

April 11, 1996

APPRAISER (MAI)
Spokane, WA.

Re: Appraisal Scope

Dear Appraisers:

After our group meeting last Tuesday (April 9, 1996) a general scope of work assignment was requested in order to better define the proposed contract and help each appraiser evaluate their costs and time for the assignment.

As you are aware, the downtown project is not entirely defined at this time, therefore we must understand that minor changes could occur within the scope of work. Our intent is to provide you with the best information at this time.

THE PROJECT:

As part of an overall redevelopment plan, the Cowles (land owner) and Nordstroms (anchor tenant) will be redeveloping the CBD block known as that area:

East of Lincoln Street between Spokane Falls Blvd and Main Street past Post Street to the East end of the existing River Park Square parking garage (see attached site drawings).

This project will encompass constructing a new three story Nordstrom's building with basement parking at the northeast corner of Main Street and Lincoln Street. Other improvements include, a new parking structure, enhancement of the existing River Park Square parking structure, vacating Post Street between Spokane Falls Blvd. and Main Street to provide for an enclosed mini-mall and other features as planned. The appraiser's will be supplied with the total number of existing parking spaces in the before and after condition when this data becomes available. This project is estimated to cost \$80 millions dollars +/-.

FUNDING:

The City of Spokane will be participating in the project accordingly:

Section 108 funds in the amount of \$23.8 million dollars towards the Nordstroms building.

Economic Development Incentive funds (grant) in the amount of \$1 million dollars towards the Nordstroms building.

City will be selling revenue bonds for leasing the parking facilities for availability to the general public.

Developer funds will cover the remaining costs of the project.

SCHEDULE:

This project is scheduled to be open and operational by March 1999.

BACKGROUND:

Understanding that the City of Spokane is considering selling bonds in order to acquire public parking areas, the following is our opinion of the circumstances to-date and what we believe should be outlined in the appraisal report:

1. The City will lease, with an option to purchase the existing River Park Square building and proposed parking building for approximately 20-30 years.
2. The City will lease the land area under the existing River Park Square parking facility, plus the new parking facility to include the parking area under the new Nordstrom's building, for approximately 20-30 years.
3. Once the lease term and price are negotiated, the City will then contract the parking operation out to a professional parking company.
4. Since the revenue obtained from parking receipts must be sufficient in order to meet or exceed the bond repayments and parking management fees, a detailed analysis must be developed, reviewed and agreed to before the City proceeds. To that end, the consulting firm of Walker has been engaged in order to develop market and construction feasibility studies (see attached scope of services with the Walker Company). Each appraiser will be given copies of all Walker reports. We anticipate Walker personnel will be available to answer appraiser's questions and clarify data.
5. Once the yearly lease payments are determined and agreed to by all the parties, it will be the intent of the City to prepay all yearly lease payments (20-30 years) up front beginning 1999. This will enable the developer to secure necessary construction financing now and payoff the construction loan in full by March, 1999.

APPRAISAL SCOPE:

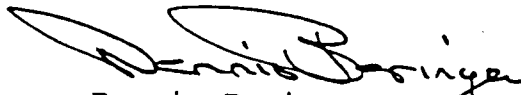
Understanding the above, the conclusions and opinions will be required for the following:

- Leasehold*
Leasehold
1. Value of the existing River Park Square parking ^{only} structure in the "as is" condition understanding that it must remain as a parking structure. *at what date 3/99*
 2. Value of the proposed lease for the existing River Park Square parking structure as rehabilitated, the new parking structure and the parking area under the new Nordstrom's building as one operating unit.
 3. Value of the proposed lease of ~~the~~ all the land under both parking structures understanding that both parking structures must remain. *+ Nordstroms*
 4. We estimate the land area for parking structures at 81,900 sq.ft. (mol). The estimated land area may fluctuate when design plans are finalized.
 5. Values for the leases are as of March 1999 (estimated opening date).

Your prospectus for appraisal cost and time is due in the Real Estate Division office (2nd floor, Municipal Building) no later than 4:00 p.m. on April 15, 1996.

If you have any questions concerning this request letter, our opinion of scoping requirements or the City's intent, please feel free to contact me directly at 625-6155.

Most Sincerely,


Dennis Beringer
Real Estate Projects Manager

cc: Irv Reed - Dir. Planning & Eng. Services
R/E File
Dave Mandyke - Construction Services
Tom Arnold - Planning & Programming