AND IMPROVEMENTS.

(a) The City shall not make or cause to be made any alteration, addition or improvement to said Premises without first obtaining the written consent of the Lessor for such work. Any alteration, addition or improvement that is made solely for the convenience of the City or any of its employees or agents, or of the program to be conducted on the Premises shall be at the sole cost and expense of the City or the program being conducted on the Premises except for an alteration, addition or improvement occasioned by inherent damage or a latent defect in the Premises or of the structure in which the Premises are located, the cost of which alteration, addition or improvement shall be as agreed upon by the City and the Lessor.

(b) The Lessor shall pay the cost of all alterations, additions, and improvements initiated for the Lessor's convenience, and save the City free and harmless from damage, loss or expense arising out of said alterations performed by the Lessor or on its behalf.

(c) If any of the alterations, additions and improvements as installed by the City may be removed without disturbance, molestation, or injury to the Premises, the City at its option, may remove or cause to be removed said improvements at the City's own expense or may surrender the same with the Premises to remain as a part thereof and to become the property of the Lessor upon the expiration or termination of this lease. In the event said improvements are surrendered, the Lessor and the City shall agree as to their value, and if they constitute a benefit to the Premises, compensation in the agreed amount therefor shall be made to the City within fifteen (15) days of said surrender. If the City and the Lessor cannot agree upon compensation for said benefit to the Premises, the City shall remove said alteration, addition and improvement, exercising due caution and care to minimize damage to the Premises. The Lessor shall accept responsibility for the minimal repair resulting from said improvement removal.

(d) The City shall not without the written consent of the Lessor, operate or install any electrical equipment or machinery (other than ordinary office equipment), or replace or relocate any electric light fixtures.

12. TERMINATION.

(a) Notwithstanding any other provision herein, in the event that either party to this lease defaults in the performance of any of the terms, provisions, covenants and agreements to be kept, observed and performed as provided in the following sections:

Part A –	TERM	Part B –	§3 UTILITIES AND OTHER SERVICES
	RENT		§4 CARE OF PREMISES
			§5 MAINTENANCE-REPAIRS

and such default is not corrected within thirty (30) days after the receipt of written notice thereof from the other party, then the non-breaching party may, at its option, immediately terminate this lease, without notice or other proceedings, and in such event the Lessor may also re-enter and take possession of the Premises. Damages may be claimed for a default in the performance of the other lease obligations, but such default shall not be cause for termination of this lease unless such default is repeated upon three or more occasions and a notice to comply is provided after each such instance.

(b) It is understood that funds for the payment of the rent herein are allocated out of monies received by the City from tax sources and/or other governmental entities and that funding for the program that occupies the Premises can be increased, changed, decreased, or eliminated by executive or legislative action. Therefore, it is agreed by the Lessor and the City that notwithstanding any other provision herein, in the



event said funding and/or program is increased, changed, decreased, or eliminated, or in the judgment of the executive or legislative authority of the City, continuation of the lease to its full term would be an unnecessary expenditure of public funds, then the City may terminate this lease without further obligation to the Lessor, after the City has provided the Lessor with written notice of such termination at least ninety (90) days prior to the effective date thereof and documentation of such executive or legislative action..

13. SURRENDER OF PREMISES. Upon the expiration or termination of this lease, including any extensions thereof, whichever is earlier, the City shall quit and surrender said Premises and all keys thereto, without notice and in as good condition as received at the commencement of the term hereof except for ordinary wear and tear; damage or destruction by fire or other casualty or circumstances uncontrollable by the City; property damaged, removed, or destroyed by the Lessor or its agents; latent defects or faulty construction of the structure of which the Premises comprise a part, not discoverable by inspection at the time of taking possession; and alterations, additions or improvements made to the Premises by the City.

14. ADJUDICATION. This lease shall be construed under all of the applicable laws, statutes, ordinances, rules and regulations of the United States of America, the State of Washington, and The City of Seattle. In the case of a dispute between the parties, jurisdiction over such dispute shall be with the Superior Court of King County, Washington.

15. NOTICES. All notices to be given by either of the parties hereto to the other party, including but not limited to invoices, shall be in writing and may either be delivered personally or may be deposited in the United States Mail, postage prepaid, as either certified or regular mail, addressed as specified in Part A hereof or to such other respective addresses as either party may from time to time designate in writing.

16. RELATIONSHIP. In no event shall the City be construed or held to have become in any way or for any purpose a partner, associate, or joint venturer of the Lessor or any party associated with the Lessor in the conduct of the Lessor's business or otherwise. This lease does not constitute the Lessor as the agent or legal representative of the City for any purpose whatsoever.

17. AMENDMENTS. The parties hereto expressly reserve the right to renegotiate any and all of the provisions hereof from time to time as may be necessary and to amend this lease accordingly; Provided, however, that no alteration or modification of the terms or conditions hereof shall be valid and binding unless made in writing and signed by the authorized representative of the parties hereto.

18. NO WAIVER OF DEFAULT. The City does not waive full compliance with the terms and conditions of this lease by the payment of rent. No waiver of default by either party of any of the terms, covenants, and conditions hereof to be performed, kept and observed by the other party shall be construed as, or operated as, a waiver of any subsequent default or of any of the terms, covenants, and conditions herein contained, to be performed, kept and observed by the other party.

19. BINDING EFFECT. This lease shall be binding upon the heirs, successors, assigns, and all other parties legally empowered with signatory rights of any or all of the parties hereto.

20. INVALIDITY OF PROVISIONS. Should any term, provision, condition or other portion of this lease be held to be inoperative, invalid or void, the same shall not affect any other term, provision, condition or other portion of this lease; and the remainder of this lease shall be effective as if such term, provision, condition or portion had not been contained herein.

**Attachment 1**

**SCHEDULE OF UTILITIES AND OTHER SERVICES**

**SERVICES TO BE  
PROVIDED BY LESSOR:**

Water

Sewer

Garbage

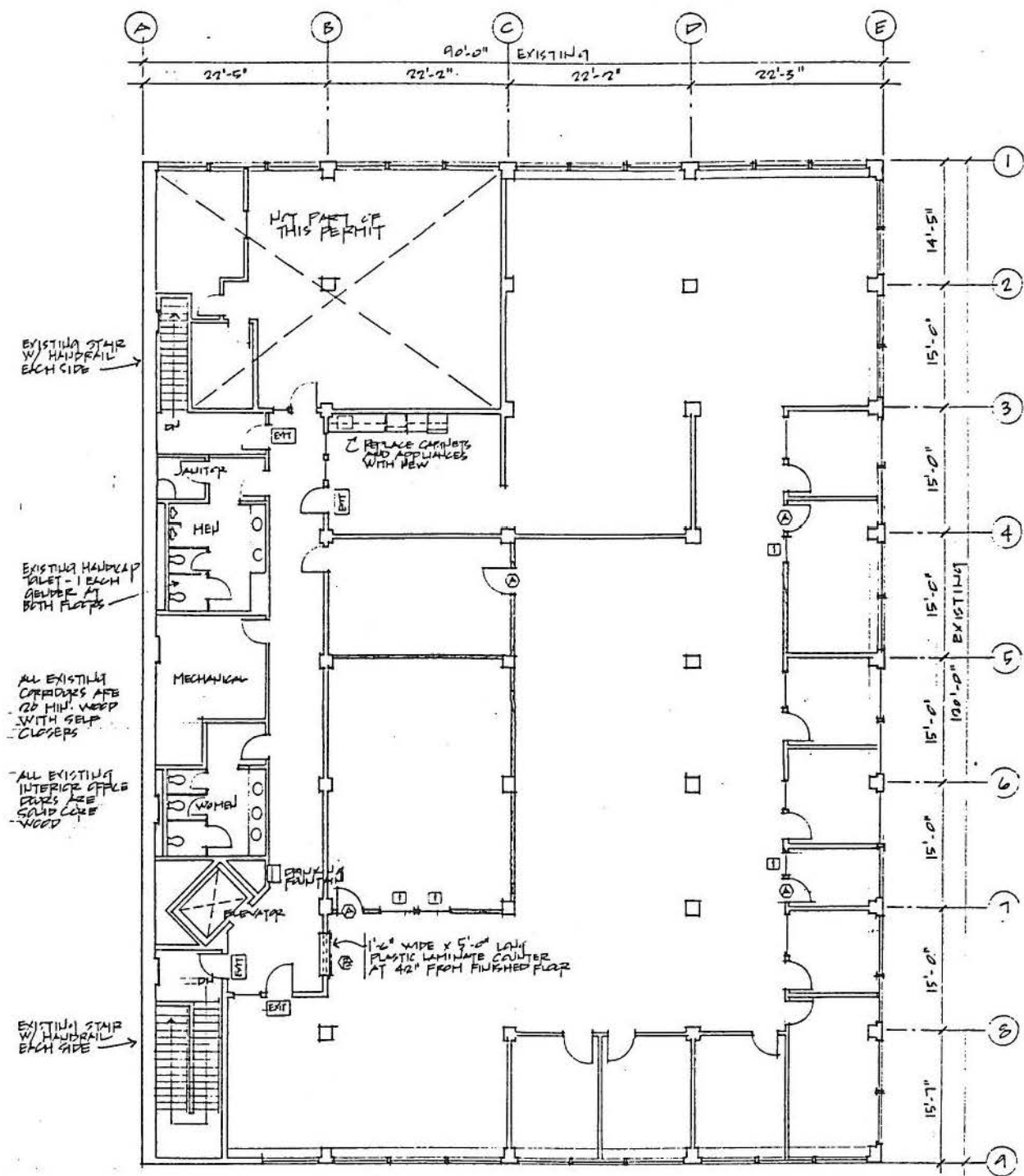
Electrical

Heating/Ventilating/Air Conditioning

Janitorial

## Attachment 2

### SCHEMATIC



SECOND FLOOR PLAN

1/8" = 1'-0"

- ===== EXISTING WALLS TO REMAIN
- NEW WALLS TO BE CONSTRUCTED - APPROX 112 LF.
- EXISTING WALLS TO BE DEMOLISHED - APPROX 5 LF.

