



# The Troy Block

Offering Memorandum

Full City Block • 109,571 sf • South Lake Union, Seattle

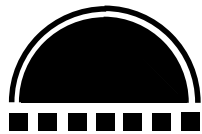
## CONFIDENTIAL OFFERING MEMORANDUM

The Seattle Times Company ("Company", "STC") has engaged CenturyPacific, LP as real estate advisor and agent on an exclusive basis in connection with a proposed sale / joint venture of the 109,571 square foot Troy Block (the "Property") located in downtown Seattle's South Lake Union neighborhood.

This Confidential Offering Memorandum ("Memorandum") is being delivered to a limited number of parties who may be interested in the Property. By acceptance hereof, each recipient agrees not to reproduce or use in whole or in part the information contained herein, or any other information that is not already public, and to use this Memorandum only for the purpose of evaluating the offering made hereby.

This Memorandum has been prepared based partly upon information furnished by the Company which has reviewed it and authorized its use for the purpose and in the manner described above. Neither the Company, its shareholders, partners nor affiliates, makes any representations or warranties with regard to the accuracy or completeness of the information contained herein. CenturyPacific, LP has conducted a limited review of the information contained in this Memorandum, but has not independently verified the accuracy or completeness thereof. CenturyPacific, LP does not represent or warrant the accuracy or completeness of the information contained in this Memorandum. Nothing contained in this Memorandum should be construed as a representation by any person as to the future possibilities or performance of the Property.

EACH POTENTIAL PURCHASER / JOINT VENTURE PARTNER IS EXPECTED TO  
CONDUCT ITS OWN DUE DILIGENCE.



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CENTURYPACIFIC, L.P.



Troy Block



■ PROPOSED SITES

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# I. Investment Summary

## THE INVESTMENT

The Seattle Times Company ("STC") is offering for sale the Troy Block ("the Property"), its entire city block located at 307 Fairview Avenue N and 334 Boren Avenue N in downtown Seattle's South Lake Union neighborhood. STC is seeking proposals to purchase the entire Property.

## TERMS & PRICE

**\$20 million**, all cash at closing.

## TIMING FOR PROPOSALS

Letters of intent may be submitted to CenturyPacific, LP at any time.

## DUE DILIGENCE & CLOSING

The Seattle Times Company envisions a due diligence and closing period totaling no more than sixty (60) days.

## PROPERTY

The Troy Block encompasses an entire city block (109,571 SF) bounded by Harrison Street to the north, Thomas Street to the south, Fairview Avenue to the east and Boren Avenue to the west. The Property runs 360 feet north-south along Fairview Avenue N, 305 feet east-west along Thomas Street, 360 feet north-south along Boren Avenue N and 302 feet east-west along Harrison Street. The Property slopes from an elevation of 95 feet in the southeast corner at the intersection of Fairview Avenue N and Thomas Street to 58 feet in the northwest corner at the intersection of Boren Avenue N and Harrison Street. In addition, the northeast corner of the site is at an elevation of 76 feet and the southwest corner is at an elevation of 87 feet.

The site contains five buildings totaling approximately 128,147 SF (the largest of which totals 70,914 SF), with vintages ranging from 1925 through 1965. The majority of the rentable area is warehouse in nature the north one-half of the block and is currently leased through June 30, 2010 to David Smith & Co. The Troy building is subject to landmark provisions within the City of Seattle.

Immediately across the street from the subject property, Vulcan is currently under construction with 11 buildings totaling 1.6 million square feet of office space and 100,000 square feet of retail space for the new Amazon corporate headquarters. Six to eight thousand employees are expected to move in to the headquarters starting in 2010. The neighborhood is home to office tenants such as Amazon, Microsoft, Group Health, NBBJ and Cole & Weber; biotech tenants such as UW Medicine, SBRI and PATH; and other tenants such as the Pan Pacific Hotel, Whole Foods and Starbucks.

## ZONING

The Troy Block parcels are presently zoned IC-65 with an FAR of 3 and, in accordance with the South Lake Union Urban Center guidelines, are eligible for an increase in the allowable building height up to 85 feet for certain non-residential uses. The Comprehensive Plan was recently amended and changed the use designation for the Troy Block from industrial to commercial. The City of Seattle is currently engaged in a rezone of the South Lake Union area. The city is currently considering the following alternatives for the subject Property:

|                            | <u>Height Limit</u> | <u>Podium Height</u> |
|----------------------------|---------------------|----------------------|
| Alternative #1             | 240/300             | 85'                  |
| Alternative #2             | 160/400             | 45'                  |
| Alternative #3             | 125/240             | 40'                  |
| Alternative #4 (no change) | 125                 |                      |

Previously, the City of Seattle approved a text amendment for the adjacent Amazon.com project which increased the height to 160 feet and the Floor Area Ratio ("FAR") to 7. The City indicates it would provide similar treatment for the Troy Block.

## THE BUILDINGS

The Troy Building located along the southern one-half of the block and fronting on Fairview Ave. N. is over 70,914 square feet in size and was built in 1927. The building is 3-stories in height, but a portion of the lower floors are below grade at Fairview Ave. N. The Seattle Times Company, as part of a now-expired master use permit, previously obtained a certificate of approval to simply preserve the red brick facade of the Troy building along Fairview Avenue N and Thomas Street (see city ordinance 118047, available in the due diligence material). The remainder of the masonry structure, built in 1948 and the mid-1960s, is currently used for Seattle Times storage and does not have landmark status. Nuprecon estimates the cost of demolition for the entire block at \$1.1 million.

The 16,250 square foot building located at the northwest corner of the block at 334 Boren, currently leased to David Smith & Company, is one-story in height and was built in 1925. There is no landmark status on this building. A coffee shop, Moka's, currently sits on the northeast corner of the property. The remainder of the block is used for surface parking and storage both for The Seattle Times Company and for tenants and customers.

## TENANTS

David Smith & Co. leases the north one-half of the block at \$10,950 per month with a lease expiration of June 2010. The Company holds a \$4,500 security deposit.

**Troy Block  
Rent Roll updated November 1, 2009**

Land Square Footage 109,571 SF  
Lease Area 14,400 SF

| Tenant Name                           | Occupancy Type | Lease Begin | Lease End | Rent Per Month  | Rent Per Year    | Rent Type | Deposit |
|---------------------------------------|----------------|-------------|-----------|-----------------|------------------|-----------|---------|
| David Smith & Co.                     | Retail         | 7/10/1996   | 6/30/2010 | \$10,950        | \$131,400        | NNN       | \$4,500 |
| Integrity Interior Solutions, LLC     | Storage        | 12/1/09     | MTM       | \$5,000         | \$62,000**       |           |         |
| <b>Base Rent Subtotal</b>             |                |             |           | <b>\$15,950</b> | <b>\$193,400</b> |           |         |
| David Smith Parking (14 Stalls)       | Parking        | 7/10/1996   | 6/30/2010 | \$925           | \$11,100         |           |         |
| Parking (U-Park on SW corner of site) | Parking        | 3/15/09     | MTM       | \$7,000         | \$84,000 ***     | NNN       |         |
| <b>Parking Subtotal</b>               |                |             |           | <b>\$7,925</b>  | <b>\$95,100</b>  |           |         |
| <b>Total NOI</b>                      |                |             |           | <b>\$23,875</b> | <b>\$288,500</b> |           |         |

**Notes:**

\* Budgeted NNN Expenses, reimbursed by Tenants, \$33,000 per year.

\*\* Monthly rent will increase to \$5,500 on 9/1/2010.

\*\*\* Estimated rent based on percentage of parking revenue.

## ACCESS

South Lake Union's strategic location offers a variety of advantages and transportation alternatives, including:

- Easy Access to Major Arterials – the Troy Block offers direct access to the major north-south arterials running through Seattle and less congestion than the CBD. Interstate 5 is located a few blocks to the east. Highway 99 has only two exit ramps in each direction into Downtown Seattle and the Troy Block is accessible within a few blocks to both the northbound and southbound ramps.
- Mercer Corridor - In 2006, the City Council adopted, and voters approved, "Bridging the Gap." This initiative provides \$30 Million for the Mercer Corridor Project, which will widen Mercer Street between I-5 and Dexter Avenue North to accommodate three lanes of travel in each direction, parking, sidewalks and a median with left-turn lanes. The project is expected to begin in 2009 and be completed in 2011. Widening Mercer will provide a direct route from I-5 into and through the area to serve existing and future travel needs of the growing South Lake Union neighborhood.
- The Seattle Streetcar – The Seattle Streetcar runs between South Lake Union, the Denny Triangle and downtown retail core areas providing a simple and effective way to get around the area. The Streetcar runs at 15-minute intervals at 11 current stops.
- Sound Transit Link (Light Rail) - In 2009, the first phase of Sound Transit Link Light Rail, designed to carry passengers between Seattle and Tacoma, will be unveiled. Construction is well underway on the 19-mile light rail line which will feature 11 rail stations including existing stops in the Downtown Seattle Transit Tunnel and brand new rail stations in SODO, Beacon Hill, Rainier Valley, Tukwila and Seattle-Tacoma International Airport. The nearest station to the Troy Block will be the Westlake Station, several blocks south of the Property. Sound Transit recently adopted a plan for extensions to the regional mass transit system featuring 50 miles of light rail which will extend the system north toward Everett and south toward Tacoma.
- Metro Bus Service - Numerous bus routes operate in the vicinity of the Property allowing easy access to the financial district, shopping and dining venues and delivery to the Commuter Ferry Terminals.

## ENVIRONMENTAL

The Company is aware of three underground storage tanks that are filled with sand and remain under the floor of the Troy Building. The Company also believes a ground water well was abandoned in the late 1980s. Phase I and Phase II environmental surveys should be prepared by any prospective buyer.

## LEGAL DESCRIPTIONS

198620 0480 (94,211 square foot lot with 70,914 square foot building located at 307 Fairview Avenue N. currently used by The Seattle Times Company):

DENNYS D T 5TH ADD LOTS 1-2 TGW POR VAC ALLEY ADJ TGW LOTS 3 THRU 10 & VAC ALLEY ADJ TGW UNPLTD POR SE ¼ OF SE ¼ SEC 30-25-4 LY SELY OF LOT 4 SD BLK 109 & LY NLY OF THOMAS ST & LY WLY OF FAIRVIEW AVE LESS ANY POR WITHIN SD AVE

198620 0515 (15,360 square foot lot located at the northwest corner of this block with a 16,520 square foot building located at 334 Boren Avenue N. currently leased to David Smith & Co.):

DENNYS D T 5TH ADD & POR VAC ALLEY ADJ

## THE ECONOMY

The Puget Sound economic landscape has changed dramatically over the past 20 years, from a largely aerospace and defense driven economy to a multi-faceted economic powerhouse, no longer dominated by a handful of industries. According to the Central Puget Sound Economic Development District, jobs in the Puget Sound region are expected to grow by 390,000 over the next five years with over 100,000 jobs in the high-paying fields of information technology, biotechnology, aerospace and alternative energy. The Greater Seattle area serves as the corporate headquarters for such well-known corporate names as Alaska Airlines, Amazon.com, Costco, Expedia, Expeditors International, Microsoft, Nintendo, Nordstrom, Northern Life Insurance, PACCAR, REI, Safeco, Starbucks, and Weyerhaeuser. Seattle has developed a reputation as one of the nation's premier centers for technology, life sciences, finance and international trade – all industries that capitalize on the region's highly skilled and educated workforce. Seattle's residents have the reputation of being wealthy and educated – over 20% of the household populations earns more than \$100,000 annually and 52.5% of the population over 25 holds a bachelor's degree or post-graduate degree.

## OFFICE MARKET

The Urban Land Institute and Emerging Trends in Real Estate named Seattle one of the nation's top "global gateway cities" along with San Francisco, New York, Washington DC and Los Angeles.

## SOUTH LAKE UNION

In the mid-1990s, Vulcan Real Estate - owned by Microsoft co-founder Paul Allen - acquired 60 acres of functionally obsolete industrial buildings in the blocks surrounding the southern end of Lake Union (in which the Troy Block is situated) with the intention of developing up to 10 million square feet, creating a true live-work-play urban community. The result thus far has been a resounding success. South Lake Union is an up-and-coming urban neighborhood that blends modern culture with historic sensibilities; where cutting edge laboratories co-exist with urban lofts and penthouses to create an authentic vibrant community.

Vulcan's intention was to attract bioscience industries to the area by offering proximity to the University of Washington. The University's School of Medicine has consistently been ranked the top medical school in the United States for Primary Care and receives more federal funds for research than any other public university. Concurrently, beginning in 1993, the Fred Hutchinson Cancer Research Center developed a new 14-acre Robert W. Day campus on the eastern edge of Lake Union. As a result of this bioscience synergy, South Lake Union welcomed several new pioneering organizations as tenants to the area including Seattle Biomedical Research Institute, Group Health Cooperative, Children's Hospital and Regional Medical Center, UW Medicine, Amgen, Genentech and Merck/Rosetta Inpharmatics.

The second component of the plan included residential housing (for-sale and for-rent), low-rise office buildings, retail stores and a trolley car system surrounded by pedestrian-friendly streets and a 12-acre lakefront park. Six residential projects have come to fruition over the past several years including Vulcan's flagship 2200 Westlake project which opened its doors in fall of 2006. 2200 Westlake is a 550,000 square foot mixed-use residential/hotel/retail project that includes a 160-room Pan Pacific Hotel and a variety of complimentary retail stores including a Whole Foods market, topped by 261 luxury condominiums. Across the street at 2201 Westlake will be another office/residential mixed-use development featuring 121 luxury condominium units and 302,000 square feet of sustainable office space. 2201 Westlake, currently under construction, is expected to be ready for occupancy by Spring of 2009.

Read more at ([WWW.DISCOVERSLU.COM](http://WWW.DISCOVERSLU.COM))



# IV. Maps & Photos

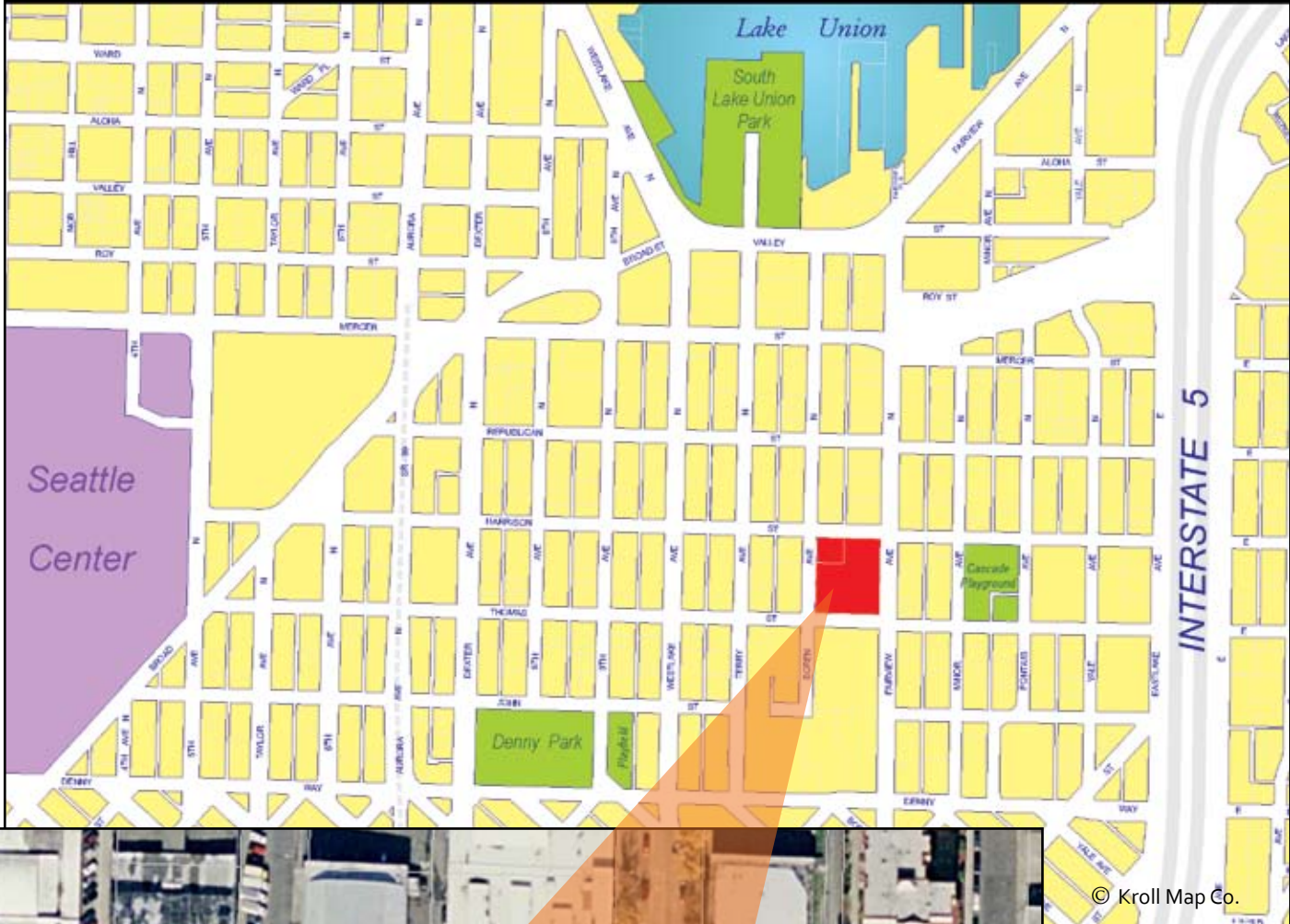


View from Fairview Avenue N & Thomas Street



View to the north from Thomas Street and Boren Avenue N. Lake Union in the distance.





© Kroll Map Co.



# V. Recent News



## Amazon to make giant move to South Lake Union

Saturday, December 22, 2007 - Page updated at 12:00 AM



TOM REESE / THE SEATTLE TIMES

Amazon's new location will include these blocks in the South Lake Union neighborhood. Terry Avenue North, with new buildings along its west side, is at left. The company's local workers now are scattered in five buildings in and around downtown.

Employees: Amazon could have 6,000 employees in South Lake Union within five years, the city estimates.

Campus: Plans call for up to 11 buildings, with as much as 1.6 million square feet.

Cost: The company could spend \$1.5 billion over 16 years if it occupies all 11 buildings.

By Eric Pryne  
Seattle Times business reporter

South Lake Union wasn't exactly in the development doldrums before Amazon.com's announcement Friday that it will move its corporate headquarters to the neighborhood. Still, the online retailer's long-anticipated commitment to South Lake Union will elevate the fast-changing neighborhood's profile to a new level, observers of the local commercial real-estate scene say.

"This is a Fortune 500 company," said Stuart Williams, a principal with Pacific Real Estate Partners, a brokerage and consulting firm. "Other people will say, 'That neighborhood is good enough for a Fortune 500 company — it should be good enough for us.' " David Yuan of the architectural firm NBBJ agreed. "I think it's a statement about the coming of age of South Lake Union," he said. "South Lake Union is now a legitimate business address."

Amazon has agreed to lease up to 1.6 million square feet in up to 11 new buildings to be constructed by developers Vulcan and Schnitzer West along Terry Avenue North and Boren Avenue North between John and Mercer streets. Construction on the first four buildings is scheduled to start next month, and all 11 should be ready for occupancy in 2010 and 2011, the companies said in a joint statement.

Amazon's local workers now are scattered in five buildings in and around downtown Seattle, including its current headquarters at the Pacific Medical Center on Beacon Hill. The company does not disclose how many people it employs in the area. But city planners estimated this fall that Amazon could bring 6,000 employees to South Lake Union over the next five years.

Amazon spokeswoman Patty Smith said the company is pleased to be staying in Seattle and excited about South Lake Union. "We think it offers many amenities, not to mention great access to public transportation," she said. "Plus, the fact that we have a unified headquarters will improve employee collaboration."

Transformation of the once-moribund South Lake Union neighborhood has been a high priority of Mayor Greg Nickels, who said Amazon's move "hails the great things happening in South Lake Union."

Since 2003, according to a recent city report, 2.4 million square feet of commercial space and 1,850 apartments and condos have been built or are under construction in the area. Nearly 7,000 jobs have been created, the report says.

Vulcan, owned by Microsoft co-founder Paul Allen, is by far the neighborhood's largest developer. The company says it has completed 1.7 million square feet of projects and has 1 million under construction.

Amazon isn't the first high-profile tenant to lease office space in South Lake Union. Microsoft has committed to 100,000 square feet in Vulcan's new Westlake/Terry Building. Group Health is moving its headquarters there.

Nor is Amazon the first company to make such a big commitment to the neighborhood. The Fred Hutchinson Cancer Research Center has 1.3 million square feet of lab and office space. The University of Washington's medical-research operations plan to occupy 850,000 square feet by 2018, spokesman Bob Roseth said.

Still, Williams, Yuan and others said, Amazon is South Lake Union's biggest catch yet. It is the second-largest publicly traded company headquartered in Washington, with a market value that now exceeds Starbucks, Washington Mutual and Nordstrom — combined. "They could have gone anywhere," Williams said.

Most of South Lake Union's big tenants so far have been biotech companies, he added, and Amazon helps boost the neighborhood's appeal to other prospective tenants.

A major corporate headquarters such as Amazon in the South Lake Union area will have a spinoff effect, said Patrick Callahan, founder of the Urban Renaissance Group, a development firm. Amazon vendors and potential partners will consider locating nearby, he said. Amazon also should spur more retail and residential development in the neighborhood, Callahan added. "Some people who work at Amazon will consider living there. They certainly will shop there."

Amazon's move had been rumored for months. Wright Runstad, the company's landlord on Beacon Hill, said last month that it had started showing the Amazon space to prospective tenants, even though the lease isn't scheduled to expire for more than two years.

The last apparent obstacle was removed Monday, when the City Council approved a land-use-code change Vulcan had sought to allow taller buildings — up to 165 feet — on some of the property slated for Amazon's campus.

The companies wouldn't discuss terms of the deal. But Amazon said in a filing Friday with the Securities and Exchange Commission that it had committed to lease about 800,000 square feet for up to 16 years for about \$700 million.

It also said it had an option to lease another 800,000 square feet — including the taller buildings the City Council authorized Monday — for another \$800 million, and would pay a \$40 million termination fee if it chooses not to occupy that space.

Neither Amazon spokeswoman Smith nor Vulcan Vice President Ada Healey would say when Amazon must decide about the optional space. But the first of those buildings is scheduled to break ground in July 2009.

And Healey said Vulcan is confident enough about those buildings that it is starting design.

If all 11 buildings are built, they will include 1.635 million square feet of office and 100,000 square feet of street-level retail, Vulcan said.

The campus will include courtyards and public open space, Vulcan said. All the buildings will be within a block of stops on the new South Lake Union Streetcar.

Amazon's move to South Lake Union, together with Starbucks' expansion in Pioneer Square and the Gates Foundation's pending move to Lower Queen Anne, suggests downtown may be bigger than it used to be, Callahan said.

"In my opinion, downtown now is from Safeco Field all the way to Lake Union and the Seattle Center."

Seattle Times business reporter Amy Martinez contributed to this story.

# VI. Transaction Details

The offering of the Troy Block is being distributed exclusively by CenturyPacific, LP (the "Investment Team") to a select group of pre-qualified investors. The prospective investor will be selected by the Seller in its sole and absolute discretion based on a variety of factors including, but not limited to, offer price, financial strength and ability to close in a timely fashion.

The Investment Team will be available to assist prospective investors to arrange site inspections and to answer any questions related to information contained in this Offering Memorandum.

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#### DISCLAIMER

Materials contained in this Investment Offering are confidential, furnished solely for the purpose of considering the purchase of the Troy Block (the "Property") located in Seattle, Washington; described herein and are not to be used for any other purpose or to be made available to any other person without the express written consent of CenturyPacific, LP (the "Investment Team") and The Seattle Times Company (the "Seller"). The material is based, in part, upon information supplied by Seller and, in part, upon information obtained by the Investment Team from sources they deem to be reliable. Summaries contained herein of any legal documents are not intended to be comprehensive statements of the terms of such documents, but rather are outlines of some of the principal provisions contained therein. No warranty or representation, expressed or implied, is made by Seller, the Investment Team or any of their related entities as to the accuracy or completeness of the information contained herein. Prospective investors should make their own investigations, projections and conclusions. Interested buyers should be aware that the Seller is selling the Property in "AS IS" CONDITION WITH ALL FAULTS, WITHOUT REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE. It is expected that prospective investors will conduct their own independent due diligence concerning the Property, including such engineering and environmental inspections as they deem necessary to determine the condition of the Property and the existence or absence of any potentially hazardous materials used in the construction or maintenance of the Property. No representations, expressed or implied, are made as to the foregoing matters by Seller, the Investment Team or any of their officers, employees, affiliates and/or agent. Information contained in this Offering Memorandum is further governed by the Confidentiality Agreement.



CENTURYPACIFIC, L.P.