

Attachment \_\_\_\_\_: Term Sheet

LEASE OF PROPERTY FROM THE CITY OF SEATTLE TO  
MBTOD PHASE ONE LLLP, AN AFFILIATE OF  
MERCY HOUSING NORTHWEST AND EL CENTRO DE LA RAZA

This term sheet describes the basic terms of the proposed lease (the "Ground Lease") of property located at 2929 27th Ave S, Seattle, WA 98144 (the "Property") between THE CITY OF SEATTLE (the "City") and MBTOD PHASE ONE LLLP, a Washington limited liability limited partnership ("Lessee"), a subsidiary of MERCY HOUSING NORTHWEST, a Washington nonprofit corporation ("Mercy") and EL CENTRO DE LA RAZA ("El Centro", and together with Mercy, the "Sponsors"). The Ground Lease will be entered into subject to the conditions set forth below and on the following terms:

1. **Ground Lease.** The Ground Lease term shall be for 99 years.
  
2. **Consideration.** In consideration for the City leasing the Property to Lessee for rent of \$1/year, Lessee shall agree to construct or cause to be constructed within the Property improvements substantially as described in those plans and specifications prepared by Runberg Architecture Group, PLLC more specifically described in SDCI Permit Nos. \_\_\_\_\_ (collectively, the "Project"). Which improvements shall include 239 units of Low-Income Housing, along with approximately 31,728 square feet of commercial space intended to be used as an early learning research facility known as the Rainier Valley Early Learning Campus operated by the University of Washington's College of Education, and a portion of which will serve as a licensed childcare center, common spaces, and associated uses. Sponsors intend to develop an adjacent affordable housing project as a second phase of development to be governed by a separate ground lease.
  
3. **Conditions of the City's Ground Lease of the Property:**
  - a. Lessee shall have obtained approval from the Director of the Office of Housing (the "Director") of the final plan set for the Project and development budget for development of the Project.
  - b. Lessee shall have obtained permits for the development of the Project consistent with the designs approved by the Office of Housing.
  - c. Lessee shall have provided evidence satisfactory to the Office of Housing that Lessee has secured all necessary construction financing to fund the construction of the Project. The Sponsors will be responsible for securing the balance of funding needed to fully fund the Project.
  
4. **Other conditions.**

- a. The Ground Lease will contain other conditions determined by the Director to be necessary to provide the desired outcomes.
- b. The Ground Lease of the Property shall be "AS IS," without any warranty as to any matters related to title or the condition of the Property, including without limitation the presence of any encroachments, hazardous materials or any other environmental matters of the Property. Notwithstanding the foregoing, the City shall provide easements and/or licenses on adjacent property owned by the City reasonably necessary for construction and operation of the Project.
- c. The permitted use under the Ground Lease will require, for at least 50 years, development and operation of 239 units of housing for Low-Income Housing built on the Property and dedicated space for approved commercial uses, including the planned community retail space and the early learning research facility to be located on the ground and first floors.
- d. The parties shall agree on a form of documents to create the condominium ownership structure at the Property that will allow for the creation of the condominium units that will contain (1) the community retail space to be conveyed to El Centro or an entity created by Grow America, and (2) the early learning center to be conveyed to El Centro and allow the further conveyance or lease of such condominium unit to the University of Washington (the "Condominium Documents").
- e. The Ground Lease shall provide commercially reasonable mortgagee protections and notice and cure rights in the event of default for the Lessee's investor limited partner.