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Document Title: *Delegated Lease*

Reference Number: *DEL 08-0071*

Grantor(s):  additional grantor names on page \_\_\_

1. *LN Ship Harbor Inn, Inc*
- 2.

Grantee(s):  additional grantee names on page \_\_\_

1. *WA State Department of Transportation*
- 2.

Abbreviated legal description:  full legal on page(s) \_\_\_

*Parcel number 3808.0.11.005 and 3808.000.12.0004  
Skagit County*

*3808-000-011-0005*

*3808-000-012-0004*

Assessor Parcel / Tax ID Number:  additional tax parcel number(s) on page \_\_\_

*3808.0.11.005*

*Lots 11-12 Norman & Woods*

UNOFFICIAL DOCUMENT

**AFTER RECORDING RETURN TO:**

Washington State Department of Transportation  
Space & Lease Management  
PO Box 47303  
Olympia, Washington 98504

Delegated Lease No. DEL 08-0071  
Anacortes  
Page 1 of 8  
June 15, 2008

**DELEGATED LEASE**

This LEASE is made and entered into between LN Ship Harbor Inn, Inc., Linda Harvey, President whose address is 5316 Ferry Terminal Rd, Anacortes, Washington 98221 for its heirs, executors, administrators, successors, and assigns, hereinafter called the Lessor, and the State of Washington, Department of Transportation, hereinafter called the Lessee, acting under a Delegation of Authority from the Department of General Administration, in accordance with RCW 43.82.010.

WHEREAS, the Department of General Administration is granted authority to lease property under RCW 43.82.010;

WHEREAS, the Director of the Department of General Administration is also granted authority to delegate the leasing function to agencies;

WHEREAS, the Director has so delegated the authority for this Lease;

WHEREAS, the Lessor and Lessee deem it to be in the best public interest to enter into this Lease;

NOW, THEREFORE, in consideration of the terms, conditions, covenants and performances contained herein, IT IS MUTUALLY AGREED AS FOLLOWS:

**LEASED PREMISES**

1. The Lessor hereby leases to the Lessee the following described premises:

Tax Parcel Number: 3808.0.11.005

Common Street Address: Ship Harbor Inn, 5316 Ferry Terminal Rd, Anacortes, Washington

Approximately 1,500 square feet of residential space, together with four (4) on-site parking spaces in the building located at 5316 Ferry Terminal Rd, Anacortes, Washington and legally described as follows:

Legal description

Parcel number 3808.0.11.005 and 3808.000.12.0004 Skagit County

**USE**

2. The premises shall be used by the Department of Transportation and/or other state agencies for the following purpose(s): Crew Housing.



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**TERM**

3. TO HAVE AND TO HOLD the premises with their appurtenances for the term beginning July 1, 2008 and ending June 30, 2011.

**RENTAL RATE**

4. The Lessee shall pay rent to the Lessor for the premises at the following rate:

Two thousand six hundred dollars and 00 cents

\$2,600 per month

Payment shall be made at the end of each month upon submission of properly executed vouchers.

**TERM ADJUSTMENT**

5. Subject to Lessee's termination rights as provided in the Renewal/Cancellation paragraph herein, if any, and effective following five (5) years' of initial occupancy of the Leased Premises, Lessee reserves the following rights to adjust the Term hereof:

5.1. Lessee reserves the right, at its sole option and discretion, to reduce the space leased as part of the Premises herein and/or the right to terminate this Lease in its entirety, on one hundred twenty (120) days' prior written notice to Lessor subject to the following terms and conditions:

- A. In the event of a reduction in the space leased as part of the Premises (the "Reduced Space"):
  - (1) Monthly rent shall be reduced in the same proportion as said reduction in space and such reduction in rent ("the "Reduced Rent") shall be effective upon the date said portion of the Premises is vacated by Lessee. The Reduced Space shall be limited to space reasonably capable of being utilized by a replacement tenant; and
  - (2) Lessee shall pay Lessor the following:
    - (a) The Reduced Rent discounted to present value at an annual rate of 5%; and
    - (b) The unamortized cost of additional tenant improvements attributable to the Reduced Space, if any, which exceeded Lessee's Leased Space Requirements and were financed by Lessor subject to reimbursement by Lessee as provided in the Lease.
- B. In the event of a termination of the Lease in its entirety, Lessee shall pay Lessor the following:
  - (1) A sum equal to the remaining rental payments due and payable to Lessor under the Lease discounted to present value at an annual rate of 5%; and
  - (2) The unamortized cost of additional tenant improvements, if any, which exceeded Lessee's Leased Space Requirements and were financed by Lessor subject to reimbursement by Lessee as provided in the Lease.

5.2 Lessee reserves the right, at its sole option and discretion, to vacate all or any portion of the Leased Premises on one hundred twenty (120) days' prior written notice to Lessor subject to the following terms and conditions:

- A. Expenses excluding base rent payable by Lessee to Lessor including, without limitation, operating expense, real estate taxes and assessments, parking, etc., will be reduced in an amount equal to the amount of vacated space divided by the total area of the Leased Premises.



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- B. Lessor shall, at Lessee's sole option and discretion, market said vacated Premises for lease to the general public including, without limitation, hiring a brokerage firm to market the space and recruit potential tenants.
- C. Lessee may contribute up to twenty-five (25%) of the remaining rental payments due and payable under the Lease towards Lessor's actual expense of securing a replacement tenant, at its sole option and discretion. Said payment shall be subject to Lessee's complete release by Lessor from all obligations associated with the Lease effective upon occupancy by a replacement tenant. Said expense of securing a replacement tenant shall be limited to the cost of brokerage and real estate commissions, tenant improvements, alterations/improvements and reduction of rent payments. In the event that the Lease is assigned to another state agency, Lessee shall not be required to reimburse Lessor for any brokerage or real estate commissions.
- D. Lessee may defer payment of rent to Lessor during the remaining Lease term subject to the mutual agreement of the parties. During said rent deferment period, Lessee may, at its sole option and discretion, assign the Lease to another state agency. Said rent deferment shall terminate upon assignment of the Lease, occupancy by a new tenant or the expiration of the rent deferment agreement, whichever first occurs.

#### EXPENSES

6. During the term of this Lease, Lessor shall pay all real estate taxes, all property assessments, insurance, storm water, water, sewer, garbage collection, and maintenance and repair as described below, together with natural gas, electricity, elevator service, exterior and interior window washing, landscape and irrigation water, and janitor service. Janitor service includes exterior and interior window washing, restroom supplies and light bulb replacement.

#### MAINTENANCE AND REPAIR

7. The Lessor shall maintain the premises in good repair and tenantable condition during the continuance of this lease, except in case of damage arising from the negligence of the Lessee's clients, agents or employees. For the purposes of maintaining and repairing the premises, the Lessor reserves the right at reasonable times to enter and inspect the premises and to make any necessary repairs to the building. Lessor's maintenance and repair obligations shall include, but not be limited to, the mechanical, electrical, interior lighting (including replacement of ballasts, starters and fluorescent tubes as required), plumbing, heating, ventilating and air-conditioning systems (including replacement of filters as recommended in equipment service manual); floor coverings; window coverings; elevators, including communications systems; inside and outside walls (including windows and entrance and exit doors); all structural portions of the building (including the roof and the watertight integrity of same); porches, stairways; sidewalks; exterior lighting; parking lot (including snow removal, cleaning and restriping as required); wheel bumpers; drainage; landscaping and continuous satisfaction of all governmental requirements generally applicable to similar office buildings in the area (example: fire, building, energy codes, indoor air quality and requirements to provide architecturally barrier-free premises for persons with disabilities, etc.).

#### ASSIGNMENT/SUBLEASE

8. The Lessee may assign this Lease or sublet the premises with the prior written consent of the Lessor, which consent shall not be unreasonably withheld. Lessee shall not permit the use of the premises by anyone other than the Lessee, such assignee or sublessee, and the employees, agents and servants of the Lessee, assignee, or sublessee.

#### RENEWAL/CANCELLATION

9. The Lease may, at the option of the Lessee, be renegotiated for an additional **three (3)** years.



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It is provided, however, that there is expressly reserved to the Lessee the right and option to terminate this Lease and to relinquish and give up said premises by giving written notice to the Lessors at least Thirty (30) days prior to the effective date of such termination, in which event rent shall be prorated to the date of termination.

#### PAYMENT

10. Any and all payments provided for herein when made to the Lessor by the Lessee shall release the Lessee from any obligation therefor to any other party or assignee.

#### COMPLIANCE WITH STATE/FEDERAL LAWS

11. Lessor is responsible for complying with all applicable provisions of the Americans With Disabilities Act of 1990 (42 U.S.C. 12101- 12213) and the Washington State Law Against Discrimination, Chapter 49.60 RCW, as well as the regulations adopted thereunder, with respect to the Leased Premises.

#### FIXTURES

12. The Lessee shall have the right during the existence of this lease with the written permission of the Lessor (such permission shall not be unreasonably withheld), to make alterations, attach fixtures, and erect additions, structures or signs, in or upon the premises hereby leased. Performance of any of the rights authorized above shall be conducted in compliance with all applicable governmental regulations, building codes, including obtaining any necessary permits. Any fixtures, additions, or structures so placed in or upon or attached to the premises shall be and remain the property of the Lessee and may be removed therefrom by the Lessee upon the termination of this lease. Any damage caused by the removal of any of the above items shall be repaired by the Lessee.

#### ALTERATIONS/IMPROVEMENTS

13. In the event the Lessee requires alterations/improvements during the term of this lease, any renewals and/or modifications thereof, the Lessor shall have the right to provide such services. If required by state law, the Lessor shall pay prevailing rate of wage to all workers, laborers or mechanics employed to perform such work as well as comply with the rules and regulations of the Department of Labor & Industries. If the Lessee considers Lessor's proposed costs for alterations/ improvements excessive, Lessee shall have the right, but not the obligation, to request and receive at least two independent bids; and the Lessee shall have the right at its option to select one alternative contractor whom the Lessor shall allow to provide such services for the Lessee in compliance with the Lessor's building standards and operation procedures.

#### PREVAILING WAGE

14. Lessor agrees to pay the prevailing rate of wage to all workers, laborers, or mechanics employed in the performance of any part of this Lease when required by state law to do so, and to comply with the provisions of Chapter 39.12 RCW, as amended, and the rules and regulations of the Department of Labor and Industries and the schedule of prevailing wage rates for the locality or localities where this Lease will be performed as determined by the Industrial Statistician of the Department of Labor and Industries, are by reference made a part of this Lease as though fully set forth herein.

#### DISASTER

15. In the event the leased premises are destroyed or injured by fire, earthquake or other casualty so as to render the premises unfit for occupancy, and the Lessor(s) neglects and/or refuses to restore said premises to their former condition, then the Lessee may terminate this lease and shall be reimbursed for any unearned rent that has been paid. In the event said premises are partially destroyed by any of the aforesaid means, the rent herein agreed to



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be paid shall be abated from the time of occurrence of such destruction or injury until the premises are again restored to their former condition, and any rent paid by the Lessee during the period of abatement shall be credited upon the next installment(s) of rent to be paid. It is understood that the terms "abated" and "abatement" mean a pro rata reduction of area unsuitable for occupancy due to casualty loss in relation to the total rented area.

#### NO GUARANTEES

16. It is understood that no guarantees, express or implied, representations, promises or statements have been made by the Lessee unless endorsed herein in writing. And it is further understood that the Lessee, a state agency, is acting in compliance with a delegated authority from the Department of General Administration in accordance with 43.82.010. Any amendment or modification of this Lease must be in writing and signed by both parties.

#### ENERGY

17. The Lessor, or authorized representative, in accordance with RCW 43.19.685, has conducted a walk-through survey of the leased premises with a representative of the Director of the Department of Transportation. Lessor will undertake technical assistance studies and/or subsequent acquisition and installation of energy conservation measures identified as cost effective by the survey.

#### REIMBURSEMENT FOR DAMAGE TO PREMISES

18. The Lessee hereby agrees to reimburse the Lessor for damages caused by the negligence of its employees, clients and agents, but in no event shall this paragraph be construed as diminishing the Lessor's duty to make repairs as set forth in preceding paragraphs of this lease, or as making Lessee responsible for the repair of normal wear and tear.

#### HAZARDOUS SUBSTANCES

19. Lessor warrants to his/her knowledge that no hazardous substance, toxic waste, or other toxic substance has been produced, disposed of, or is or has been kept on the premises hereby leased which if found on the property would subject the owner or user to any damages, penalty, or liability under an applicable local, state or federal law or regulation.

Lessor shall indemnify and hold harmless the Lessee with respect to any and all damages, costs, attorneys' fees, and penalties arising from the presence of any hazardous or toxic substances on the premises, except for such substances as may be placed on the premises by the Lessee.

#### BINDING AUTHORITY

20. It is further understood that this Lease shall not be binding upon the State of Washington, Department of Transportation, unless signed by the Lessee's Director, Commissioner, or his/her designee and approved as to form by the Office of the Attorney General.

#### CANCELLATION/SUPERSESION

21. This Lease cancels, supersedes or replaces DEL 05-0084 dated July 21, 2005, and all modifications thereto effective July 1, 2008.



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**WITHHOLDING OF RENT PAYMENTS**

22. If the Lessor fails to maintain, repair and/or improve the premises as set forth herein, the Lessee may, if authorized by the Department of Transportation withhold ten percent (10%) of rent payments until such time as Lessor completes deficient maintenance, repair and/or improvements. Upon receipt of documentation of Lessor's noncompliance with maintenance, repair and/or improvement provisions and a written request to withhold rent payments from the Lessee, the Department of Transportation shall provide Lessor with a list of deficient maintenance, repair and/or improvement items and notify Lessor that Lessee has been authorized to withhold rent payment until deficient maintenance, repair and/or improvements have been completed. Lessee shall place all withheld rent payments in an interest bearing account. Withheld rent payments plus accrued interest will be remitted to Lessor after the Department of Transportation verifies that Lessor has satisfactorily completed all maintenance, repair and/or improvements and authorizes Lessee to remit the withheld rent. Nothing in this provision shall limit other remedies which may be available to Lessee under this lease.

**CONDEMNATION**

23. If all the premises or such portions of the Building as may be required for the reasonable use of the premises, are taken by eminent domain, this Lease shall automatically terminate as of the date Lessee is required to vacate the premises and all rentals shall be paid to that date. In case of a taking of a part of the premises, or a portion of the Building not required for the reasonable use of the premises, at Lessee's determination, then the Lease shall continue in full force and effect and the rental shall be equitably reduced based on the proportion by which the floor area of the premises is reduced, such rent reduction to be effective as of the date possession of such portion is delivered to the condemning authority. Lessor reserves all rights to damages and awards in connection therewith, except Lessee shall have the right to claim from the condemning authority the value of its leasehold interest and any relocation benefits.

**HOLDING OVER**

24. If Lessee remains in possession of the premises after the expiration or termination of the Lease term, or any extension thereof, such possession by Lessee shall be deemed to be a month-to-month tenancy, terminable as provided by law. During such month-to-month tenancy, Lessee shall pay all rent provided in this Lease or such other rent as the parties mutually agree in writing and all provisions of this Lease shall apply to the month-to-month tenancy, except those pertaining to term and option to extend.

**SUBORDINATION**

25. So long as Lessor has fully performed under the terms of this Lease, Lessee agrees to execute, within ten (10) days of written request by Lessor, the state's standard Tenant Estoppel and Subordination Agreements which have been approved as to form by the Office of the Attorney General. A \$400.00 processing fee will be assessed for processing these documents through the Department of General Administration.

**CAPTIONS**

26. The captions and paragraph headings hereof are inserted for convenience purposes only and shall not be deemed to limit or expand the meaning of any paragraph.



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**NOTICES**

27. Wherever in this Lease written notices are to be given or made, they will be sent by certified mail to the address listed below unless a different address shall be designated in writing and delivered to the other party.

**LESSOR:** LN Ship Harbor Inn, Inc,  
5316 Ferry Terminal Rd  
Anacortes, Washington 98221

**LESSEE:** Department of Transportation  
Space & Lease Management  
PO Box 47303  
Olympia, Washington 98504

**AND** Department of General Administration **DEL 08-0071**  
Real Estate Services  
General Administration Bldg.  
Post Office Box 41015  
Olympia, Washington 98504-1015

IN WITNESS WHEREOF, the parties subscribe their names.

**LESSOR:**

LN SHIP HARBOR INN, INC.

By: Lynda Harvey

Title: President

Date: 7-9-08

**LESSEE:**

STATE OF WASHINGTON  
DEPARTMENT OF TRANSPORTATION

By: [Signature]

Title: Director, Administrative Services

Date: 7/10/08

(Lessor: If corporation, partnership, or other officer with legal authority other than a natural person, give title)

SKAGIT COUNTY WASHINGTON  
REAL ESTATE EXCISE TAX

**AUG 08 2008**

Amount Paid \$ 0  
Skagit Co. Treasurer  
By: [Signature] Deputy

APPROVED AS TO FORM:

By: [Signature]  
Assistant Attorney General

Date: 7/24/08

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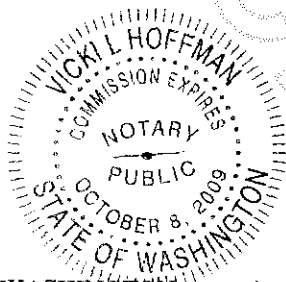
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STATE OF WA )  
 ) ss.  
County of SKAGIT )

On this 9TH day of JULY, A.D., 2008, before me personally appeared LINDA HARVEY to me known to be the PRESIDENT of the corporation that executed the within and foregoing instrument and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that SHE was authorized to execute said instrument and that the seal affixed thereto is the corporate seal of said corporation.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.

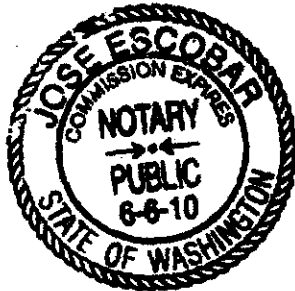


Vicki L Hoffman  
Notary Public in and for the State of Washington,  
Residing at ANACORTES  
My commission expires 10-8-09

STATE OF WASHINGTON )  
 ) ss.  
County of Thurston )

I, the undersigned, a Notary Public, do hereby certify that on this 10TH day of July, 2008, personally appeared before me JOHN BROOME (name/title) of the Director of Administrative Services, State of Washington, to me known to be the individual described in and who executed the within instrument, and acknowledged that he/she signed and sealed the same as the free and voluntary act and deed of the Department, for the purposes and uses therein mentioned, and on oath stated that he/she was duly authorized to execute said document.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.



[Signature]  
Notary Public in and for the State of Washington,  
Residing at OLYMPIA  
My commission expires 6/6/2010



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