ADDENDUM NO. 1 TO INTERLOCAL AGREEMENT FOR DEVELOPMENT
OF THE LYNNWOOD CONVENTION CENTER

This Addendum No. 1 ("Addendum") is made and entered into as of the __ day of
2002 among the City of Lynnwood, a city duly organized and existing under and by
virtue of the laws of the State of Washington (the "City"); the Snohomish County Public
Facilities District, a municipal corporation duly organized and existing under the laws of the
State of Washington (the "County PFD"); Snohomish County, a political subdivision of and duly
organized and existing under the laws of the State of Washington and the Charter of Snohomish
County (the "County"); and the Lynnwood Public Facility District, "fka South Snohomish
County Public Facility District", a municipal corporation duly organized and existing under and
by virtue of the laws of the State of Washington, established by the City of Lynnwood (the "City
PFD").

RECITALS

A. The City, County PFD, County, and City PFD (collectively the "Parties") entered
into a First Amended and Restated Interlocal Agreement dated December 10, 2002, recorded
with the Auditor of the County of Snohomish, State of Washington under recording number
200212260514 (the "Interlocal Agreement") to provide for the development of a Regional Center
as defined in RCW 35.57.020 known as the "Lynnwood Convention Center" (the "Regional
Center"); and

B. The County PFD, under the authority of RCW 82.14.390 has imposed a Sales and
Use Tax "Sales and Use Tax" a portion of which the County PFD has allocated and agreed to
contribute through intergovernmental project payments to the payment of debt service on the
bonds issued to finance the Regional Center in accordance with and subject to the terms and
conditions of the Interlocal Agreement, including without limitation, in accordance with the
schedule contained in Exhibit "B-1", of the Interlocal Agreement (the "Tier 1 Allocation"); and

C. The County PFD has entered into similar interlocal agreements to provide funding
for three (3) other regional centers, which were recorded with the Auditor of Snohomish County
under recording numbers 200211060003, 200211060349, and 200312260486 pursuant to which
the County PFD has allocated and committed contributions from the Sales and Use Tax for the
payment of debt service on the respective bonds issued to finance the development thereof,
which when added to the Tier 1 Allocation shall be referred to herein as the "Aggregate Tier 1
Allocations" (the Aggregate Tier 1 Allocations are in a fixed amount allocated prior to the date
of this Addendum); and

D. The County PFD has experienced actual Sales and Use Tax revenue collection
substantially in excess of the current Aggregate Tier 1 Allocations and, further, the County PFD
anticipates that the Sales and Use Tax collections will continue to exceed the Aggregate Tier 1
Allocations over the period for which the Sales and Use Tax has been imposed; and

E. The County PFD Board of Directors has determined that the Sales and Use Tax
revenue collected by the County PFD in excess of the sum of the Aggregate Tier 1 Allocations,
the County PFD's administrative expenses, and reserves (as established, from time-to-time by the
County PFD Board of Directors), should be additionally allocated among the four regional center
projects for the payment of debt service on the respective bonds issued to finance the
development thereof, which additional allocations shall be collectively referred to hereinafter as
the "Aggregate Tier 2 Allocations" (which represent all four regional center projects); and

F. The Parties desire to amend the Interlocal Agreement by this Addendum to
provide for the allocation and contribution of a specified portion of the Aggregate Tier 2
Allocations to the City PFD, which portion shall hereinafter be referred to as the "Tier 2
Allocation";

NOW, THEREFORE, the Parties hereby agree as follows:

AGREEMENT

1. **Tier 2 Allocation.** So long as the City PFD can and does make lawful use of the
funds to be contributed by the County PFD under the provisions of RCW 82.14.390, as now or
hereafter amended, and subject to continued compliance with all of the terms and conditions of
the Interlocal Agreement and this Addendum No. 1, the County PFD shall allocate and
contribute to the City PFD, twenty-four and four-tenths percent (24.4%) of the Aggregate Tier 2
Allocations.

2. **Applicable Terms and Limitations.** Unless otherwise expressly set forth herein,
the terms and conditions of the Interlocal Agreement, together with the terms and conditions set
forth in this Addendum No. 1, and the provisions of RCW 82.14.390, as now or hereafter
amended, shall apply to both the Tier 1 Allocation and Tier 2 Allocation and the City PFD shall
comply with same in all respects.

Further, without limiting the foregoing, the Tier 2 Allocation is expressly conditioned
upon the City PFD insuring and providing the required local thirty-three percent (33%) match as
required by RCW 82.14.390(4) from other public or private sources, which may not include non-
voter approved taxes authorized under Chapter 35.57 RCW, or Chapter 36.100 RCW, but may
include, without limit, cash or in-kind contributions used in all phases of the development or
improvement of the Regional Center, land that is donated and used for the siting of the Regional
Center, cash or in-kind contributions from public or private foundations, or amounts contributed
to private sector partners as part of a public and private partnership agreement negotiated by the
City PFD.

3. **Tier 2 Allocation Disbursement Schedule.** The Tier 2 Allocation shall be
disbursed in accordance with the Tier 2 Allocation Disbursement Schedule set forth in Exhibit
"A" attached hereto and by this reference incorporated herein.

4. **Right to Reduce or Suspend Tier 2 Allocation.** Tier 2 Allocation is subject to the
right of the County PFD Board of Directors to reduce and/or suspend the Tier 2 Allocation or
payments, if the County PFD Board of Directors determines, in its sole and absolute discretion,
that continuation of the payments of the Tier 2 Allocation may jeopardize the County PFD's ability to make payments in fulfillment of the Aggregate Tier 1 Allocations.

5. **Annexation Adjustments.** In the event that the City annexes territory which, at the time this Addendum No. 1 is entered into, is located within the County (the "Annexed Territory"), while any obligations of the County PFD, under this Addendum No. 1, remain outstanding, then and in that event, the County PFD's obligations hereunder and the amounts to be allocated to the Regional Center as part of the Tier 2 Allocation, shall be reduced, dollar-for-dollar by the amount of Sales and Use Taxes collected by the City PFD from transactions occurring within the Annexed Territory."

6. **Annual Compliance Certification.** No later than December 31 of each year, the City PFD shall provide a written certification, signed by its chief executive/administrative officer and by chairperson of its governing body, certifying the following:

   (a) The City PFD is in compliance with all terms and conditions of the Interlocal Agreement and this Addendum No. 1 and with the applicable provisions of RCW 82.14.390; and

   (b) The amount and sources of the thirty-three percent (33%) matching funds required by RCW 82.14.390(4).

This Addendum No. 1 shall become effective upon execution by each party and filing with the Snohomish County Auditor as provided in RCW 39.34.040.

DATED this ___ day of __________________, 200__

LYNNWOOD PUBLIC FACILITIES DISTRICT

By: Mike Echelbarger, Chair of Board of Directors
Attested:

John Moir  
City Clerk

CITY OF LYNNWOOD

By: Don Gough, Mayor

Approved as to form:

By: Eric Friswold  
Eric Friswold, City Attorney

SNOHOMISH COUNTY PUBLIC FACILITIES DISTRICT

By: Travis Snider, Chair of Board of Directors

SNOHOMISH COUNTY

By: Aaron Reardon, County Executive  
Mark Boine, Deputy Executive

Approved as to form:

By: ___________________________, County Prosecutor

COUNCIL USE ONLY

Approved: 4-25-09
Docfile: 4
EXHIBIT "A"

Tier 2 Distribution Schedule

The County PFD shall disburse to the City PFD, the amount of the Tier 2 Allocation then on deposit from Sales and Use Tax revenues on deposit in semi-annual payments on May 1 and November 1 of each year, commencing November 1, 2008, through the year 2026, so long as the bonded indebtedness incurred to finance the Regional Center remain outstanding.
CITY COUNCIL ITEM 90.1 D

CITY OF LYNNWOOD
ECONOMIC DEVELOPMENT DEPARTMENT

<table>
<thead>
<tr>
<th>Meeting</th>
<th>Date</th>
<th>Item</th>
<th>Department Contact</th>
<th>Council Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Session</td>
<td>09/17/2008</td>
<td>B</td>
<td>David Kleitsch</td>
<td>Approve</td>
</tr>
<tr>
<td>Business Meeting</td>
<td>09/22/2008</td>
<td>D</td>
<td>David Kleitsch</td>
<td>Approve</td>
</tr>
</tbody>
</table>

TITLE: Agreement: Addendum No. 1 to the Interlocal Agreement to Allocate "Surplus" Monies from the Snohomish County Public Facilities District to the Lynnwood Public Facilities District

SUMMARY:
The Snohomish County Public Facilities District provides funding for the development of the Lynnwood Convention Center through a sales tax rebate provided by the State of Washington. Allocation of these monies is established by an interlocal agreement, commonly termed the "Four Party Agreement," which includes a specific allocation based on projected sales tax revenues through the year 2026.

The original interlocal agreement projected that sales tax revenue would grow at 3.2% per year. For the period of 2002 – 2007, total revenues exceeded projections resulting in surplus funds of approximately $1.5 million. Sales tax revenues are now projected to grow at 4% per year, resulting in the Snohomish County Public Facilities District accumulating future sales tax revenues in excess of the amount projected in the original four party agreement. These monies may only be used by public facilities districts for eligible activities.

Addendum No. 1 to the four party agreement adjusts the funding allocation for the Lynnwood Public Facilities District to reflect the existing and projected surplus sales tax revenues received by the Snohomish County Public Facilities District. The Lynnwood Public Facilities District approved Addendum No. 1 on August 8, 2008.

ACTION:
Approve Addendum No. 1 to the Interlocal Agreement between the City of Lynnwood, Lynnwood Public Facilities District, Snohomish County Public Facilities District, and Snohomish County revising the allocation of existing and projected surplus sales tax revenues.

BACKGROUND:
On December 10, 2002, the City of Lynnwood (COL), Lynnwood Public Facilities District (LPFD), Snohomish County Public Facilities District (SCPFD), and Snohomish County entered into an Interlocal Agreement to provide for development and funding of the Lynnwood Convention Center. The agreement allocated SCPFD sales tax revenue on a fixed schedule through the year 2026.
The SCPFD has entered into agreements for the following projects: Lynnwood Convention Center, the Edmonds Center for the Arts, the Everett Events Center, the Snohomish County Parking Garage, and the Future of Flight. The original schedule for distribution of the monies was based on sales tax revenue growth at an average annual rate of 3.2%. In recent years sales tax revenue growth has exceeded the 3.2% projection. The SCPFD now projects that sales tax revenue will grow at a 4% rate for the remaining term of the agreement, which expires in 2026. The projected total amount of non-allocated sales tax revenue is projected to be approximately $10 million in 2008 present value.

To allocate the surplus monies, the SCPFD worked with the project sponsors to determine how to allocate future sales tax revenue. The various projects were requested to provide documentation regarding their financing structure, success of their project, and potential use of the monies. After review the SCPFD determined that all sales tax revenue in excess of the amount pledged in the original four party agreement will be allocated according to the following formula:

- Everett 30.4%
- Lynnwood 24.4%
- Edmonds 21.9%
- Future of Flight 23.2%

The SCPFD reviewed and approved this allocation on May 28, 2008.

In order for this allocation to take effect, the various parties to the Interlocal Agreement must approve the addendum. On August 8, 2008, the LPFD approved Addendum No. 1 to the Lynnwood Four Party Interlocal Agreement. The addendum follows the original agreement in all other respects. The LPFD has requested that the City approve the addendum. Upon approval of the addendum, the interlocal agreement will be sent to the SCPFD and Snohomish County for approval.

**DOCUMENT ATTACHMENTS:**

Interlocal Agreement - Addendum No 1 - 2008-08-07