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PIERCE COUNTY, WASHINGTON

Please return to:

Angela M. Trout, Esq.
Orrick, Herrington & Sutcliffe LLP
701 Fifth Avenue, Suite 5600
Seattle, WA 98104-7097

Telephone: (206) 839-4341
Email: atrou@orrick.com

INTERLOCAL AGREEMENT

By and Between

the

THE CITY OF UNIVERSITY PLACE, WASHINGTON

And the

CITY OF UNIVERSITY PLACE TOWN CENTER PROJECT AUTHORITY

With Respect To

THE TOWN CENTER PROJECT

Dated as of June 1, 2011

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**INTERLOCAL AGREEMENT BY AND BETWEEN
THE CITY OF UNIVERSITY PLACE, WASHINGTON
AND
THE CITY OF UNIVERSITY PLACE TOWN CENTER PROJECT AUTHORITY
WITH RESPECT TO
THE TOWN CENTER PROJECT**

This INTERLOCAL AGREEMENT, dated as of June 1, 2011 (this "Interlocal Agreement"), is made and entered into by and between the CITY OF UNIVERSITY PLACE, WASHINGTON, a Washington municipal corporation (the "City"), and CITY OF UNIVERSITY PLACE TOWN CENTER PROJECT AUTHORITY, a Washington public authority (the "Authority");

RECITALS

WHEREAS, the Authority is a Washington public authority operating under a charter granted by the City Council of the City pursuant to Ordinance No. 592 passed on June 20, 2011, under authority of Chapter 35.21.730 *et seq.* Revised Code of Washington ("RCW") with authority to issue bonds to finance portions of the Town Center Project mentioned below;

WHEREAS, the City is a Washington municipal corporation and non-charter optional code city with all the powers thereof as set forth in the laws of the State of Washington (the "State");

WHEREAS, the Authority and the City, as public agencies, are authorized pursuant to RCW Section 39.34.030 to exercise jointly with any other public agency of the State of Washington (the "State") any powers, privileges or authority capable of exercise by such public agencies, including the issuance of bonds, and to enter into agreements for such joint or cooperative action;

WHEREAS, the City has previously begun the development and construction of a mixed-use town center, consisting of a civic building containing a library, City administrative and law enforcement offices, a Town Hall meeting room and retail shops, a public transit and public parking facility, a parking garage, related infrastructure and other public improvements (collectively, the "Town Center Project");

WHEREAS, pursuant to Ordinance No. 557, enacted by the City on August 24, 2009, the City has designated as a "local revitalization area" within the meaning of RCW Chapter 39.104 certain property within the City upon a portion of which the Town Center Project is located;

WHEREAS, pursuant to RCW Chapter 39.104, the City is authorized to undertake a "local revitalization financing" within the meaning of RCW Chapter 39.104 by using revenues received from a local option sales and use tax imposed pursuant to RCW 82.14.510 to pay the principal of and interest on bonds issued to finance "public improvements" within the meaning of RCW Chapter 39.104 within a local revitalization area;

WHEREAS, pursuant to Ordinance No. 593, enacted by the City on June 20, 2011, and RCW Sections 82.14.505 and 82.14.510, the City has levied and imposed a local option sales and

use tax at a rate of 0.24 percent (the "Local Option Sales and Use Taxes"), effective as of July 1, 2011, to generate revenues (the "Local Option Sales and Use Tax Revenues") for purposes of funding local revitalization;

WHEREAS, the City created the Authority to undertake on behalf of the City the financing of certain qualifying components of the Town Center Project located within the "local revitalization area" designated by the City; and

WHEREAS, the Authority has determined to undertake on behalf of the City the financing of certain qualifying components of the Town Center Project by issuing revenue bonds in one or more series (the "Bonds") to finance certain qualifying costs the Town Center Project; and

WHEREAS, the City desires to dedicate to the Authority the Local Option Sales and Use Tax Revenues it receives to assist in the financing certain qualifying components of the Town Center Project, pursuant to the Payment Agreement defined below; and

WHEREAS, the Authority and the City desire to enter into an interlocal agreement regarding their respective rights and obligations as between themselves; and

WHEREAS, the Authority and the City (each, a "Party, and collectively, the "Parties") desire to enter into this Interlocal Agreement for the purpose of setting forth their mutual agreements and undertakings by which they will cooperatively undertake to finance, acquire, construct and operate public improvements within the Town Center Project;

NOW, THEREFORE, in consideration of the mutual undertakings and agreements contained herein, inclusive of the recitals above, and of the benefits to be realized by each Party, and in order to realize the benefits to the general public from the acquisition, construction and operation of public improvements within the Town Center Project located in the local revitalization area designated by the City, it is agreed by and among the Parties as follows:

1. DEFINITIONS OF TERMS. For purposes of this Interlocal Agreement, whenever the following terms are written in capital letters, they shall have the meanings specified by this section:

"Authority" means the City of University Place Town Center Project Authority, a Washington public authority chartered by the City under authority of RCW 35.21.730(5).

"Bonds" means bonds issued from time to time under the Trust Agreement to finance the development and construction of the components of the Town Center Project constituting qualifying public improvements.

"City" means the City of University Place, a Washington municipal corporation and a non-charter optional code city.

"Local Option Sales and Use Tax" means the local option sales and use tax levied and imposed at a rate of 0.24 percent by the City pursuant to Ordinance No. 594, adopted on June 20, 2011, as authorized by RCW 82.14.505 and 82.14.510.

“Local Option Sales and Use Tax Revenues” means the Local Option Sales and Use Tax credit revenues received by the City and paid to the Authority or to the Trustee, as assignee of the Authority, pursuant to this Interlocal Agreement and the Payment Agreement, in an aggregate amount of approximately \$500,000 with respect to each one year period commencing on July 1 and ending on the following June 30.

“Match” means the matching funds required under RCW 82.14.510 in connection with the collection of the Local Option Sales and Use Tax Revenues.

“Parties” means the Authority and the City. “Party” means any one of the Parties to this Interlocal Agreement.

“Payment Agreement” means that Payment Agreement, dated as of June 1, 2011, between the City and the Authority pursuant to which the City agrees to pay, or to cause to be paid to the Authority or the Trustee, as assignee of the Authority, the Local Option Sales and Use Tax Revenues it receives from the State, as it may be amended from time to time in accordance with the terms thereof.

“Town Center Project” has the meaning given such term in the recitals.

“Trust Agreement” means that Master Trust Agreement, dated as of June 1, 2011 (the “Master Trust Agreement”), by and between the Authority and the Trustee, as it may be amended and supplemented from time to time, including by the First Supplemental Trust Agreement, dated as of June 1, 2011 (the “First Supplemental Trust Agreement”), between the Authority and the Trustee.

“Trustee” means U.S. Bank National Association, which has been appointed as trustee with respect to any Bonds issued pursuant to the Trust Agreement, and any successor thereto.

2. AUTHORITY AND PURPOSE. This Interlocal Agreement is entered into pursuant to the authority of Chapter 39.34. The purpose of this Interlocal Agreement is to set forth the terms and conditions under which the Parties will cooperate in financing the development and construction of components of the Town Center Project constituting qualifying public improvements.

3. TERM. The term of this Interlocal Agreement shall extend until the earlier to occur of (i) the date that all of the Bonds have been paid or defeased in accordance with the terms of the Trust Agreement; or (ii) July 1, 2036, the date that is twenty-five (25) years after the Local Option Sales and Use Tax is first imposed by the City.

4. ADMINISTRATION; PROPERTY; FINANCING; BUDGETS. This Interlocal Agreement does not establish or create a separate legal or administrative entity or a joint board to accomplish the purposes hereof. The City shall be responsible for administering the cooperative undertaking described herein, and the City Manager of the City shall be the administrator of this Interlocal Agreement. The Authority shall be responsible for undertaking on behalf of the City the financing the construction of the public transit and parking facilities located at the Town Center Project. Any real or personal property used or acquired by any Party in connection with

this Interlocal Agreement shall be used, acquired, held and disposed of by that Party as it shall determine in its discretion, except as otherwise expressly provided in this Agreement.

5. AUTHORITY COVENANTS AND AGREEMENTS. The Authority covenants and agrees as follows:

5.1 Financing the Town Center Project. Subject to prior approval by the legislative body of the City of a financing plan, the Authority shall undertake on behalf of the City the financing of the public improvements within the Town Center Project.

5.2 The Bonds. The Authority shall issue from time to time one or more series of Bonds pursuant to the Trust Agreement to finance the public improvements within the Town Center Project. The Bonds and the Trust Agreement shall have such terms and conditions as shall be determined by the Authority. The issuance of any Bonds secured by the Local Option Sales and Use Tax Revenues to finance any additional public improvements within the Town Center Project, or to refund any Bonds, shall be subject to the prior approval of the City.

The Authority shall provide that the Bonds and any disclosure documents related to the Bonds shall contain language to substantially the following effect: "The [Bonds] are not obligations of the City of University Place, the State of Washington or any other political subdivision of the State of Washington other than the City of University Place Town Center Project Authority. The [Bonds] shall be payable solely from and secured solely by the Local Option Sales and Use Tax Revenues received by the City and paid to, and pledged by, the Authority, and are not payable from or secured by the revenues, credit or assets of the City of University Place, the State of Washington, or any other political subdivision of the State of Washington."

The Authority shall issue the initial series of Bonds on or before June 30, 2011.

5.3 No City Liability. Except to the extent expressly provided in this Interlocal Agreement and in the Payment Agreement, the City shall not be liable for or obligated to pay principal of, or any interest or premium on, the Bonds, and shall not otherwise be liable or responsible for any other debts, liabilities or obligations of the Authority.

5.4 Application of Net Proceeds of the Bonds. The Authority shall cause the net proceeds of the Bonds to be deposited with the Trustee to be held in trust and applied in accordance with the Trust Agreement to pay to, or to the order of, the City, or to reimburse the City for the payment of, certain costs incurred by the City relating to the qualifying public improvements within the Town Center Project, to fund a debt service reserve account for the Bonds and to pay costs of issuance the Bonds.

5.5 Use of Local Option Sales and Use Tax Revenues. The Local Option Sales and Use Tax Revenues paid by the City to the Authority and/or its respective assigns, including the Trustee, pursuant to the Payment Agreement shall be used solely to pay the principal of and interest on the Bonds.

6. CITY COVENANTS AND AGREEMENTS. The City covenants and agrees as follows:

6.1 Execution of Payment Agreement. The City shall execute the Payment Agreement with the Authority and the Trustee prior to and in connection with the issuance by the Authority of any Bonds.

6.2 City Match. The City shall provide, or cause to be provided, funds to satisfy the Match with respect to the Local Option Sales and Use Tax.

6.3 Continuing Disclosure. The City acknowledges that its obligation to make the payments from the Local Option Sales and Use Tax Revenues as required by this Interlocal Agreement and the Payment Agreement may be material to the offer and sale of the any Bonds, and may be disclosed to prospective and actual purchasers of Bonds. The City agrees to provide all information necessary for inclusion in the disclosure document in connection with the initial public offering of the any series of Bonds. At the request of the Authority, the City will make an appropriate continuing disclosure undertaking in respect of any series of Bonds to the same extent as if the City were treated as an "obligated person" (within the meaning of Securities and Exchange Commission Rule 15c2-12).

6.4 Authority Operating Costs. In addition to the Local Option Sales and Use Tax Revenues, the City shall provide to the Authority funds sufficient to pay when due the general operating costs of the Authority, including the Trustee's annual fees, any other costs of the Trustee specified in the Trust Agreement to be paid by the City and the premiums for any insurance required to be purchased by the Authority.

7. AMENDMENTS. This Interlocal Agreement shall not be modified or amended in any manner except by an instrument in writing executed by the Parties hereto.

8. ASSIGNMENT; BENEFIT OF AGREEMENT. No Party hereto shall assign its rights or obligations under this Interlocal Agreement without the prior written consent of the other Party hereto. This Interlocal Agreement shall inure to the benefit of and be binding upon the Parties and their successors and permitted assigns. The City hereby consents to the assignment to the Trustee by the Authority of its rights or obligations under this Interlocal Agreement.

9. NOTICES. All communications, notices and demands of any kind which are required by this Interlocal Agreement shall be in writing and shall be deemed given when deposited in the U.S. mail, first class postage prepaid, to the following addresses or to such other addresses as the Parties shall from time to time give notice to the other Parties:

If to the Authority: City of University Place Town
Center Project Authority
University Place City Hall
3715 Bridgeport Way West
University Place, WA 98466
Attn: Executive Director

With a copy to: City of University Place
University Place City Hall
3715 Bridgeport Way West
University Place, WA 98466
Attn: City Attorney/ Authority
Counsel

If to the City: City of University Place
University Place City Hall
3715 Bridgeport Way West
University Place, WA 98466
Attn: City Manager

With a copy to: City of University Place
University Place City Hall
3715 Bridgeport Way West
University Place, WA 98466
Attn: City Attorney

10. FILING THIS INTERLOCAL AGREEMENT. Within five (5) days from the date of execution of this Interlocal Agreement, a copy thereof shall be filed with the County Auditor of Pierce County.

11. COUNTERPARTS. This Interlocal Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

12. LIMITATION OF RIGHTS. Nothing expressed in or to be implied from this Interlocal Agreement is intended to give, or shall be construed to give, any person other than the Parties hereto, and their permitted successors and assigns, any benefit or legal or equitable right, remedy or claim under or by virtue of this Interlocal Agreement.

13. HEADINGS. The headings herein are solely for convenience of reference and shall not constitute a part of this Interlocal Agreement nor shall they affect its meaning, construction or effect.

14. GOVERNING LAW. This Interlocal Agreement shall be construed in accordance with and governed by the Constitution and laws of the State of Washington applicable to contracts made and performed within such State.

15. VENUE. The venue for any dispute arising under this Interlocal Agreement shall be in the Superior Court of the State of Washington for Pierce County, Washington.

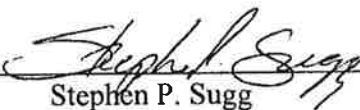
16. NO PERSONAL LIABILITY. Notwithstanding anything contained to the contrary in any provision of this Interlocal Agreement, it is specifically agreed and understood that there shall be absolutely no personal liability on the part of any individual officers or directors of the Authority or the City with respect to any of the obligations, terms, covenants, and conditions of this Interlocal Agreement.

17. SEVERABILITY. If any term or provision of this Interlocal Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Interlocal Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.

[Signature page follows.]

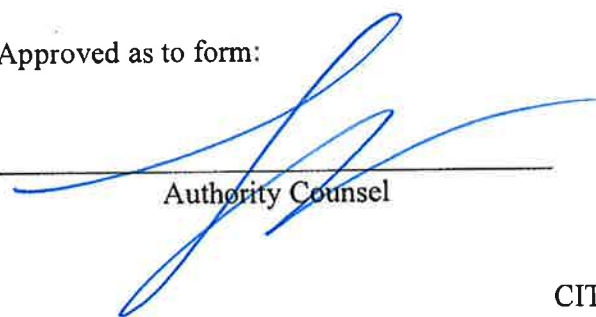
IN WITNESS WHEREOF, the Parties have executed this Interlocal Agreement as of the day and year first written above.

CITY OF UNIVERSITY PLACE TOWN CENTER
PROJECT AUTHORITY


By: 
Stephen P. Sugg
Executive Director


Attest:

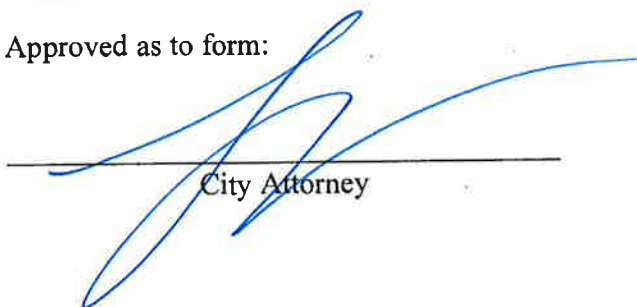
Ken Grassi
Secretary

Approved as to form:

Authority Counsel

CITY OF UNIVERSITY PLACE

By: 
Eric Faison
Deputy City Manager

Attest:

City Clerk

Approved as to form:

City Attorney