

CITY COUNCIL AGENDA BILL

City of Black Diamond
Post Office Box 599
Black Diamond, WA 98010

ITEM INFORMATION		
SUBJECT: Resolution Regarding a Lease Agreement with Sorci Family LLC for City Office Space	Agenda Date: October 29, 2020 AB20-073	
	Mayor Carol Benson	X
	City Administrator	
	City Attorney David Linehan	
	City Clerk – Brenda L. Martinez	
	Com Dev – Barb Kincaid	
	Finance – May Miller	
	MDRT/Ec Dev – Andy Williamson	
	Police – Chief Kiblinger	
	Public Works – Seth Boettcher	
Cost Impact (see also Fiscal Note):	Court – Stephanie Metcalf	
Fund Source:		
Timeline:		
Agenda Placement: <input checked="" type="checkbox"/> Mayor <input type="checkbox"/> Two Councilmembers <input type="checkbox"/> Committee Chair <input type="checkbox"/> City Administrator		
Attachments: Proposed Resolution and Proposed Lease Agreement		
SUMMARY STATEMENT: Mayor Benson will be addressing this item with Council.		
FISCAL NOTE (Finance Department):		
COUNCIL COMMITTEE REVIEW AND RECOMMENDATION:		
RECOMMENDED ACTION: MOTION to approve a Resolution approving a new lease agreement for City Hall and authorizing the Mayor to execute the lease agreement with Sorci Family LLC.		
RECORD OF COUNCIL ACTION		
<i>Meeting Date</i>	<i>Action</i>	<i>Vote</i>
October 28, 2020		

RESOLUTION NO. 20-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
BLACK DIAMOND, KING COUNTY, WASHINGTON,
APPROVING A NEW LEASE FOR CITY HALL**

WHEREAS, the City's current administrative offices are spread out among multiple buildings, including two portable trailers and approximately one-fourth of the City Hall building located at 24301 Roberts Drive; and

WHEREAS, the owner of the City Hall building, Sorci Family LLC, has expressed its willingness to lease the entire building, consisting of 8,000 square feet, to the City for an eight-year term beginning in 2021, at a favorable rental rate and with an option for a further extension at market rates; and

WHEREAS, leasing the entire 8,000 square feet of the City Hall building would allow the City to operate more efficiently, with all administrative staff under one roof, and with more square footage than is presently available to the City under its present lease arrangements; and

WHEREAS, the proposed lease terms for the full City Hall building represent a substantial cost savings to the City over its current arrangements and present an opportunity for the City to accommodate additional staff and expanded customer services as the City grows; and

WHEREAS, the Sorci Family LLC has agreed to lease the full City Hall building to the City on the terms and conditions set forth in the attached lease agreement, and the City Council finds that proposed lease is financially prudent and in the best interests of the City;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The Mayor is hereby authorized to execute a new eight-year lease agreement with Sorci Family LLC, allowing the City to occupy the full 8,000 square feet of the current City Hall building at 24301 Roberts Drive, with the lease terms to be substantially as stated in the form attached hereto.

PASSED BY THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, WASHINGTON, AT A SPECIAL MEETING THEREOF, THIS 29TH DAY OF OCTOBER, 2020.

CITY OF BLACK DIAMOND:

Carol Benson, Mayor

Attest:

Brenda L. Martinez, City Clerk

COMMERCIAL LEASE AGREEMENT
FOR CITY HALL BUILDING

This Commercial Lease Agreement ("Lease") is made and entered into as of the ___ day of _____, 2020 ("Effective Date") by and between Sorci Family LLC, a Washington limited liability company ("Lessor"), and the City of Black Diamond, a Washington noncharter code city organized under Title 35A, Revised Code of Washington ("Lessee"). Collectively, Lessor and Lessee are referred to herein as the "Parties," with each being a "Party."

The Parties agree as follows:

1. Leased Premises. Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, the entirety of that certain office building commonly referred to as City Hall ("Leased Premises"), consisting of approximately 8,000 square feet and located at 24301 Roberts Drive, Black Diamond, Washington, situated on the land legally described in Exhibit A to this Lease and identified by the King County Assessor as Parcel No. 1521069093 ("Sorci Parcel"). Lessee agrees and acknowledges that it has inspected the Leased Premises and accepts the same in the current AS IS condition. Lessor shall have no obligation to make any improvements or alterations in connection with Lessee's occupancy, including without limitation any improvements or upgrades required by laws, codes, or regulations, including without limitation the Americans With Disabilities Act. Lessee shall be responsible for making all improvements and alterations to the Leased Premises desired or required in connection with its lease and occupancy of the same.

2. Termination of Prior Lease. Effective as of the Commencement Date (as defined below) of this Lease, that certain Lease For Real Property dated February 20, 2015 (the "Prior Lease"), and previously entered into by the Parties for the lease of approximately 2,000 square feet of the Leased Premises ("Existing Leased Space") will terminate and be superseded by this Lease. No termination fee under the Prior Lease is due, and as of the Commencement Date, all obligations owed by the Parties to each other under the Prior Lease will be superseded by this Lease, except that Section 8 of the Prior Lease, concerning indemnification and insurance, will remain in effect with respect to any claims, suits, actions, or liabilities arising from events occurring prior to the Commencement Date. It is the intent of the Parties that Lessee will continue to occupy the Existing Leased Space and pay full rent and other charges pursuant to the Prior Lease from the Effective Date through the Commencement Date, at which time the Existing Leased Space shall become a part of the Leased Premises pursuant to this Lease.

3. Term. This Lease is for a term of eight (8) years commencing on May 1, 2021 (the "Commencement Date"), and ending on April 30, 2029 (the "Term"). Lessee may extend the Lease for one (1) additional period of five (5) years (the "Extension Term"); provided that written notice of Lessee's intent to extend is provided to Lessor at least nine (9) months prior to expiration of the initial Term. If Lessee's notice of intent to extend is timely given, and if Lessee is not then in default of any material provision of the Lease, then the Lease shall be extended for the Extension Term on the same terms and conditions hereof, subject to adjustment of the Rent, as described below. Notwithstanding the above, in the event latent defects in the structure of the Building that require repair in order for Lessee to occupy the Leased Premises and/or hazardous substances required to be remediated are discovered and result in delay of Lessee's initial improvement and occupancy of the Leased Premises pursuant to Section 5 below, the Commencement Date will be delayed day-for-day for each day that Lessee's improvement and occupancy of the Leased Premises is delayed as a result of such required repairs or remediation, in which event the expiration of the initial Term shall be the date eight (8) years after such delayed Commencement Date.

4. Delivery of Leased Premises/Pre-Commencement Occupancy. Lessor shall deliver the Leased Premises (other than the Existing Leased Space which is already occupied and leased by Lessee) to Lessee on February 1, 2021 for purpose of Lessee's commencement and completion of Lessee's improvements to the Leased Premises pursuant to Section 5 below. For purposes of this Section 4, the Leased Premises, excluding the Existing Leased Space, is divided into two separate areas consisting of (a) the eastern half of the 2nd floor, consisting of approximately 2000 square feet; and (b) the western half of the building (both 1st floor and 2nd floor) consisting of approximately 4000 square feet (each a "Segment"). Provided that Lessee does not occupy any Segment of the Leased Premises (i.e. other than the Existing Leased Space) for normal business operations, Lessee's obligation to pay Base Rent and other charges under this Lease with respect to the remaining Segments of the Leased Premises shall not commence until the Commencement Date. Notwithstanding the above, in the event Lessee occupies all or any portion of one or both Segment(s) for normal business operations prior to the Commencement Date, Lessee shall pay rent for the entire pertinent Segment(s) ("Pre-Commencement Rent") in an amount of \$1.125 per square foot of such Segment(s) from the commencement of such beneficial occupancy until the Commencement Date, at which time Base Rent for the entire Leased Premises will commence pursuant to Section 6 below. Pre-Commencement Rent shall be payable monthly in advance prior to Lessee's taking occupancy of the pertinent Segments for business operations.

5. Alterations and Improvements. Lessee will not make changes or alterations to the Leased Premises without Lessor's prior written consent, which consent shall not be unreasonably withheld. To avoid uncertainty, Lessor preapproves the proposed changes and alterations listed on Exhibit B attached hereto. If Lessee desires to make improvements to the interior of the Leased Premises that are not listed on Exhibit B to better accommodate the City's purposes and to improve the functionality of the building for City offices, Lessee shall provide Lessor with plans and specifications for the same and seek Lessor's consent, which shall not be unreasonably withheld. Lessor shall cooperate with Lessee in connection with its making requested improvements and in obtaining necessary permits, so long as Lessee provides adequate assurances to protect the Leased Premises from liens. Lessee agrees to indemnify and hold Lessor harmless from any claims arising from or relating to the interior modifications. Lessee shall not allow any liens to be filed against the Leased Premises or Sorci Parcel in connection with any such work by Lessee.

6. Base Rent.

- a. Initial Term Base Rent. Subject to Lessee's obligation to pay Pre-Commencement Rent if applicable pursuant to Section 4 above, Lessee shall pay Lessor base monthly rent ("Base Rent") under this Lease in advance on or before the eighth (8th) day of each calendar month during the Term. Except for delays in the Commencement Date due to the discovery of latent defects or hazardous conditions described in Section 3 above, Lessee's obligation to commence paying Base Rent and other charges hereunder shall not be conditioned on completion of any improvements, receipt of occupancy certificates or other conditions, it being the agreement of the Parties that Lessee will be solely responsible for timely completion of its improvements as required to allow for occupancy of the Leased Premises when desired by Lessee. The initial Base Rent payable by Lessee to Lessor for each of the first twelve (12) months of the Term (April 2021-March 2022) is Nine Thousand and No/100 U.S. Dollars (\$9,000.00) per month. On April 1, 2022 and on April 1 of each year thereafter during the initial Term, the Base Rent payable by Lessee hereunder shall be increased to reflect the increase in the Consumer Price Index for All Urban Workers for the Seattle/Tacoma/Everett metropolitan areas, as published by the US Department of Labor (the "CPI-U"), during the prior twelve (12) month period (i.e. June 1, 2021- June 1, 2022; June 1, 2022 - June 1, 2023, etc.).

Notwithstanding the above, the increase in Base Rent shall not increase by more than five percent (5%) per year on a cumulative basis.

- b. Extension Term Rent. In the event Lessee timely exercises its option to extend pursuant to Section 3 above, the Base Rent for the first twelve (12) months of the Extension Term shall be adjusted to be the fair market rental value of the Leased Premises as of the date of commencement of the Extension Term, with annual CPI-U adjustments as set forth above for each subsequent year of the Extension Term. The Parties shall attempt in good faith to agree on the fair market rent for the Extension Term within the thirty (30) day period after Lessor's receipt of Lessee's election to extend. If the Parties cannot agree on such fair market rent within such thirty (30) day period, the determination of fair market rent for the first year of the Extension Term shall be pursuant to the appraisal procedures attached hereto as Exhibit C.

7. Utilities. In addition to Base Rent, Lessee shall pay one hundred percent (100%) of all electric, gas, solid waste, water, and sanitary sewer charges for services supplied to or with respect to the Leased Premises. Lessee shall also reimburse Lessor for an amount equal to seventy-five percent (75%) of the stormwater charges for the Sorci Parcel. Notwithstanding the foregoing, Lessor remains responsible for one hundred percent (100%) of the amount of any utility assessments charged to the Sorci Parcel for construction of systemwide utility improvements (e.g., local improvement district and utility local improvement district assessments). To the extent not paid directly by Lessee, Lessor shall bill Lessee not less frequently than quarterly and Lessee shall pay the amount therein within thirty (30) days of receipt.

8. Taxes. Lessor shall pay all applicable real property taxes due on the Leased Premises and Sorci Parcel.

9. Parking. Lessor shall provide a minimum of twenty-seven (27) parking stalls in the surface parking area on the Sorci Parcel, the location of which are depicted on Exhibit D attached hereto, for the use of Lessee and its personnel and visitors. Lessor agrees that it will not allow other uses of the Sorci Parcel that would prevent Lessee, its personnel, and visitors full use of such designated parking stalls as provided in this Section. The City, including its personnel and visitors, will also have non-exclusive access to other portions of the surface parking lot for City personnel and visitors to use as overflow parking on an as-available basis when necessary.

10. Maintenance and Repair. Lessor shall at all times keep and maintain the parking lot on the Sorci Parcel, the exterior of the building in which the Leased Premises is located, landscaping and common areas surrounding the Leased Premises and the structural and exterior components of the building, roof and building systems (including the building HVAC system) in good condition and repair, reasonable wear and tear excepted. Lessor shall be responsible for the operation, maintenance, and repair (or replacement if needed) of the backup electrical generator that is currently connected to the Leased Premises. Lessee shall be responsible for maintaining the Leased Premises in good and clean condition and repair, normal wear and tear excepted. In addition, Lessee shall be responsible, at its cost, for any necessary snow and ice removal from the sidewalks, driveways, and parking areas on the Sorci Parcel used by Lessee and its visitors.

11. Insurance.

- a. Lessee Property and Liability Insurance. Lessee shall procure and maintain for the duration of the Term (and any Extension) a policy or policies of insurance insuring Lessee and Lessor against claims for injuries to persons and damage to property that may arise out of or in connection with Lessee's business operations and use of the Leased Premises and/or other parking and other common areas of the Sorci Parcel by Lessee, its agents, employees, vendors, consultants, licensees, and invitees, and from any act of negligence by Lessee, its agents, employees, vendors, consultants, licensees, and invitees. Lessee represents and warrants to Lessor that Lessee is a member of the Association of Washington Cities - Risk Management Services Agency (RMSA), which is a self-insured pool of municipal corporations in the State of Washington, and which has at least \$15,000,000 per occurrence of liability coverage that applies in the event an incident occurs that is attributable to the negligence of a member city. Lessor accepts these limits of coverage in satisfaction of this insurance obligation. Lessee shall also carry all-risk property insurance insuring against loss of Lessee's, furniture, fixtures, equipment and leasehold improvements in the Leased Premises, in an amount of full-replacement cost of such property.
- b. Lessor Property Insurance. Lessor shall be responsible for procuring and maintaining for at least the duration of the Term (and any

Extension Term) a commercially reasonable policy or policies of property insurance covering loss or damage to the Leased Premises.

12. Indemnification. Lessee shall defend, indemnify, and hold Lessor harmless against any and all claims, suits, actions, or liabilities for injury or death to any person, or loss or damage to any property, that arise out of or in connection with (a) Lessee's business operations, occupancy and use of the Leased Premises and/or other parking and other common areas of the Sorci Parcel, by Lessee, its agents, employees, vendors, consultants, licensees, and/or invitees, (b) any wrongful act or negligence by Lessee, its agents, employees, vendors, consultants, licensees, and/or invitees, and (c) any breach of this Lease by Lessee, and (d) from any work or activity done or permitted by Lessee to occur in or on the Leased Premises. However, Lessee is not liable to Lessor for any injury, death, loss, or damage caused by the sole negligence of the Lessor; and if any claims, suits, actions, or liabilities for injury, death, loss, or damage are caused by or arise from the concurrent negligence of Lessee and Lessor, then Lessee's liability is limited to the proportionate share of Lessee's negligence.

13. Assignment and Subletting by Lessee. Lessee shall not assign its interest in this Lease nor sublet all or any portion of the Leased Premises without Lessor's prior written consent, which shall not be unreasonably withheld.

14. Assignment by Lessor. This Lease may be assigned by Lessor without the consent of Lessee. In the event of an assignment of Lessor's interest in the Leased Premises, other than a transfer for security-interest purposes only, then upon the assumption of this Lease by the assignee, Lessor shall automatically be relieved of its obligations accruing from and after the date of such assignment, including any liability for retained security deposits or prepaid rent, for which assignee shall be liable.

15. Use of Premises. Lessee may occupy the Leased Premises for general office, administrative, and reasonable ancillary uses as permitted by law. Lessee agrees not to violate any law, ordinance, rule, or regulation of any governmental authority having jurisdiction over the Leased Premises.

16. Default. Lessee will be in default under this Lease ("Default") in the event:

(a) Base Rent or other amount payable by Lessee is not paid when due and fails to be paid within three (3) business days after written notice by Lessor to Lessee of such failure; or

(b) Lessee fails to comply with any other term, provision, or covenant under this Lease, other than the payment of Rent or other sums of money due hereunder, and such failure is not cured within ten business (10) days after written notice thereof by Lessor to Lessee; provided that if the nature of such cure is such that a longer cure period is required to cure, Lessee shall only be in default if Lessee fails to commence such cure within said ten (10) day period and thereafter to diligently prosecute such cure to completion.

Upon the occurrence of any Default set forth above, in addition to any other remedies available to Lessor at law or in equity, Lessor shall have the right to terminate this Lease and all rights of Lessee hereunder, and/or terminate Lessee's right of possession of the Leased Premises. In the event that Lessor shall elect to so terminate this Lease and/or Lessee's possession, then Lessor shall have the right to recover from Lessee: (i) any unpaid Base Rent and other sums which has been earned at the time of such termination plus interest at the rates contemplated by this Lease, plus (ii) the amount by which the unpaid Base Rent and other sums which would have been payable by Lessee under this Lease after termination and during the Lease Term (or Extension Term if applicable) exceeds the amount of such rental loss that Lessee proves could have been reasonably avoided plus interest at the rates contemplated by this Lease; and (iii) the reasonable costs incurred by Lessor in reletting the Lease Premises.

17. Written Notices. All notices required or allowed under this Lease shall be considered effective when (1) personally delivered to; (2) transmitted by email showing date and time of transmittal to; (3) received by prepaid, certified U.S. Mail, return receipt requested, addressed to; or (4) received by overnight express carrier addressed to:

If to Lessor: Sorci Family LLC
c/o Mario Sorci

Email: _____

If to Lessee: City of Black Diamond
Attn: Mayor
P.O. Box 599
24301 Roberts Drive
Black Diamond, WA 98010

18. Force Majeure. Neither Party shall be considered in default of any performance of any obligation under this Agreement if such performance is prevented or delayed by Force Majeure, which means any act of God, riot, civil disturbance, epidemic, strike, governmental control, war, fire, natural calamity, or other act or occurrence beyond the reasonable control of the Party; provided that no such event shall be applied to allow delay in payment of Base Rent or other sums payable by Lessee hereunder as and when due. A Party's performance hereunder (other than obligations to pay rent or other sums) shall be excused or extended for as long as, and to the extent that, the Party's delay in compliance or completion is due to a Force Majeure event, provided that the Party takes all reasonable and practicable steps to effect a prompt resumption and resolution of its responsibilities hereunder.

19. Waiver. A failure to enforce one or more of the covenants, conditions, and promises in this Lease by either Party shall not be construed or deemed to be a waiver of any separate or subsequent breach of the same or another covenant, condition, or promise of this Lease and shall not operate as a waiver, consent, acquiescence, or estoppel against future enforcement.

20. Entire Agreement. The Prior Lease, this Lease, including the Exhibits hereto, contain the entire agreement of the Parties concerning the use and occupancy of the Leased Premises and the Sorci Parcel. No prior or contemporaneous agreements, promises, or understandings pertaining to the subject matter of this Lease is valid or any force or effect and all such prior agreements, promises, and understandings are hereby superseded. This Lease and the obligations of the Parties hereunder shall not be altered or amended except by a subsequent written instrument signed by the duly authorized representatives of the Parties.

21. Governing Law. This Lease is governed by and shall be interpreted, construed, performed, and enforced according to the laws of the State of Washington, excluding its choice-of-law rules.

22. Jurisdiction, Venue, and Attorney Fees. Any dispute concerning the performance, interpretation, or enforcement of this Lease shall be brought exclusively in the Superior Court of King County, Washington, which the Parties acknowledge has personal and subject-matter jurisdiction and shall be the exclusive venue for any such dispute. The substantially prevailing party in any such dispute shall be entitled to recover its reasonable attorney fees and court costs.

23. Severability. The provisions of this Lease are severable. If any provision is for any reason held by a court of competent jurisdiction to be invalid or unenforceable against any person or entity, such invalidity or unenforceability shall not affect the validity of any other provisions of the Lease or its enforceability against any other person or entity.

ACCEPTED AND AGREED TO BY:

SORCI FAMILY LLC, Lessor

CITY OF BLACK DIAMOND, Lessee

By: _____
Mario Sorci

By: _____
Carol Benson, Mayor

Date: _____

Date: _____

ATTEST:

Brenda L. Martinez, City Clerk

APPROVED AS TO FORM:

David A. Linehan, City Attorney

LESSOR ACKNOWLEDGEMENT

STATE OF _____)

: ss.

County of _____)

I certify that I know or have satisfactory evidence that the persons appearing before me and making this acknowledgment are the persons whose true signatures appear on this document.

On this _____ day of _____, 2020, before me personally appeared Mario Sorci, to me known to be the _____ of SORCI FAMILY, LLC, a Washington limited liability company, the limited liability company that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument.

WITNESS my hand and seal hereto affixed the day and year first above written.

Type or Print Name: _____

Notary Public in and for the State of
_____, residing at _____

My commission expires _____

LESSEE ACKNOWLEDGEMENT

STATE OF _____)

: ss.

County of _____)

I certify that I know or have satisfactory evidence that the persons appearing before me and making this acknowledgment are the persons whose true signatures appear on this document.

On this ____ day of _____, 2020, before me personally appeared Carol Benson, to me known to be the Mayor of CITY OF BLACK DIAMOND, a Washington noncharter code city organized under Title 35A, the noncharter code city that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument.

WITNESS my hand and seal hereto affixed the day and year first above written.

Type or Print Name: _____

Notary Public in and for the State of
_____, residing at _____

My commission expires _____

EXHIBIT A

LEGAL DESCRIPTION

POR NE 1/4 BEG NE COR TH S ALG E LN 1296.05 FT TH S 89-51-08 W 239.34 FT TAP ON E LN TR DESC AUD # 3031570 & TPOB TH N 87-45-28 W 238.48 FT TO W LN TR DESC AUD #1645619 TH N 3-30-28 W COMMON WITH LN DESC AUD #1645619 240.81 FT TH S 87-45-28 E 180.9 FT TH S 63-12-28 E TO NE COR TR DESC AUD #3031570 TH S 0-08-52 E COMMON WITH LN DESC AUD #3031570 TO TPOB AKA POR OF PCL 1 OF BLACK DIAMOND SP NO 78-007 RECORDING NO 7811039014 TGW N 93 FT OF FOLG DESC PCL - BEG NE COR SD SEC 15 TH S ALG E LN OF SEC 1915.41 FT TH S 89-51-08 W 440.67 FT TO SW COR OF TR CONV UNDER AUD #1645619 & TPOB TH N 03-30-28 W ALG W LN OF SD TR 630.39 FT M/L TO SW COR SD PCL 1 BD SP 78-007 REC #7811039014 TH S 87-45-28 E 178.48 FT M/L TAP 60 FT W FR TR DESC UNDER REC # 7501070376 TH S 0-08-52 E 320 FT M/L PLT W LN OF SD TR TAP 60 FT W FR SW COR THOF TH S 05-45-43 W 308 FT M/L TO SE COR OF TR DESC UNDER AUD #1656204 TH N 87-45-28 W ALG S LN OF TRS DESC UNDER AUD #1656204 & 1645619 DIST 110 FT TO TPOB - SD PCL CONTAINS ALL OF LOT B OF BLACK DIAMOND LLA #90-02 REC #9002280435

EXHIBIT B
PREAPPROVED IMPROVEMENTS

Lessee is authorized to proceed with the following interior improvements at Lessee's expense.

1. Interior wall and door changes.
2. Interior Painting
3. Phone and computer data line routing
4. Wiring for additional plugs or circuits
5. Upgrade the HVAC for the computer network room
6. Plumbing fixture upgrades
7. Recarpeting
8. Additional structural support under the flooring of the server room to support the weight of the server and related equipment

EXHIBIT C

DETERMINATION OF FAIR MARKET RENT FOR EXTENSION TERM

(i) If the parties are unable to agree upon the Base Rent for the Extension Term within thirty (30) days after Lessee's exercise of its option to extend pursuant to Section 3 of the Lease, each Party, at its own cost and by giving notice to the other Party, shall appoint a real estate appraiser with at least five (5) years' full-time commercial real estate appraisal experience in the area in which the Leased Premises are located to appraise and set Base Rent for the Extension Term. If a Party does not appoint an appraiser within ten (10) days after the other Party has given notice of the name of its appraiser, the single appraiser appointed shall be the sole appraiser and shall set Base Rent for the Extension Term. If each Party shall have so appointed an appraiser, the two appraisers shall meet promptly and attempt to set the rent for the Extension Term. If the two appraisers are unable to agree within thirty (30) days after the second appraiser has been appointed, they shall attempt to select a third appraiser meeting the qualifications herein stated within ten (10) days after the last day the two appraisers are given to set Base Rent. If the two appraisers are unable to agree on the third appraiser within such ten (10) day period, either of the parties to this Lease, by giving five (5) days' notice to the other party, may apply to the then presiding judge of the Superior Court of King County for the selection of a third appraiser meeting the qualifications stated in this paragraph. Each of the Parties shall bear one-half (1/2) of the cost of appointing the third appraiser and of paying the third appraiser's fee. The third appraiser, however selected, shall be a person who has not previously acted in any capacity for either Party.

(ii) Within thirty (30) days after the selection of the third appraiser, a majority of the appraisers shall set Base Rent for the Extension Term. If a majority of the appraisers are unable to agree upon the Base Rent within the stipulated period of time, the three appraisals shall be added together and their total divided by three (3). The resulting quotient shall be the Base Rent for the Premises during the Extension Term. If, however, the low appraisal and/or the high appraisal is/are more than five percent (5%) lower and/or higher than the middle appraisal, the low appraisal and/or the high appraisal shall be disregarded. If only one (1) appraisal is disregarded, the remaining two (2) appraisals shall be added together and their total divided by two (2), and the resulting quotient shall be Base Rent for the Premises during the Extension Term.

(iii) For purposes of the appraisal, the term "fair market rental value" shall mean an amount equal to one hundred percent (100%) of the rental that a ready and willing tenant would pay, as of the commencement date of the Extension Term, as a Base Rent to a ready and willing landlord of premises in similar office projects in the general geographic are of the Leased Premises of comparable size, quality and level of improvement, if such premises were exposed for lease on the open market for a reasonable period of time.

(iv) If Base Rent for the Extension Term has not been determined prior to the commencement of such Extension Term, Lessee will, until such determination, pay Base Rent at a rate equivalent to a ten percent (10%) increase of the Base Rent in effect immediately prior to the commencement of the Extension Term until the parties agree upon the new Base Rent, or until the Base Rent is determined in arbitration pursuant to this Exhibit C. The amount of the new Base Rent for the Extension Term will be applied retroactively to the beginning of such Extension Term, and any rent adjustment will be made in connection with the next installment of Base Rent due, following conclusion of arbitration.

(v) Upon determination of Base Rent for the Extension Term, Lessor and Lessee shall execute an amendment to this Lease memorializing the same.

EXHIBIT D

DIAGRAM OF PARKING SPACES
RESERVED FOR CITY HALL PERSONNEL AND VISITORS

