



INFORMATIONAL MEMORANDUM

TO: Mayor Haggerton

FROM: Derek Speck, Economic Development Administrator

DATE: August 20, 2009

SUBJECT: Tukwila Village Project Update

ISSUE

The City is negotiating with Tarragon, LLC to develop Tukwila Village and this is a good time to update the Council on the project status. Attached is a "Draft Term Sheet" that provides a very basic description of the major business terms on which we plan to continue negotiations.

BACKGROUND

In 2008 the City undertook an extensive process to select a developer for Tukwila Village and the City Council chose Tarragon, LLC. The City and Tarragon are currently in negotiations.

DISCUSSION

It is a very common practice in business negotiations to start with a list of basic terms that provide a framework for the proposed agreement before commencing detailed work or crafting the legal language. This is a good way to ensure the parties share the same general understanding and goals before spending too much time and money.

We are at a point in negotiations on Tukwila Village where it is appropriate to update the City Council on the basic terms of the deal that are currently under discussion prior to the City and developer investing a lot of resources in the complex architectural, economic, environmental, and legal work necessary to reach agreement. These basic terms are listed in the attached "Draft Term Sheet". The term sheet simply provides a statement of intent and does not bind either party to reaching a final agreement to transfer or develop the property. Staff's approach to the draft term sheet was to reflect City goals for Tukwila Village and to follow standard real estate practices when possible.

Once the City and Tarragon agree on a term sheet, we will negotiate a more detailed agreement called a Memorandum of Understanding (MOU). The MOU will also be a non-binding statement of intent, expectations, and responsibilities of the parties. After reaching agreement on the MOU, the City and Tarragon will negotiate the final level of detail which should result in a Purchase and Sale agreement and a Development Agreement. The Purchase and Sale and Development Agreements will require City Council approval.

RECOMMENDATION

This item is informational only. No Council action is requested.

ATTACHMENTS

Tukwila Village Process Steps
Draft Term Sheet

Tukwila Village Process Steps

Draft 8/20/09

<u>Negotiations</u>	<u>Requires City Council Approval</u>
(1) Term Sheet	
(2) Memorandum of Understanding (MOU)	
(3) Purchase and Sale and Development Agreement	Yes

City Lead Tasks

(1) Comprehensive Plan and Zoning Amendments	Yes
(2) Environmental Remediation	If over \$40,000
(3) Public Infrastructure (144th and TIB)	
Design study	
City funding decision	Yes
Design	
Bid and construction	Yes
(4) SEPA Review	
(5) Police Resource Center Requirements	Yes
(6) Multi-family Property Tax Exemption	Yes

Tarragon Lead Tasks

(1) Site due diligence	
(2) Concept design	Yes
(3) Market studies	
(4) Library agreement	
(5) 30% design drawings	
(6) Indication of available financing	
(7) Board of architecture review	
(8) Construction drawings	
(9) Permit review	
(10) Construction financing	
(11) Building permit issued	
(12) Close on land purchase	
(13) Bids	
(14) Construction	
(15) Open	
(16) Lease-up	

Note:

- (1) Tarragon may develop in phases and therefore the design, financing, and construction may have multiple rounds.

Tukwila Village Draft Deal Terms

08/20/2009

1. Developer proposes and City desires a high-quality development of mixed uses including but not limited to multi-family residential, retail, library, retail services, and police resource center. The development shall also act as a neighborhood gathering place by providing exterior open space designed with appropriate amenities to achieve this goal.
2. Developer and City will agree to work cooperatively to reach agreement on a conceptual development plan that is mutually acceptable to both parties.
3. Tarragon will expend substantial time, effort and money in the predevelopment, development and marketing of the property in close coordination with the City.
4. Developer will reserve a minimum of 20% of the total number of residential units for families qualified as earning up to 80% of the area median income.
5. City and Developer will agree to cooperate in negotiations with the Foster Library to support the relocation of that use into Tukwila Village.
6. City and Developer recognize that King County has expressed the need to sell the current Foster Library property prior to entering into a Lease for space in Tukwila Village.
7. Developer and City will act in a collaborative manner in the predevelopment and development process and in the negotiation of a Development Agreement (to include design standards) which will outline the responsibilities and commitments of the parties related to the development of Tukwila Village.
8. Developer will acquire and control the Property in phases according to an agreed Phasing Plan and Schedule. Once established, the Phasing Plan and Schedule may be amended by mutual agreement. Developer's right to proceed with each phase after the first phase will be dependent on its performance of the prior phase.
9. The parties will negotiate a development schedule that will allow for flexibility to accommodate market conditions, but will also set milestones and outside deadlines for Developer and City performance.
10. City will retain a right to re-purchase the property in the event of Developer default.
11. City will agree to support zoning and comp plan changes as necessary to accomplish the agreed upon conceptual plan.
12. City will pass local ordinance supporting multi-family property tax exemptions at Tukwila Village.

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13. City will pursue public funding for the design and construction of improvements to 144th that include: curb, gutter, sidewalk, bike lanes and on-street parking.
14. Developer will obtain necessary entitlements and permits to achieve the agreed upon development plan.
15. City will identify and maintain a project manager who will help Developer coordinate with the various City departments to achieve a more expeditious permitting process.
16. City will remain responsible and will indemnify Developer for any environmental remediation that is required as a result of pre-existing conditions.
17. City to vacate 41st street. Developer will cooperate with City to ensure access to adjacent properties as necessary.
18. Developer will incorporate sustainable building practices throughout development.
19. Developer will ensure all residential units are built to condominium quality standards.
20. The gross square footage of the Property, currently estimated at 6 acres, will be the quantity available for purchase.
21. The minimum amount of net rentable area (including structured parking), currently estimated at 500,000 SF, will be achievable within the codes, laws and quantity of available land.
22. The initial takedown would occur within xx months of SEPA / Plat/ Binding Site Plan approval and following Building Permit approval.
23. Developer will pay fair market value for the Property at the time of purchase.
24. No more than 120 days and no less than 90 days prior to the initial takedown or a subsequent takedown, the parties will determine the then fair market value of the portion of the property contemplated for purchase, taking into consideration its intended use per the agreed upon development plan, the development costs including cost of ensuring adequate utility service, and incorporating a land residual analysis.
25. If the Developer and the City cannot agree on the fair market value of the takedown parcel then it will be determined by appraisal pursuant to a binding three MAI appraiser appraisal process that will be more fully described in the purchase agreement.
26. Except for any disclosure by the City required under the Washington Public Records Act, the parties will endeavor to keep the negotiations confidential.

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