Impact on Potential Customers of Three Scenarios from 10/28/2019

City of Vancouver

10/28/2019

		Small Manufacturing	Retail	Professional Service	Large Manufacturing	Single-Family Household	Multi-Family Household
Gross Receipts		$7,500,000	$2,000,000	$1,000,000	$110,141,625		
Employees (FTEs)		37	20	8	750		
SF Occupied		37,000	10,000	4,000	750,000		
Property Assessed Value		$3,700,000	$1,500,000	$600,000	$60,700,000	$350,000	$75,000
Retail Sales/Use Tax base		$100,000	$2,000,000	$12,000	$1,468,555	$24,000	$19,240
City Utility Costs		$10,000	$3,000	$1,000	$950,000	$1,446	$1,157
Electricity Cost		$44,700	$12,300	$5,100	$906,081	$375	$300
Natural Gas Cost		$4,620	$1,940	$884	$93,649	$375	$300
Telephone Cost		$4,400	$8,000	$1,300	$89,189	$750	$600
Spending on Movies /theaters						$60	$60
Location - downtown		No	Yes	Yes	No	No	No
ESC Proposal							
Levy Lid Lift	$0.38	$1,406	$570	$228	$23,066	$133	$29
BLS/ FTE	$70	$2,590	$1,400	$560	$52,500	$0	$0
B&O	$0.00055	$4,125	$1,100	$550	$60,578	$0	$0
Admissions Tax	5%	$0	$0	$0	$0	$3	$3
Utility tax	2.5%	$350	$105	$35	$33,250	$51	$40
Business Improvement District	$0.42	n/a	$630	$252	n/a	n/a	n/a
Total Annual Impact		**$8,471**	**$3,805**	**$1,625**	**$169,394**	**$187**	**$72**
Total Monthly Impact		**$706**	**$317**	**$135**	**$14,116**	**$16**	**$6**
Scenario 1: Revenue Backfill							
Levy Lid Lift	$0.46	$1,702	$690	$276	$27,922	$161	$35
PIFs							
BLS/ FTE	$70	$2,590	$1,400	$560	$52,500	$0	$0
B&O	$0	$0	$0	$0	$0	$0	$0
Admissions Tax	5%	$0	$0	$0	$0	$3	$3
Utility tax	4.6%	$644	$193	$64	$61,180	$93	$75
Business Improvement District	$0.00	n/a	$0	$0	n/a	n/a	n/a
Total Annual Impact		**$4,936**	**$2,283**	**$900**	**$141,602**	**$257**	**$112**
Total Monthly Impact		**$411**	**$190**	**$75**	**$11,800**	**$21**	**$9**
Scenario 2: Reduction in Ask							
Levy Lid Lift	$0.38	$1,406	$570	$228	$23,066	$133	$29
BLS/ FTE	$70	$2,590	$1,400	$560	$52,500	$0	$0
B&O	$0	$0	$0	$0	$0	$0	$0
Admissions Tax	5%	$0	$0	$0	$0	$3	$3
Utility tax	2.5%	$350	$105	$35	$33,250	$51	$40
Business Improvement District	$0.00	n/a	n/a	n/a	n/a	n/a	n/a
Total Annual Impact		**$4,346**	**$2,075**	**$823**	**$108,816**	**$187**	**$72**
Total Monthly Impact		**$362**	**$173**	**$69**	**$9,068**	**$16**	**$6**
Scenario 3: Partial Revenue Backfill							
Levy Lid Lift	$0.42	$1,554	$630	$252	$25,494	$147	$32
BLS/ FTE	$70	$2,590	$1,400	$560	$52,500	$0	$0
B&O	$0	$0	$0	$0	$0	$0	$0
Admissions Tax	5%	$0	$0	$0	$0	$3	$3
Utility tax	3.3%	$462	$139	$46	$43,890	$67	$53
Business Improvement District	$0.00	n/a	$0	$0	n/a	n/a	n/a
Total Annual Impact		**$4,606**	**$2,169**	**$858**	**$121,884**	**$217**	**$88**
Total Monthly Impact		**$384**	**$181**	**$72**	**$10,157**	**$18**	**$7**

CITY OF **Vancouver** WASHINGTON

MEMORANDUM

DATE: October 22, 2019

TO: Mayor and Council

FROM: Eric Holmes, City Manager

RE: **October 28 Stronger Vancouver work session**

At the October 7 work session, the City Council gave direction on a few key elements of the Stronger Vancouver package. These were:

- Elimination of the business and occupation tax as a revenue source under the initiative.
- Confirmation of the Business License Surcharge (BLS) as a revenue source to be included as part of the initiative.
- Confirmation of a levy lid lift as the preferred property tax funding tool to engage voters under the initiative.

The October 28 Council meeting agenda has been designed to provide a forum for Council discussions and deliberations on the Stronger Vancouver without time constraints. There are a number of key points of direction pending from the Council that are needed to draft adoption documents for Council's final review and consideration. The Stronger Vancouver discussion is broken into two major blocks:

- 4:00 – 6:00: Stronger Vancouver
  - o Detailed review of remaining revenue elements – park impact fees and admissions tax
  - o Review of alternative scenarios
- 6:00 – 6:30: dinner break
- 6:30 – 6:45: brief special business meeting
- 6:45 – end: Stronger Vancouver
  - o Discussion, deliberation and direction on remaining variables

The remaining key points of direction include:

- Park Impact Fee rates: adjusting park impact fees plays a significant role in the overall capital funding strategy as recommended by the Executive Sponsors Council (ESC). The park impact fee rate is being reviewed by both the Parks and Recreation Advisory

Commission (PRAC) and the Planning Commission. ***The Planning Commission has not yet finished developing their recommendation. The recommendation is expected to occur in November prior to Council's final consideration.*** ($2.6 million annually)

- Admissions Tax: the admissions tax is the recommended tool to provide ongoing funding for the City's Arts, Culture and Heritage Program, a plan which was adopted by the Council in April 2018. The admission tax was identified in that plan as a way to fund the program. Though admissions tax is a general-purpose revenue, the ESC recommendation for admissions tax to be dedicated to funding an arts program is premised on the tax applying only to multi-screen theaters. ($0.5 million annually)

- Utility tax: the ESC recommendation is to increase the utility tax by 2.7%. The future operations center replacement project will rely in part on an increase in utility rates. The current recommendation anticipates offsetting increases in utility taxes proportionate to future rate increases associated with the operations center project to eliminate the compounding effect and assure that the revenue target from this source is met. This approach is anticipated to be memorialized in the ordinance enacting the utility tax increase included as part of the Stronger Vancouver package. ($2.7 million annually)

- Property Tax: with the direction to rely on a permanent levy lid lift from the last Council work session, the type of levy and rate still need to be determined. The options are a single-year permanent or multi-year permanent; the rate depends on the overall size of the package and the revenue derived from other sources.

Depending on the direction of Council on these revenue items, ***the overall scope of the package may need to change in composition and/or scale.***

Based on this and other Council discussions to date, the City team has developed three scenarios for Council's further consideration. These three scenarios serve as a discussion framework for Council to provide direction on the outstanding variables of the Stronger Vancouver effort. Where they reflect an overall reduction in the package, the scenarios generally favor capital projects over programs. In the reduction scenarios, they favor the priorities that have emerged through the Council discussions and community engagement, which are public safety, economic development, homelessness and parks.

A more detailed presentation of the scenarios will be provided under separate cover, but they are generally as follows:

	Scenario A: Good	Scenario B: Better	Scenario C: Best
Revenues	Elimination of B & O: Reduce by $5.5 m annually	Offset half of the revenue reductions associated with elimination of B & O through a combination of property tax and utility tax	Offset all of the revenue reductions associated with elimination of B & O through a combination of property tax and utility tax
Projects and Services	• Favor capital projects over programs • Favor the priorities that have emerged through the Council discussions and community engagement, which are public safety, economic development, homelessness and parks.		No change from prior Council discussions

Impact analysis

With the prior Council direction and introduction of new scenarios, staff has completed updated payer balance and typical impact analysis by household and business sector. This analysis will be provided to Council for reference in advance of Monday's work session.

Electoral Considerations

As Council narrows in on the scope and purpose of a levy lid lift, two elements will need to be finalized: the language of the ballot title and the timing of the election.

Below is a sample/draft ballot title that could serve as a basis for the Stronger Vancouver initiative that illustrates the statutory requirements along with the constraints they represent:

> *This proposition would fund construction, maintenance and operations of public safety, parks and recreation, streets, homelessness as follows: (1) increase the regular property tax levy to $2.XX per $1,000 assessed value for collection in 2021; (2) increase the 2022-2026 levy amounts by X.X%; and (3) authorize use of 2026 levy amount as the base for computing levies in succeeding years. Qualifying seniors and others would be exempt under RCW84.36.381. Should this proposition be approved?*
>
> *Statute limits ballot titles to 75 words or less; the above is 74 words.*

Relative to election timing, to assure adequate time for a fact-based educational effort as well as a separately run political campaign, targeting either an August 2020 primary election or a November 2020 general election would be most appropriate. The potential advantages or disadvantages of either are best answered by the Council.

Global Implementation Considerations

The Council's deliberations have been consistent to date reinforcing an interest in a phased implementation that provides both lead time and transition time for businesses and households affected by the package. Staff will be preparing implantation ordinances for Council's consideration and adoption later this year that reflect this principle. Further, in consideration of all of the variables inherent in both the Stronger Vancouver package as well as the general environment, January 1, 2021, would be both a viable and appropriate initial effective date of new revenues contemplated in the Stronger Vancouver package. Phasing would span 2021-2023, would initiate after the results of an election are understood, and would align with the next biennial budget cycle.

I look forward to Monday's deliberation and direction on the package to be brought back for final review and public hearings in November-December.

A Stronger Vancouver

CITY OF
Vancouver
WASHINGTON

October 28, 2019

Agenda

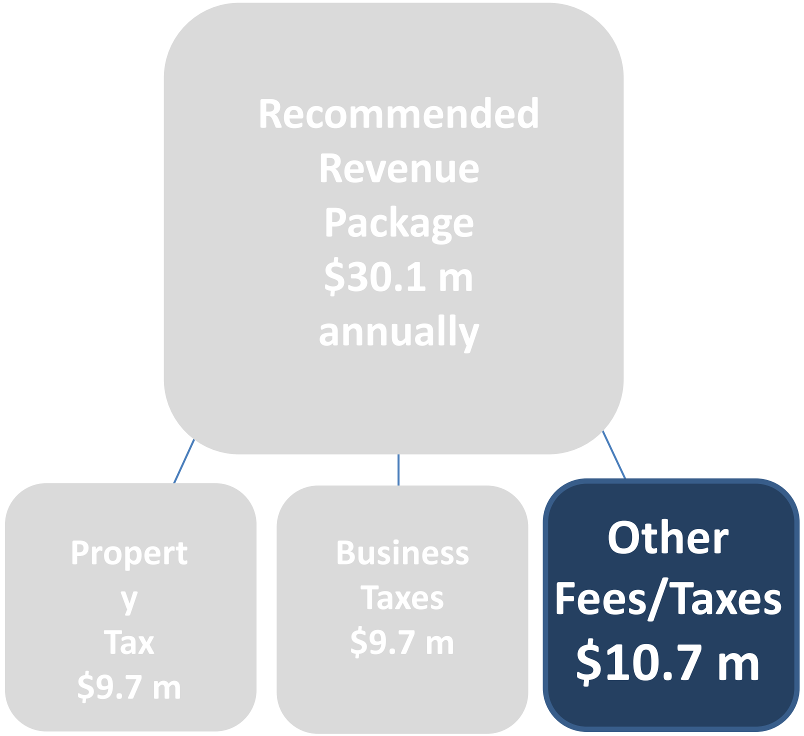
- Overview of Direction from 10/7/2019
- Wrap-up Review of Other Revenues
  - PIFs
  - Admissions Tax
  - Utility Tax
- Review Potential Alternate Package Scenarios
- Finalize direction on:
  - Elements
  - Composition
  - Phasing and timing of the funding proposal.

Revenues: Review Direction To-Date

- Exclude B&O re-instatement
- Exclude Business Improvement District
- Property Tax
  - Voted increase – Permanent Levy Lid Lift
    - Fund capital projects and operating programs
  - Single year/Multi-year preference pending
    - Single year: simpler but higher initial impact
    - Multi year: more complicated but potential for phase-in with lower initial impact
  - Election timing to be determined
  - No affordable housing fund component

ESC Revenue Recommendation: Other Taxes/Fees

- Utility tax
- Internet sales tax revenue
- Park Impact Fees
- Downtown Improvement Area
- Admissions tax
- Vehicle license tab



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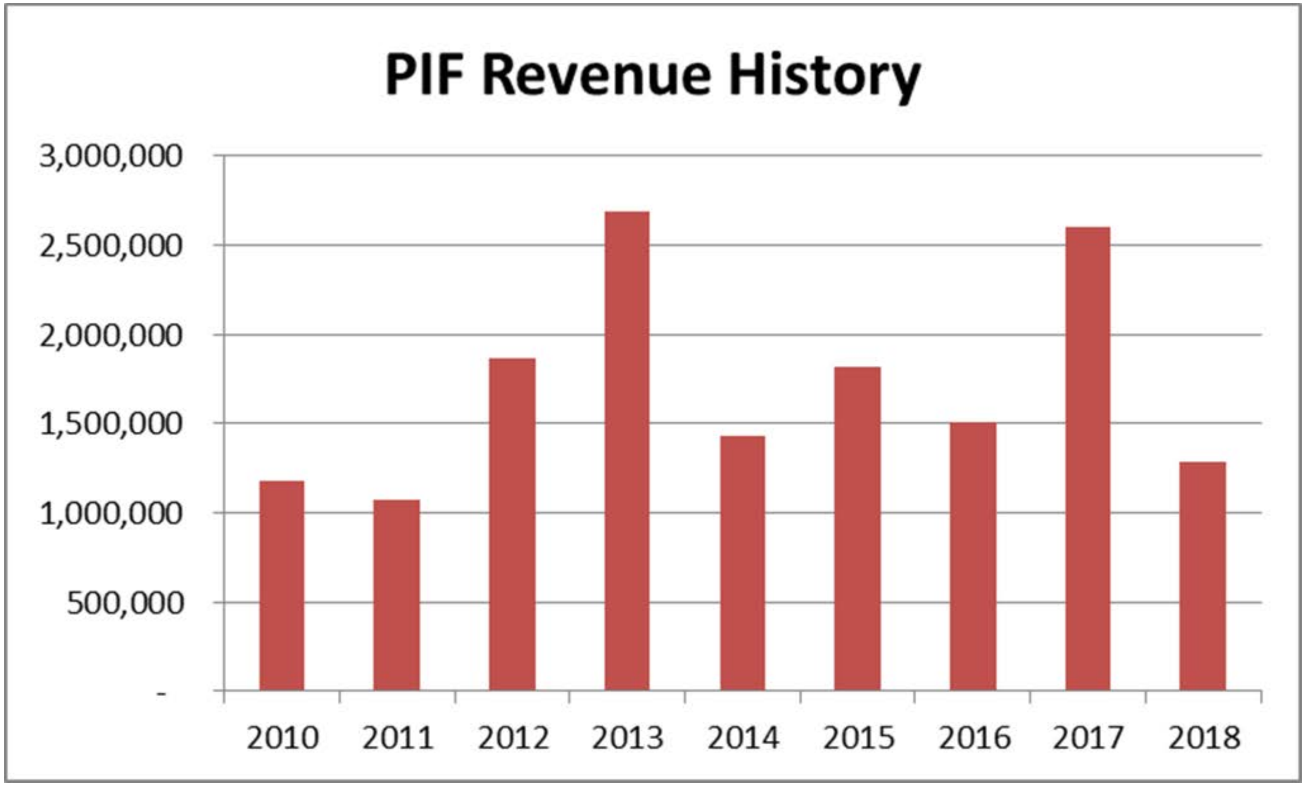
ESC Revenue Recommendation: Other Taxes/Fees

Tool	Rate	Annual Revenue	Use
Utility tax/rate	2.50% increase to current rate	$2.7 m	• **Fire sprinkler program** • **Recreation program fee reductions** • **Operations Center replacement**
Sales tax/ internet sales	n/a	$3.0 m	• **Operations Center replacement**
Park Impact Fees	Increase PIFs to reflect current real estate and construction costs	$2.6 m	• **Parks renovations**
Downtown Improvement Area	$0.42 per $1000 assessed value of business property downtown	$0.70 m	• **Other Taxes/Fees**
Admissions tax	5% of ticket price	$0.50 m	• **Culture, Arts & Heritage Program**
Vehicle license tab	$10 increase to current rate	$1.2 m	• **Commercial district infrastructure improvements**
Total: $10.7 m			

Service Package Recommendation: Parks Impact Fees

- The City has not raised rates since 2004
- A Stronger Vancouver anticipates $2.6 mil annually in <u>new</u> PIF revenue to fund a portion of Parks Capital projects
- Separate process for the PIF increase recommendations



Park Impact Fees
Proposed Amendments to Serve Future Growth

October 28, 2019
City Council Work Session

Julie Hannon, Director
Monica Tubberville, Park Planner

Discussion Outline

- Context - Comprehensive Plan Goals
- PIF Challenges
- Proposed Park Impact Fee Amendments
  - Rate Update
  - Vesting
  - Indexing
- Context - A Stronger Vancouver

Comprehensive Plan Goals Context

Parks and Open Space

- Provide and maintain parks, open spaces, and recreational services for all segments of the community consistent with adopted level of service standards.
- Facilities and services should support recreational activities, environmental or historical resource protection, and should preserve and enhance neighborhood identify and function.

Impact Fees

- Establish and maintain policies and regulations…to ensure that new development pay for a proportionate share.

Housing Affordability

- Formulate innovative policies, regulations and practices, and establish secure funding.
- Target affordability programs toward households with incomes below median.

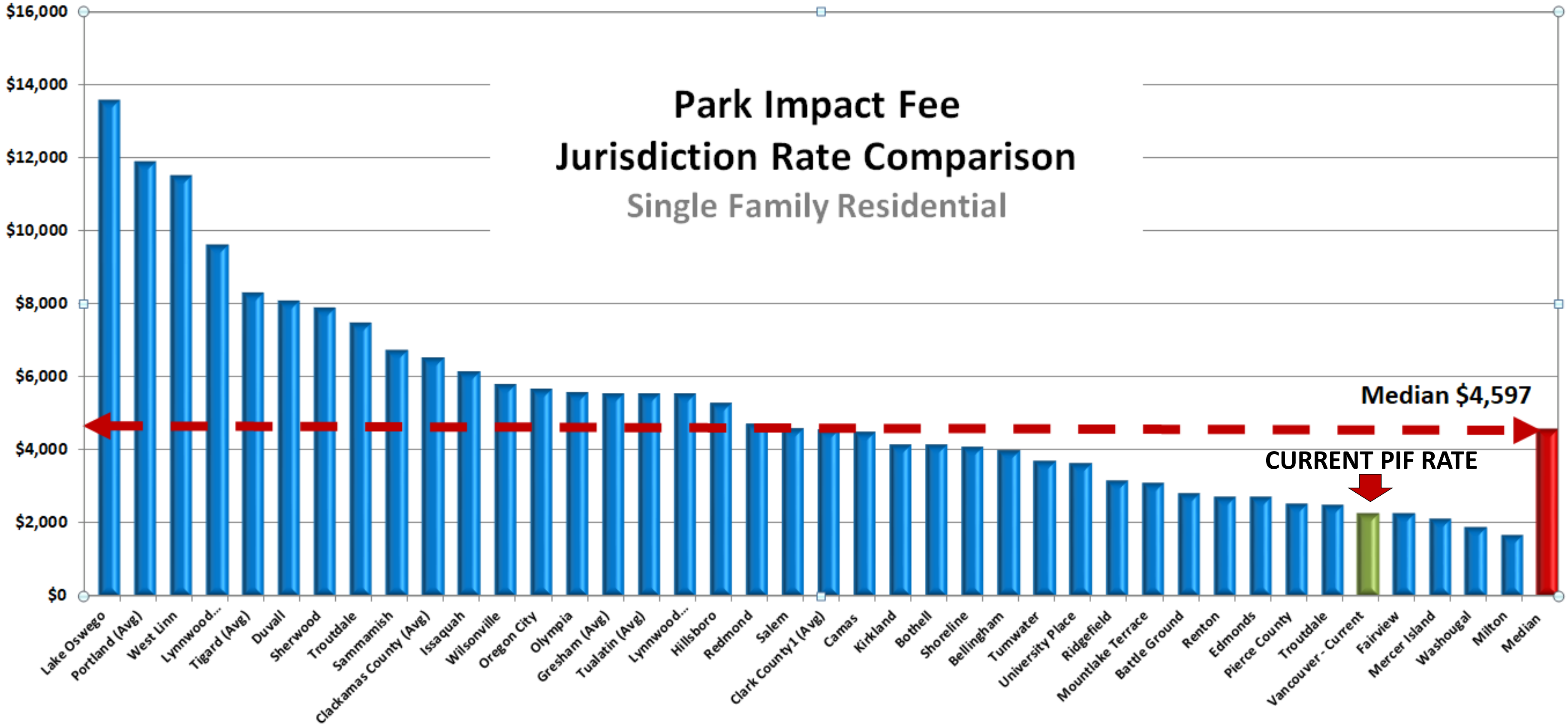
Funding Future Growth

- Impact Fees – Committed Funding Source for Infrastructure to serve future growth.
- Impact Fees cannot be used for existing deficit
- Cost Adjustment - other fees and taxes
- Supplemental Funding – Limited Availability
  - Real Estate Excise Tax
  - City General Fund
  - Grants
  - Donations
  - Partnerships
- Stronger Vancouver – Deficit focus

Challenges

- Current PIF Rates DO NOT reflect cost to support standard
- Declining Level-of-Service
  - 68% of Local Standard, 34% of National Standard
  - 35% of Residents Unserved (IF all sites were developed)
  - 21% Parks Undeveloped
- Growing Inequity
- Demand on City General Fund - Unsustainable
- Future Growth – 17,300 new residents
  - 100 additional acres Needed at $45 Million

Park Impact Fee Rates



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Cost Analysis

(Acquisition Costs + Development Costs) - CAF = PIF Rate

- Acquisition
  - Land - County Assessor Market Value Data (city-wide)
  - Transaction Costs -
  - Level 1 Improvements
- Development
- Cost Adjustment Factor (5%)
- Consistent Methodology

PARK STANDARDS

Acquisition:	6 acres / 1,000 Residents 5 ac / 1,000 NH & COM 1 ac / 1,000 UNA
Development:	4.25 ac / 1,000 Residents Themed features Irrigation

Current Fee vs. Preliminary Cost Analysis

PIF District	Current (2004) PIF Rates		2018 PIF Unit Rate Estimate		PIF Rate % Change	
	Single Family Unit (2.6 persons)	Multi-Family Unit (1.9 persons)	Single Family Unit (2.67 persons)	Multi-Family Unit (2.11 persons)	Single Family Unit % Change	Multi-Family Unit % Change
A	2,243	1,639	**7,822**	**6,182**	**249%**	**277%**
B	2,379	1,739	**11,336**	**8,959**	**377%**	**415%**
C	2,142	1,565	**9,959**	**7,870**	**365%**	**403%**
Avg	**$2,255**	**$1,648**	**$9,706**	**$7,671**	**330%**	**365%**

Outreach

- Clark County Association of Realtors
- Building Industry Association
- Individual Residential/Commercial Builders/Investors
- Bankers
- School Districts
- City of Vancouver Transportation
- Neighborhood Advocates
- SEPA Checklist / DNS

Current Fee vs. Adjusted Cost Analysis

	2004 - 2019 PIF Rates		2009-2019 Land Acq.Cost PIF Rate per Housing Type		PIF Rate % Change	
PIF District	**Single Family Unit** (2.6 persons)	**Multi-Family Unit** (1.9 persons)	Single Family (2.67 persons)	Multi-Family (2.11 persons)	Single Family % Change	Multi-Family % Change
A	2,243	1,639	6,813	5,385	204%	229%
B	2,379	1,739	6,813	5,385	186%	210%
C	2,142	1,565	6,813	5,385	218%	244%
Average	**2,255**	**1,648**	**6,813**	**5,385**	**203%**	**227%**

Estimated w/ $250,000 / acre for Land Acquisition

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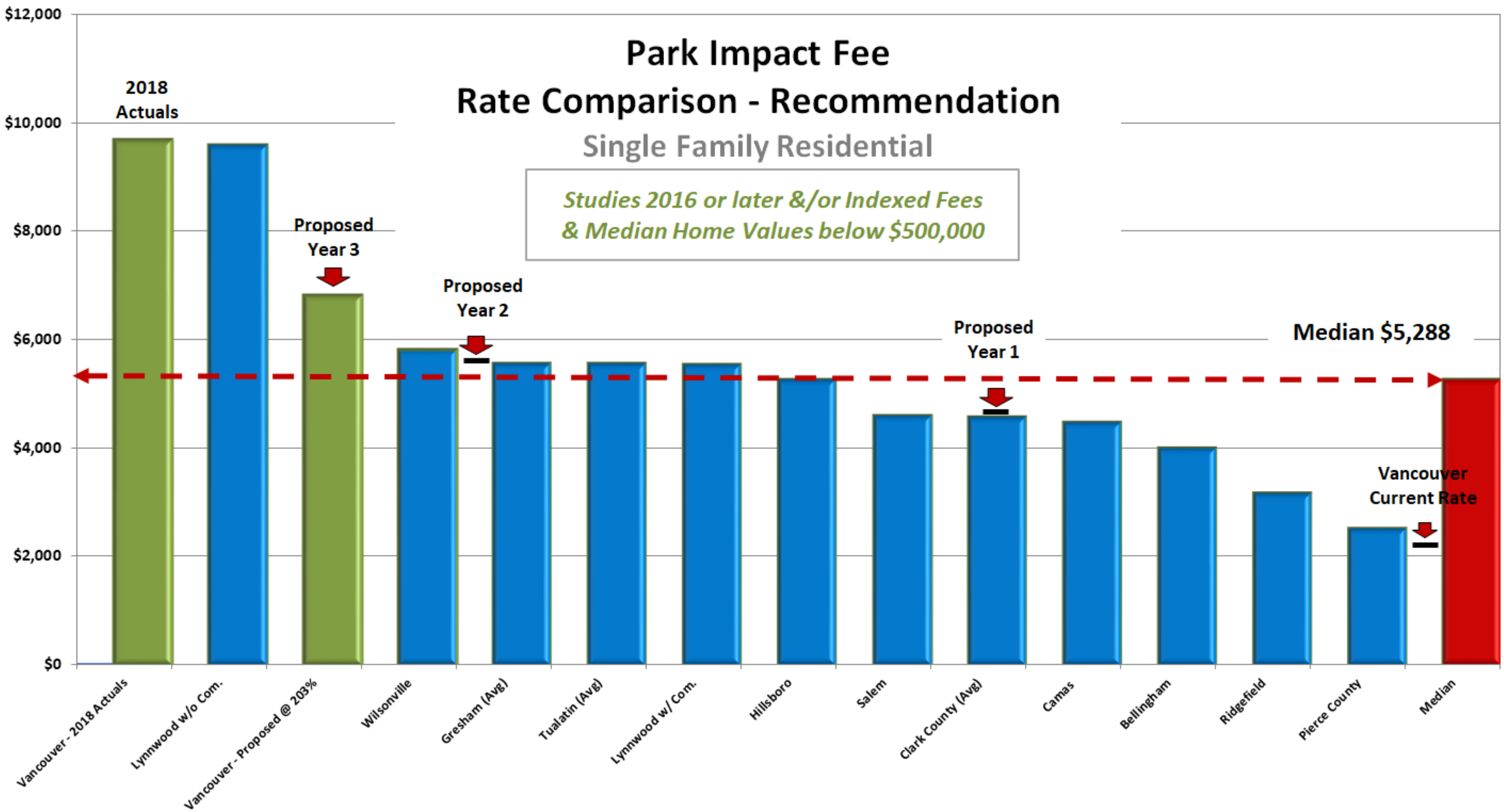
Recommended Phased Implementation

Year	SF % Increase	SF	MF
Current Avg 2019		$2,255	$1,648
Year 1	100% Increase	$4,510	$3,296
Year 2	150% Increase	$5,638	$4,120
Year 3	203% Increase	$6,813	$5,385

Based on $250,000/ac land costs

Future Park Needs

- Projected Population - **202,300** (2030)
- **17,300 New Residents** (10-year growth)
- **104 acres**
  - 52 acres of Community Parks
  - 35 acres of Neighborhood Parks
  - 17 acres of Urban Natural Areas
- **$45 Million** (Acquisition & Development)


Park Impact Fee
Rate Comparison - Recommendation
Single Family Residential
Studies 2016 or later &/or Indexed Fees
& Median Home Values below $500,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
2018
Actuals
Proposed
Year 3
Proposed
Year 2
Proposed
Year 1
Median $5,288
Vancouver
Current Rate
Vancouver - 2018 Actuals
Lynnwood w/o Com.
Vancouver - Proposed @ 203%
Wilsonville
Gresham (Avg)
Tualatin (Avg)
Lynnwood w/ Com.
Hillsboro
Salem
Clark County (Avg)
Camas
Bellingham
Ridgefield
Pierce County
Median

‘Priced-Out’ Estimate of Affordability – WA STATE

- How higher home prices and interest rates affect affordability
- Study Assumptions:
  - Median home price - $505,729
  - 10% Down Payment
  - 30-Year Fix Rate Mortgage @ 4.85%
  - ≤ 28% gross monthly income ($133,542)
  - New and Existing Housing Stock
  - 27% of U.S. Households Qualify for Home Purchase
- 2,393 Households ‘Priced Out’ of home market per $1,000 Increase”
  - Represents 0.08% of WA Households

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Effect on Single Family - VANCOUVER

- Proposed 203% PIF Rate Increase
  - 0.36% of Vancouver Households
  - 269 households
- Mortgage Impact
  - $4,558 fee increase / Single Family Residence
  - 1.3 % Increase in Median Home Cost
  - $22 / month, or $260 / year
- PIF Only Applies to New Construction
  - 18.5% of Single Family Home Sales (Clark Co. 2018) = 50 Households
  - 11% of Single Family Permits (Vancouver 2018) = 30 Households

Single Family – Variables Reducing Direct Impact

- Many buyers have alternative options to qualify for Single Family financing
- Not all buyers at Underwriting Maximums
- 10% of buyers pay cash
- Majority of home buyers are existing home owners with increased equity and buying power

Effect on Multi-Family - Vancouver

- Proposed 203% PIF Rate Increase
  - $3,737 fee increase / Multi-Family Unit
  - 1.8% Median Rent Increase = $22 / month
  - Owner Mortgage: $15 - $20 payment increase per month
- PIF Applies only to NEW development
  - NEW Multi-Family Units = 2.6% of total MF units city wide
- New MF units tend to be priced above median rent rate

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Other Variables Influencing Affordability

- Interest rates have fallen since NAHB study
- Other infrastructure, material, and labor costs
- High land costs are largest factor in new development financing
- New construction tends to be larger and above median
- Households at Median Income can afford a median priced
- Secondary Impact to Existing Housing Market – Unknown %

PIF Increase & Affordability

- Proposed fee increase will impact some households
- Secondary Impact to Existing Housing stock may occur
  - Not quantifiable
- PIF increase affects relatively small portion of housing market
- Decline in Park Level of Service will impact larger community long term
- Increased PIF assures growth will pay proportionate share rather than general public through overall tax base

Impact Fee Vesting

Remove PIF Vesting

Current Code:

- Calculate at Preliminary Plat Approval or Site Plan Approval
- Collect at Building Permit Issuance
- Fees vested for 3+ years
- Fee Determination – Vested 1 Year

Proposed Amendment:

- Calculate & Collect at Issuance of Building Permit, Site Plan Approval
- Based on Fees in effect at issuance
- Applicable to ALL Impact Fees (PIF, TIF, SIF)
- No impact to vested projects in process

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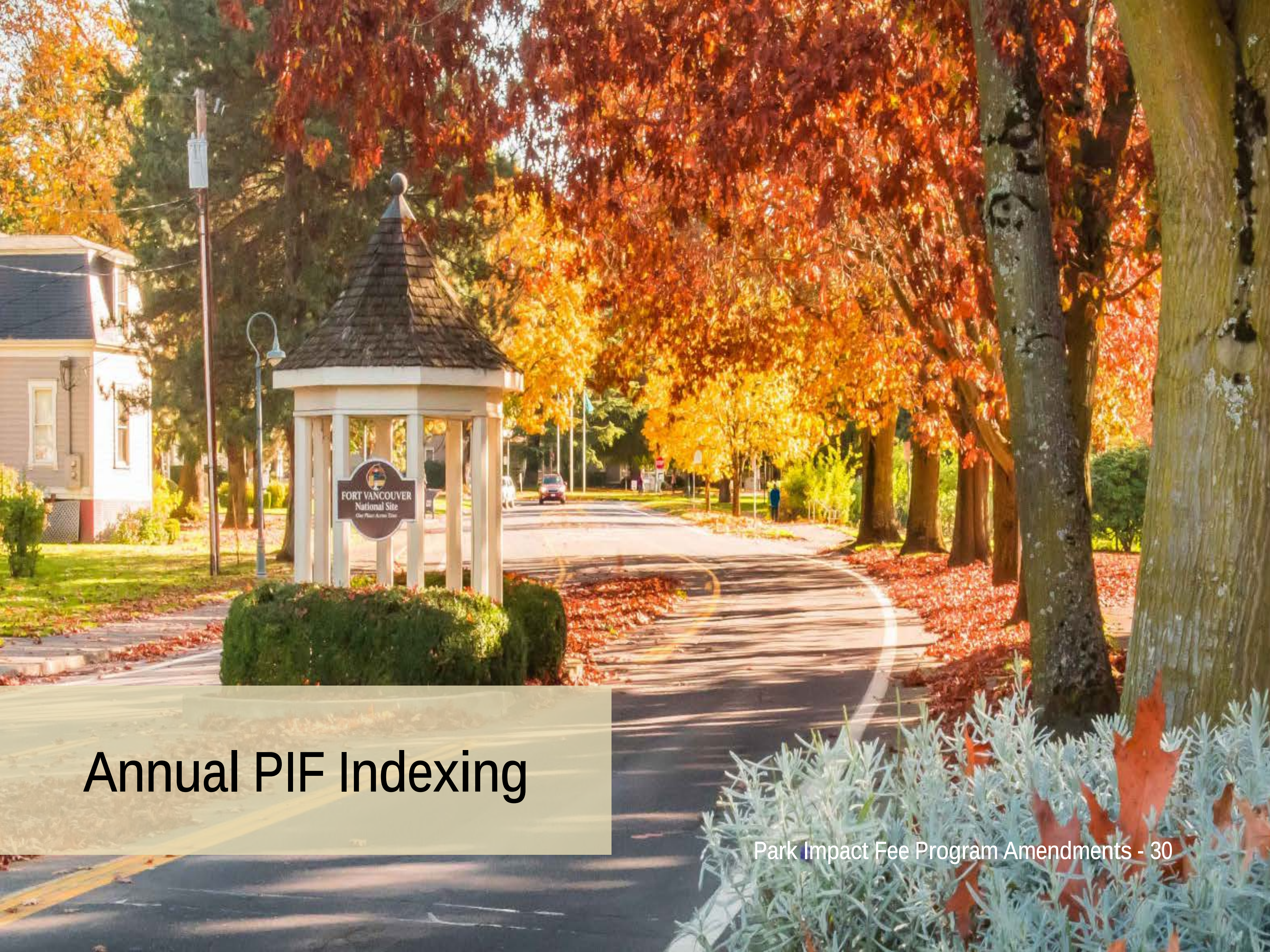
Case Law - Vesting

To freeze the calculation of the impact fee at the time of application would disconnect planning and financing from the actual effects of growth.... If the fee were frozen, then new growth could take place without the developer paying its fair share for improving public facilities...The TIFs must be calculated when the growth is to occur, at the time of the building permits; otherwise cities would be underfunded to pay for the indirect costs of new growth.

New Castle Invs. v. City of LaCenter, 98 Wn. App. 224, 989 P.2d 569 (1999), Division II held that impact fees are not subject to the state vesting statute.



Annual PIF Indexing

Fee Index

Current:

- PIF - Periodic Updates based on need – Council Approval

  Methodology Adopted in 2006 (Not implemented to date)
- TIF - Automatic Annual Update (ENR CCI)
- SIF - On approval by Council

Proposed:

- PIF - Automatic Annual Update (Land Trend Report / ENR CCI)
- Fee Studies every three years w/ Council Review for Adjustment

Indexing Alone 2004 - 2019

			Single Family[3]				Multi-Family[3]		
Year	Land Only Sales Adjustment[1]	CCI Adjustment[2]	Acquisition	Development	SF Fee	Single Fee % Increase	Acquisition	Development	MF Fee
2004	n/a	n/a	1,603	635	2,238		1,172	464	1,636
2005	15.00%	3.8%	1,843	659	2,503	11.82%	1,347	482	1,829
2006	22.50%	3.8%	2,258	684	2,942	17.57%	1,650	500	2,150
2007	25.30%	3.7%	2,830	709	3,539	20.27%	2,068	518	2,586
2008	0.00%	1.9%	2,830	723	3,552	0.38%	2,068	528	2,596
2009	-19.60%	-0.2%	2,275	721	2,996	-15.66%	1,663	527	2,190
2010	-9.00%	1.4%	2,070	731	2,801	-6.50%	1,513	534	2,047
2011	-7.00%	-0.9%	1,925	725	2,650	-5.41%	1,407	529	1,936
2012	0.00%	0.7%	1,925	729	2,655	0.18%	1,407	533	1,940
2013	0.00%	4.1%	1,925	759	2,684	1.12%	1,407	555	1,962
2014	0.00%	4.0%	1,925	789	2,714	1.12%	1,407	577	1,984
2015	2.28%	7.7%	1,969	850	2,819	3.85%	1,439	621	2,060
2016	0.00%	2.4%	1,969	870	2,839	0.73%	1,439	636	2,075
2017*	7.32%	0.1%	2,113	871	2,984	5.10%	1,544	637	2,181
2018	10.20%	2.2%	2,329	890	3,219	7.86%	1,702	650	2,352
2019	**6.99%**	**7.7%**	**2,492**	**959**	**3,451**	**7.20%**	**1,821**	**701**	**2,522**
Cumulative increase between 2004-2018					**54.2%**	**3.3%**			**54.2%**
Average	**3.60%**	**2.82%**							

Unique Variables of Park Acq. & Development

- Transaction & Level 1 Services (Acquisition)
  - Increasing Consultant Costs
- Design & permit heavy (Development)
- Unique products
  - Play structures, public restrooms, ball fields

Stronger Vancouver and Park Impact Fees

- PIF Rate Increase
  - Focused on Future Growth
- Stronger Vancouver
  - Vital Tool to support Comprehensive Plan Goals
  - Create unique community spaces at 7 undeveloped neighborhood parks
  - Stimulate economic development
  - Implement park improvements
  - Improve geographic equity
  - Create dynamic and vibrant community parks
  - Improve outdated parks and increase user capacity

Summary - Proposed PIF Amendments

- Update Rates
  - 203% Increase over current rates
  - 3-Year Phased increase
- Remove Vesting
  - Calculate & Collect at building permit Issuance
  - Applicable to All Impact Fees
- Annual Indexing
- Housekeeping Amendments

Next Steps

Oct. 28th	City Council	Work Session @ 4:00	Stronger Vancouver, including Park Impact Fee Rate Amendments, Indexing, Vesting
Nov 12th	Planning Commission	Public Hearing @ 6:30	Park Impact Fee Rate Amendments, Indexing, Vesting / Motion
Dec. 2nd	City Council	1st Reading @ 6:30	Stronger Vancouver; PIF Rate Amendments, Vesting, indexing
Dec. 9th	City Council	Public Hearing @ 6:30	Ordinance Reading for Stronger Vancouver

Questions?

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Monica Tubberville, Senior Planner
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CITY OF Vancouver WASHINGTON

Other Revenues

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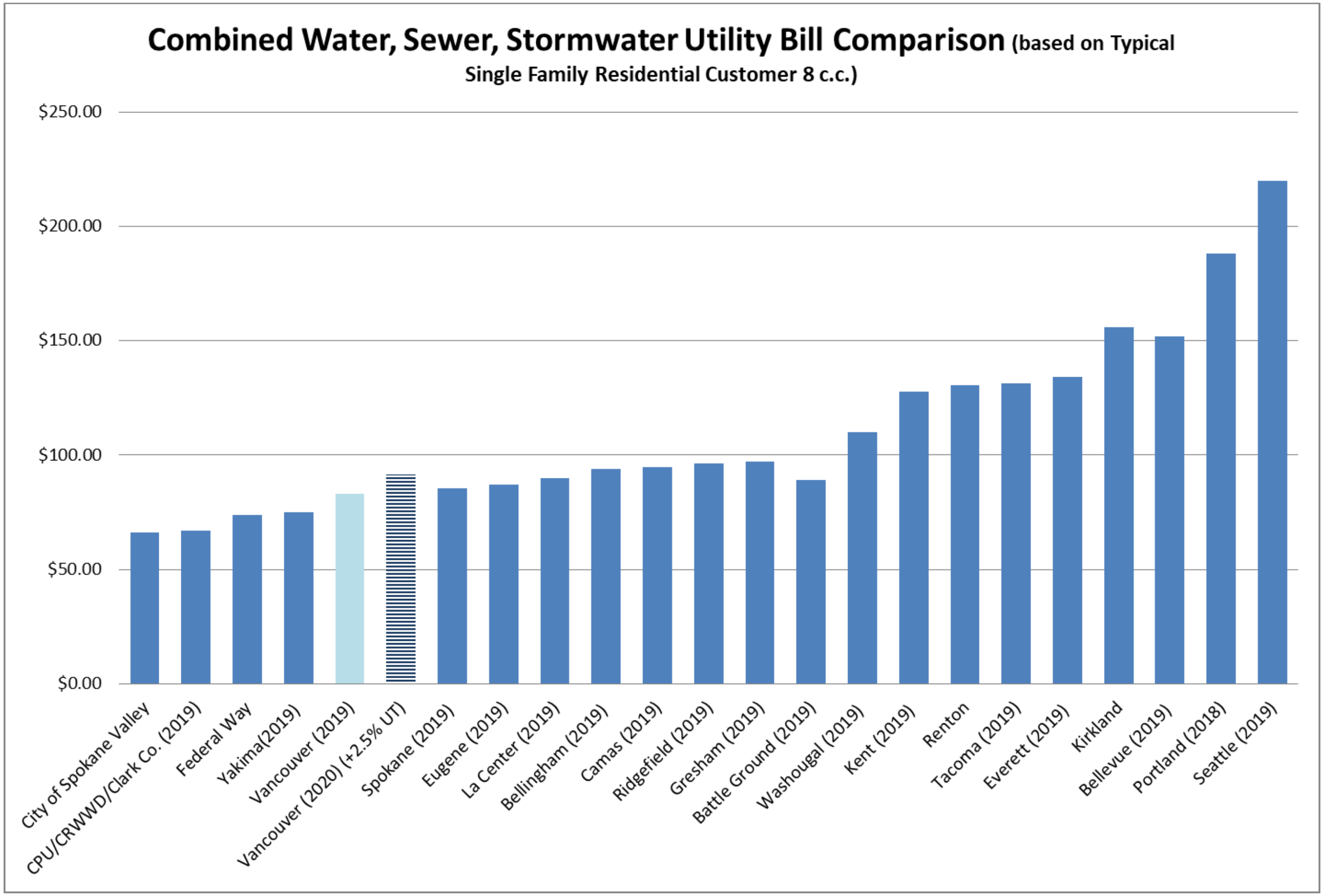
ESC Revenue Recommendations: Utility Taxes

- City's utility rates remain competitive compared to those at surrounding jurisdictions and major municipalities of the state of Washington



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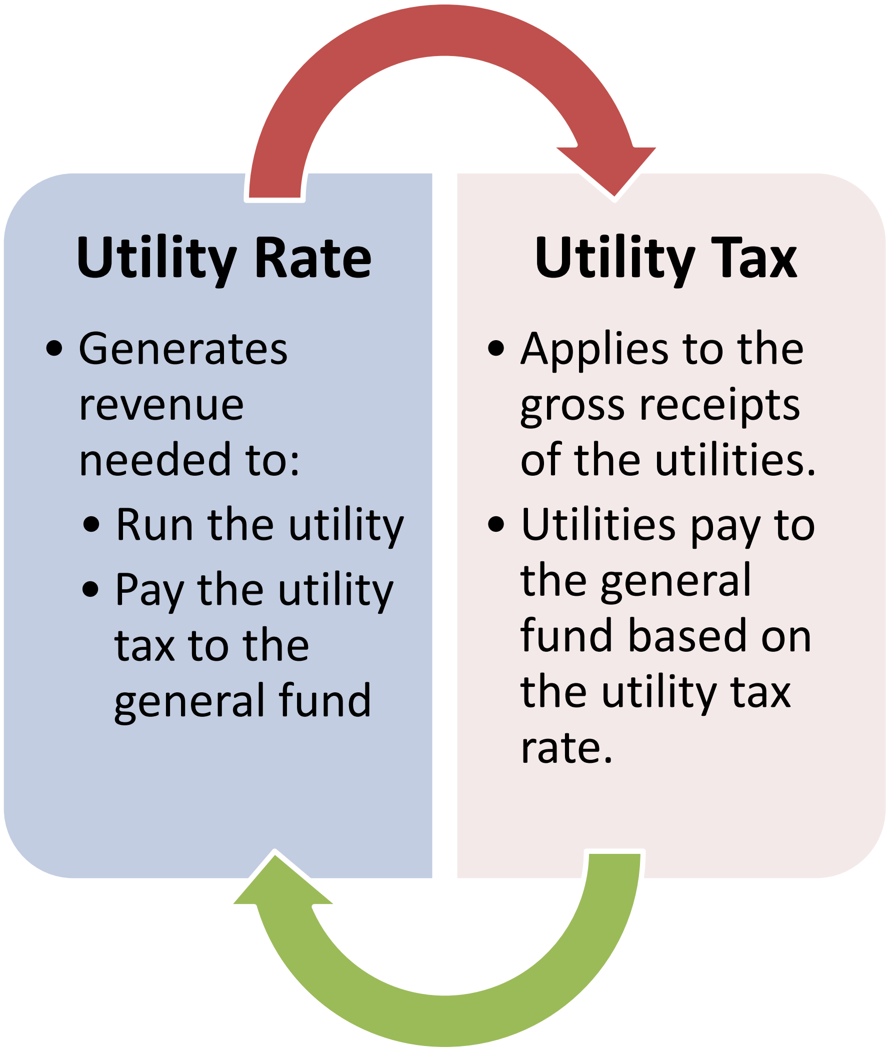
ESC Revenue Recommendations: Utility Tax

- Utility revenues needed to pay the utility tax are derived from utility rates
- Rate revenue is subject to the utility tax
- Consequently, rates must be increased 1.4% for each 1% utility tax to generate sufficient net rate revenue to fund utility operations and pay the utility tax.



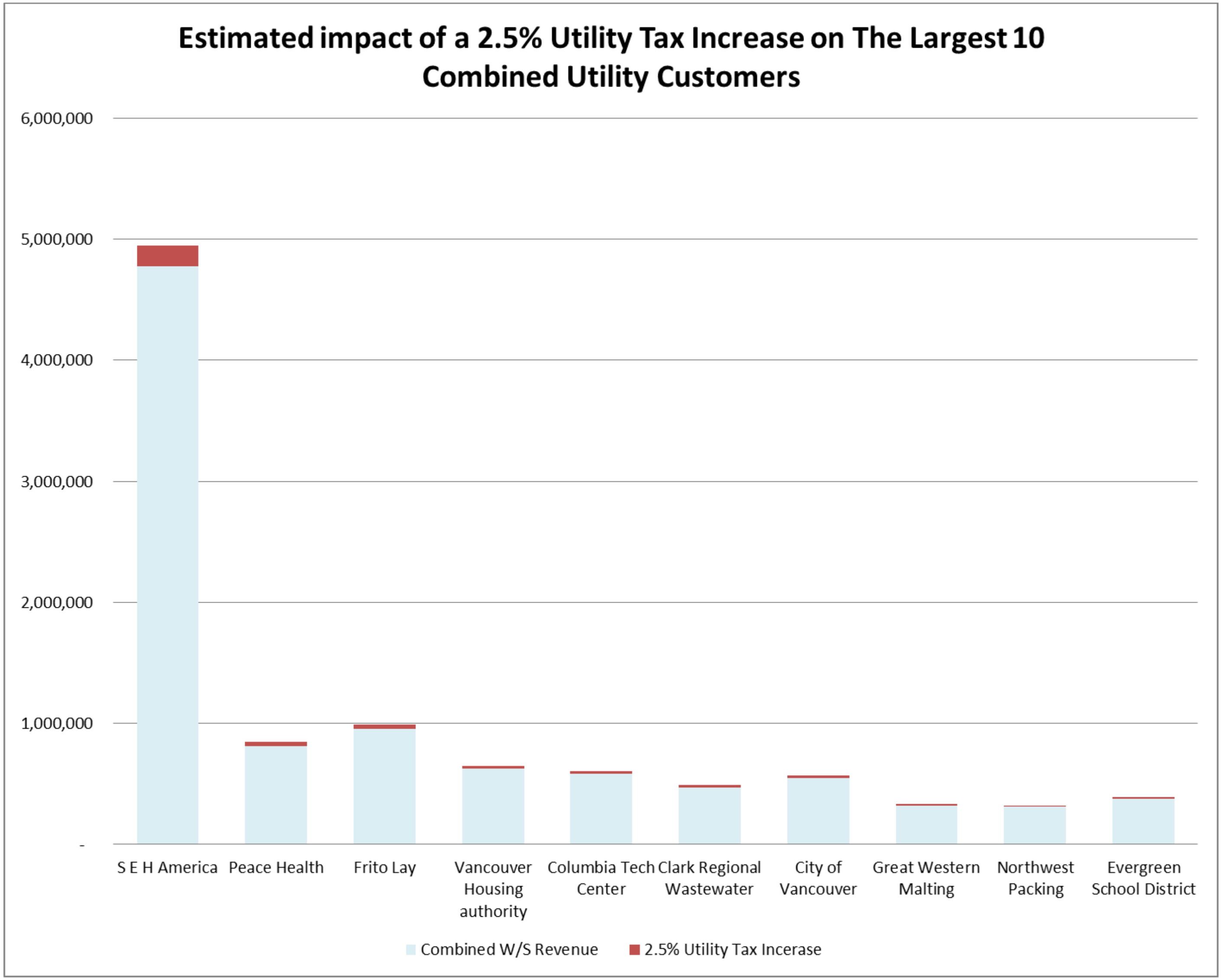
ESC Revenue Recommendations: Utility Tax

- Increase tax on city owned utilities (sewer, water, storm and garbage) by 2.5% to raise $2.7 m annually
  - Utility rates will need to be increased to generate funds to pay the utility tax
  - A utility rate increase of 3.6% is needed for the utilities to pay a 2.5% additional utility tax.
- Related item – funding utility debt for the Operations Center:
  - Utilities will need to issue debt to fund the Utility portion (60%) of the cost of the replacement Operations Center.
  - Rates will need to be increased to service the debt
  - The amount of rate increase will not be known until the project is fully designed and bid (2022)
  - The new utility tax revenues can be offset by a proportionate reduction in the utility tax rate at that time to mitigate the overall impact on rates while maintaining the revenue target from utility tax.
    - Planned to be written into ordinance.

ESC Revenue Recommendations: Utility Tax

- A 2.5% Utility Tax increase will translate into a 3.6% impact on utility bills
- The total impact from a 2.5% Utility Tax increase for Water, Sewer, Drainage and Garbage is estimated to be $56.80
- Other considerations: current rate increases that have been approved to-date effective January 1, 2020 are:
  - Rates: Water 5%, Sewer 3%, Solid Waste 2.6%*, resulting in a total rates-driven increase of ~$58/yr. increase per family of 4
  - Utility Tax (Police staffing): 1.6% increase (effective rate increase of 2.3%) is estimated to cost additional ~$35.70/yr. per family of 4
  - Total 2020 impact prior to Vancouver Strong - $93.70/ year

ESC Revenue Recommendations: Utility Tax



ESC Revenue Recommendations: Utility Tax

- Proposed - 2.5% increase in Utility Tax on Water, Sewer, Drainage and Solid Waste to a total rate of 31.4%
- Proportionately sunset tax when debt is issued by Utilities to fund the Utility portion (60%) of the cost of the replacement Operations Center.

Service Package Recommendation: Admissions Tax

Admissions Tax

- Proposed -- 5% tax on movie tickets in multi-screen venues.

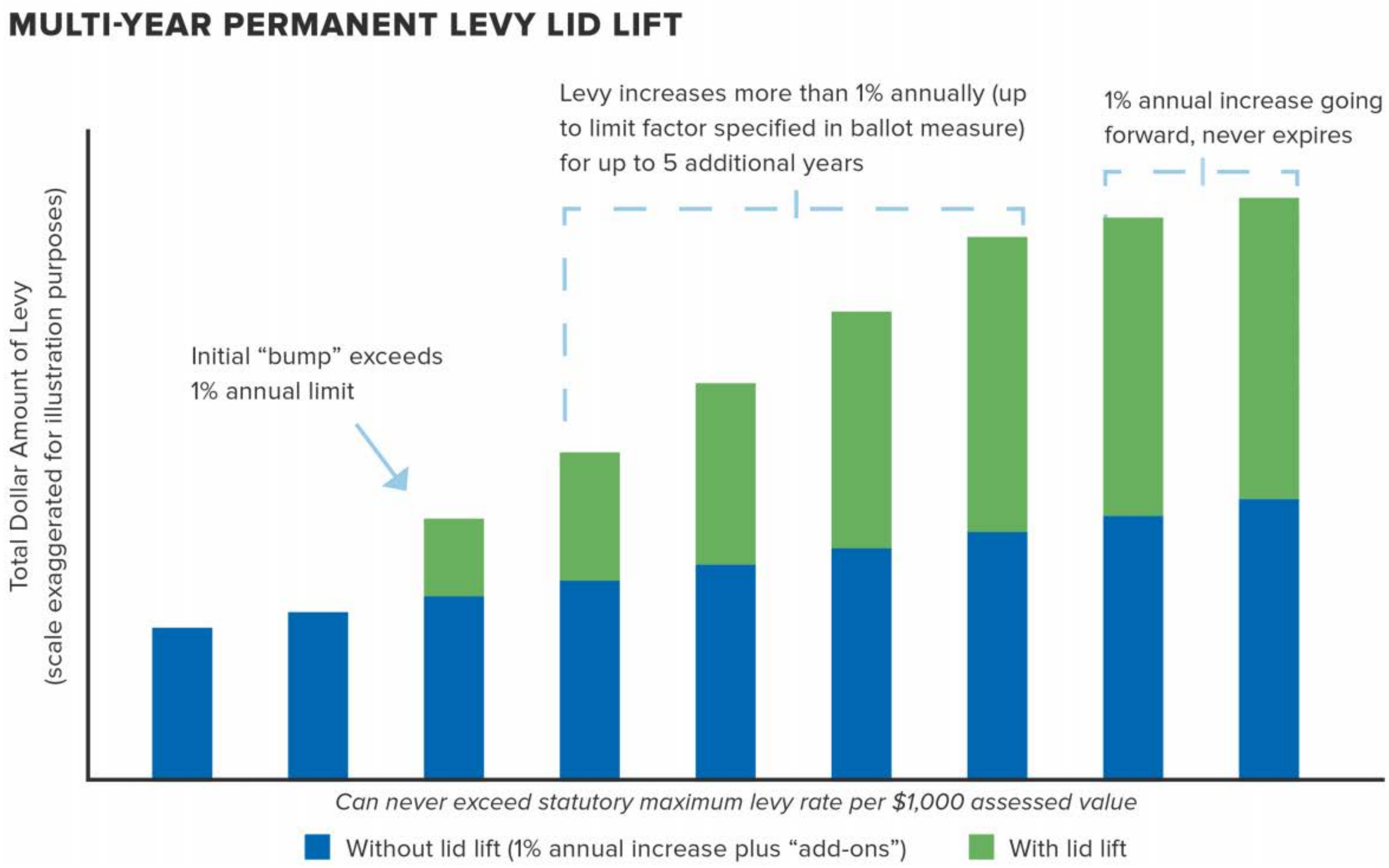
  Other potential taxable events:

  Any venues providing public entertainment: golf carts, theaters, golf courses, laser tag, etc.

- Estimated to generate $0.5-0.6 million annually (from movie theaters alone)
- Identified by the Cultural Arts and Heritage Plan as a main funding source for the City cultural program

PROPERTY TAX LEVY CONSIDERATIONS

Council Direction: Voted Multi-Year Permanent Levy Lid Lift



Property Tax – Multi-Year Voted Levy Lid Lift

POTENTIAL PHASE-IN SCENARIOS OF MULTI-LEVY LID LIFTS

	1	2	3	4	5	6	7
ESC Proposal	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Annual Property Tax	9.8	9.9	10.0	10.1	10.2	10.3	10.4
Rate per $1,000 AV to generate	**$0.38**						
Annual rate of increase		1%	1%	1%	1%	1%	1%
Potential Phase-In Scenario 1							
Initial increase per $1,000 AV	**$0.32**						
Annual rate of increase		2.3%	2.3%	2.3%	2.3%	2.3%	1%
In millions	$8.2	$8.6	$9.0	$9.3	$10.0	$10.7	$10.8
Potential Phase-in Scenario 2							
Initial increase per $1,000 AV	**$0.21**						
Annual rate of increase		3.8%	3.8%	3.8%	3.8%	3.8%	1%
In millions	$5.4	$6.5	$7.7	$9.0	$10.5	$12.2	$12.3

Notes: Levy rate is lower than ESC recommendation in all scenarios due to an increase in assessed value since 2018; a lower rate applied to a higher AV generates the same resources.

All three scenarios generate the same amount over 10 years in today's dollars

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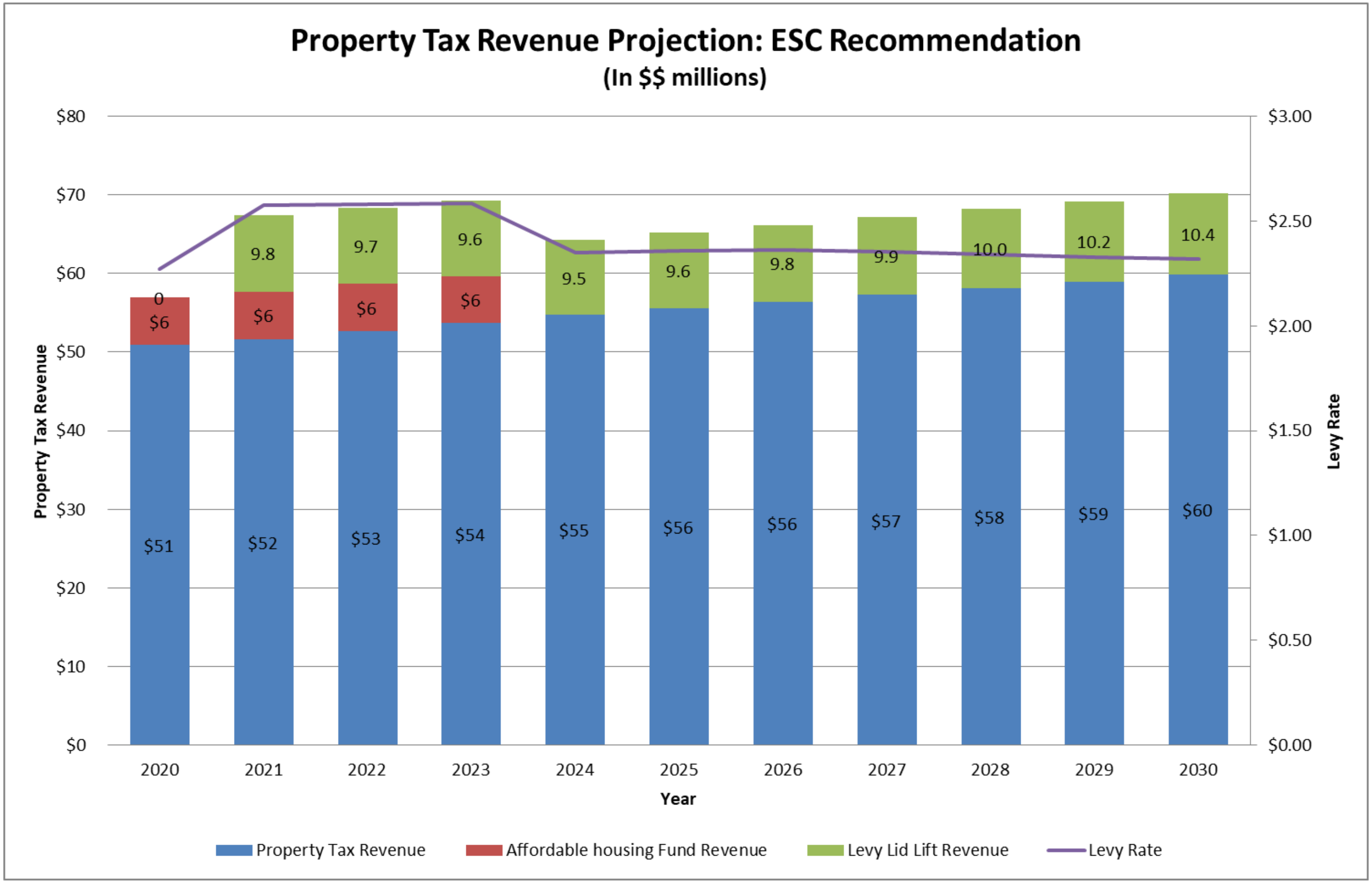
ESC Recommendation: Property Tax Single Year



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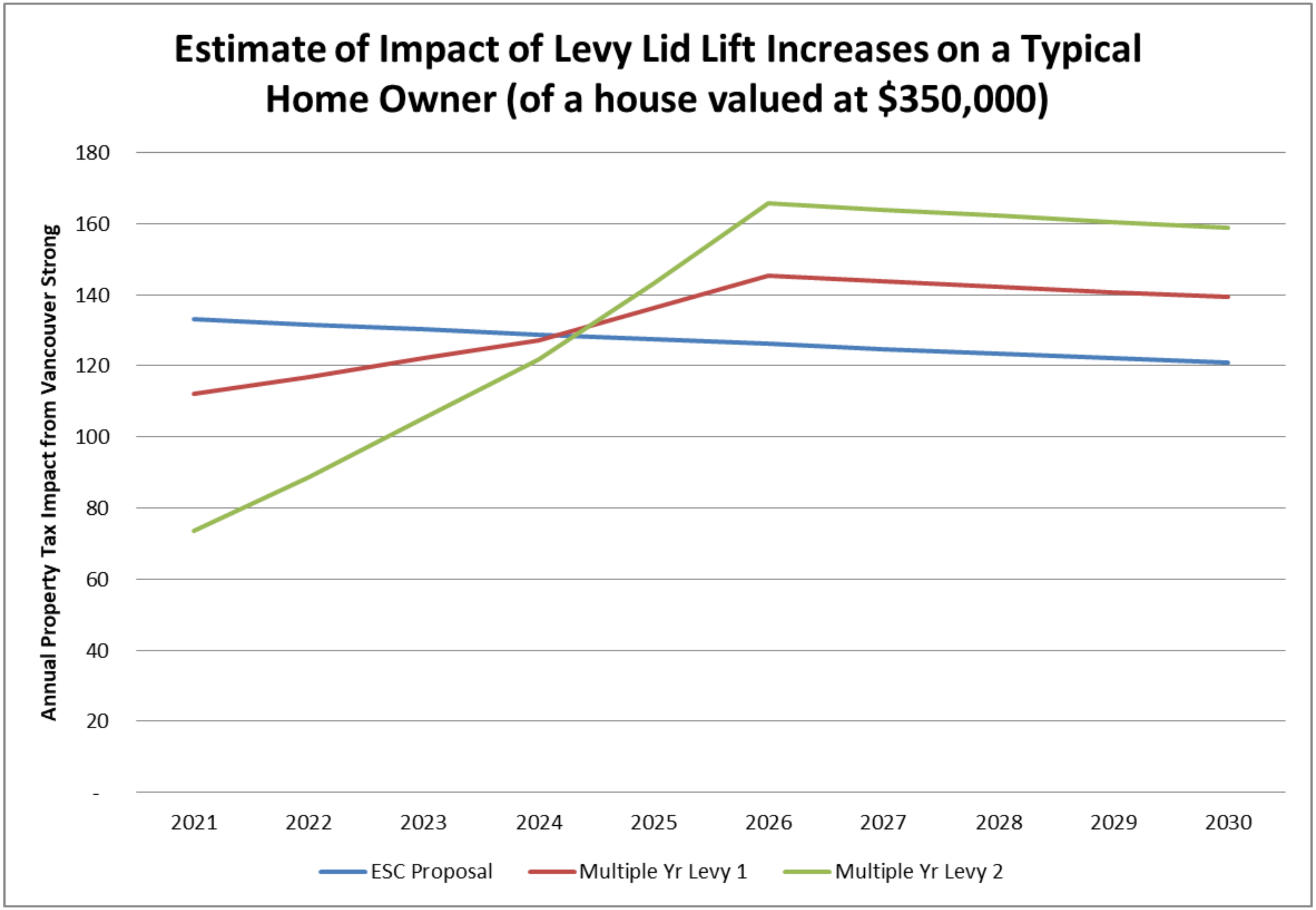
Property Tax: Comparison of Impact



Property Tax: Multi-year Levy Ballot Language Sample

This proposition would fund construction, maintenance and operations of public safety, parks, recreation, streets, homelessness facilities as follows: (1) increase the regular property tax levy to $xxx per $1,000 assessed value for collection in 2021; (2) increase the 2022-2026 levy amounts by xxx%; and (3) authorize use of 2026 levy amount as the base for computing levies in succeeding years. Qualifying seniors and others would be exempt under RCW84.36.381. Should this proposition be approved?

Property Tax: Timing

- Single Year Voted Levy Lid Lift
  - Any election of the year
  - 50% approval
- Multi-Year Voted Levy Lid Lift
  - Primary or General only (August or November)
  - 50% approval
  - More complex ballot measure language
- Consideration – there is additional $0.30/$1,000 AV added to the state school levy in 2020.

COUNCIL DIRECTION ON THE ELEMENTS AND COMPOSITION OF THE FUNDING PROPOSAL AND VOTED LEVY

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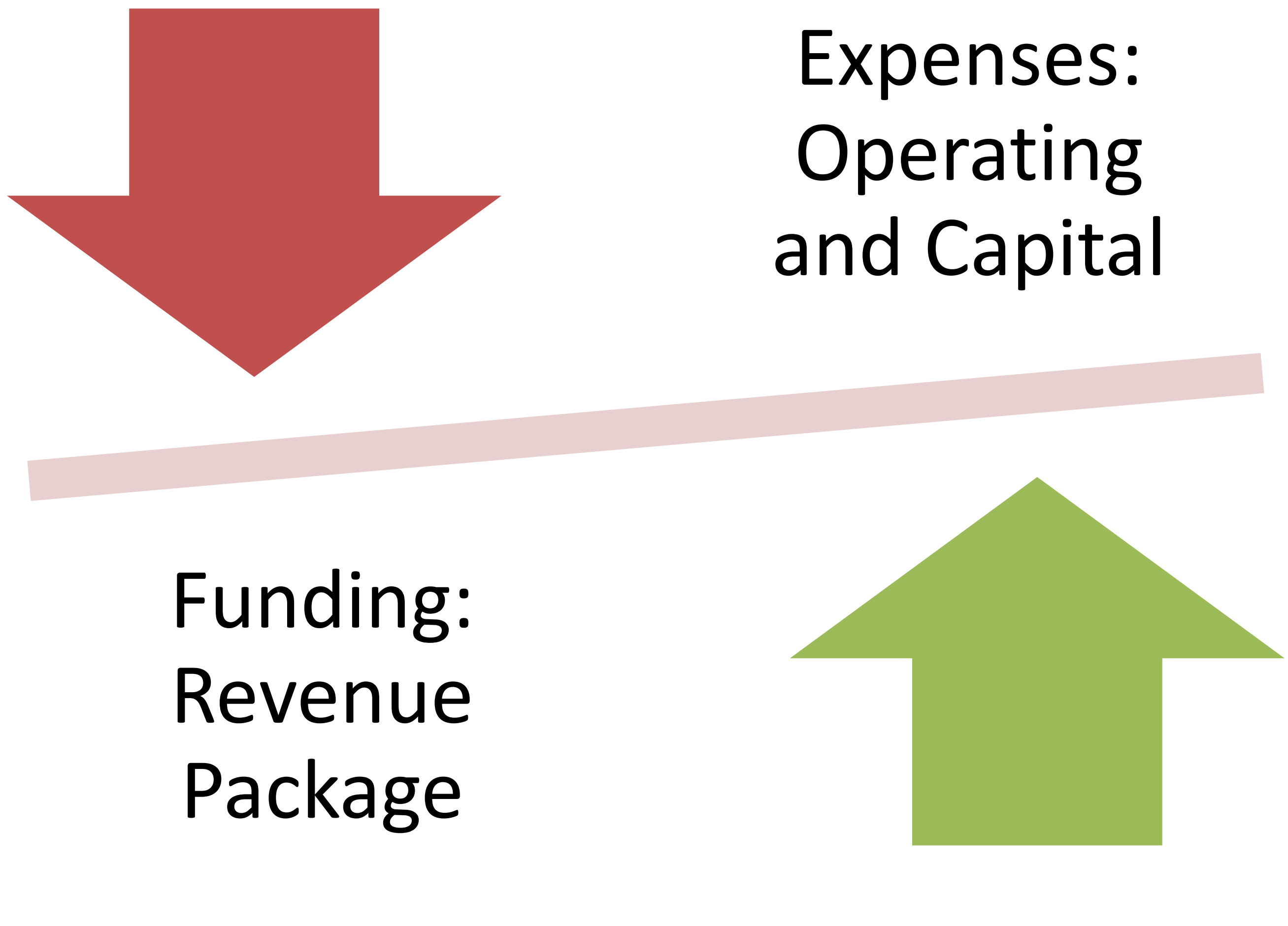
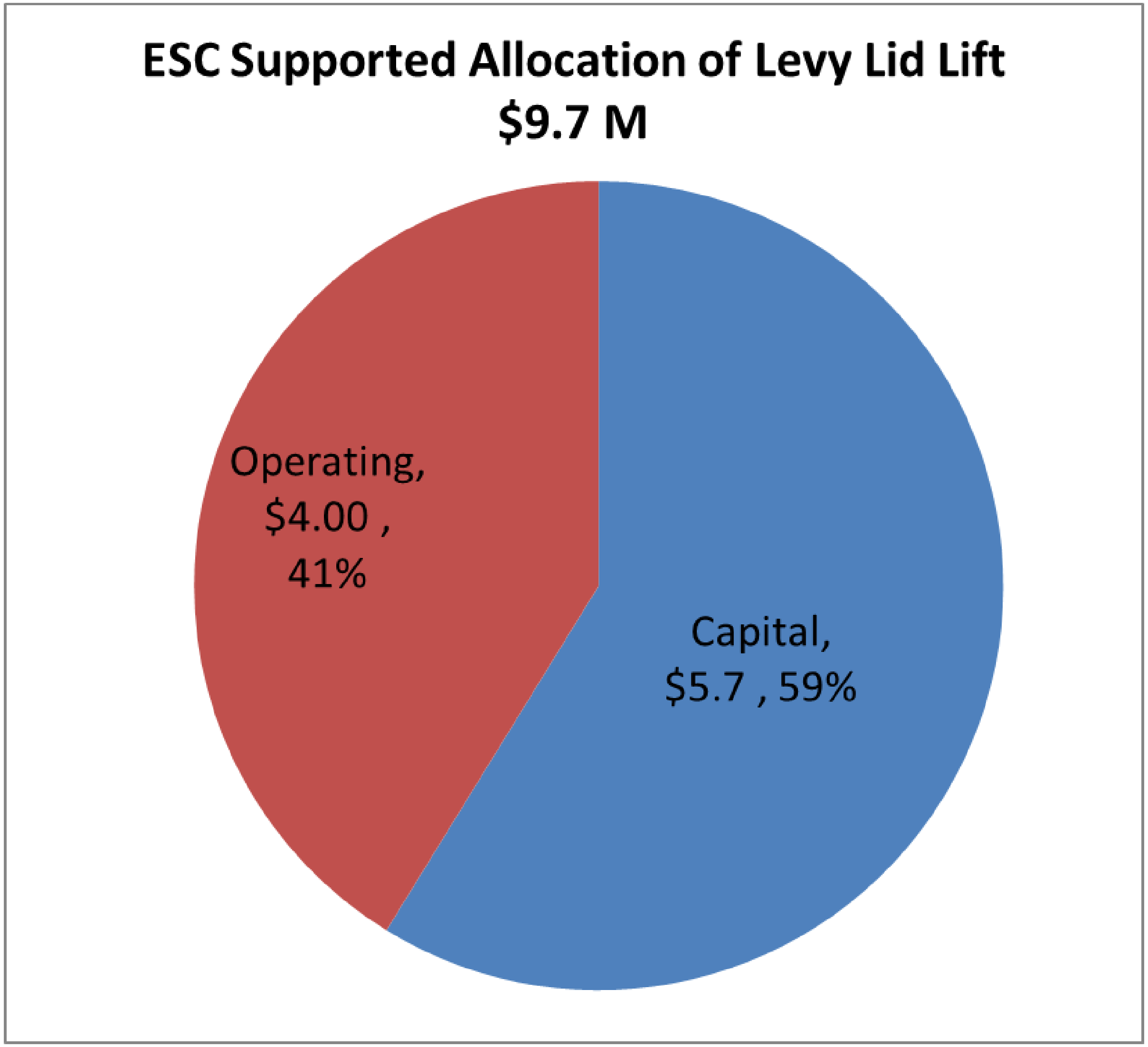
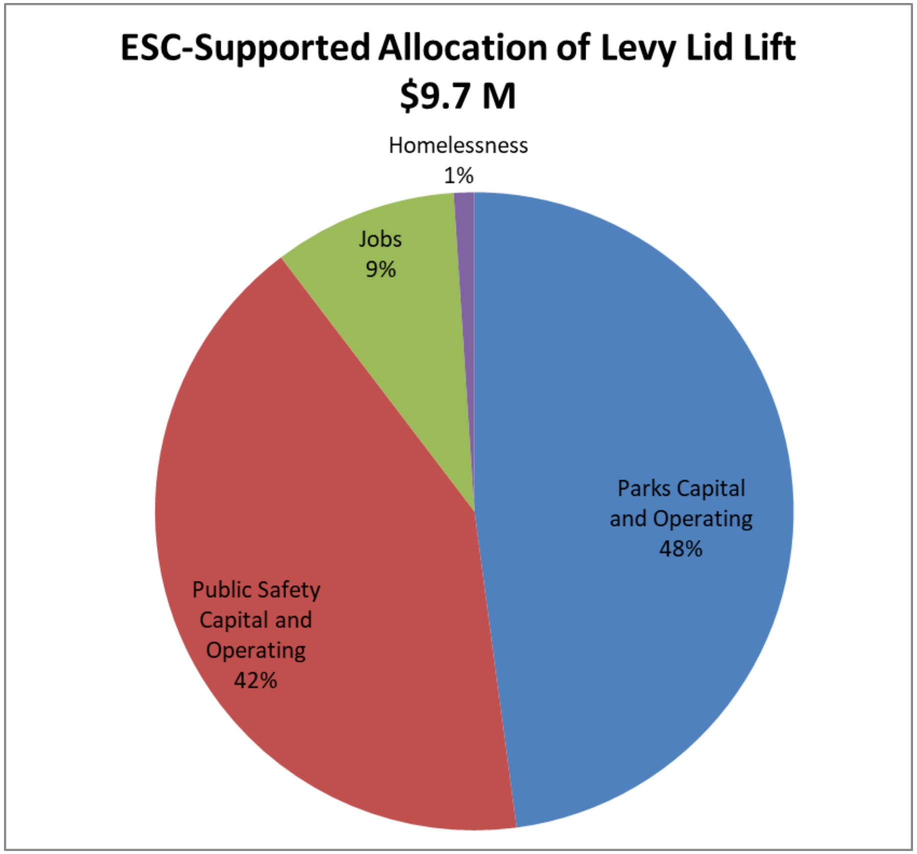
ESC Revenue Recommendations: Feedback



ESC Proposal: Levy Lid Lift

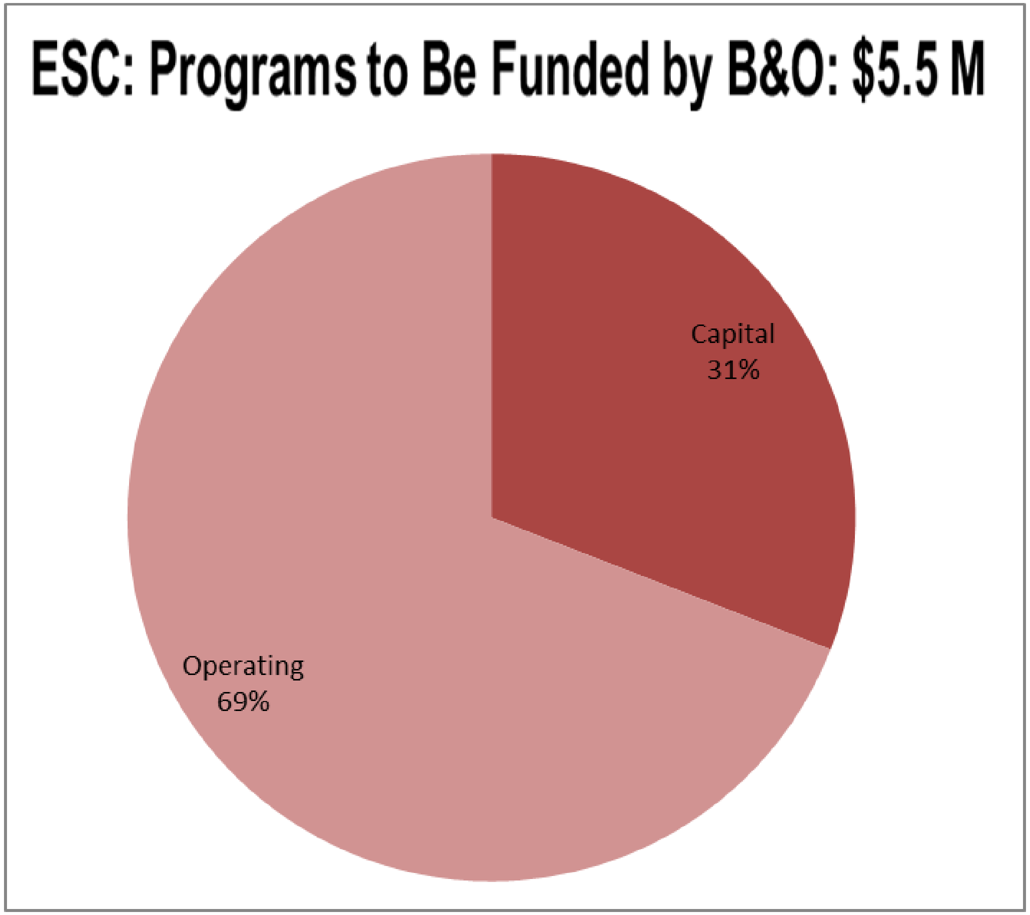


ESC Proposal: Levy Lid Lift



CAPITAL	**$82 M**
• Street Infrastructure	$13 M
• Public Safety Facilities	$25 M
• Parks: Community	$37.5 M
• Parks: Undeveloped	$9.5 M
• Parks: Neighborhood	$6.3 M
OPERATING	**$4 M**
• Public Safety Operating	$2.3 M
• Homelessness Response	$0.1 M
• Recreation fee reductions	$0.2 M
• Parks Operating	$1.4 M

ESC Proposal: Programs Originally to be Funded By B&O



CAPITAL $17 M

- Street Infrastructure (Jobs)

OPERATING $3.8 M

- Problem- Oriented Police $1.0 M
- Homelessness Response $2.2 M
- Subarea planning $0.6 M

Package Scenarios with Elimination of B&O Tax

Scenario 1: Revenue backfill with voted property tax and utility tax increases

Scenario 2: Package reductions

Scenario 3: Partial revenue backfill and partial package reductions

Note: All three scenarios assume an increase in PIFs to result in $2.6 mil in new revenue

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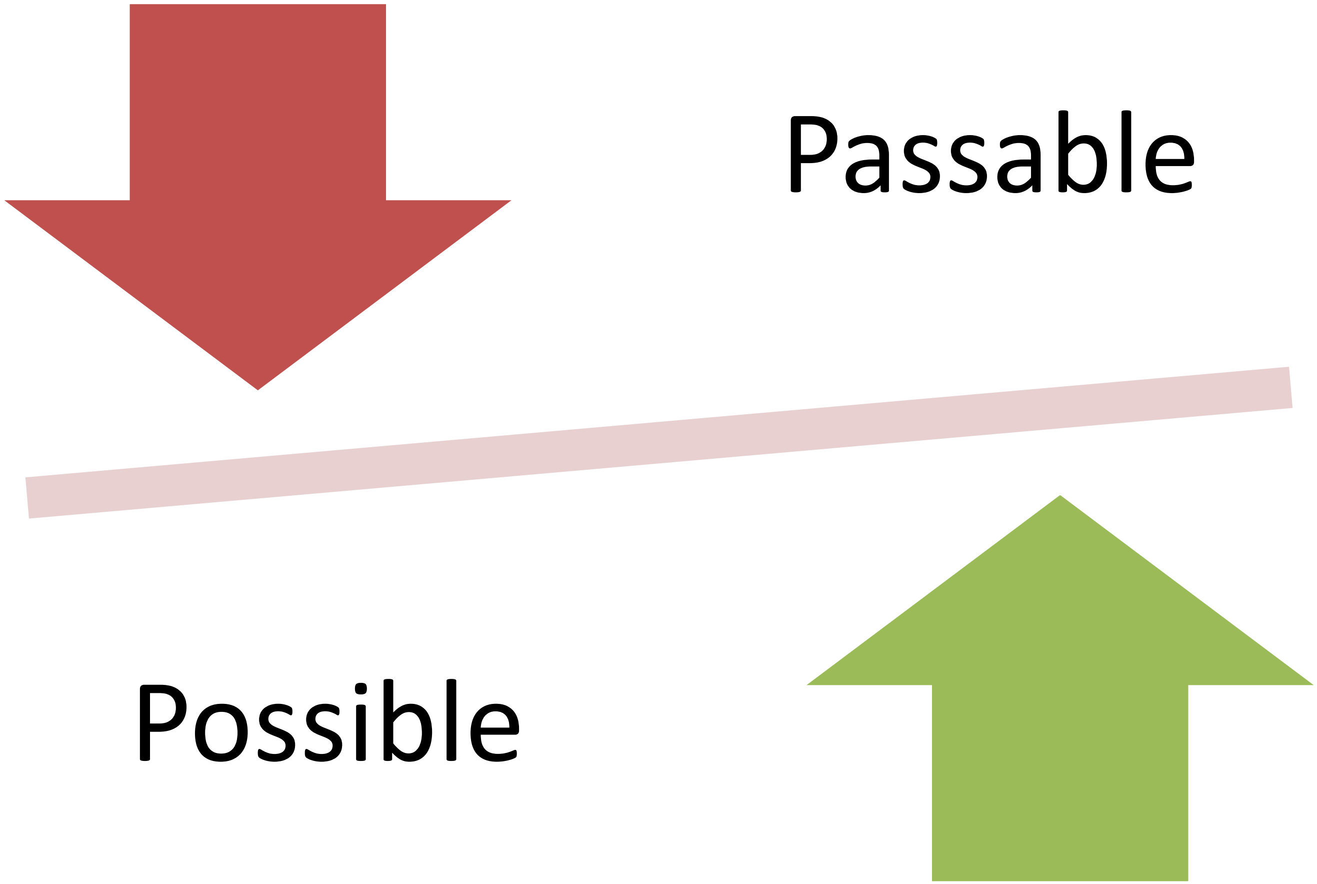
Package Scenarios with Elimination of B&O Tax



Expenditure Scenarios: Impact of B&O Elimination

Scenario 1: Revenue backfill with voted property tax and utility tax increases

Scenario 2: Package reduction

Scenario 3: Partial revenue backfill and partial package reductions

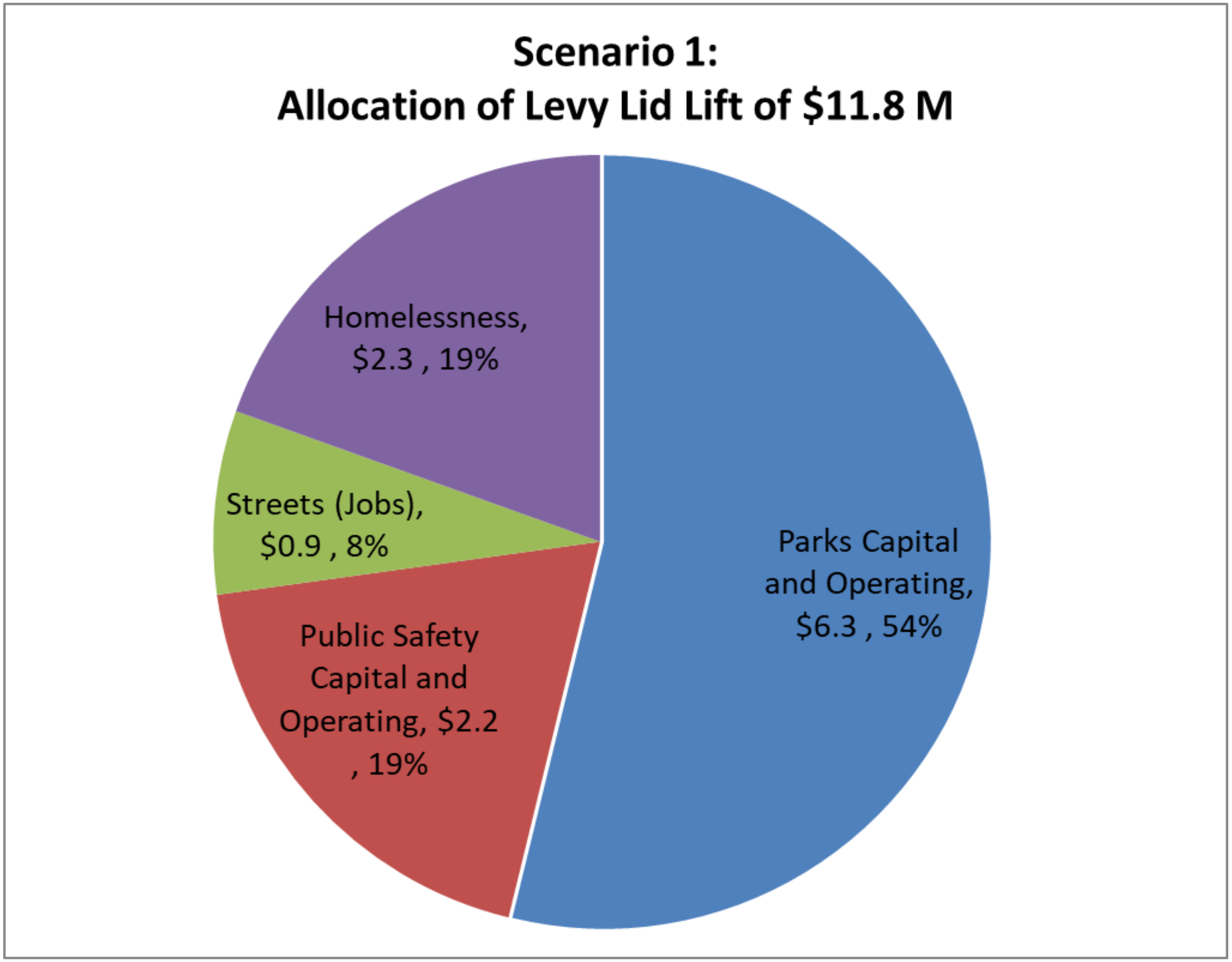
Impact Scenarios: Scenario 1

Scenario 1: Revenue Backfill

Revenues:	
B&O Revenue	-$5.5 M
Business Improvement District Revenue	-$0.7 M
Voted Levy Lift Increased $0.08/$1,000	$2.1 M
Utility Tax Increased 2%	$2.1 M
Total Change	*-$2.0* M
Expenditures	
Captial (No changes)	
Operating	
Reduce Business Improvement District	-$0.7 M
Eliminate Fire Sprinkler Grant Program	-$1.0 M
Reduce Admin. Costs for B&O	-$0.3 M
Total Change	*-$2.0* M

- Additional increase of $28 annually for an owner of a $350,000 house
- Utility tax increase is estimated to cost $43/annually for a residential family of 4

Scenario 1: What is Included in the Levy?



- Capital:
  No Changes
- Operating:
  $2.1 M increase:
  - Homelessness
  - Recreation fee reduction

  OR
  - EMS response?
  - Problem Oriented Police?

Expenditure Scenarios: Scenario 2

Scenario 1: Revenue backfill with voted property tax and utility tax increases

Scenario 2: Package Reduction

Scenario 3: Partial revenue backfill and partial package reductions

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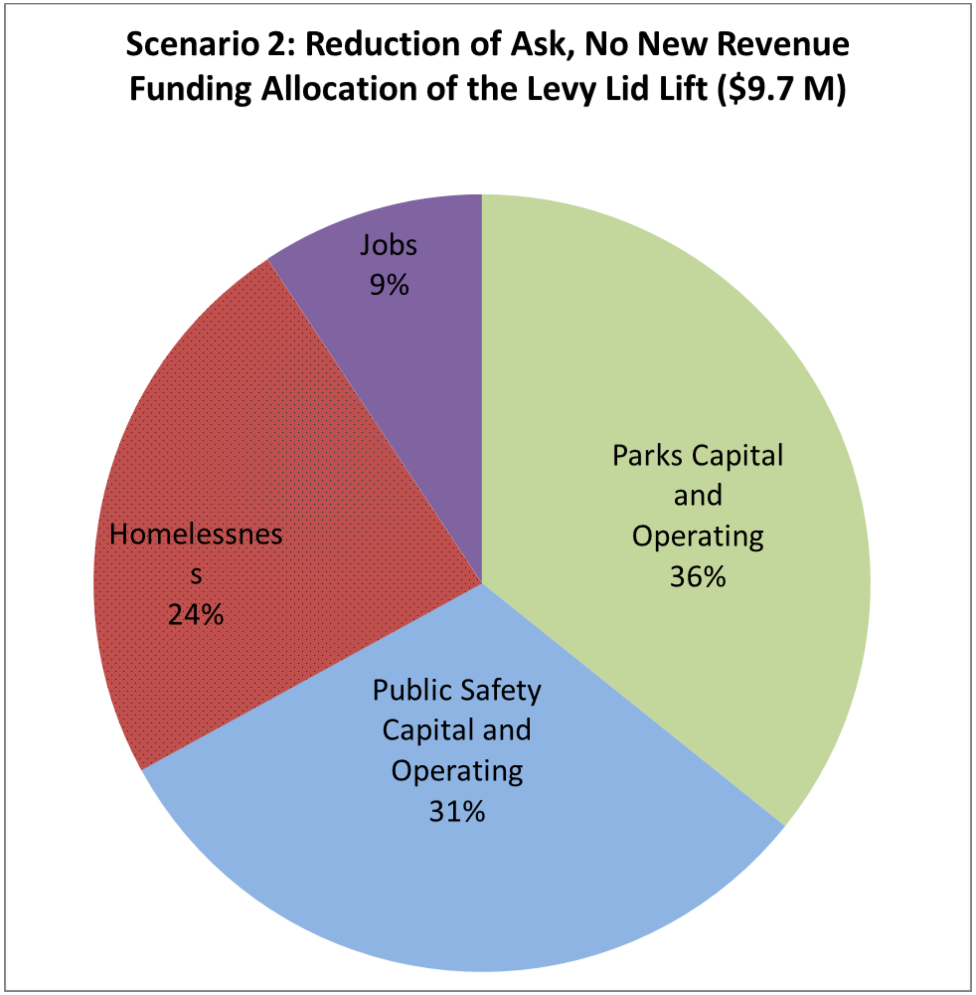
Impact Scenarios: Scenario 2

SCENARIO 2: PACKAGE REDUCTION *(Dollars in millions)*

Capital	
Reduction of Parks NH redesign/playground program	-6.3
Operating	
Replace Rec. fee reduction with a $0.5 M needs based scholarship program	-1.5
Reduce increased traffic/bike outreach	-0.3
Elimniate fire sprinkler grants	-1.0
Eliminate BID	-0.7
Reduce increased problem- oriented police	-0.5
Reduce rapid EMS response to 2 new units	-1.0
Reduce multi-lingual public outreach, events and NH coordination	-0.5
Reduce admin costs for B&O	-0.3

Scenario 2: What is Included in the Levy?



Capital	**$75 M**
Economic Development	$13.0 M
Fire Stations Replacement/Remodel	$25.0 M
Parks Community Parks	$30.0 M
Parks Undeveloped	$7.0 M
Operating	**$4.5 M**
Homelessness	$2.3 M
EMS rapid response units (portion)	$0.8 M
Problem-oriented police	$0.5 M
Parks Maintenance (portion)	$0.9 M

- No additional financial impact on residents compared with the original proposal

Scenario 2: Total Stronger Vancouver Package

SCENARIO 2: REDUCED ASK	
Capital	**196.5 M**
Economic Development	52 M
Fire Station Replacement	25 M
Ops Center Replacement	50 M
Parks: Community	60 M
Parks: Develop Undeveloped	10 M
Operating	**9.3 M**
Homelessness Response	2.3 M
Increased EMS Rapid Response (2)	1.3 M
Increased problem-oriented Police	0.5 M
Increased Fire Prevention Outreach	0.6 M
Subarea planning	0.6 M
Traffic+bike outreach	0.7 M
Rec scholarships, increased summer playgrounds, a	1.1 M
Multi-lingual, NH, sp. Events increase	0.3 M
Parks Maintenance	1.4 M
Culture, Arts, Heritage	0.5 M

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Expenditure Scenarios: Impact of B&O Elimination

Scenario 1: Revenue backfill with voted property tax and utility tax increases

Scenario 2: Package reductions

Scenario 3: Partial revenue backfill and partial package reductions

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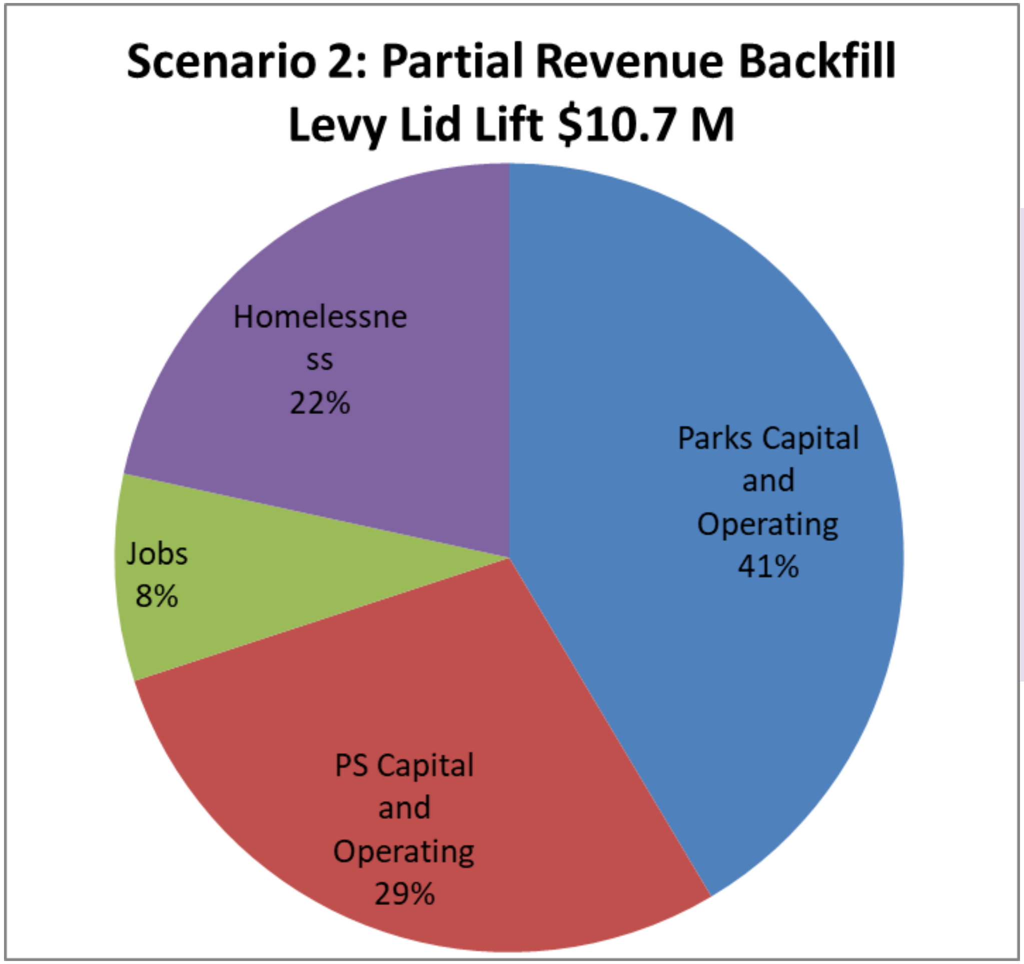
Impact Scenarios: Scenario 3

SCENARIO 3: PARTIAL REVENUE BACKFILL *(Dollars in millions)*

Revenue	**-$4.2 M**
B&O Elimination	-$5.5 M
BID elimination	-$0.7 M
Property Tax	$1.0 M
Utility tax	$1.0 M
Expense	**-$4.2 M**
Capital	
Reduction in Parks NH (1/2)	-$3.3 M
Operating	
Eliminate BID	-$0.7 M
Eliminated fire sprinkler grants	-$1.0 M
Replace Rec fee reductions with a needs based scholarship	-$1.5 M
Reduce outreach in NH, multi-lingual, etc.	-$0.5 M
Reduce admin for B&O	-$0.3 M

Scenario 3: What is Included in the Levy?



Capital	**$78.7**	**M**
Economic Development	$13.0	M
Public Safety Facility Replacement	$25.0	M
Parks Community	$30.0	M
Parks Undeveloped	$7.5	M
Parks Neighborhood	$3.2	M
Operating	**$5.2**	**M**
Homelessness response	$2.3	M
Rapid response units	$1.3	M
Parks Maintenance	$1.4	M
Increased community events, at risk youth	$0.2	M

- Increase in levy of $0.04/1,000 AV; Additional increase of $14 annually for an owner of a $350,000 house
- Utility tax increase is estimated to cost $16/annually for a residential family

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Scenario 3: Total Stronger Vancouver Package

TOTAL ASK	
Capital	**$200.0 M**
<u>Operating</u>	**10.9** M
Homelessness Response	2.3 M
Increased EMS Rapid Response (2)	2.3 M
Increased problem-oriented Police	1 M
Increased Fire Prevention Outreach	0.6 M
Subarea planning	0.6 M
Traffic+bike outreach	0.8 M
Rec scholarships, increased summer playgrounds, at-risk youth	1.1 M
Multi-lingual, NH, sp. events increase	0.3 M
Parks Maintenance	1.4 M
Culture, Arts, Heritage	0.5 M
<u>Total Operating</u>	

Payer Impact Analysis

ESC Proposal						
Total Annual Impact	**$8,471**	**$3,805**	**$1,625**	**$169,394**	**$187**	**$72**
Total Monthly Impact	**$706**	**$317**	**$135**	**$14,116**	**$16**	**$6**
Scenario 1: Revenue Backfill						
Total Annual Impact	**$4,936**	**$2,283**	**$900**	**$141,602**	**$257**	**$112**
Total Monthly Impact	**$411**	**$190**	**$75**	**$11,800**	**$21**	**$9**
Scenario 2: Reduction in Ask						
Total Annual Impact	**$4,346**	**$2,075**	**$823**	**$108,816**	**$187**	**$72**
Total Monthly Impact	**$362**	**$173**	**$69**	**$9,068**	**$16**	**$6**
Scenario 3: Partial Revenue Backfill						
Total Annual Impact	**$4,606**	**$2,169**	**$858**	**$121,884**	**$217**	**$88**
Total Monthly Impact	**$384**	**$181**	**$72**	**$10,157**	**$18**	**$7**

Questions & Discussion

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Timing Considerations and Budget Action

- ESC Recommendation: adopt full package simultaneously; phase implementation
- Timing of the Vote depends on the type of a Levy Lid Lift
- Should the effective date for all changes in revenues/expenditures be in 2021?
  - **Pros:**
    - Will better co-inside with the preparation of the 2021-2022 Biennial Budget
    - Will create a time delay between the utility tax/rate increases in 2020 and those related to Stronger Vancouver
  - **Cons:**
    - Will create a delay in programs
- Phasing

Next Steps

- A Stronger Vancouver Revenue Package:
  - Resolution on the Levy Lid Lift
  - “Accountability” Resolution on project list
  - Ordinance - Increase in Business License Surcharge
  - Ordinances– Increase in Utility Tax and the underlying utility rates
  - Ordinance – Admissions Tax implementation
  - Ordinance – Parks Impact Fee changes

- Ordinances and a Resolution will be brought before Council:
  - First Reading: December 2
  - Public Hearing and Adoption: December 9

- Proposed TBD increase will be reviewed and acted on by the TBD board in late December

Questions?

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Replacement Vancouver Police Headquarters

CITY OF Vancouver WASHINGTON

October 28, 2019

Troy Price, Assistant Chief of Police
Jonathan Young, Acting City Attorney

10/22/2019 3:44 PM

Overview

- Current VPD facilities
- VPD Headquarters – why now?
- Overview of property
- Planned uses
- Lease – option & first right
- Next steps

Current VPD Facilities

Headquarters: 17,000 square feet
- Former State Patrol Emissions Testing Facility
- Office of the Chief
- Administrative functions
  - 28 employees in the facility

West Precinct: 34,00 square feet
- Patrol – 75 officers/civilians
- Records Unit - 26 civilians
- Investigations/Other – 50 officers/civilians

East Precinct: 27,000 square feet
- Patrol - 75 officers/civilians

Evidence: 14,500 square feet
- 5 civilians

Offsite
- 12 employees

VPD Headquarters - why now?

- Rare opportunity to secure new headquarters building
- Current police precincts at or near capacity
  - Growth in patrol and patrol support functions
  - Records unit
- No dedicated training facilities
- Changing demands for department
  - Technology & services
- Need for future growth
  - Vancouver UGA population forecast ~430,000
  - HQ needs not considered as part of precinct investment in 2006

Property Overview – 521 Chkalov

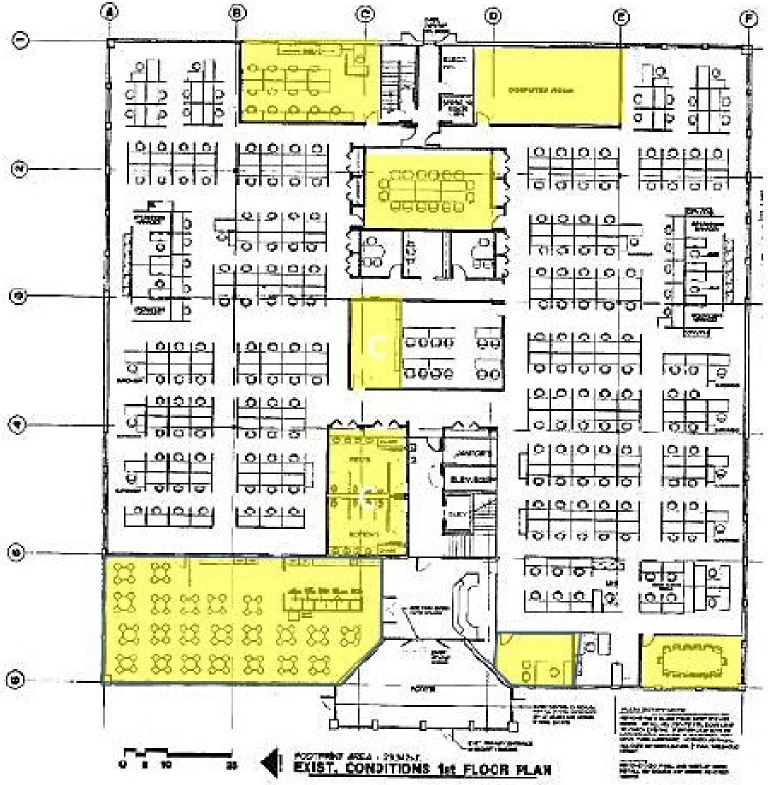
Property Overview 521 Chkalov

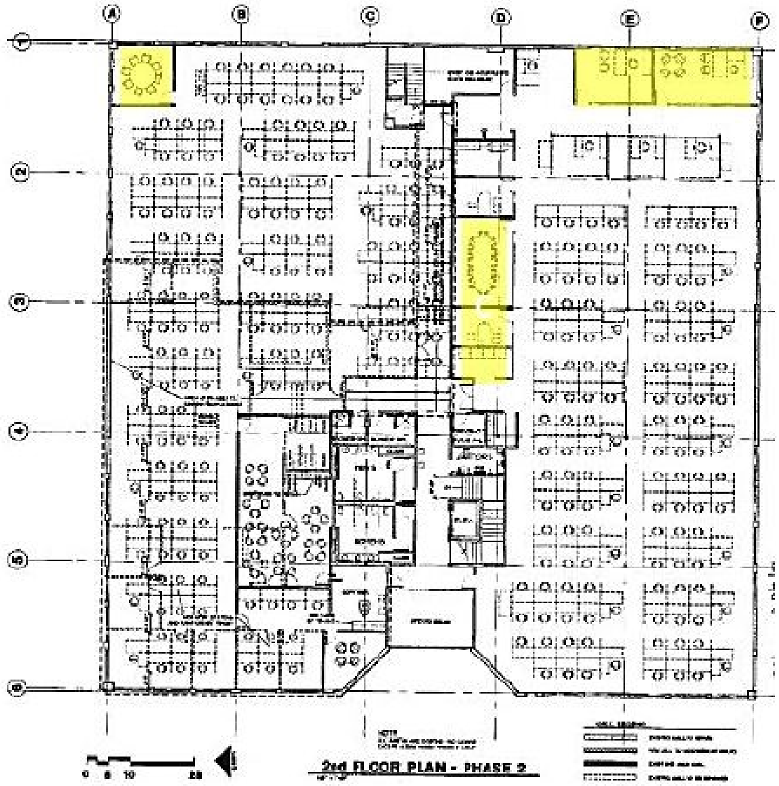
- Headquarters Building:
  - 44,812 square foot 2 story office building
  - 190 parking spaces (approx.)
  - 2.3 acres
  - Built in 1989
- Adjacent 1.4 vacant acres – first right of refusal

Property Overview 521 Chkalov

Property Overview 521 Chkalov

Property Overview 521 Chkalov





Planned Uses

Headquarters

- Office of the Chief

Administrative Division

- Professional Standards Unit
- Training Unit
- Backgrounds Unit
- Logistics
- Finance/Payroll

Advantages

- Rare opportunity to secure the right building in right location
- Geographic centrality to current and future city limits
- Proximity to highway and arterial system – responsiveness
- Room for growth - within building and on adjacent land
- Located near a historically high crime beat
- Lower cost than new construction
- No known alternatives available for acquisition

Transaction Details

- 6 year lease with two 5 year renewals
  - $14.50 per square foot/$54,149 monthly
  - 3% annual escalator
- Option to purchase after 3 years
  - Option price $10,460,500
- First right of refusal to purchase adjacent 1.4 acres at appraised value

Funding Sources

- Lease funding 2020-2022:
  - Police Budget Savings – attrition & overtime
- One-time resources:
  - Facilities: Tenant Improvements (2019) ~$300K
  - Police Budget Savings 2019 ~ $600K – $1 Mil.
  - Misdemeanor jail cost savings – 2015-2017 (audited) and 2018-2019 (estimated) ~$5.5 Mil.
  - Undesignated General fund balance ~$4 Mil.

Next Steps

Time Frame	Action
October 28	Approval of lease
October – February	Building preparation (technology, security, limited seismic upgrades and tenant improvements)
Q1 2020	Move in – begin operations
Q2 2020	Lease out former Police HQ to new tenant
Q4 2022	Purchase 521 Chkalov building

Recommendation

- Move to approve the lease-purchase agreement for the property located at 521 Chkalov.
- Authorize the City Manager to:
  - Sign the lease-purchase agreement;
  - Notify the Lessor of the City's interest in exercising the option to purchase the facility (2022).

Questions and Discussion

CITY OF Vancouver WASHINGTON

Item #1

Staff Report 148-19

TO: Mayor and City Council

FROM: Eric Holmes, City Manager

DATE: 10/28/2019

SUBJECT Lease purchase agreement for a replacement headquarters for the Vancouver Police Department

Key Points

- The Vancouver Police Department (VPD) has experienced growth in recent years through increased staffing in patrol, investigations units, crime analysis and establishing a new 24/7 police records unit. Despite mitigating strategies, this growth has taxed the capacity of the current facilities to accommodate additional personnel.
- Additional growth is planned through 2021-22, and to continue in the future as the population of Vancouver continues to grow through new development and annexation.
- VPD does not have dedicated training facilities, and the availability of donated space for training purposes from private businesses has declined in recent years.
- Increasing community expectations of VPD to continue to invest in 21st century policing programs and technology necessitates dedicated training facilities.
- City leadership has identified a 44,512 square foot vacant office building on 2.3 acres in a location that is generally centralized to the current and future VPD service area, and would accommodate VPD Headquarters functions as well as specialty functions currently located in precincts and provide opportunity to accommodate future growth in the department.
- Following consultation with City Council in executive session on June 17 and September 9, 2019, staff has negotiated a lease purchase agreement to secure the building in the near term and assure permanent control for the facility over the long term.
- There are sufficient resources identified in the budgets for VPD, jail and undesignated General Fund balance to cover costs of the building.

Strategic Plan Alignment

Goal 2: Provide effective, innovative and well-resourced police, fire and emergency medical services.

Present Situation

In the mid to late 2000s, the City invested in two new patrol precincts and a new evidence facility to replace the previous police facilities which had been built in the 1960s. The new precincts planned to accommodate some future growth, but did not include space for police headquarters or administration.

The current VPD Headquarters, located at 605 East Evergreen Blvd. was assumed from Washington State Patrol (WSP) in 2002. WSP used the building as a vehicle emissions testing facility. It is approximately 17,000 square feet, and hosts the Office of the Chief and associated administration.

In 2016, the City assumed responsibility for police records from the Clark County Sherriff's office, which had provided records services under contract for multiple decades. The City established a 24/7 records unit in West Precinct, providing improved service to VPD officers while reducing annual operating costs.

The addition of 26 new records positions in West Precinct consumed a substantial portion of the space that would have otherwise accommodated future growth in patrol functions.

VPD has no dedicated space for training of its officers and staff. Over the years, the department has relied on donated space from a range of individual businesses, as well as the occasional use of other public facilities to accommodate training needs of the department. While this has been a very cost effective way of accessing facilities for training purposes, the reliability has been declining in recent years. As the local economy has grown, the availability of vacant business space has diminished. Further, as the community has grown, the ability to reliably access space in other public facilities has also declined. Concurrently, the training needs of the department, and expectations of the community for a well-trained police force have grown, and are expected to continue to grow in the future.

In light of these circumstances, the need for additional space was identified by the Chief in the context of the multi-year staffing plan approved by Council in 2017, as well as the analysis and context of a Stronger Vancouver. It was not included as a recommended element of a Stronger Vancouver because, at that time, the needs of the department were not sufficiently defined.

City leadership maintains a consistent awareness of the real estate environment across the community, to both understand the dynamics of this aspect for our economy as well as to identify opportunities when they arise to satisfy the city's long term strategic real estate needs.

Earlier this year, the City identified the property located at 521 Chkalov as a potential strategic real estate acquisition to meet the current and long term future needs of VPD. The property consists of a 2 story, 44,500 square foot building located on 2.3 acres. The building's parking lot accommodates 285 vehicles. The adjacent vacant 1.4 acres is under the same ownership.

The size, configuration, building type and location all align with the current and forecasted needs of VPD. The building will readily accommodate VPD headquarters functions, appropriate specialty units and functions currently located in precincts, dedicated training space and room for growth. The adjacent property, if secured, could provide additional space to accommodate future growth of the department well into the future.

To secure the advantages of this real estate to the benefit of VPD, the City has negotiated a lease purchase agreement with the property owner. The agreement provides for the City to take possession of the building upon approval by City Council for a lease term of five years and three months, and gives the City the option to purchase the property at the beginning of the third year of the lease. The beginning lease rate is $14.50 per foot per year, with a 3% annual rate escalation. In addition, the agreement provides the City the first right of refusal to acquire the adjacent 1.4 acres at the appraised value, which could provide additional room for growth well into the future.

The City has identified current funding capacity to fund the lease purchase through a combination of police budget savings (from vacancies due to primarily retirement-based attrition), recently audited jail costs that were below budget (2015-17), estimated misdemeanor jail cost savings for 2018 and 2019 and undesignated general fund balance.

Advantage(s)

1. Executing a lease-purchase agreement for the property at 521 Chkalov to serve as the new VPD headquarters secures a facility, the size, configuration, building type and location of which all align with the current and forecasted needs of VPD.
2. The building will readily accommodate VPD headquarters functions, appropriate specialty units and functions currently located in precincts, dedicated training space and provide room for growth.

Disadvantage(s)

None.

Budget Impact

1. Sufficient budget capacity exists in the 2019-2020 Adopted budget to cover the cost of leases, interior maintenance and tenant improvements. The capacity consists personnel cost savings in VPD resulting from normal attrition process.
2. Additional budget to exercise the City's purchase option will be requested through the supplemental budget process. The purchase option could only be exercised following the initial 36-month period.

Prior Council Review

The prospect of this real estate transaction was reviewed with the City Council in executive session on June 17 and September 9, 2019.

Action Requested

Authorize the City Manager or designee to approve the lease purchase agreement for 521 Chkalov and to execute the same as well as other pertinent documents to secure the ownership of 521 Chkalov, providing a notice to exercise the purchase option at or after the time of lease signing.

Troy Price, Assistant Police Chief, 487-7643; Jonathan Young, Acting City Attorney, 487-8500.

ATTACHMENTS:

- lease agreement

LEASE AGREEMENT,
OPTION TO PURCHASE,
AND RIGHT OF FIRST REFUSAL

ANGELO PROPERTY CO., L.P.
a Washington limited partnership

and

CITY OF VANCOUVER

Dated: NOV 1, 2019

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LEASE AGREEMENT

THIS LEASE AGREEMENT (herein the "Lease") is made this 1st day of November 2019, between **Angelo Property Co., L.P.**, as Lessor, and **The City of Vancouver**, as Lessee. In consideration of the mutual agreements herein contained,

1. **PREMISES**. Lessor hereby leases to Lessee and Lessee leases from Lessor those certain premises, now, consisting of approximately 44,813 total square feet of building in a free standing, two story building whose common address is known as 521 SE Chkalov Drive, Vancouver, Clark County, Washington 98683 (the "Building"); together with all tenant improvements, if any, and 2.31 acres (Tax Lots 112544000 and 112540000) (collectively, the "Premises"). Lessee will occupy 100% of the total square footage in the Building. The use of the Premises shall include the use of the parking areas highlighted on Exhibit B of this Lease.

2. **TERM**. The term of this Lease shall be for Five (5) years and Three (3) months commencing upon the earlier of execution of this lease or November 1, 2019.

In the event the term of this Lease commences on a day other than the first day of a calendar month, then upon the Date of Commencement of the term hereof, Lessee shall pay Lessor as rental for the partial month a sum calculated by multiplying the Base Rent by the number of days of actual occupancy dividing by 30.

3. **OPTIONS TO RENEW**. Lessee shall have the option to renew this Lease for Two (2) additional terms of Five (5) years at the then prevailing market rates, but in no event less than rent at the end of the option of the original Lease term. To exercise such option(s), Lessee shall provide Lessor at least Nine (9) months advance written notice of its intent to exercise such option(s).

4. **RENT**. Lessee agrees to pay to Lessor as rental for the Leased Premises the sum per month (such amount, as from time to time adjusted pursuant to paragraph 4 hereof, the "base rent") payable on or before the first day of the first full calendar month of the term hereof and on or before the first day of each calendar month thereafter.

TERM	MONTHLY RENT	ANNUAL RENT	LEASE TYPE
11/01/19 – 01/31/19	Abated	Abated	NNN
02/01/20 – 10/31/20	$54,149.00	$487,341.00	NNN
11/01/20 – 10/31/21	$55,792.00	$669,504.00	NNN
11/01/21 – 10/31/22	$57,472.00	$689,664.00	NNN
11/01/22 – 10/31/23	$59,190.00	$710,280.00	NNN
11/01/23 – 10/31/24	$60,983.00	$731,796.00	NNN
11/01/24 – 1/31/25	$62,813.00	$188,439.00	NNN

All rental shall be paid by Lessee to Lessor, in advance, without deduction or offset, in lawful money of the United States of America, to Angelo Property Co., L.P., c/o The Al Angelo Company 400 East Mill Plain Blvd., Suite 500, Vancouver, WA 98660, or such other place as the Lessor may from time to time designate in writing. Lessee upon execution hereof, shall remit February 2020 rent payment to Lessor in the amount of Fifty-Four Thousand One Hundred Forty-Nine Dollars ($54,149.00).

5. TENANT IMPROVEMENTS. Per Exhibit A, Lessor shall deliver the Premises broom clean with all plumbing, electrical and mechanical systems in proper working order. Parking lot will be clean of debris.

6. SECURITY DEPOSIT. Waived.

7. USE OF LEASED PREMISES. The leased Premises are to be used for City of Vancouver Police operations and other professional and administrative uses allowed by zoning. Lessee shall not use the leased Premises or permit anything to be done in or about the leased Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Lessee shall at its sole cost and expense promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force affecting the leased Premises and their cleanliness, safety, occupation and use. Lessee shall not do or permit anything to be done in or about the leased Premises, or bring or keep anything in the Leased Premises that will in any way increase the existing rate of or affect any fire or other insurance upon the Building or any of its contents, or cause the cancellation of any insurance policy covering said Building or any part or its contents. Lessee shall not allow the leased Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Lessee cause, maintain, or permit any nuisance in, on or about the leased Premises. The City is permanently restricted from changing use of the Premises to jail use or homeless services.

8. WASTE. Lessee shall not commit or suffer to be committed any waste in or upon the Leased Premises or the Building.

9. OTHER ALTERATIONS. The parties recognize and agree that a security fence and interior alterations will need to be promptly made in order to make the Premises suitable for Lessee's business needs as a municipal police headquarters. These and other alterations, additions or improvements to the structure of the leased Premises may not be made to the leased Premises without prior written consent of Lessor, provided that such consent shall not be unreasonably delayed or withheld, and provided further that any such alterations, additions or improvements to or of said leased Premises, except movable furniture and trade fixtures, shall at once become a part of the realty and belong to Lessor. In the event Lessor consents to the making of such alterations, additions or improvements, the same shall be made by Lessee at Lessee's sole expense in a commercially reasonable manner. No fencing/barrier etc. can be installed between buildings that would prevent traffic using the driveway onto 116th Street (See Exhibit B). This driveway shall remain a permanent shared access throughout the term of the Lease. In the event that the Purchase Option set forth herein is exercised, Seller may reserve, at its sole discretion, future use of this driveway (Exhibit B) for its own purposes and/or public purposes in recordable form at the time of Closing.

10. FIXTURES. Lessee may, upon written consent of Lessor, install trade fixtures, machinery or other trade equipment in conformance with the ordinances of the City of Vancouver or the State of Washington, and the same may be removed upon the termination of this Lease and

Lessor Initials LZL Lessee Initials ____________ conditions of this Lease, and provided that Lessee repairs any damage to the leased Premises or the Building caused by such removal.

11. ACCEPTANCE AND SURRENDER OF LEASED PREMISES. Prior to taking possession, Lessee shall examine the leased Premises to insure that the same "as is" being in good, sanitary order, condition and repair and as fit for the use Lessee intends for the leased Premises. Lessee further agrees upon the expiration of the term of this Lease or sooner termination hereof to surrender the leased Premises in the same condition as received, broom cleaned, ordinary wear and tear and damage by fire, earthquake, act of God, or the elements alone excepted.

12. BUILDING UTILITIES. The Lessee shall pay all natural gas, sanitary sewer, water, electricity, garbage and recycle or other utilities or services used upon or furnished to the Building during the term of the Lease.

13. FIRE AND EXTENDED COVERAGE INSURANCE. Lessor shall keep the main shell and interior improvements of the Building insured, for the full insurable replacement value, in its name, against loss by fire, vandalism and malicious mischief and all other causes covered by extended coverage endorsements, including boiler and machinery and building ordinance coverage.

Lessee shall pay to Lessor, within 30 days after demand by Lessor, which demand shall be accompanied by a copy of any bill for such insurance, Lessee's portion of all premiums for the insurance for the Building. In the event that Lessee shall fail to pay its portion of such insurance premiums within thirty (30) days, Lessor may advance such payment for Lessee and Lessee shall, upon demand, repay to Lessor such amount, with interest from the date of advance at the rate of twelve percent (12%) per annum, and failure to repay such an advance shall constitute a default hereunder.

Lessee shall, at its sole cost and expense, comply with any and all requirements, pertaining to the leased Premises, of any insurance organization or company, necessary for the maintenance of such insurance, covering the leased Premises.

14. INSURANCE ON LESSEE'S POSSESSIONS. Lessee shall maintain in full force and effect on all of its fixtures and equipment in the leased Premises a policy or policies of fire and extended coverage insurance with standard coverage endorsements to the extent of at least 80% of their insurable value. During the term of this Lease the proceeds from any such policy or policies of insurance shall be used for the repair or replacement of the fixtures and equipment so insured. Lessor shall have no interest in the insurance upon Lessee's equipment and fixtures and will sign all documents necessary or proper in connection with the settlement of any claim or loss by Lessee. Lessor will not carry insurance on Lessee's possessions during the term of this Lease. Insurance on Lessee's fixtures and equipment shall be Lessee's sole responsibility. Lessee shall furnish Lessor with a certificate of such policy and whenever required shall satisfy Lessor that such policy is in full force and effect within 30 days of the commencement of this Lease.

15. LIABILITY INSURANCE. Lessee, at its own expense, shall provide and keep in force with companies acceptable to Lessor public liability insurance for the benefit of Lessor and Lessee jointly against liability for bodily injury and property damage (including glass insurance) in the amount of not less than $2,000,000 in respect to injury to or death of one or more than one person in any one occurrence and in the amount of not less than $1,000,000 per occurrence in

Lessor Initials ____ Lessee Initials ____ respect to damage to property, such limits to be for any greater amounts as may be reasonably indicated by circumstances from time to time existing.

Lessee shall furnish Lessor with a certificate of such policy within 30 days of the commencement date of this Lease and whenever required shall satisfy Lessor that such policy is in full force and effect. Such policy shall name Lessor as an additional insured and shall be primary and noncontributing with any insurance carried by Lessor.

16. INDEMNIFICATION OF LESSOR. With the exception of any claims arising out of the negligence or intentional acts of Lessor, Lessor shall not be liable to Lessee, and Lessee hereby waives all claims against Lessor, for any injury or damage to any person or property in or about the leased Premises or the Building by or from any cause whatsoever, including but not limited to water leakage from the roof, walls, windows or other portion of the leased Premises or the Building, or caused by gas, fire, oil, electricity or any cause whatsoever in, on or about the leased Premises, the Building or any part hereof, except if such injury or damage is caused in part or whole by the act, neglect, fault or omission of any duty with respect to same by Lessor, its agents, servants, employees or invitees.

Lessee shall hold Lessor harmless from and defend Lessor against any and all claims or liabilities for any injury or damage to any person or property whatsoever occurring in, on or about the leased Premises, the Building, or any part thereof, when such injury or damage was caused in part or in whole by the act, neglect, fault of or omission of any duty with respect to the same by Lessee, its agents, servants, employees or invitees. The obligations of Lessee under this section arising by reason of any occurrence taking place during the term of this Lease shall survive any termination of this Lease.

Lessor shall hold Lessee harmless from and defend Lessee against any and all claims or liabilities for any injury or damage to any person or property whatsoever occurring in, on or about the leased Premises, the Building, any part thereof, when such injury or damage was caused in part or in whole by the act, neglect, fault of or omission of any duty with respect to the same by Lessor, its agents, servants, employees or invitees. The obligations of Lessor under this section arising by reason of any occurrence taking place during the term of this Lease shall survive any termination of this Lease.

17. TAXES AND ASSESSMENTS. Lessee shall be liable for the leased Premises's actual applicable property taxes, and assessments, including interest on account thereof, which may be levied, imposed or assessed upon or against the leased Premises or the improvements thereon by the City of Vancouver, Clark County or any other governmental or quasi-governmental authority or body during the term of this Lease. Lessee shall pay within 30 days after demand by Lessor, accompanied by a copy of any tax statement or other evidence of assessment or charge. In the event that Lessee shall fail to pay its portion of such taxes, rates, charges and assessments within thirty (30) days, Lessor may advance such payment for Lessee and Lessee shall, upon demand, repay to Lessor such amount, with interest from the date of advance at the rate of twelve percent (12%) per annum, and failure to repay such an advance shall constitute a default hereunder.

18. PERSONAL PROPERTY TAXES. During the term hereof, Lessee shall pay before delinquency any and all taxes, assessments, license fees, and public charges levied, assessed or imposed and which become payable during the term of the Lease upon Lessee's fixtures, furniture, appliances and personal property installed or located in the leased Premises. If any such taxes on Lessee's personal property or trade fixtures are levied against Lessor or Lessor's property and if Lessor pays the same, which Lessor shall have the right to do regardless of the validity of such levy, Lessee, upon demand shall repay to Lessor the taxes so levied against Lessor. In the event that Lessee shall fail to pay such taxes, assessments, license fees and public charges within thirty (30) days, Lessor may advance such payment for Lessee and Lessee shall, upon demand, repay to Lessor such amount, with interest from the date of advance at the rate of twelve percent (12%) per annum, and failure to repay such an advance shall constitute a default hereunder.

19. UPKEEP OF THE LEASED PREMISES. Except as otherwise provided herein, Lessee shall at Lessee's sole cost and expense keep the interior and exterior of leased Premises and every part thereof in good condition and repair (damage thereto by fire, earthquake, act of God or the elements excepted), and Lessee hereby waives all rights to make repairs at the expense of Lessor as provided by any law, statute or ordinance now or hereafter in effect. Without limiting the foregoing, Lessee's obligation to maintain the leased Premises shall specifically include maintenance and repair of any light bulbs, windows and coverings and any other tenant improvements included within the leased Premises.

Upon occupancy, in addition to direct expenses such as electricity, natural gas and telephone, which will be paid by Lessee, Lessee will pay on a monthly basis, one-twelfth of its estimated share of the project's actual common expenses, including property tax, building insurance, maintenance and common utilities. This amount is adjusted at year's end and subject to change depending upon assessed values, etc. If the City of Vancouver receives a property tax exemption for the use of the premises for governmental operations, the amount will be fully credited to the Lessee's share of costs for the duration of the Lease. Lessee's share of costs at the beginning of the Lease term shall just include actual applicable property tax and building insurance, which are estimated at $53,776.00 ($1.20 SF) which amount shall be adjusted annually to the actual costs for the above expenses. There are no known common utilities. Complete reconciliation of the project's common expenses will be provided to the Lessee annually. The Lessee will have the right to audit relevant accounting records of the Lessor to ensure compliance with the terms of this Lease. The Lessee shall be notified of any changes in the common expenses for the next year no later than sixty (60) days prior to January 1 of the year in which such changes shall occur.

20. UPKEEP OF BUILDINGS. During the term hereof, Lessee shall make arrangements for commercially reasonable maintenance and upkeep, but not replacement, of the exterior walls, roof (including gutters and downspouts), foundation of the Building, and the sidewalks and parking area adjacent thereto as described in Exhibit A. Unless, such costs are due to preexisting conditions the cost of all such maintenance shall be borne 100% by Lessee.

21. SIGNS. All signage shall be approved by Lessor which approval shall not be unreasonably withheld or delayed and subject to City Codes.

22. OVERLOADING OF FLOORS. Lessor represents and warrants that the structural integrity of the Building is sufficient for Lessee's proposed use. The Lessee will not overload the floors of the leased Premises in such a way as to cause any undue or serious stress or strain upon the Building or any part thereof, and Lessor shall have the right, at any time, to call upon any competent engineer or architect whom the Lessor may choose, to decide whether or not the floors of the leased Premises, or any part thereof, are being overloaded so as to cause any undue or serious stress or strain on the Building, or any part thereof. The decision of said engineer or architect shall be final and binding upon the Lessee and in the event that the engineer or architect shall decide that in its opinion the stress or strain is such as to endanger or injure the Building or any part thereof, the Lessee agrees immediately to relieve the stress or strain by lightening the load which causes such stress or strain in a manner satisfactory to the Lessor.

23. LIENS. Lessee shall keep the leased Premises, the Building, free from any liens arising out of any work performed, materials furnished, utility charges or obligations incurred by Lessee.

24. ASSIGNMENT AND SUBLETTING. Lessee shall not assign, transfer, mortgage, pledge, hypothecate or encumber this Lease, or any interest therein, and shall not sublet the leased Premises or any part thereof, or any right or privilege appurtenant thereto, or permit the use of the leased Premises by any person or persons other than the Lessee without the prior written consent of Lessor which consent shall not be unreasonably withheld. A consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Any attempted assignment or subletting without such consent shall be void, and shall, at the option of the Lessor, constitute a default under this Lease pursuant to the remedies available to Lessor as described herein. Consent by Lessor to any assignment or subletting shall not relieve Lessee from its primary liability under the Lease.

25. INSOLVENCY OF TENANT. Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Lessee, or (b) a general assignment by Lessee for the benefit of creditors, or (c) any action taken or suffered by Lessee under any insolvency or bankruptcy act, if continued for a period of thirty (30) days, shall constitute a default under this Lease.

26. EVENTS OF DEFAULT. The following shall constitute "Events of Default" under this Lease:

(a) Failure of Lessee to make payments of any installment of base rent, as provided in paragraph 4 hereof, within five (5) days of written demand by Lessor;

(b) Failure of Lessee to pay any other amounts payable by Lessee to Lessor hereunder within any time period specifically provided herein, or, if no time period is provided, within five (5) days of written demand by Lessor; or

(c) Breach by Lessee of any other covenant of this Lease which breach is not cured within thirty (30) days after the giving of written notice of such breach by Lessor to Lessee, provided that additional time reasonably required to cure the matters in default shall be allowed so long as Lessee is diligently pursuing all actions required to cure the matters for which a default is claimed under this subsection.

27. REMEDIES ON DEFAULT. Upon the occurrence of any Event of Default, Lessor, besides other rights and remedies it may have, shall have the right of reentry and may remove all persons authorized by law from the Leased Premises pursuant to legal proceedings or pursuant to any notice provided by law, and may store any such property removed in a public warehouse or elsewhere, at the cost of, and for the account of Lessee. Lessor shall not be liable for any damages caused by any dispossession or removal of persons or property from the leased Premises pursuant to this paragraph.

Further, in the event of default by Lessee, Lessor may either terminate this Lease or may, from time to time, without terminating this Lease, relet the leased Premises or any part thereof for such term or terms (which may be a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as Lessor in its sole discretion may deem advisable with the right to make alterations and repairs to the leased Premises.

Upon such reletting, Lessee shall pay to Lessor, as soon as ascertained, the reasonable cost and expenses incurred by Lessor in such reletting and in making such alterations and repairs to the extent necessary to return the leased Premises to good leasable condition.

Rentals received by Lessor from such reletting shall be applied: first, to the payment of any indebtedness, other than rent, due hereunder from Lessee to Lessor; second, to the payment of the cost of any alterations or repairs to the leased Premises necessary to return the leased Premises to good condition (normal wear and tear excepted) for uses under this Lease; third, to the cost of storing any of Lessee's property left on the leased Premises at the time of reletting; fourth, to the payment of rent due and unpaid hereunder. The residue, if any, shall be held by Lessor and applied in payment of future rent or damages in the event of termination as the same may become due and payable hereunder and the balance, if any, at the end of the term of this Lease shall be paid to Lessee. Should such rentals received from time to time from such reletting during any month be less than that agreed to be paid during that month by Lessee hereunder, the Lessee shall pay such deficiency to Lessor. Such deficiency shall be calculated and paid monthly.

No such reentry or taking possession of the leased Premises by Lessor shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Lessee or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Lessor may at any time thereafter elect to terminate this Lease for such previous breach. No such termination of this Lease shall relieve Lessee of its liabilities and obligations under this Lease, and such liabilities and obligations shall survive any such termination.

In the event of any such termination, whether or not the leased Premises or any part thereof shall have been relet, Lessor may recover from Lessee all damages Lessor may incur by reason of such termination, specifically including the cost of recovering the leased Premises and (1) all amounts that would have fallen due as rents between the time of termination of this Lease and the time of the judgment, or other award, plus the costs of all reletting and transfers, plus interest on the balance at the rate of twelve percent (12%) per year; (2) the worth at the time of the judgment or other award, of the amount by which the unpaid rents for the balance of the term exceed the amount of such rental loss that Lessee proves could be reasonably avoided; and (3) any other amount necessary to compensate Lessor for all detriment proximately caused by Lessee's failure to perform its obligations under this Lease or which in the ordinary course would be likely to result therefrom.

28. DAMAGE OR DESTRUCTION. In the event the Building is destroyed or damaged by fire, earthquake or other casualty to such an extent as to render the leased Premises untenantable in whole or in substantial part, it shall be optional with the Lessor to repair or rebuild the same, and in the meantime the rent shall be abated in the same proportion as the untenantable

Lessor Initials ___ Lessee Initials ___

portion of the leased Premises bears to the whole thereof. Unless the Lessor, within 30 days after the happening of any such damage or casualty, shall notify the Lessee of its election to restore said premises, this Lease shall thereupon terminate and end.

In the event the Building shall be damaged or destroyed by any such casualty (even though the Leased Premises shall not be damaged thereby) to such extent that in the opinion of Lessor it shall not be profitable to repair or rebuild, then Lessor may terminate this Lease by notifying Lessee of its election to do so within 30 days of the occurrence of the casualty.

29. EMINENT DOMAIN. If the whole or any part of the leased Premises, the Building shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose by a government authority other than the Lessee, the term of this Lease shall, at the option of Lessor, cease and terminate from the day of title vesting in such proceeding. In no event shall Lessee have any claim or interest in or to any award of damages for such taking whether or not this Lease be terminated as herein provided except that Lessee shall be entitled to receive any award for moving expenses, tenant improvements installed by Lessee and personal property installed by Lessee and taken in condemnation.

30. WARRANTY OF QUIET ENJOYMENT. Lessor agrees that as long as Lessee is not in default under the terms of this Lease, Lessee shall at all times during the term of this Lease have the right to the undisturbed possession of the leased Premises.

31. FITNESS FOR USE. Lessor represents and warrants that the Building is zoned for office use.

32. ENTRY BY LESSOR. Lessor reserves and shall at any reasonable time, within twenty-four (24) hours prior written notice, have the right to enter the leased Premises for the purpose of examining the condition thereof, to post notices of nonresponsibility, and to alter, improve or repair the leased Premises and any portion of the Building of which the leased Premises are a part, without abatement of rent and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always providing the entrance to the leased Premises shall not be blocked thereby, and further providing that the business of Lessee as a law enforcement facility shall not be interfered with unreasonably. Such entry to the leased Premises obtained by the Lessor shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the leased Premises, or an eviction of Lessee from the leased Premises or any portion thereof. Without limiting the foregoing, in the event that Lessee has not exercised its Option to Purchase, during the period of 90 days prior to the termination of said Lease, Lessor may post on the leased Premises or in the windows thereof signs of moderate size notifying the public that the premises are "For Rent" or "For Lease."

33. FORECLOSURE. In the event that Lessor assigns or encumbers its interest or estate for security purposes and such assignment or encumbrance is "foreclosed" for any reason and Lessor's interest or estate is sold as upon execution in the manner provided by law or Lessor's interest or estate is sold at public or private sale by the secured party, Lessee shall be bound to the purchaser at such sale under all of the covenants, terms and conditions of this Lease for the balance of such term hereof remaining with the same force and effect as if such purchaser was the Lessor under the Lease and Lessee hereby attorns to such purchaser as its landlord, such attornment to be effective and self-operative without the execution of any further instrument on the part of either of

Lessor Initials GL Lessee Initials __________ the parties hereto immediately upon such purchaser succeeding to the interest or estate of Lessor. If during the pendency of foreclosure proceedings or otherwise, there is appointed by the court a receiver for the property of which the leased Premises are a part, Lessee hereby attorns to the receiver as its landlord during the pendency of such foreclosure proceeding, such attornment to be effective and self-operative without the execution of any further instrument on the part of either of the parties hereto immediately upon the appointment of the receiver and its qualification as such.

34. HOLDING OVER. If (without execution of a new lease or written extension) Lessee shall hold over after the expiration of the term of this Lease, Lessee shall be deemed to be occupying the leased Premises as a tenant from month to month, which tenancy may be terminated as provided by law. During such tenancy Lessee agrees to pay Lessor one hundred fifty (150%) percent of the then prevailing rental paid by Lessee at the expiration of the term of this Lease pursuant to all the provisions of paragraphs 4 hereof, unless a different rate is agreed upon in writing by both parties, and to be bound by all of the terms, covenants and conditions as herein specified, so far as applicable.

35. NONMERGER. The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of the Lessor, terminate all or any existing subleases or subtenancies, or may, at the option of Lessor, operate as an assignment to it of any or all such subleases or subtenancies.

36. ATTORNEYS FEES. In the event of any action or proceeding brought by either party against the other under this Lease, the prevailing party shall be entitled to recover for the fees of its attorneys in such action or proceeding such amount as the court may adjudge reasonable as attorneys fees. Should Lessor be named as a defendant in any suit brought against Lessee in connection with or arising out of Lessee's occupancy hereunder, Lessee shall pay to Lessor Lessor's costs and expenses incurred in such suit, including reasonable attorneys fees.

37. WAIVER. The waiver by Lessor of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant or condition of this Lease, other than the failure by Lessee to pay the particular rental so accepted, regardless of Lessor's knowledge of such preceding breach at the time of the acceptance of such rent.

38. NOTICES. All notices and demands which may or are required to be given by either party to the other hereunder shall be in writing and shall be deemed given when deposited in the U.S. mails, certified mail or return receipt requested, postage prepaid and addressed to the parties as follows:

To Lessee:
City of Vancouver
Attn: City Manager
415 W. 6th Street
Vancouver, WA 98660

To Lessor:
Angelo Property Co., L.P.
Attn: The Al Angelo Company
400 East Mill Plain Blvd., Suite 500

Vancouver, WA 98660

or at such other address or attention such other person as either party may from time to time designate to the other by written notice in the manner provided above.

39. TIME IS OF THE ESSENCE. Time is of the Essence in this Lease an all of its provisions.

40. DEFINED TERMS AND MARGINAL HEADINGS. The words "Lessor" and "Lessee" as used herein shall include the plural as well as the singular. Words used in the masculine gender include the feminine and the neuter. If there is more than one Lessee the obligations hereunder imposed upon Lessee shall be joint and several. The marginal headings and titles to the paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

41. SUCCESSORS AND ASSIGNS. All of the covenants, agreements, terms and conditions contained in this Lease shall apply to and be binding upon Lessee and Lessor and their respective heirs, executors, administrators, successors and assigns, subject to the provisions of this Lease as to assignments.

42. ALTERNATIVE TAXES. If during the term of this Lease there is enacted in the State of Washington a real property tax limitation and concurrently therewith, or subsequent thereto, a substitute tax is imposed, which is substantially equivalent to a real property tax or directly related to or measured by ownership or possession of real property, which is intended to provide tax revenue that would otherwise have been provided by the real property taxes, then Lessee shall be obligated to pay a portion of such "substitute" tax as provided in paragraph 18 for taxes and assessments.

43. WAIVER OF SUBROGATION RIGHTS. Neither Lessor nor Lessee shall be liable to the other for loss arising out of damage to or destruction of the leased Premises, or the Building or improvements of which the Leased Premises are a part or with which they are connected, or the contents of any thereof, when such loss is caused by any of the perils which are or could be included within or insured against by a standard form of fire insurance with extended coverage, including sprinkler leakage insurance, if any. All such claims for any and all loss, however caused, hereby are waived. The absence of liability shall exist whether or not the damage or destruction is caused by the negligence of either Lessor or Lessee or by any of their respective agents, servants or employees. It is the intention and agreement of the Lessor and the Lessee that the rentals reserved by this Lease have been fixed in contemplation that each party shall fully provide its own insurance protection at its own expense, and that each party shall look to its respective insurance carriers for reimbursement of any such loss, and further, that the insurance carriers involved shall not be entitled to subrogation under any circumstances against any party to this Lease. Neither the Lessor nor the Lessee shall have any interest or claim in the other's insurance policy or policies, or the proceeds thereof, unless specifically covered therein as joint assured.

44. PARKING. Lessee shall have exclusive use of the leased Premises for its parking purposes. See Exhibit B

Lessor Initials LGd Lessee Initials ____________

45. REGULATIONS. Landlord shall have the right to make and enforce rules and regulations consistent with this Lease for the purposes of regulating access, parking, use of the common areas and promoting safety, order, cleanliness and good service to the Building. Lessee will promptly comply with all such rules and regulations.

46. ABANDONMENT. Lessee shall not vacate or abandon the leased Premises at any time during the term, and if Lessee shall abandon, vacate or surrender said premises, or be dispossessed by process of law, or otherwise, any personal property belonging to Lessee and left on the leased Premises shall be deemed to be abandoned.

47. INTEREST AND LATE CHARGES. Rent not paid within thirty (30) days after such rent is due shall bear interest from the date due until paid at the rate of twelve percent (12%) per annum. Lessor may at its option impose a late charge of $.04 for each $1.00 of rent payments made more than thirty (30) days late in addition to interest and other remedies available for default.

48. PRIOR AGREEMENTS. This Lease is the entire, final, and complete Agreement of the parties pertaining to the lease of the leased Premises and supersedes and replaces all written and oral agreements heretofore made or existing by and between the parties or their representatives insofar as the leased Premises is concerned. This Agreement supersedes any and all prior offers by and between Lessor and Lessee.

49. OPTION TO PURCHASE. So long as Lessee is not in default of this Lease, Lessee shall have the option to purchase the Premises ("Option") as agreed to in this section. The Lease term shall expire contemporaneously with the closing on such property ("Closing" or "Closing Date").

a) **Option Term.** The term of Option (the "Option Term") shall commence after the first Three (3) years of original Lease term and shall continue until expiration or termination of this Lease.

b) **Exercise of Option.** The Option shall be exercised, if at all, by written notice (the "Exercise Notice") given by Lessee to Lessor at any time prior to expiration of the Option Term. Lessee may deliver such Exercise Notice any time after execution of this Lease until expiration or termination. If the Exercise Notice is delivered not later than One Hundred Eight (180) days prior to the 36th month of original Lease Term, the property shall be purchased at the Option Price (as stated in (d)). In the event that the Exercise Notice is given by Lessee after the 180 day advance Notice Period was due, then Fair Market value Purchase Price will be established per appraisal as described below (d). Upon exercise of the Option as provided herein, Lessee shall be obligated to purchase the Property from Lessor, and Lessor shall be obligated to sell the property to Lessee, for the price and in the manner herein set forth in section (d). Closing shall take place within Thirty (30) days of delivery of the Exercise Notice or commencement of the Option Period, whichever is later, or as such other time as mutually agreed by the parties in writing.

c) **Termination of Option.** If Lessee fails for any reason to timely exercise the Option in the manner set forth herein, Lessee shall have no further claim against or interest in any of the property except pursuant to the Lease. In the event of the failure to exercise or other termination of the Option:

i. Lessee shall provide Lessor within Ten (10) days following request from Lessor with any instruments that Lessor reasonably may deem necessary for the purpose of removing from the public record any cloud on title to the property which is attributed to the grant or existence of the Option.

ii. Lessor shall have the right to sell, transfer, assign and encumber its interest in this Lease and its estate in the leased Premises, the Building, or any part thereof, and to delegate all or any portion of its obligations hereunder.

iii. This Lease shall be subject and subordinate to any encumbrance and to any extensions or renewals thereof which are now, or may hereafter be placed by Lessor, upon the whole or any part of the Building and which includes the leased Premises.

iv. From time to time the Lessee shall execute and deliver any instrument (including but not limited to subordination, attornment, estoppel, etc.) which may be reasonably required by the Lessor in confirmation of such subordination promptly upon the Lessor's request, and without expense to the Lessor; provided, however, that any such subordination instrument shall provide that so long as the Lessee is not in default in the payment of rent or in the performance of any of the covenants, terms and conditions of the Lease, Lessee's possession of the leased Premises and the Lessee's rights and privileges under the Lease or any renewal thereof shall not be diminished or interfered with by the secured party under such encumbrance.

d) **Option Price.** The parties agree that the Option Price (Purchase Price) of the Premises at Lease execution is Ten Million Four Hundred Sixty Thousand Five Hundred and No/100 Dollars ($10,460,500.00), if Exercise Notice is given 180 days prior to the 36-month of the original lease term. (Therefore the fixed purchase price is good only if the City of Vancouver provides Angelo Property Co., L.P. the exercise notice at least one hundred and eighty (180) days prior to the thirty-sixth (36th) month of the lease.) In the event that Exercise Notice is given after the 180 advanced notice period, then Fair Market purchase price will be established by an MIA appraisal. Lessee will provide Lessor within 45 days of Option Notice an MIA appraisal for the Premises. Lessor may accept Lessee's appraisal or obtain a Lessor's MIA appraisal and the two appraisals will be averaged to set fair market value purchase price.

e) **Abbreviated Legal.** 521 SE Chkalov Drive, Vancouver, WA 98683 and 2.31 acres Tax Lots 112544000 and 112540000

f) **Closing Costs.** Seller shall pay the premium for the Title Policy, provided, however, if Buyer elects to obtain an ALTA extended form policy of title insurance and/or any endorsements, Buyer shall pay the difference in the premium relating to such election. Seller and Buyer shall each pay one-half (1/2) of the escrow fees charged by the Escrow Holder. On any sale of the Property Buyer shall cooperate with Seller so the transaction qualifies for excise tax exemption under WAC 458-61A-206 and 1031 OR 1033 exchange in lieu of condemnation action necessary for the exemption for a police headquarters. Real property taxes for the tax year of the Closing, assessments, personal property taxes, rents and other charges arising from existing Tenancies paid for the month of Closing, interest on assumed obligations, and utilities shall be prorated as of the Closing Date. If applicable, prepaid rents, security deposits, and other unearned refundable deposits relating to Tenancies shall be assigned and delivered to Buyer at Closing. The parties acknowledge and warrant that no other real estate brokers are part of this agreement and due any fees or commission except the Fuller Group.

50. RIGHT OF FIRST REFUSAL ON SURPLUS LAND. In the event that Lessor elects to develop Tax Lots #114728936, 114782388 and/or 114782386 (the "Surplus Land") (see Exhibit C), for any purpose other than current use as a surface parking lot, or receives a third-party purchase and sale agreement for the Surplus Land, Lessee will have the first right of refusal to, in the event of third party offer match the terms and conditions of the third party offer, OR, in the event of a development proposal have the right to purchase not less than 100% of all three tax lots at fair market value as determined by a licensed appraiser mutually agreed to by the parties. Lessor to serve written notice to Lessee of its development plans and/or sale in advance and Lessee shall respond in writing within Ten (10) days.

51. RECORDING. This Lease shall not be recorded, but the parties shall execute a memorandum of this Lease in recordable form, which may be recorded. The memorandum of lease shall include references to the grants of the Option to Purchase the Premises and Right of First Refusal to the Surplus Land.

52. COOPERATION. On any sale of the property Lessee shall cooperate with Lessor so the transaction qualifies for excise tax exemption under WAC 458-61A-206 and 1033 exchange in lieu of condemnation action necessary for the acquisition for a police headquarters.

EXECUTED this _____day of ______________2019

LESSEE/BUYER: **City of Vancouver**

By: ______________________
Eric Holmes

Title: ______________________

LESSOR: **Angelo Property Co., L.P.**

By: Craig E Angelo
Craig E. Angelo

Title: MANAGING PARTNER/OWNER

State of Washington

County of Clark

On 10/18 ______, 2019, CRAIG E ANGELO personally appeared before me,

__✓__ Who is personally know to me
______ Whose identity I proved on the basis of ______________
______ Whose identity I proved on the oath/affirmation of ___________________, a credible witness

to be the signer of the above document, and he/she acknowledged that he/she signed it.

KRISTY J HICKS
NOTARY PUBLIC
COMM. EXPIRES
JULY 15, 2021
STATE OF WASHINGTON

Kristy J. Hicks
Notary Public

Lessor Initials CEA . Lessee Initials ____________

State of ______________
County of ______________

On ____________, 2019, ________________________ personally appeared before me,

______ Who is personally know to me
______ Whose identity I proved on the basis of _____________
______ Whose identity I proved on the oath/affirmation of ________________, a credible witness

to be the signer of the above document, and he/she acknowledged that he/she signed it.

____
Notary Public

EXHIBIT A

Lessor and Lessee Work

Lessor's Work: The Lessor shall deliver the Premises broom clean with all plumbing, electrical and mechanical systems in proper working order. Parking lot will be clean of all debris.

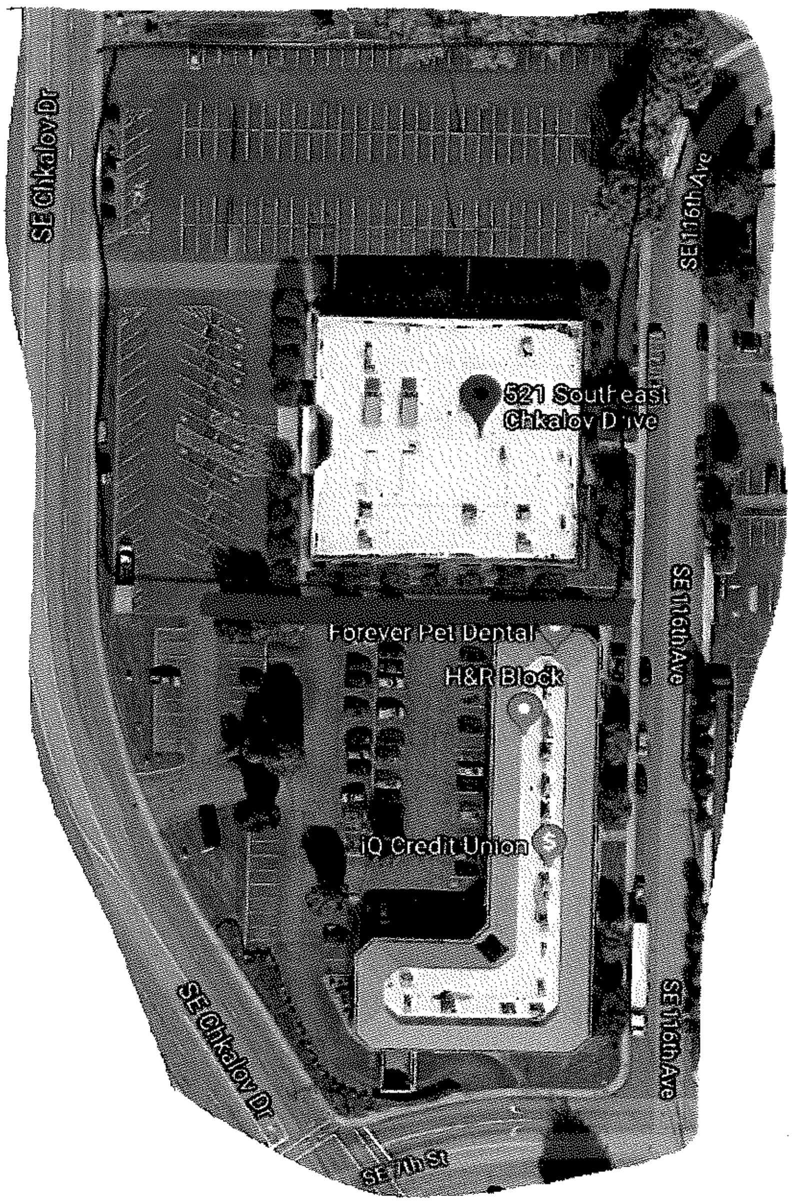
Due to the complexity and liability of a police facility, the City shall maintain the property once Lessor has turned it over to them. If Lessor is called upon to remedy a situation during the lease period, the Lessee shall provide Lessor notice.

Lessee's Work: The Lessee will obtain Lessor's written approval for all tenant improvements including any fencing of the parking lot by Lessee prior to start of construction, consent to which shall not be unreasonably delayed or withheld. Maintenance expected of Lessee in providing "Upkeep of the Premises" is agreed to include that which follows below:

- Quarterly HVAC inspections and maintenance
- Quarterly Roof inspections and debris clean off
- Weekly upkeep of landscaping and parking lot sweeping
- Tree trimming as needed

EXHIBIT B

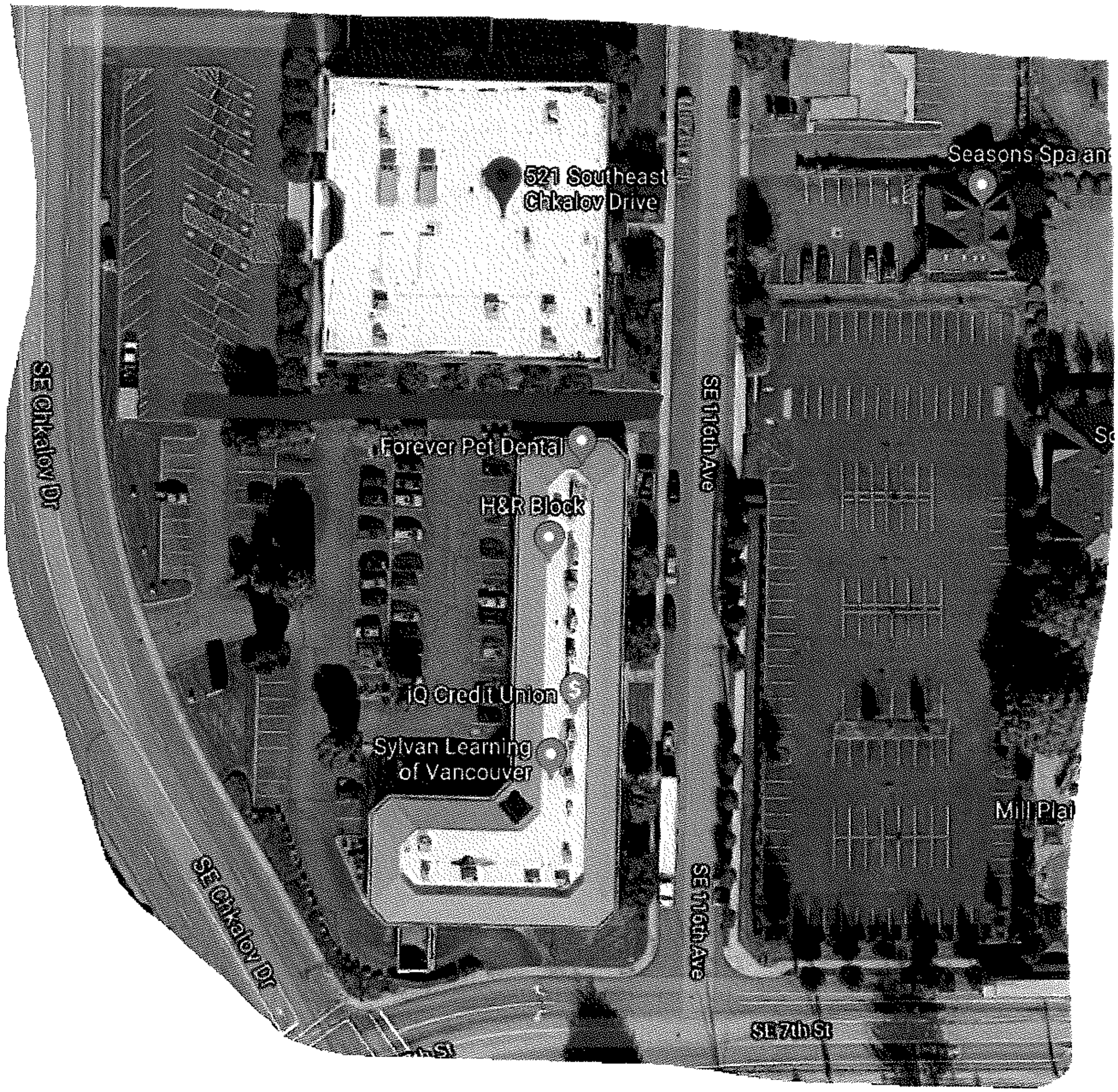
Premises
(outlined in
Red)



Driveway between properties to remain open with permanent shared access to 116th Street.

EXHIBIT C

Surplus Land



Driveway between properties to remain open with permanent shared access to 116th Street.

Lessor Initials ________ Lessee Initials ____________