

11/18/2019

RESOLUTION NO. M-_____

A RESOLUTION authorizing the execution of a ground lease by and between the City of Vancouver and the Holland Partner Group for Block 10; authorizing the City Manager to execute said agreement on behalf of the City of Vancouver; and providing for an effective date.

WHEREAS, on February 22, 2016, by adoption of Resolution M-3881, the Vancouver City Council declared Block 10, legally described as Lots 1, 2, 3, 4, 5, 6, 7 and 8, Block 10 West Vancouver according to the plat thereof recorded in Volume B of Plats, Page 40, records of Clark County, Washington, to be surplus to the needs of the City and authorized its disposition; and

WHEREAS, the City was approached by Holland Partner Group which expressed interest in acquiring Block 10 and developing its corporate headquarters, housing and retail uses on the site; and

WHEREAS, on May 13, 2019, by adoption of Resolution M-4007, the City Council authorized the disposition of Block 10 through negotiated sale and/or lease; and

WHEREAS, following a duly noticed public hearing held by the City Council on October 21, 2019, the City of Vancouver entered into a disposition and development agreement (“DDA”) with the Holland Partner Group pertaining to Block 10 pursuant to RCW 36.70B.170; and

WHEREAS, the Holland Partner Group and City Staff agree that it is in the parties’ mutual best interests to enter into a ground lease containing certain terms specified respecting the development of the property; and

WHEREAS, the parties have negotiated a ground lease which is hereby incorporated into this Resolution as if set forth fully herein (“Ground Lease”); and

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WHEREAS, the Ground Lease provides that the project will be developed as described within the DDA; and

WHEREAS, the term of the Ground Lease will be for 60 years, with a single 39-year extension right of the tenant; and

WHEREAS, the rent owed to the City under the Ground Lease shall be as follows:

- (1) \$30,000/year: in Lease Year 1 through the earlier of substantial completion or Lease Year 3;
- (2) \$66,500/year: for the balance of Lease Years 1 through 3 (if substantial completion prior to the end of Lease Year 3), and Lease Year 4;
- (3) \$133,200*/year: in Lease Years 5 through 10 (*or such greater amount as required through Consumer Price Index (“CPI”) adjustment of up to a 3% maximum increase);
- (4) \$166,500*/year: Lease Years 11-29 (*or such greater amount as required through CPI adjustment of up to a 3% maximum increase);
- (5) Overhang Rent: equaling the product of \$1.40 multiplied by the number of square feet of the improvements that overhang into the public right of way as further described within the Ground Lease; and
- (6) Revaluation of base rent: in Lease Years 30, 45, 60, and 80 with an increase to the greater of (a) the CPI adjustment amount, or (b) five percent of the Revaluation Fair Market Value, up to a maximum of 15%; and

WHEREAS, the tenant shall have the right to purchase the property for fair market value at the end of the 60th, 80th, and 99th Lease Years; and

WHEREAS, the Holland Partners Group further agrees to:

- (1) Deposit \$250,000 upon execution of the Ground Lease to be held in security by the City, and refunded once Holland Partners Group has spent \$5,000,000 in hard construction costs for improvements on Block 10;
- (2) Design and construct improvements substantially in accordance with the approved conceptual design plans;
- (3) Meet specified project milestones, including obtaining a shoring and excavation permit (March 18, 2020), commencing construction (May 31, 2020), obtaining a building permit for the podium (June 9, 2020), obtaining a permit for the multi-family building (September 2, 2020), and obtaining a tenant improvement permit (April 29, 2021);
- (4) Deliver any improvements on Block 10 installed by Vancouver's Downtown Association ("VDA") to the VDA at the Holland Partner Group's sole cost and expense;
- (5) Lease at least two floors containing approximately 40,000 square feet for its corporate headquarters for a period of at least ten years;
- (6) Pay any additional rent, taxes and assessments on the property, and arrange for payment of heat, light, water, gas, sewer and all other public utilities during the full lease term; and

WHEREAS, the Holland Partner Group understands and agrees that construction of the approved conceptual design plans will require amendment to Ch. 20.630 VMC, and that such amendment (1) is not required under the Ground Lease, (2) is contingent upon future consideration and action by the City Council following required public notice and hearing; and

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WHEREAS, in compliance with the proposed terms of the Ground Lease, the City will be required to terminate the right-of-use permit for the bank drive-through on 9th Street, between Columbia and Washington Streets, within 30 days of estimated commencement of construction.

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY OF VANCOUVER:

Section 1. **Findings.** The recitals set forth above and provided by way of SR _____ are hereby adopted as findings supporting the action of the City Council in adopting this Resolution.

Section 2. **Authorization.** The City Council, in accordance with the recommendations of City Staff, hereby authorizes the City Manager to execute the Ground Lease on behalf of the City.

Section 3. **Effective Date.** This Resolution shall be effective immediately upon passage.

ADOPTED at a Regular Meeting of the Vancouver City Council this _____, of _____, 2019.

Anne McEnery-Ogle, Mayor

Attest:

Natasha Ramras, City Clerk

Approved as to form:

Jonathan Young, City Attorney