



CITY OF KIRKLAND
Planning and Building Department
123 5th Avenue, Kirkland, WA 98033
425.587.3600 - www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Dawn Nelson, Planning Supervisor
Adam Weinstein, Deputy Planning Director

Date: September 7, 2018

Subject: LIFEBRIDGE CONDITIONAL CERTIFICATE FOR MULTIFAMILY PROPERTY TAX EXEMPTION, FILE HSG18-00323

RECOMMENDATION

Staff recommends that the City Council approve the enclosed resolution authorizing the City Manager or his designee (currently the Planning and Building Director) to:

- Enter into a contract with Kirkland Apartments Development Company, LLC for a potential multifamily housing property tax exemption (Exhibit A to the Resolution); and
- Issue a conditional certificate of acceptance of tax exemption.

By adopting the resolution through approval of the consent agenda, the Council is authorizing both actions.

BACKGROUND DISCUSSION

The City of Kirkland first adopted the Multifamily Housing Property Tax Exemption (MFTE) program in May 2004. It was initially part of the package of incentives developed to encourage the creation of affordable housing in multifamily and mixed use projects. It is now a key part of the regulations that offset the cost to the developer of providing required affordable housing, pursuant to the inclusionary zoning requirements adopted in December 2009. In zones where affordable housing is not required, the MFTE remains as an incentive to encourage the creation of affordable housing. To date, it has been used four times: twice in voluntary situations in the North Rose Hill Business District and twice as part of projects where affordable housing was required.

The MFTE regulations allow applicants of projects that include a minimum of four new multifamily units in defined geographic areas to request an exemption from ad valorem taxes (i.e., property taxes levied on real estate) on the residential improvement value in exchange for providing affordable housing. The City allows an eight year exemption if at least 10 percent of

the units in a project are affordable, and a twelve year exemption if at least 20 percent of the units are affordable. The length of the exemption is established by Revised Code of Washington (RCW) 84.14. The current regulations are included in Kirkland Municipal Code (KMC) 5.88. Additional background information about the financial implications of the program is available on pages 4 and 5 of the [June 7, 2011 City Council materials](#).

LIFEBRIDGE PROJECT MFTE

The Lifebridge project, located in the Totem Lake Business District on the former Christ Church property between NE 116th Street and NE 118th Street, will be developed in two phases (see Attachments 1 and 2). The first phase includes 409 multifamily residential units in two 6-story buildings. The second phase will include 153 units of senior multifamily housing in a separate 5-story building. The applicant will submit a separate application for an MFTE for the second phase.

The first phase of the project includes a mix of studio, one-bedroom, and two- and three-bedroom units ranging in size from 490 square feet to 1,220 square feet. The 41 proposed affordable units include a mix of all of the unit types, roughly in proportion to the market rate units (see Attachment 3). The prescribed affordability level for rental projects in this situation is 50% of King County median income. The affordability required in exchange for the tax exemption must remain for the life of the project and is secured by the agreements attached to the contract. The tax relief provided is from the ad valorem taxes on all of the residential improvement value on the property for 8 years. Taxes are still collected on the land and any non-residential improvements.

The process for approving an MFTE includes the following steps:

- Review and approval of application for conditional certificate for tax exemption by the Planning and Building Director – *completed on September 7, 2018*
- Approval of resolution to enter into contract with City – *pending action by City Council on September 18, 2018*

Actions to occur following approval of the resolution:

- Execution of contract and issuance of conditional certificate of acceptance of tax exemption
- Recording of covenant that addresses long term affordability requirements (Exhibit D to contract)
- Upon completion of construction, submittal of request for final certificate for tax exemption and review by Planning and Building Director
- Filing of final certificate of tax exemption with the King County Assessor

- Submittal of annual certification of compliance by property owner containing at a minimum the following:
 - a. A statement of the occupancy and vacancy of the Multifamily Housing units during the previous year;
 - b. A statement that the Multifamily Housing has not changed use since the date of filing of the Final Certificate;
 - c. A statement that the Multifamily Housing continues to be in compliance with this Agreement and the requirements of Chapter 5.88 KMC; and
 - d. A description of any improvements or changes to the Project made after the filing of the Final Certificate or the previous certification; and
 - e. A statement of the change in ownership of all or any part of the property since the Final Certificate was filed;
 - f. Information and documentation sufficient to demonstrate, to the satisfaction of the Director, compliance with the affordability requirements of KMC 5.88.090 which shall, at minimum, include the following:
 - (1) Identification of each Affordable Unit, and any substitution of Affordable Units during the previous year and for each Affordable Unit, the current Household Income limits and maximum allowed rent.
 - (2) For each Affordable Unit that was initially occupied or that had a change of tenancy during the previous year, the date of each tenant's initial occupancy, the household size and Household Income of each tenant household at initial occupancy, and the rent charged at initial occupancy.
 - (3) For each Affordable Unit that was occupied by the current tenant prior to the previous year, the date of each tenant's initial occupancy, the tenant's current Household Income, the tenant's Household Income at initial occupancy, and current contract rent.

ATTACHMENTS

1. Vicinity Map
2. Lifebridge Site Plan
3. Lifebridge Unit Size Mix



City of Kirkland GIS

ATTACHMENT 1
LIFEBRIDGE MFTE
SEPTEMBER 18, 2018 CITY COUNCIL



Legend

- City Limits
- Grid
- QQ Grid
- Cross Kirkland Corridor
- Regional Rail Corridor
- Streets
- Parcels
- Buildings
- Lakes
- Parks
- Schools
- Olympic Pipeline Corridor
- Water Body Area

City Area

- BA
- BE
- BO
- CH
- DU
- HP
- KM
- LF
- ME
- MI
- RM
- SE

1: 3,341



Notes

0.1 0 0.05 0.1 Miles



NAD_1983_StatePlane_Washington_North_FIPS_4601_Feet

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No warranties of any sort, including but not limited to accuracy, fitness, or
merchantability, accompany this product.

LIFEBRIDGE - EAST

ATTACHMENT 2
LIFEBRIDGE MFTE
SEPTEMBER 18, 2018 CITY COUNCIL



540 14th Ave, South, Floor 4
Seattle, Washington 98104



Consultant
RUNBERG
ARCHITECTURE
GROUP

Owner

Professional Seal



LIFEBRIDGE - EAST

11725 NE 118TH ST, KIRKLAND, WA 98034

Author
Project Team
Job Number: 18-027
Date: 08/15/2018
Project:
Title: Site Plan

60% BUILDING PERMIT

20171010

SITE PLAN
G.101

PROJECT INFORMATION

PROJECT DESCRIPTION

CONSTRUCTION OF 8 STORY RESIDENTIAL BUILDING WITH 205 APARTMENT UNITS ABOVE ACCESSORY PARKING.

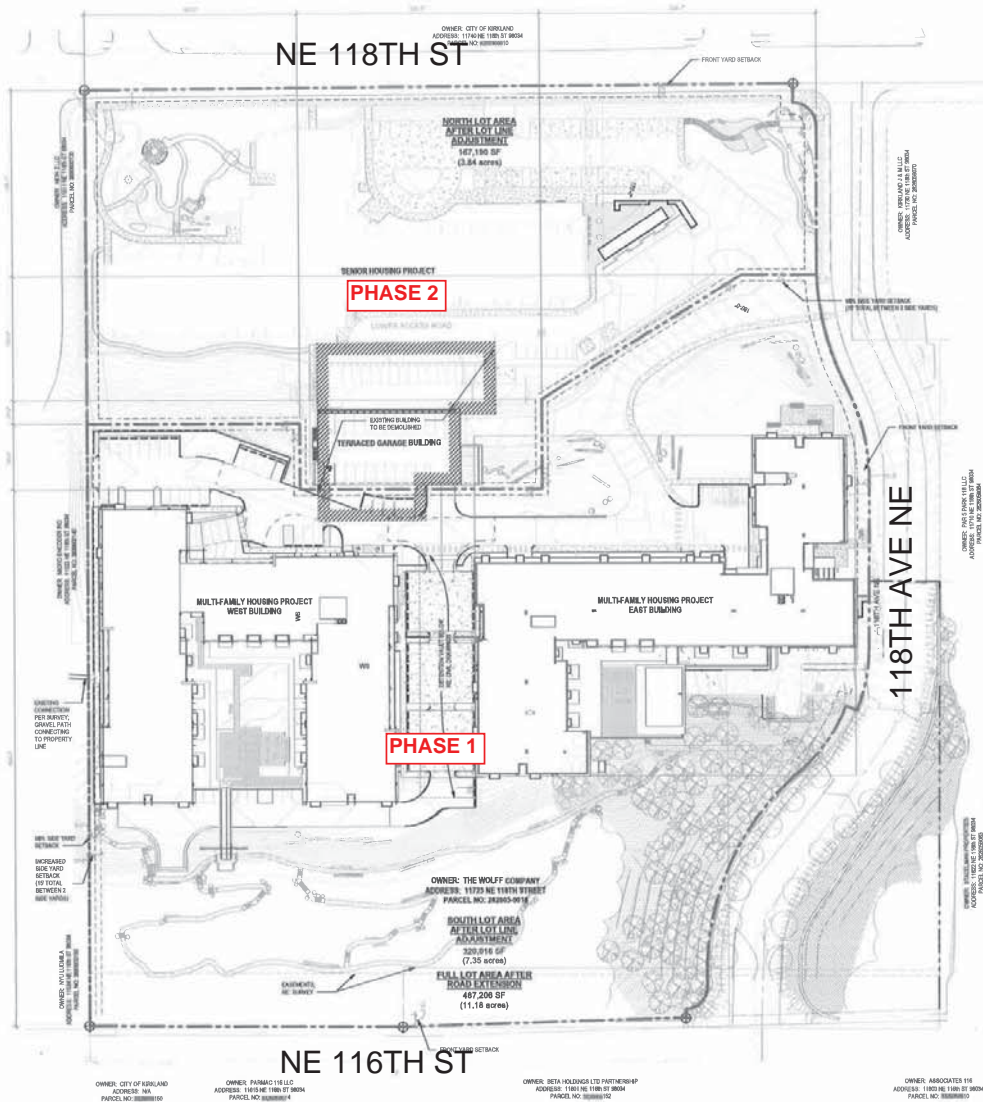
PROJECT ADDRESS:
11725 NE 118TH ST, KIRKLAND, WA 98034

TAX ACCOUNT NUMBERS:
282605-0018-04; 282605-0055-02

ZONING:
ZONING TYPE: TL 10B; TOTEM LAKE BUSINESS DISTRICT

BUILDING CODE:
2018 INTERNATIONAL BUILDING CODE WITH WASHINGTON AMENDMENTS

LEGAL DESCRIPTION:
THAT PORTION OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 28 NORTH, RANGE 5 EAST, W. M., IN KING COUNTY, WASHINGTON. (REFER TO THE SURVEY FOR FULL LEGAL DESCRIPTION)



SITE GENERAL NOTES:

1. SITE INFORMATION IS BASED ON BOUNDARY AND TOPOGRAPHICAL SURVEY BY GUY, KOO & WITKAMP, INC. DATED 08/09/17 AND 08/15/18.
2. SITE ORIENTATION PLAN SHOWS GENERAL SITE, BUILDING, CIRCULATION, AND AMENITY LAYOUTS AND INFORMATION. DRAWINGS ARE NOT INTENDED TO BE CONSIDERED AS A BASIS TO DETERMINE GENERAL AREA AND SCOPE OF WORK. REFER TO CIVIL, LANDSCAPE, AND ELECTRICAL SITE PLANS FOR ADDITIONAL SITE INFORMATION.

1 SITE PLAN
G.101



**Lifebridge Multifamily
Dwelling Unit Mix**

Unit Type (Bedrooms)	Affordable Units	Total Units
Studio	1	5
Open 1-bedroom	9	89
1-bedroom	17	172
2-bedroom	13	128
3-bedroom	1	15
Total	41	409

RESOLUTION R-5335

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO ENTER INTO A CONTRACT WITH KIRKLAND APARTMENTS DEVELOPMENT COMPANY, LLC, REGARDING A POTENTIAL MULTIFAMILY HOUSING PROPERTY TAX EXEMPTION AND APPROVING THE ISSUANCE OF A CONDITIONAL CERTIFICATE OF TAX EXEMPTION.

1 WHEREAS, Kirkland Apartments Development Company, LLC,
2 has applied for a limited property tax exemption as provided for in
3 Chapter 84.14 RCW and Chapter 5.88 KMC for multifamily residential
4 rental housing ("Multifamily Housing") in the Totem Lake/North Rose
5 Hill Residential Targeted Area, and the Director of Planning and Building
6 has approved the application; and
7

8 WHEREAS, Kirkland Apartments Development Company, LLC
9 has submitted to the City preliminarily site plans and floor plans for four
10 hundred nine (409) units of new Multifamily Housing to be constructed
11 on property situated at 11721 and 11723 NE 117th Court, Kirkland,
12 Washington; and
13

14 WHEREAS, the Director has determined the multifamily housing
15 will, if completed, occupied, and owned as proposed, satisfy the
16 requirements for a Final Certificate of Tax Exemption.
17

18 NOW, THEREFORE, be it resolved by the City Council of the City
19 of Kirkland as follows:
20

21 Section 1. The City Manager or his designee is authorized and
22 directed to execute on behalf of the City of Kirkland, an agreement
23 substantially similar to that attached as Exhibit "A", which is entitled
24 "Multifamily Housing Limited Property Tax Exemption Agreement" and
25 issue a Conditional Certificate of Acceptance of Tax Exemption.
26

27 Passed by majority vote of the Kirkland City Council in open
28 meeting this ____day of _____, 2018.
29

30 Signed in authentication thereof this ____ day of _____,
31 2018.

MAYOR

Attest:

City Clerk

MULTIFAMILY HOUSING LIMITED PROPERTY TAX EXEMPTION AGREEMENT

LIFEBRIDGE MULTIFAMILY

THIS AGREEMENT, entered into this _____ day of _____, 2018, between the City of Kirkland, a State of Washington municipal corporation ("City") and the Kirkland Apartments Development Company, LLC, a Washington limited liability company ("Applicant"), and incorporated attachments and exhibits, contains all terms and conditions agreed to by the City and the Applicant to undertake the activities described herein.

RECITALS

1. Applicant has applied for a limited property tax exemption as provided for in Chapter 84.14 of the Revised Code of Washington (RCW) and Chapter 5.88 of the Kirkland Municipal Code (KMC) for multifamily residential rental housing ("Multifamily Housing") in the Rose Hill/Totem Lake Residential Target Area, and the City's Director of Planning and Building ("Director") has approved the application; and
2. Applicant has submitted to the City preliminary site plans and floor plans for new Multifamily Housing to be constructed as part of a four hundred nine (409)-unit project ("Project") on property situated at 11721 and 11723 NE 117th Court in Kirkland, Washington ("Property"), and as more particularly described in **Exhibit A** which is attached hereto, and incorporated by reference herein; and
3. Applicant is the owner of the Property; and
4. No existing rental housing building that contained four (4) or more occupied dwelling units was demolished on the Property within eighteen (18) months prior to Applicant's submission of its application for limited property tax exemption; and
5. The City has determined that the Multifamily Housing will, if completed, occupied, and owned as proposed, satisfy the requirements for a Final Certificate of Tax Exemption.
6. This Agreement is entered into pursuant to City Council action taken on _____.

NOW, THEREFORE, in consideration of the mutual promises herein, City and Applicant do mutually agree as follows:

1. Definitions.

a. Words and terms capitalized in this Contract, unless explicitly defined in this Contract, shall have the meanings ascribed them by Chapter 5.88 KMC as of the date this Contract was executed or as they are hereafter amended.

b. King County Median Income. The median family income for the Seattle-Bellevue, WA HUD Metro FMR Area as most recently determined by the Secretary of Housing and Urban Development (HUD) under Section 8 of the United States Housing Act of 1937, as amended. In the event that HUD no longer publishes median family income figures for King County, the City may estimate the King County Median Income in such manner as the Director shall determine.

2. Conditional Certificate of Acceptance of Tax Exemption.

City agrees, upon execution of this Agreement following approval by the City Council, to issue a Conditional Certificate of Acceptance of Tax Exemption ("Conditional Certificate"), which Conditional Certificate shall expire three (3) years from the date of approval of this Agreement by the Council, unless extended by the Director as provided in KMC 5.88.070.

3. Agreement to construct Multifamily Housing.

a. Applicant agrees to construct the Project on the Property, including the Multifamily Housing, substantially as described in the Phase 1 site plan attached hereto in **Exhibit B**, and with floor plans and elevations as approved in building permits BMF18-00762 and BMF18-00763, subject to such modifications thereto as may be required to comply with applicable codes and ordinances, including the design review process. In no event shall Applicant provide fewer than four new dwelling units designed for permanent residential rental or ownership occupancy, nor shall permanent residential housing comprise less than fifty percent (50%) of the gross floor area of the Project constructed pursuant to this Agreement.

b. Applicant agrees to construct the Project on the Property, including the Multifamily Housing, and to comply with all applicable zoning requirements, land use regulations, and building and housing code requirements contained in Titles 21, 22, 23, and 25 KMC or other applicable law. Applicant further agrees that approval of this Agreement by the City Council, its execution by the Director, or issuance of a Conditional Certificate by the City pursuant to KMC 5.88.060 in no way constitutes approval of proposed improvements on the Property with respect to applicable provisions of Titles 21, 22, 23, and 25 KMC or other applicable law or obligates the City to approve proposed improvements.

c. Applicant agrees that the Multifamily Housing will be completed within three years from the date of approval of this Agreement by the Council, unless extended by the Director for cause as provided in KMC 5.88.070.

4. Agreement to provide affordable housing.

Applicant agrees to provide forty-one (41) dwelling units (“Affordable Units”) for rent as shown in the following table, reserved for occupancy by Eligible Households and having a monthly housing expense, including one parking space, utilities or an applicable utility allowance, and any expenses required by the landlord as a condition of tenancy, that is no greater than thirty percent (30%) of the King County Median Income given in the table, adjusted for household size.

	Percent of King County Median Income		Affordable Units
	Income for Determining Maximum Housing Expense	Maximum Income at Initial Occupancy	
Low Income	50%	50%	41

5. Location and design of Affordable Units – Affordability Agreement – Conversion.

a. The Affordable Units shall be those units indicated in **Exhibit C**. The Applicant may propose to change the particular units dedicated for the Affordable Units, provided that a total of 41 units are designated for Affordable Units, and the same unit mix and minimum sizes of Affordable Units is maintained. The Applicant shall request in writing the City's approval of any proposed change to the units dedicated for the Affordable Units. The City will review the proposed changes and shall base its approval or disapproval of the proposed changes upon the criteria set forth in this section.

b. The exterior designs of the Affordable Units are to be compatible and comparable with the market rate units. The interior finish of the Affordable Units shall at a minimum include standard features and result in a totally finished and livable home.

c. Prior to issuing a certificate of occupancy, an agreement in a form acceptable to the city attorney (“Covenant”) and substantially in the form of **Exhibit D** that addresses price restrictions, Eligible Household qualifications, long-term affordability, and any other applicable topics of the Affordable Units shall be recorded with the King County department of records and elections. This agreement shall be a covenant running with the land and shall be binding on the assigns, heirs and successors of the Applicant. Affordable Units that are provided under this section shall remain as affordable housing for the life of the Project.

d. In the event the Project is proposed for conversion to condominium, owner-occupied, or non-rental residential use, the Applicant must submit to the City for its approval a plan for preserving the Affordable Units. The City can consider options which would convert the Affordable Units to owner occupancy Affordable Units. In the event a condominium conversion occurs during the period of the property tax exemption and owner-occupied Affordable Units are provided at the affordability levels as defined in KMC 5.88.020(a) or that have such other comparable level of affordability as provided for in the city’s affordable housing multifamily tax exemption incentive program, as regulated through Chapter 112 of the Kirkland Zoning Code, per

Section 6 of this Agreement, the Affordable Units will continue to be eligible for the property tax exemption for the balance of the exemption period or for the period of time the conversion allows, whichever is appropriate. The balance of the Project would no longer be eligible for the exemption, and City will not cancel the Final Certificate as provided in Section 11 of this Agreement.

6. Requirements for Final Certificate of Tax Exemption.

Applicant may, upon completion of the Project and upon issuance by the City of a temporary or permanent certificate of occupancy, request a Final Certificate of Tax Exemption ("Final Certificate"). The request shall be in a form approved by the City and directed to the City's Planning and Building Department and at a minimum include the following:

a. A statement of expenditures made with respect to the overall Project and the residential and non-residential portions of the Project.

b. A description of the completed work, including floor area of residential and non-residential area, and a statement of qualification for the exemption.

c. Documentation that the Multifamily Housing was completed within the required three-year period or any authorized extension and in compliance with the terms of this Agreement.

d. Information regarding Applicant's compliance with the affordability requirements in KMC 5.88.090 and this Agreement, which shall include the following:

(1) Identification of all Affordable Units, whether rented or held vacant to be rented by Eligible Households, the size of the Affordable Units, and the maximum rents and household incomes for each affordable unit at time of initial leasing;

(2) Rents (or offering rents, as applicable) for all Affordable Units;

(3) A copy of the application and income verification form used for rental of Affordable Units; and

(4) A copy of the form of lease or rental agreement to be used for Affordable Units; and

e. Any such further information that the Director deems necessary or useful to evaluate eligibility for the Final Certificate.

7. Agreement to Issue Final Certificate.

The City agrees to file a Final Certificate, with an exemption period of eight (8) years with the King County Assessor within forty (40) days of submission of all materials required by paragraph 5, if Applicant has:

- a. Successfully completed the Multifamily Housing in accordance with the terms of this Agreement and Chapter 5.88 KMC;
- b. Filed a request for a Final Certificate with the Director and submitted the materials described in Paragraph 5 above;
- c. Paid to the City a fee an amount sufficient to cover the Assessor's administrative costs; and
- d. Met all other requirements provided in Chapter 5.88 KMC for issuance of the Final Certificate.

8. Annual certification.

Within thirty (30) days after the first anniversary of the date the City filed the Final Certificate of Tax Exemption and each year thereafter for the term of the Covenant, Applicant agrees to file a certification or declaration with the Director, verified upon oath or affirmation, with respect to the accuracy of the information provided therein, containing at a minimum the following:

- a. A statement of the occupancy and vacancy of the Multifamily Housing units during the previous year; and
- b. A statement that the Multifamily Housing has not changed use since the date of filing of the Final Certificate; and
- c. A statement that the Multifamily Housing continues to be in compliance with this Agreement and the requirements of Chapter 5.88 KMC; and
- d. A description of any improvements or changes to the Project made after the filing of the Final Certificate or the previous certification; and
- e. A statement of the change in ownership of all or any part of the property since the Final Certificate was filed; and
- f. Information and documentation sufficient to demonstrate, to the satisfaction of the Director, compliance with the affordability requirements of KMC 5.88.090 and this Agreement, which shall, at minimum, include the following:

(1) Identification of each Affordable Unit, and any substitution of Affordable Units during the previous year and for each Affordable Unit, the current Household Income limits and maximum allowed rent.

(2) For each Affordable Unit that was initially occupied or that had a change of tenancy during the previous year, the date of each tenant's initial occupancy, the household size and Household Income of each tenant household at initial occupancy, and the rent charged at initial occupancy.

(3) For each Affordable Unit that was occupied by the current tenant prior to the previous year, the date of each tenant's initial occupancy, the tenant's current Household Income, the tenant's Household Income at initial occupancy, and current contract rent.

9. No violations for duration of exemption.

For the duration of the exemption granted under Chapter 5.88 KMC, Applicant agrees that the Project and that portion of the Property on which the Project is constructed will have no violations of applicable zoning requirements, land use regulations, and building and housing code requirements contained in KMC Titles 21, 22, 23, and 25 or other applicable law for which the Planning and Building Department or its functional successor shall have issued a notice of violation, citation or other notification that is not resolved by a certificate of compliance, certificate of release, withdrawal, or another method that proves either compliance or that no violation existed, within the time period for compliance, if any, provided in such notice of violation, citation or other notification or any extension of the time period for compliance granted by the Director.

10. Notification of transfer of interest or change in use.

Applicant agrees to notify the Director within thirty (30) days of any transfer of Applicant's ownership interest in the Project or that portion of the Property on which the Project is constructed. Applicant further agrees to notify the Director and the King County Assessor within sixty (60) days of any change of use of any or all of the Multifamily Housing on the Property to another use. Applicant acknowledges that such a change in use may result in cancellation of the tax exemption and imposition of additional taxes, interest and penalties pursuant to State law.

11. Cancellation of exemption - Appeal.

a. The City reserves the right to cancel the Final Certificate if at any time the Multifamily Housing, the Project or that portion of the Property on which the Project is constructed no longer complies with the terms of this Agreement or with the requirements of Chapter 5.88 KMC, or for any other reason no longer qualifies for an exemption.

b. If the exemption is canceled for non-compliance, Applicant acknowledges that state law requires that an additional real property tax is to be imposed in the amount of: (1) the difference between the tax paid and the tax that would have been paid if it had included the value of the non-qualifying improvements, dated back to the date that the improvements became non-qualifying; (2) a penalty of 20% of the difference calculated under paragraph (a) of this paragraph; and (3) interest at the statutory rate on delinquent property taxes and penalties, calculated from the date the tax would have been due without penalty if the improvements had been assessed without regard to the exemptions provided by Chapter 84.14 RCW and 5.88 KCW. Applicant acknowledges that, pursuant to RCW 84.14.110, any additional tax owed, together with

interest and penalty, become a lien on that portion of the Property on which the Project is constructed and attach at the time the portion of the Property is removed from multifamily use or the amenities no longer meet applicable requirements, and that the lien has priority to and must be fully paid and satisfied before a recognizance, mortgage, judgment, debt, obligation, or responsibility to or with which the Property may become charged or liable. Applicant further acknowledges that RCW 84.14.110 provides that any such lien may be foreclosed in the manner provided by law for foreclosure of liens for delinquent real property taxes.

c. Upon determining that a tax exemption is to be canceled, the Director, on behalf of the City Council, shall notify the property owner by certified mail, return receipt requested. The property owner may appeal the determination in accordance with KMC 5.88.100(h).

12. Amendments.

No modification of this Agreement shall be made unless mutually agreed upon by the parties in writing and unless in compliance with the provisions of KMC 5.88.065.

13. Binding effect.

The provisions, covenants, and conditions contained in this Agreement are binding upon the parties hereto and their legal heirs, representatives, successors, assigns, and subsidiaries.

14. Audits and inspection of records.

Applicant understands and agrees that the City has the right to audit or review appropriate records to assure compliance with this Agreement and Chapter 5.88 KMC and to perform evaluations of the effectiveness of the Multifamily Limited Property Tax Exemption program. Applicant agrees to make appropriate records available for review or audit upon seven days' written notice by the City.

15. Notices.

All notices to be given pursuant to this Agreement shall be in writing and shall be deemed given when hand-delivered within normal business hours, when actually received by facsimile transmission, or two business days after having been mailed, postage prepaid, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing.

APPLICANT: KIRKLAND APARTMENTS DEVELOPMENT COMPANY LLC, a Washington
 limited liability company
 c/o The Wolff Company II, LLC
 6710 E Camelback Rd, Suite 100

Scottsdale, AZ 85251
Attn: Curtis Keller, Jordan Hafen

With a copy to:
The Wolff Company
542 First Ave S, Suite 400
Seattle, WA 98104

And a copy to:
Lukins & Annis, P.S.
Attn: Brady M. Peterson
717 W Sprague Ave, Suite 1600
Spokane, WA 99201

CITY: City of Kirkland
Planning and Building Department
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033
Attn: Director

With a copy to:

A Regional Coalition for Housing (ARCH)
16255 NE 87th Street, Suite A-3
Redmond, WA 98052

16. Severability.

In the event that any term or clause of this Agreement conflicts with applicable law, such conflict shall not affect other terms of this Agreement that can be given effect without the conflicting terms or clause, and to this end, the terms of the Agreement are declared to be severable. However, if the severable term prevents the City from receiving the benefits of having affordable housing as set forth in Chapter 84.14 RCW and Chapter 5.88 KMC, then this agreement shall be deemed terminated, or may be terminated, as soon as possible in compliance with any applicable law.

17. Exhibits.

The following exhibits are attached to this Agreement and incorporated herein by this reference:

Exhibit A	Legal Description
Exhibit B	Project Site Plan
Exhibit C	Designation of Affordable Units
Exhibit D	Form of Declaration of Affordable Housing Covenants

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates indicated below.

THE CITY OF KIRKLAND

APPLICANT
KIRKLAND APARTMENTS DEVELOPMENT
COMPANY LLC, a Washington limited liability
company

Eric R. Shields
Its: Planning and Building Director

H. Curtis Keller
Its: Secretary

Approved as to Form

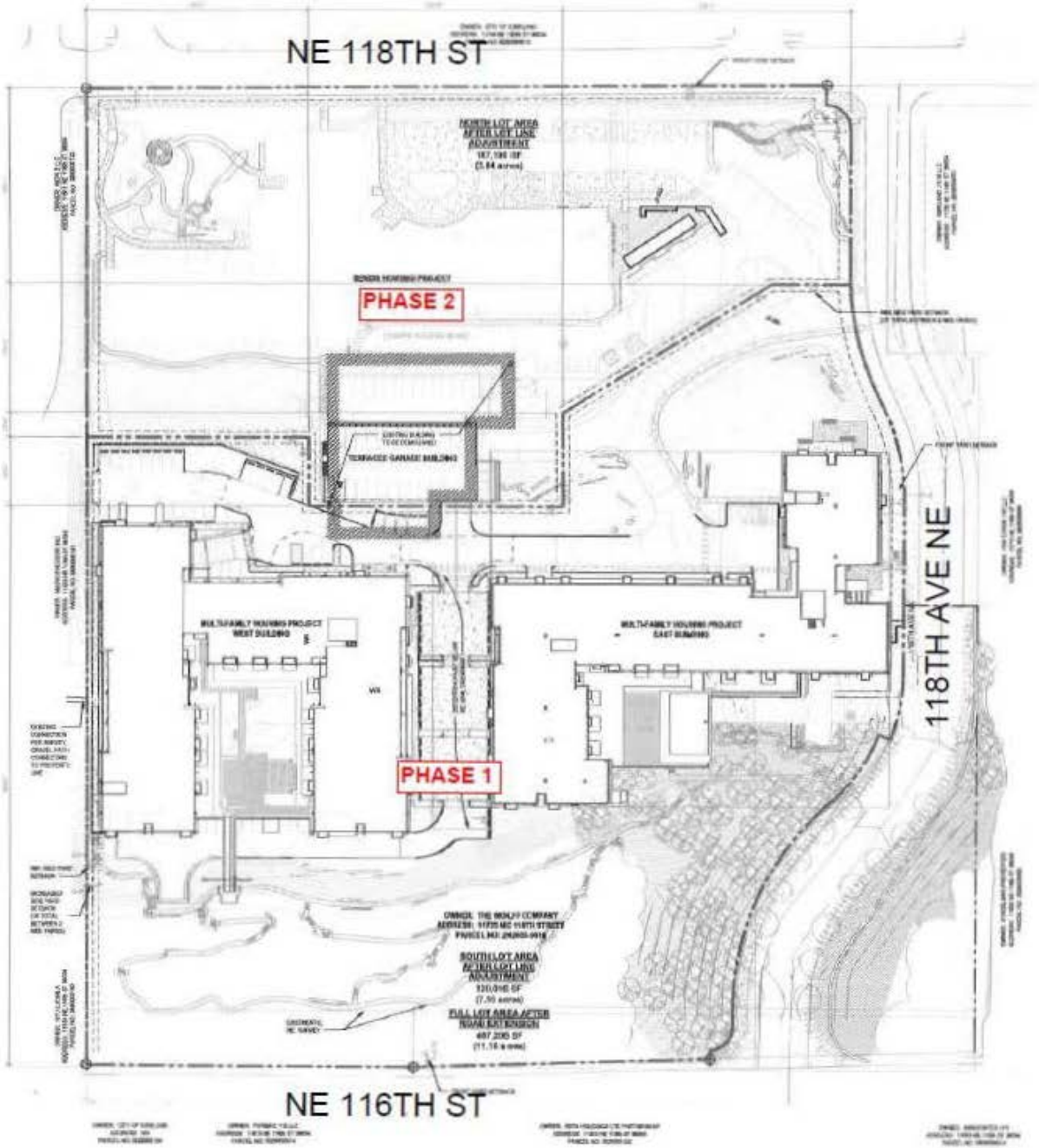
City Attorney

EXHIBIT A

LEGAL DESCRIPTION

(TO BE COMPLETED UPON RECORDING OF LOT LINE ALTERATION LLA18-00090)

EXHIBIT B
PROJECT SITE PLAN



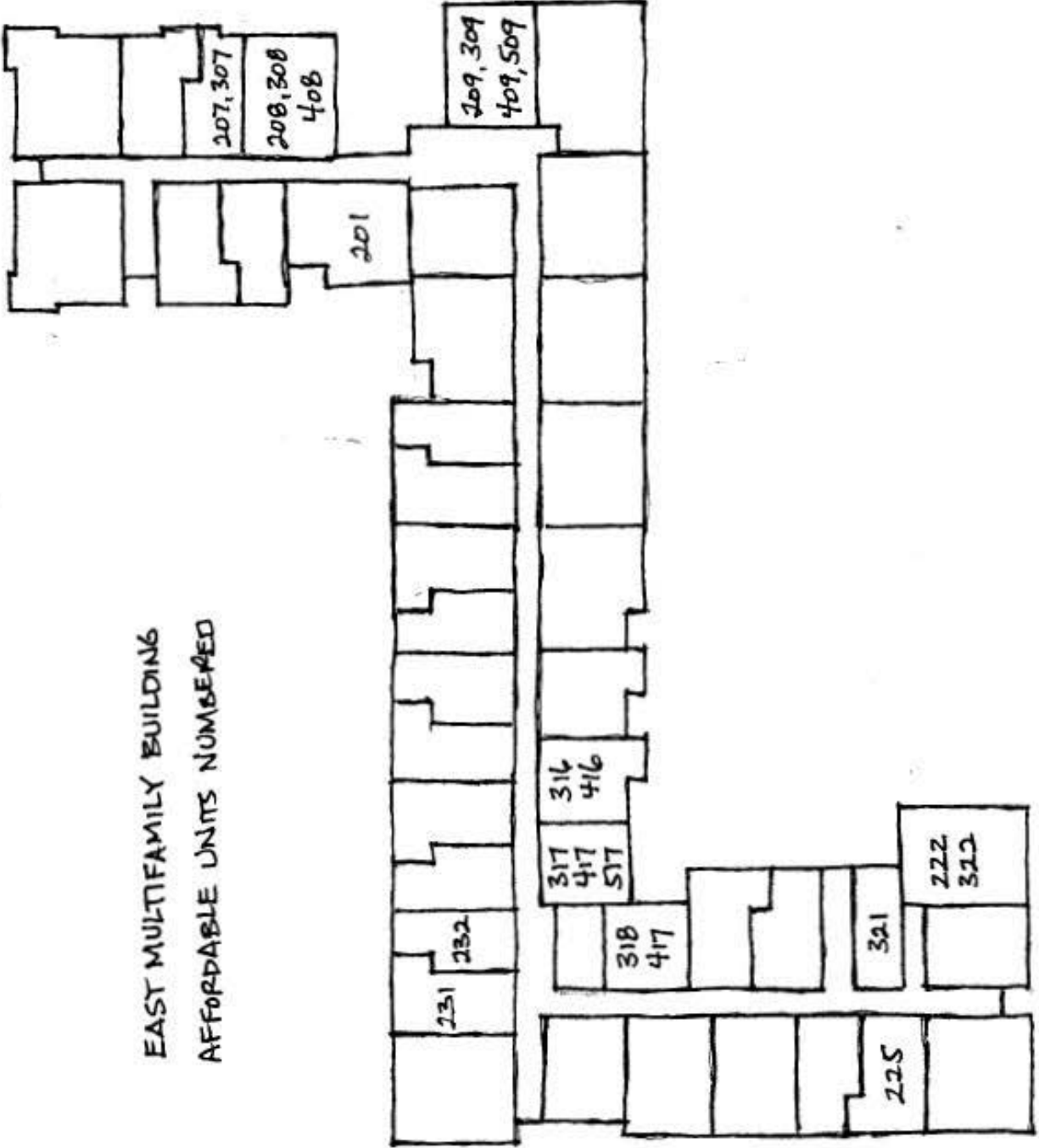
1 SITE PLAN
11-2017

EXHIBIT C**DESIGNATION OF AFFORDABLE UNITS**

Unit Number– Building	Unit Type	Unit Size (sq ft)
201 East Multifamily	2-bedroom	993
207 East Multifamily	Open 1-bedroom	562
208 East Multifamily	2-bedroom	840
209 East Multifamily	2-bedroom	910
222 East Multifamily	2-bedroom	1,008
225 East Multifamily	1-bedroom	698
231 East Multifamily	1-bedroom	698
232 East Multifamily	Open 1-bedroom	562
307 East Multifamily	Open 1-bedroom	562
308 East Multifamily	2-bedroom	840
309 East Multifamily	2-bedroom	910
316 East Multifamily	1-bedroom	663
317 East Multifamily	1-bedroom	600
318 East Multifamily	1-bedroom	600
321 East Multifamily	Studio	490
322 East Multifamily	2-bedroom	1,008
408 East Multifamily	2-bedroom	840
409 East Multifamily	2-bedroom	910
416 East Multifamily	1-bedroom	663
417 East Multifamily	1-bedroom	600
418 East Multifamily	1-bedroom	600
509 East Multifamily	2-bedroom	910
517 East Multifamily	1-bedroom	600
210 West Multifamily	2-bedroom	1,050
212 West Multifamily	3-bedroom	1,220
214 West Multifamily	Open 1-bedroom	562
216 West Multifamily	1-bedroom	698
222 West Multifamily	1-bedroom	698
224 West Multifamily	Open 1-bedroom	562
301 West Multifamily	2-bedroom	993
303 West Multifamily	Open 1-bedroom	562
304 West Multifamily	Open 1-bedroom	562

333 West Multifamily	Open 1-bedroom	562
334 West Multifamily	Open 1-bedroom	562
336 West Multifamily	2-bedroom	993
337 West Multifamily	1-bedroom	600
341 West Multifamily	1-bedroom	663
437 West Multifamily	1-bedroom	600
441 West Multifamily	1-bedroom	663
537 West Multifamily	1-bedroom	600
541 West Multifamily	1-bedroom	663

EAST MULTIFAMILY BUILDING
AFFORDABLE UNITS NUMBERED



WEST MULTIFAMILY BUILDING
AFFORDABLE UNITS NUMBERED

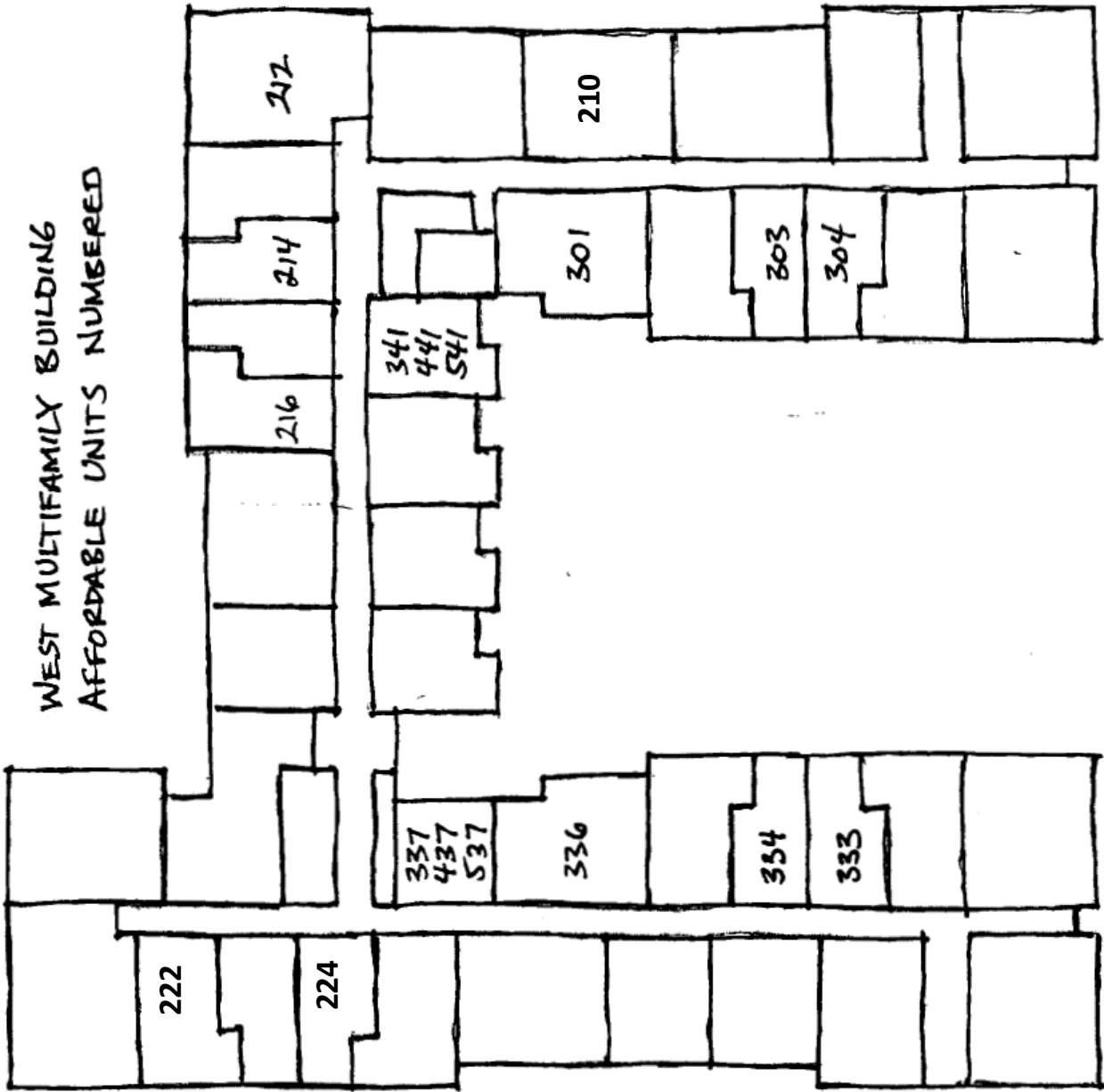


EXHIBIT D

FORM OF DECLARATION OF AFFORDABLE HOUSING COVENANTS

DECLARATION OF AFFORDABLE HOUSING COVENANTS

LIFEBRIDGE MULTIFAMILY

- SECTION 1 – DEFINITIONS AND INTERPRETATION
- SECTION 2 – RESIDENTIAL RENTAL PROPERTY
- SECTION 3 – AFFORDABLE UNITS FOR ELIGIBLE HOUSEHOLDS
- SECTION 4 – REPORTING REQUIREMENTS
- SECTION 5 – SECTION 8 CERTIFICATE HOLDERS
- SECTION 6 – LEASE PROVISIONS
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- SECTION 21 – SEVERABILITY
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- SECTION 22 – TITLES AND HEADINGS

EXHIBITS

- "A" LEGAL DESCRIPTION OF PROPERTY
- "B" DESIGNATION OF AFFORDABLE UNITS
- "C" CERTIFICATE OF HOUSEHOLD ELIGIBILITY
- "D" ANNUAL PROJECT CERTIFICATION

**DECLARATION OF AFFORDABLE HOUSING COVENANTS
LIFEBRIDGE MULTIFAMILY**

THIS DECLARATION OF AFFORDABLE HOUSING COVENANTS (the "Covenant") is made and entered into as of this _____ day of _____, 20____, by and between the CITY OF KIRKLAND, a Municipal Corporation of the State of Washington (the "City"); and KIRKLAND APARTMENTS DEVELOPMENT COMPANY, LLC, a Washington limited liability company (the "Owner").

WITNESSETH:

A. This Covenant is predicated upon the following facts:

1) The Owner is the owner of property located at 11721 and 11723 NE 117th Court in Kirkland, Washington. Owner intends to develop said property by constructing and renting four hundred nine (409) dwelling units (the "Project") subject to City approval and such other approvals by State and local agencies, as required.

2) The Owner's proposed Project shall include forty-one (41) affordable rental units for Low-Income Households ("Eligible Households," as the term is defined below). Such affordable rental units shall be of such bedroom quantity and quality as are in proportion to the overall proportion of bedroom quantity and quality of all of the rental units in the Project.

3) The City finds that the Project will benefit the City by providing affordable rental housing for Eligible Households.

4) The Owner has indicated its willingness to accept certain conditions affecting the use of the Property. It is the purpose of this Covenant to set forth the conditions under which the City has approved the Project and to impose enforceable restrictions on the use and occupancy of the rental portion of the Project.

5) This Covenant is entered into pursuant to Chapter 112 of the Kirkland Zoning Code, which implements the Affordable Housing policies of the City.

6) Owner has applied for a limited property tax exemption for eight years as provided for in Chapter 84.14 RCW and Chapter 5.88 KMC for multi-family residential rental housing ("Multifamily Housing") in the Rose Hill/Totem Lake Residential Targeted Area,

and the Director of Planning and Building ("Director") has approved the application.

NOW, THEREFORE, for and in consideration of the mutual promises aforesaid and made and relied upon by the parties hereto, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Owner and the City agree as follows:

SECTION 1 – DEFINITIONS AND INTERPRETATION

Capitalized terms used herein shall have the following meanings unless the context in which they are used clearly requires otherwise.

"Affordable Rent" means a monthly housing expense, including an applicable Utility Allowance for tenant-paid utilities, parking for a minimum of one car, and other expenses required by the Owner as a condition of tenancy, which is no greater than thirty percent (30%) of the monthly King County Median Income level for Eligible Households, as shown in the following table, as adjusted for Household Size. The maximum Affordable Rents shall be adjusted no more than once every twelve (12) months and such adjustment shall be by a factor equivalent to adjustments in the King County Median Income.

Affordable Rent Levels	Percent of King County Median Income
Low-Income Units	50%

"Affordable Units" means the 41 units in the Project as selected by the Owner and as approved by the City or its Designee, as set forth in **Exhibit B**, and reserved for occupancy by Eligible Households pursuant to Section 3.

"City" means the City of Kirkland.

"Completion Date" means the date of the completion of the acquisition, construction, purchase, reconstruction and equipping, as the case may be, of the Project, as that date shall be certified as provided in Section 4.

"Designee" means A Regional Coalition for Housing ("ARCH") or such other agency as may be designated by the City in writing to the Owner. The City shall notify the Owner of any determination

not to utilize ARCH as its Designee for purposes of this designation.

"Eligible Household" means one or more adults and their dependents, which adults certify that they meet the qualifications for eligibility set forth below in this definition, Section 3.F. of this Covenant, and as set forth in the Certificate of Household Eligibility attached hereto as **Exhibit C** and incorporated by reference herein, and who certify that their Household Income does not exceed the applicable percent of the King County Median Income, as set forth in this definition and Section 3.F. of this Covenant, adjusted for household size.

Maximum Household Income at Initial Occupancy

Income Level	Percent of King County Median Income
Low-Income Households	50%

"Household Income" means all income from all household members over the age of 18 residing in the household. Income consists of those items listed in **Exhibit C**, Certificate of Household Eligibility (e.g. wages, interest income, etc.). Income of dependents who reside within a household for less than four (4) months of the year will not be counted toward Household Income.

"Household Size" means the average household size assumed for purposes of calculating Affordable Rents as follows:

<u>UNIT TYPE</u>	<u>AVERAGE HOUSEHOLD SIZE</u>
Studio	1 Person
1 Bedroom	2 Persons
2 Bedroom	3 Persons
3 Bedroom	4 Persons

"King County Median Income" means the median family income for the Seattle-Bellevue, WA HUD Metro FMR Area as most recently determined by the Secretary of Housing and Urban Development ("HUD") under Section 8(f)(3) of the United States Housing Act of 1937, as amended. In the event that HUD no longer publishes median family income figures for King County, the Director may estimate the King County Median Income in such manner as the Director shall determine.

"Lender" means HUD/FHA, Veterans Administration ("VA"), Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), or another party acquiring such loan upon foreclosure of a deed of trust or mortgage ("Deed of Trust") insured, made or held by HUD/FHA, VA, FNMA, FHLMC; or an institutional third-party lender or investor.

"Owner" means Kirkland Apartments Development Company, LLC and its successors and assigns, and any surviving, resulting or transferee entity.

"Owner Representative" means the person or persons (who may be employees of the Owner) designated from time to time to act hereunder on behalf of the Owner in a written certification furnished to the City or its Designee, containing a specimen signature of such person or persons and signed by the Owner or on behalf of the Owner by a duly authorized representative of the Owner.

"Project" means the building, structures and other improvements to be constructed on the Property, and all equipment, fixtures and other property owned by the Owner and located on, or used in connection with, such buildings, structures and other improvements and all functionally related and subordinate facilities.

"Property" means the real property which will be devoted to the Project as more particularly described in **Exhibit A** which is attached hereto, and incorporated by reference herein, and all rights and appurtenances thereunto appertaining.

"Property Tax Exemption Agreement" means that agreement titled Multifamily Housing Limited Property Tax Exemption Agreement between the City and Owner dated _____.

"Qualified Project Period" means for the life of the Project.

"Utility Allowance" means that portion of housing expenses for utilities. Therefore, Affordable Rents are calculated assuming payment of all utilities (not including phone, internet service, or cable or satellite television) by the Owner. In the event gas and/or electric utilities, used for purposes of heating, cooking and/or lighting, are paid directly by the tenant, then the monthly Affordable Rent will be reduced by the following allowance:

Studio	\$48
One Bedroom	\$72
Two Bedroom	\$96
Three Bedroom	\$120

The base year for the ARCH utility allowance figures is 2018. The allowance figures will be adjusted annually based on changes in the Consumer Price Index—U.S. Cities Average—All Urban Consumers. If water, garbage and/or sewage are paid for directly by the tenant, the Affordable Rent levels will be further reduced by the typical cost to the tenant of such utilities, or a set allowance established by the City or its Designee.

SECTION 2 – RESIDENTIAL RENTAL PROPERTY

A. General Description. The Owner will acquire and construct the Project for purposes of providing multi-family rental housing, and the Owner shall own, manage, and operate (or cause the management and operation of) the Project to provide multi-family rental housing comprising a building or structure or several inter-related buildings or structures, each consisting of more than one dwelling unit and facilities functionally related and subordinate thereto, and no other facilities. As used herein facilities functionally related and subordinate to the Project shall include facilities for use by the tenants, including, for example, recreational facilities, parking areas, and other facilities which are reasonably required for the Project, for example, heating and cooling equipment, trash disposal equipment, or units of resident managers or maintenance personnel. The multi-family rental housing shall be scheduled to be completed within three (3) years from the date of City approval of the application for multi-family housing property tax exemption, or within a longer period if authorized by the City.

B. Similar Quality Construction. The interior finish and quality of construction of the affordable housing units shall at a minimum be comparable to entry level rental housing in the City of Kirkland, and each dwelling unit in the Project shall contain facilities for living, sleeping, eating, cooking and sanitation for a single person or a household which are complete, separate and distinct from other dwelling units in the Project and will include a sleeping area, separate bathing facility, and a cooking range, refrigerator and sink.

C. Conversion to Condominium. In the event the Project is

proposed for conversion to condominium, owner-occupied, or non-rental residential use, the Owner must submit to the City for its review a plan for preserving the Affordable Units. The City can consider options which would convert the Affordable Units to owner occupancy by Eligible Households. The Owner must receive authorization from the City prior to conversion to condominium, owner-occupied, or non-rental residential use. This section does not waive the Owner's obligations to comply with any other law or regulations pertaining to conversion to ownership use.

SECTION 3 – AFFORDABLE UNITS FOR ELIGIBLE HOUSEHOLDS

A. Number of Affordable Units. The Owner shall lease or rent, or make available for lease or rental, to the general public, all of the Affordable Units in the Project. The Owner shall designate all of the Affordable Units, reserved for occupancy by Eligible Households, as follows:

Unit Type (Bedrooms)	Dwelling Units	
	Low-Income Units	Total Units
Studio	1	5
Open 1-bedroom	9	89
1-bedroom	17	172
2-bedroom	13	128
3-bedroom	1	15
Total	41	409

B. Designation/Re-designation of Affordable Units. The Owner agrees to rent the dwelling unit(s) designated in **Exhibit B** as Affordable Unit(s). Units so designated shall have substantially the same equipment and amenities as other dwelling units in the Project with the comparable number of rooms. The Affordable Unit(s) shall be intermingled with all other dwelling units and shall have a unit mix comparable to the overall mix of units in the Project. The City or its Designee shall approve or deny the proposed Affordable Units based upon the criteria set forth in this section.

The Owner, from time to time, may propose to change the particular units designated as Affordable Units, provided that at all times at least 41 of all of the dwelling units in the Project are designated as Affordable Units, and provided that at all times

the same unit mix is retained. The Owner shall notify the City or its Designee of the proposed change in writing for the City's or its Designee's approval. The City or its Designee will review the proposed changes and shall approve or deny the proposed changes based upon the criteria set forth in this Section.

C. Affordable Units Rent Level. The monthly rent for the Affordable Units occupied by Eligible Households shall not exceed the applicable Affordable Rents, and for each specific tenant, shall be adjusted no more than once every twelve (12) months, and in no event within the first twelve months of occupancy.

D. Renting Affordable Units to Eligible Households. During the Qualified Project Period, the Owner shall rent or lease the Affordable Units to Eligible Households and, if at any time the Owner is unable to rent or lease the Affordable Units, the Affordable Units shall remain vacant pending rental or lease to Eligible Households.

E. Equal Access to Common Facilities. Tenants in the Affordable Units shall have equal access to enjoyment of all common facilities of the Project.

F. Qualifying Eligible Household Income for Affordable Units at Initial Occupancy and Recertification. Qualifying Eligible Household Income at time of occupancy may not exceed the applicable percent of King County Median Income set forth in the table below, adjusted for Household Size. At time of annual recertification, a household will remain eligible for an Affordable Unit as long as Household Income does not exceed the Maximum Recertification Income set forth in the table below, adjusted for Household Size. If at the time of recertification Household Income exceeds the Maximum Recertification Income limit for the income level initially qualified for by a household, then within 90 days such household must either pay market rent and the next available comparable market rate unit must be rented as an Affordable Unit; or the household must vacate the unit, unless otherwise prohibited by law, to make it available for an Eligible Household.

Maximum Permitted Income Levels

Eligible Households	Maximum Income at Initial Occupancy	Maximum Recertification Income
Low-Income	50%	70%

G. Occupancy Limits for Affordable Units. The Owner shall utilize the following occupancy standards for Affordable Units:

<u>Unit Size</u>	<u>Occupancy Limits</u>
Studio	1-2 Persons
1 Bedroom	1-2 Persons
2 Bedroom	1-4 Persons
3 Bedroom	2-6 Persons

SECTION 4 – REPORTING REQUIREMENTS

A. Notice of Occupancy Permit. Within thirty (30) days of issuance of any final inspection or, if applicable, occupancy permits, the Owner shall notify the City's Planning and Building Department [Attn: Housing Planner] or its Designee, of receipt of the first occupancy permit for the Project.

B. City Mailing List. The City or its Designee maintains a mailing list of households interested in occupying Affordable Units. From time to time the City or its Designee will provide to the Owner the names of persons from the mailing list. In determining which eligible applicants shall be rented Affordable Units, the Owner shall, subject to Section 4.C. below, reasonably consider persons on the mailing list, and when they were placed on the mailing list.

C. Completion of Certificate of Household Eligibility. Prior to allowing any household to occupy any Affordable Unit, the Owner shall require the prospective tenant to complete a Certificate of Household Eligibility that shall be substantially in the form set forth in **Exhibit C**. The Owner shall also undertake a good faith effort to verify the applicant's Household Income, as reported on the completed Certificate. The Owner's obligation to verify the reported Household Income shall be limited to requesting copies of and reviewing the applicant's federal income tax returns, unless the Owner has actual knowledge, or reason to believe, that the information provided by the applicant is materially inaccurate. In the event federal income tax returns are not available, the Owner shall verify Household Income using wage or

salary statements, or other income records that the City or its Designee may consider appropriate.

D. Annual Recertification of Residents. On an annual basis, the Owner shall require all households occupying Affordable Units to complete and return to the Owner an updated Certificate of Household Eligibility. The Owner shall undertake a good faith effort to verify the reported Household Income, as reported in the completed Certificate. The Owner's obligation to verify the Household Income shall be limited to obtaining a copy of and reviewing the tenant's federal income tax returns, unless the Owner has actual knowledge or reason to believe that the information provided by the household is materially inaccurate. In the event federal income tax returns are not available, the Owner shall verify Household Income using wage or salary statements, or other income records the City or its Designee may consider appropriate.

The Owner shall file certifications with the City or its Designee, by attachment to the Annual Project Certification required pursuant to Subsection E of this Section. The City or its Designee may investigate independently to verify certifications submitted by the Owner.

E. Annual Project Certification. After the Completion Date and until 90% of the rental units are occupied, the Owner shall, on a quarterly basis, file with the City or its Designee an Annual Project Certification, in substantially the form of **Exhibit D**. Thereafter, the Owner shall file such certification annually on or before March 31st, which must set forth the required information for the preceding year.

F. Maintain Complete Records. The Owner shall maintain complete and accurate records pertaining to the Affordable Units, and shall permit any duly authorized representative of the City, including, without limitation, its Designee, to inspect the books and records of the Owner pertaining to the Affordable Units, and if applicable, incomes of Eligible Households residing in the Project. The Owner's failure to maintain such records or failure to allow examination by the City or any duly authorized representative shall constitute a default hereunder.

G. Form of Certification. Notwithstanding anything in this Section to the contrary, the Owner shall submit all documentation required by this Section on the forms designated herein, which may be modified by the City or its Designee from time to time. Changes

to forms by the City or its Designee shall not significantly enlarge the Owner's obligations hereunder.

SECTION 5 – SECTION 8 CERTIFICATE HOLDERS

The Owner shall accept as tenants for Affordable Units, on the same basis as all other prospective households, households who are recipients of Federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, as amended. The Owner shall not apply, or permit the application of, management policies or lease provisions with respect to the Project which have the effect of precluding occupancy of Units by holders of Section 8 certificates.

SECTION 6 – LEASE PROVISIONS

A. It is the Owner's responsibility to screen and select tenants for desirability and credit worthiness. Except as restricted in this Covenant, such selection is within the Owner's discretion. If written management policies exist, or exist in the future, with respect to the Project, the City or its Designee may review such written policies and may require changes in such policies, if necessary, so that they comply with the requirements of this Covenant.

B. All leases for Affordable Units shall contain clauses wherein each individual lessee: (i) certifies the accuracy of the statements made in the Certificate of Household Eligibility, (ii) agrees that the household income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy, and (iii) agrees that misrepresentation in the certification is a material breach of the lease, entitling the Owner to terminate the lease for the Affordable Unit.

SECTION 7 – SALE OR TRANSFER OF THE PROJECT

The Owner hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project or any portion thereof without first providing a written notice from the purchaser stating that the purchaser understands, and will comply with the Owner's duties and obligations under this Covenant. Such notice must be received by the City or its Designee at least 10 days prior to the close of escrow.

SECTION 8 – TERM

This Covenant shall become effective upon its execution and delivery, and shall continue in full force and effect throughout the Qualified Project Period, unless sooner modified or terminated in accordance with Section 12 hereof.

SECTION 9 – NO DISCRIMINATION

The Owner shall not discriminate on the basis of race, creed, religion, color, sex, sexual orientation, age, national origin, marital status, or presence of any mental or physical handicap as set forth in RCW 49.60.030, as now existing and as may be amended, in the lease, use, or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

SECTION 10 – COVENANTS RUN WITH LAND

The City and Owner hereby declare their understanding and intent that the covenants, conditions and restrictions set forth herein directly benefit the land (i) by enhancing and increasing the enjoyment and use of the Project by certain Eligible Households, and (ii) by furthering the public purposes of providing housing for Eligible Households.

The City and the Owner hereby declare that the covenants and conditions contained herein shall bind and the benefits shall inure to, respectively, the Owner and their successors and assigns and all subsequent owners of the Project or any interest therein, and the City and its successors and assigns, all for the Qualified Project Period. Except as provided in Section 12 of this Covenant, each and every contract, deed or other instrument hereafter executed conveying the Project or any portion thereof or interest therein shall contain an express provision making such conveyance subject to the covenants and conditions of this Covenant, provided however, that any such contract, deed or other instrument shall conclusively be held to have been executed, delivered and accepted subject to such covenants and conditions, regardless of whether or not such covenants and conditions are set forth or incorporated by reference in such contract, deed or other instrument.

SECTION 11 – ENFORCEMENT

A. Enforcement Provisions. The Owner shall exercise

reasonable diligence to comply with the requirements of this Covenant and shall correct any such noncompliance within sixty (60) days after such noncompliance is first discovered by the Owner or would have been discovered by the exercise of reasonable diligence, or within 60 days after the Owner receives notice of such noncompliance from the City or its Designee; provided however, that such period for correction may be extended by the City if the Owner is exercising due diligence to correct the noncompliance. If such noncompliance remains uncured after such period, then the Owner shall be in default and the City on its own behalf may take any one or more of the following steps:

1) By any suit, action or proceeding at law or in equity, require the Owner to perform its obligations under this Covenant or the Property Tax Exemption Agreement, or enjoin any acts or things which may be unlawful or in violation of the rights of the City hereunder; it being recognized that the beneficiaries of the Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of the Owner's default;

2) Have access to, and inspect, examine and make copies of, all of the books and records of the Owner pertaining to the Project. Provided, however, the City or its Designee shall not divulge such information to any third party unless required by law or unless the same is necessary to enforce the City's rights hereunder; and

3) Take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants, conditions and agreements of the Owner under this Covenant.

4) The Owner hereby grants to the City or the Designee the option, upon Owner's default under this Covenant, for the Qualified Project Period to lease up to 41 of the dwelling units in the Project as mutually selected by the City or its Designee and the Owner for the purpose of subleasing such units to Eligible Households, but only to the extent necessary to comply with the provisions of this Covenant. The City or its Designee may lease from the Owner the units at the Affordable Rent level less a reasonable management fee to reimburse the City or its Designee for any expenses incurred in connection with such sublease. The City or its Designee may terminate its lease of the units in the Project upon determination that the Owner is no longer in default

pursuant to this Covenant.

B. Hold Harmless. The Owner shall defend, indemnify, and hold the City, its officers, officials, employees, volunteers and its Designee and any other party authorized hereunder to enforce the terms of this Covenant, harmless from any and all claims, injuries, damages, losses, or suits, including attorney fees, arising out of or resulting from this Covenant.

C. No Third-Party Beneficiaries. The provisions of this Covenant and of the documents to be executed and delivered in connection herewith are and will be for the benefit of the Owner, the City and its Designee only and are not for the benefit of any third party (including, without limitation, any tenants or tenant organizations), and accordingly, no third party shall have the right to enforce the provisions of this Covenant or of the documents to be executed and delivered in connection herewith.

SECTION 12 - SUBORDINATION, TERMINATION, RIGHTS RESERVED BY HUD

A. Notwithstanding any provision in this Covenant to the contrary, all of the provisions of this Covenant shall terminate and have no further force and effect upon the occurrence of one of the following events, unless the Lender has provided to the City notice of its desire to keep this Covenant in force as described in paragraph B of this section:

(1) Foreclosure of a HUD/FHA insured loan is initiated under which the Project is held as a security.

(2) Title to the Project is acquired by Lender or HUD/FHA by deed in lieu of foreclosure of the Deed of Trust.

(3) Title to the Project is acquired by HUD/FHA, Veterans Administration ("VA"), Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") or another party upon foreclosure of a deed of trust or mortgage ("Deed of Trust") insured, made or held by HUD/FHA, VA, FNMA, FHLMC; or an institutional, third-party lender or investor (collectively, "Lender").

(4) The Deed of Trust, if insured by HUD/FHA, is assigned to HUD/FHA.

Notwithstanding anything in this Covenant to the contrary, enforcement of this Covenant shall not serve as a basis for (i) default under the Deed of Trust insured by HUD/FHA or any other Lender, or (ii) an acceleration of the loan secured by the Deed of Trust ("Loan"), or result in any claim against the Project, the Loan proceeds, any reserve or deposit required by HUD/FHA or any other Lender in connection with the Loan transaction or the rents or other income from the Project other than from available surplus cash as that term is defined by HUD/FHA or any other Lender.

B. If any of the events listed in paragraph A of this section occur, the Lender may notify the City that the Lender wishes this Covenant to remain in effect. To prevent automatic termination, such notice must be received by the City or its Designee not sooner than thirty (30) days prior to such event.

C. Notwithstanding anything in this Covenant to the contrary:

(1) All of the provisions of this Covenant are subordinate and subject to the Deed of Trust, the Loan, and all documents relating to the Loan ("Loan Documents"), if any, as well as all applicable HUD/FHA mortgage insurance regulations, related HUD/FHA administrative requirements, Section 8 of the U.S. Housing Act of 1937, as amended, and the regulations thereunder, as amended, and the rights of the Lender thereunder. In the event of any conflict between this Covenant and the provisions of any applicable HUD/FHA mortgage insurance regulations, related HUD/FHA administrative requirements, Section 8 of the U.S. Housing Act of 1937, as amended, and the regulations thereunder, as amended, the applicable HUD/FHA mortgage insurance regulations, related HUD/FHA administrative requirements, Section 8 of the U.S. Housing Act of 1937, as amended, and the regulations thereunder, as amended, will control.

(2) Lender shall take no role in monitoring compliance with state and federal use and occupancy requirements; nor shall Lender be required to provide notice to third parties of actions under the Deed of Trust, if any.

(3) No amendment to this Covenant will be effective without the prior written consent of Lender, if any.

(4) The Owner, its successors or assigns, will take all steps necessary to comply with this Covenant; provided that the

Owner, its successors or assigns, shall not be required to take action prohibited by, or to refrain from action required by Lender, pursuant to the National Housing Act (as amended), applicable HUD/FHA mortgage insurance regulations, related administrative requirements, Section 8 of the Housing Act of 1937, as amended, and the regulations thereunder, as amended, or the Loan and the Loan Documents.

SECTION 13 - ESTOPPEL CERTIFICATE

The City agrees, upon the request of the Owner or its successor in interest, to promptly execute and deliver to the Owner or its successor in interest or to any potential or actual purchaser, mortgagor or encumbrance of the Project, a written certificate stating, if such is true, that the City has no knowledge of any violation or default by the Owner of any of the covenants or conditions of this Covenant, or if there are such violations or defaults, the nature of the same.

SECTION 14 - AGREEMENT TO RECORD

The Owner shall cause this Covenant to be recorded in the real property records of King County, Washington. The Owner shall pay all fees and charges incurred in connection with such recording and shall provide the City or its Designee with a copy of the recorded document.

SECTION 15 - RELIANCE

The City and the Owner hereby recognize and agree that the representations and covenants set forth herein may be relied upon by City and the Owner. In performing its duties and obligations hereunder, the City may rely upon statements and certificates of the Owner and Eligible Households, and upon audits of the books and records of the Owner pertaining to occupancy of the Project. In performing its duties hereunder, the Owner may rely on the Certificates of Household Eligibility unless the Owner has actual knowledge or reason to believe that such Certificates are inaccurate.

SECTION 16 - GOVERNING LAW

This Covenant shall be governed by the laws of the State of Washington, except to the extent such laws conflict with the laws of the United States or the regulations of federally insured

depository institutions, or would restrict activities otherwise permitted in relation to the operation of federally insured depository institutions.

SECTION 17 – NO CONFLICT WITH OTHER DOCUMENTS

The Owner warrants that it has not executed and will not execute, any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that in any event the requirements of this Covenant are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith except for the Multifamily Housing Limited Property Tax Exemption Agreement referenced in Section 21 herein.

SECTION 18 – AMENDMENTS

This Covenant shall be amended only by a written instrument executed by the parties hereto or their respective successors in title, and duly recorded in the real property records of King County, Washington. Amendments to **Exhibit B** shall be considered to be approved in writing when the revised **Exhibit B** is signed by the Owner and the City or its Designee without the need for a further written document attaching the revised exhibit and striking prior versions of the exhibit. In the event of conflict between versions of **Exhibits B**, the version maintained by the City or its Designee as the then-current version, signed by Owner and City or its Designee, shall prevail.

SECTION 19 – NOTICE

Any notice or communication hereunder, except legal notices, shall be in writing and may be given by registered or certified mail. The notice or communication shall be deemed to have been given and received when deposited in the United States Mail, properly addressed with postage prepaid. If given otherwise, it shall be deemed to be given when delivered to and received by the party to whom addressed. Such notices and communications shall be given to the parties hereto at their following addresses:

If to the City: Planning Department-Housing Planner
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033

With a copy to the Designee
A Regional Coalition for Housing (ARCH)
16225 NE 87th Street, Suite A-3
Redmond, WA 98052
Attn: Housing Planner

If to the Owner: KIRKLAND APARTMENTS DEVELOPMENT COMPANY LLC,
a Washington limited liability company
c/o The Wolff Company II, LLC
6710 E Camelback Rd, Suite 100
Scottsdale, AZ 85251
Attn: H. Curtis Keller, Jordan Hafen

With a copy to:
The Wolff Company
542 First Ave S, Suite 400
Seattle, WA 98104

And a copy to:
Lukins & Annis, P.S.
Attn: Brady M Peterson
717 W Sprague Ave, Suite 1600
Spokane, WA 99201

Any party may change its address for notices upon ten (10) days prior written notice to the other parties. Legal counsel for a party may deliver notices on behalf of the represented party and such notice shall be deemed delivered by such party.

SECTION 20 – MULTIFAMILY HOUSING LIMITED PROPERTY TAX EXEMPTION AGREEMENT

This Covenant is subject to the terms and conditions of the Limited Property Tax Exemption Agreement. In the event of any conflict between the terms of this section and the terms of the Property Tax Exemption Agreement, the terms of the Property Tax Exemption Agreement shall control. All amounts payable hereunder shall be paid without any set-off or deduction of any nature. This provision shall survive termination of the Covenant prior to expiration of the Qualified Project Period.

SECTION 22 - SEVERABILITY

If any provision of this Covenant shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

SECTION 23 - CONSTRUCTION

Unless the context clearly requires otherwise, words of the masculine, feminine or neuter gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. All the terms and provisions hereof shall be construed to effectuate the purposes set forth in this Covenant and to sustain the validity hereof.

SECTION 24 - TITLES AND HEADINGS

The titles and headings of the sections of this Covenant have been inserted for convenience of reference only, are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in the construing this document or any provision hereof or in ascertaining intent, if any question of intent shall arise.

IN WITNESS WHEREOF, the Owner and City have each executed the Declaration of Affordable Housing Covenants on the Date first above written.

Owner:
KIRKLAND APARTMENTS
DEVELOPMENT COMPANY LLC

City:

H. Curtis Keller
Its Secretary

Kurt Triplett
Its: City Manager

Approved as to Form:

City Attorney