

DISPOSITION AND DEVELOPMENT AGREEMENT

DATED: NOVEMBER 26, 2018

BETWEEN: URBAN RENEWAL COMMISSION OF
THE CITY OF OREGON CITY ("Commission")
PO Box 3040, Oregon City, OR 97045

AND: THE COVE, LLC ("Developer")
an Oregon limited liability company
c/o Tonkon Torp LLP
Attn: David Petersen
1600 Pioneer Tower, 888 SW Fifth Avenue, Portland, OR 97204

RECITALS

The Clackamette Cove development area in Oregon City, Oregon consists of approximately 89.59 acres which includes an approximately 53-acre man-made lake that is connected to the Clackamas River. Approximately 11.05 acres of the development area (the "Apartment Site") are being developed by The Grand Cove LLC, a Colorado limited liability company, as a mixed use development with multi-family housing and office space thereon. The remainder of the development area is owned by the Commission and is referred to herein as the "Development Site."

The Development Site is substantially undeveloped, produces no employment and produces few taxes. The Development Site has very limited public access and is of poor habitat quality, with excessive slopes bordering the lake and with non-native plants, and is subject to flooding, as

evidenced by the 1996 flood which covered most of the Development Site. The Development Site cannot be developed without substantial engineered fill, infrastructure and other site improvements. The Commission has determined that the Development Site is blighted, based upon the Downtown North End Urban Renewal Plan, and cannot be developed without a substantial public investment. The costs involved in making the Development Site suitable for development are too great to be incurred by a privately financed development. In addition, the Development Site lacks the infrastructure (streets, utilities and public amenities) necessary for a quality mixed-use development.

The Commission desires to see the Development Site developed pursuant to the Downtown North End Urban Renewal Plan and the City's Comprehensive Plan with housing opportunities near services and transit within the City's Regional Center. The public benefits from such development would include: turning a blighted, abandoned industrial area into an attractive mixed-use development; a substantial increase in property taxes (after any applicable tax abatement); significant construction and permanent employment; and numerous on-site public amenities. The Commission has determined that the Development Site cannot be developed without substantial public investment so as to overcome the development challenges inherent in the area described above.

Defined terms used in this Disposition and Development Agreement are either defined in the text or in Appendix A.

NOW THEREFORE, in consideration of the mutual promises of the parties set forth in this Disposition and Development Agreement (the "Agreement"), and for other good and valuable

consideration the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

SECTION 1. TERM

The term of this Agreement shall commence upon the mutual execution of this Agreement by the parties (the “Effective Date”) and shall continue thereafter until the earlier of (i) a termination by a party authorized under the terms of this Agreement or (ii) the completion of the Project (defined below) and the issuance of certificates of occupancy for all components of the Project for which such a certificate is required.

SECTION 2. THE PROJECT

2.1. Project Description. Developer proposes to build upon the Development Site an eight building multi-family apartment project, necessary infrastructure including streets to City of Oregon City public street standards, and related improvements and amenities (the “Project”). The Project is depicted and described in greater detail in attached Exhibit A. The Project also includes the Infrastructure Work to be built by the Developer on the Public Parcels.

2.2 Phases. The Project will be constructed into two phases. “Phase 2A” consists of the five buildings at the southwest portion of the Development Site and “Phase 2B” consists of the three buildings at the northeast portion of the Development Site, all as shown on attached Exhibit A.

SECTION 3. PRECONDITIONS TO THE PARTIES’ OBLIGATION TO PROCEED

3.1 Satisfaction or Waiver of Preconditions. The "Preconditions" described in Section 3.2 must be satisfied or waived by both parties within two hundred seventy (270) days after the

Effective Date of this Agreement. If all of the Preconditions are not satisfied or waived within two hundred seventy (270) days, then either party may terminate this Agreement by written notice to the other party, which notice shall be effective twenty (20) days after delivery unless the Preconditions are satisfied or waived during such twenty-day period; provided, however, that a party may not terminate this Agreement for failure of a Precondition if that party is responsible for the delay in satisfying the Precondition, unless that Precondition remains unsatisfied for the number of days of delay added to the two hundred seventy (270) day period. If all of the Preconditions are satisfied or waived by both parties as provided herein, the parties shall proceed with their respective obligations set forth in this Agreement.

3.2 Preconditions. The Preconditions are the following:

3.2.1 The parties shall have agreed on the Development Plans pursuant to Section 5.1.

3.2.2 The parties shall have agreed on the Land Use Approval Applications for the Project.

3.2.3 Developer shall have submitted the Land Use Approval Applications to the City.

3.2.4 The Developer shall have approved the Partial Tax Exemption pursuant to Section 7.1.

3.2.5 The parties shall have agreed on the form of the Completion Bond(s) so as to assure completion of the Infrastructure Work.

3.2.6 The parties shall have agreed on the Earthwork Plan pursuant to Section 4.2.1.

3.2.7 The parties shall have agreed upon the Public Area Maintenance Plan pursuant to Section 9.1.

3.2.8 Developer shall have provided to the Commission a form of a mortgage loan commitment providing funding sufficient for the construction financing and permanent financing (a “Loan Commitment”) of both Phase 2A and the Infrastructure Work and the Commission shall have approved the Loan Commitment.

3.2.9 Developer shall have demonstrated to the Commission in the Commission’s commercially reasonable judgment that Developer has adequate cash equity committed to the Project as required by the Loan Commitment sufficient to finance the completion of the Project.

3.2.10 The parties shall have agreed to the form of a Construction Easement Agreement covering the Public Parcels and allowing Developer and its contractor and subcontractors access to the Public Parcels so as to construct the Infrastructure Work and to access the Private Parcels that will be the site of Phase 2B.

3.2.11 The Commission shall have provided Developer with a copy of the most recent Phase I environmental site assessments of the Development Site, and if any recognized environmental conditions are identified therein, the parties shall have entered into an agreement for the preparation of a Phase II environmental assessment and the remediation of such conditions by the Commission and the cost allocation for the remediation.

3.3 Effect of Satisfying the Preconditions. In the event that all of the Preconditions in Section 3.2 shall have been satisfied or waived pursuant to Section 3.1 and no termination of this Agreement shall have occurred pursuant to Section 3.1, the parties shall proceed with their obligations under this Agreement.

SECTION 4 PROJECT CONSTRUCTION

4.1. Purchase of Property.

4.1.1 Phase 2A. If: (a) all Preconditions are either satisfied or waived and continue to be satisfied or waived; and (b) Final Approvals have been issued; and provided that Developer is not then in default of this Agreement; then Developer shall have the option to acquire from the Commission fee simple title to the Private Parcels that comprise Phase 2A for the purchase price of \$10.00. Such option may be exercised by written notice to the Commission given no later than eighteen (18) months after the Effective Date, tolled for any Excused Delay. Closing shall be through escrow with a title company selected by Developer and in accordance with the closing mechanics set forth in attached Appendix B (the “Closing Mechanics”). At the closing, the parties will concurrently execute and record the Construction Easement Agreement to the Private Parcels not owned by Developer and the Public Parcels for no additional consideration. If Developer is entitled to exercise the above option and fails to timely do so, then the Commission may terminate this option by written notice to Developer.

4.1.2 Phase 2B. Provided that: (a) Developer has acquired the Private Parcels for Phase 2A pursuant to Section 4.1.1 above; (b) Developer shall have obtained a Loan Commitment for Phase 2B and any remaining Infrastructure Work; (c) the Precondition set forth in Section 3.2.9 remains satisfied as applied to the remainder of the Project; and (d) Developer is not then in default

of this Agreement; then Developer shall have an option to purchase the remaining Private Parcels for the purchase price of \$10.00. Such option may be exercised by written notice thereof to the Commission within two (2) years after Completion of Construction of Phase 2A, tolled for any Excused Delay, and shall otherwise be closed in the same manner as Phase 2A. If Developer is entitled to exercise the above option and fails to timely do so, then the Commission may terminate this option by written notice to Developer.

4.2. Construction.

4.2.1. Earthwork. The Project involves substantial earthwork consisting of moving dirt from certain portions of the Development Site to other portions so as to raise the elevation of portions of the Development Site above the 100-year flood plain in accordance with the Earthwork Plan. Developer agrees to commence the implementation of the Earthwork Plan within thirty (30) days of the closing of the acquisition of the Phase 2A land, subject to obtaining any required City approvals and to complete the implementation of the Earthwork Plan prior to Commencement of Construction of Phase 2A, subject to any Excused Delay. Developer will have access to the Phase 2B Private Parcels and the Public Parcels pursuant to the Construction Easement Agreement in order to perform the Earthwork Plan.

4.2.2. Commencement of Construction. Developer shall Commence Construction of Phase 2A within ninety (90) days after closing pursuant to Section 4.1.1 subject to obtaining any required City approvals. Developer shall Commence Construction of Phase 2B within ninety (90) days after the later of: (a) acquisition of Phase 2B pursuant to Section 4.1.2 or (b) Completion of Construction of Phase 2A. If Developer fails to Commence Construction of Phase 2A when required, or fails to Commence Construction of Phase 2B, both subject to an

Excused Delay, then the Commission may terminate this Agreement by written notice to Developer and any portion of the Development Site which is not then under construction shall revert to the Commission, subject to any existing liens for Developer's financing, which may only encumber a portion of the Development Site owned in fee by Developer. The deed conveying either the Phase 2A Private Parcels or the Phase 2B Private Parcels shall contain the reversion provisions referred to above. The Commission's right of reversion shall terminate as to a particular Phase when Developer has Commenced Construction of that Phase.

4.2.3. Completion of Construction. Once Developer has Commenced Construction of either Phase, Developer shall diligently pursue the Completion of Construction thereof within thirty-six (36) months after the Commencement of Construction for that Phase subject only to Excused Delay; provided, however, that if the Infrastructure Work is substantially complete, then Developer shall have until sixty (60) months after Completion of Construction of Phase 2A to Complete Construction of Phase 2B subject only to Excused Delay.

4.2.4. Infrastructure Work. As part of the Project, Developer shall have access to the Public Parcels to complete the Infrastructure Work in accordance with the terms of the Construction Easement Agreement. The Infrastructure Work shall be completed prior to issuance of a certificate of occupancy for any building in Phase 2A, except that if Developer exercises the option to acquire Phase 2B, then the trail head and path on Tract A or Lot 1 need not be completed until issuance of a certificate of occupancy for the last building in Phase 2B. All Infrastructure Work shall be dedicated to and accepted by the City upon completion, and any and all warranties associated therewith shall be assigned to the City. If Developer does not acquire Phase 2B, then Developer agrees to complete the trail head, a parking lot for 16-19 cars, and a path on either Tract

A or Lot 1 within ninety (90) days after the expiration of Developer's option under Section 4.1.2 to acquire Phase 2B.

4.2.5. Public Work. The Commission and the State of Oregon, Bureau of Labor and Industries have determined that the Infrastructure Work is a "public work" as defined in ORS 279C.800(6)(B). Accordingly, Developer shall comply with all requirements of applicable law related to public works in connection with the Infrastructure Work.

SECTION 5. INITIAL COMMISSION APPROVALS FOR LAND USE SUBMITTAL

5.1. Submission of Development Plans. The Commission has approved the Project Plans presented to it on November 9, 2017 and as subsequently amended. Developer agrees to prepare and present to the Commission at a regularly scheduled Commission meeting proposed "Development Plans" that: (a) modify the previously approved Project Plans, (b) include the Design Development Concept and Quality Plans for Phases 2A and 2B; and (c) include plans and specifications for the Infrastructure Work. The Commission has the right, in its sole discretion, to approve, disapprove or approve with conditions the proposed Development Plans in its proprietary capacity and not as a land use decision, to be discussed at the regularly scheduled meeting mentioned above. The Commission shall review the Development Plans for Phases 2A and 2B based upon design concept and quality. The Commission shall review the plans and specifications for the Infrastructure Work based on the functional utility of the proposed improvements and for compliance with applicable City codes, rules and regulations.

5.2 Final Approval of Development Plans. Within thirty (30) days after presentation of the proposed Development Plans, the Commission shall either approve, conditionally approve or disapprove the Development Plans. If Developer does not accept any proposed conditions of

approval, the Commission will provide Developer with a statement of the changes that would be necessary in order for the Development Plans to be acceptable to the Commission. Developer shall have ten (10) days to submit revised Development Plans, and the Commission shall respond within thirty (30) days of receipt.

SECTION 6 LAND USE APPROVALS

The discretionary Land Use Approvals for the Project are: (i) one or more Master Plan Amendment(s); (ii) two detailed development plans; (iii) a Natural Resource Overlay District approval, (iv) Flood Management Overlay District approval(s); (v) geologic Hazard approval(s); (vi) Subdivision Modification; and (vii) a boundary line adjustment to align with the phasing plan for Phases 2A and 2B. The Development Site is zoned MUD-Mixed Use Downtown which allows the elements of the Project as permitted uses. Developer shall prepare and submit to the Commission drafts of applications to the City for the Land Use Approvals (the "Land Use Approval Applications"), which applications shall be subject to approval by the Commission prior to filing with the City.

SECTION 7 PUBLIC INVESTMENT

7.1 Vertical Housing Tax Exemption. ORS 307.841 *et seq.* provides for a partial exemption from real property taxes for “vertical housing development projects” as that term is defined in ORS 307.841(7). In order to qualify a development project as a vertical housing development project, the land involved in the project must be within a “vertical housing development zone.” The developer of a vertical housing development project in Oregon City must apply to the City for a certification that the specific project meets the requirements of the definition of a vertical housing development project (ORS 307.841(7)) and meets the approval criteria of the

City Vertical Housing Development Program. If a project is certified as a vertical housing development project, the certified project is entitled to a partial exemption from real property taxes for a period of ten (10) years with the amount of the partial tax exemption based on criteria in ORS 307.857 and ORS 307.864 (the “Partial Tax Exemption”). Developer intends to apply for the certification of the Project as a vertical housing development, and Developer will not proceed with the Project unless: (i) the units are so certified; and (ii) Developer is satisfied with the amount and terms of the Partial Tax Exemption. As part of that application, Developer shall submit such information as may be required by the City to establish the amount and terms of the Partial Tax Exemption allowed by the City to each of the units in the Project.

7.2 Urban Renewal Investment. The Commission recognizes the substantial cost of correcting the defects in the Development Site and the substantial cost to design and build the Infrastructure Work and public amenities necessary to create an economically viable Project, and recognizes that Developer is willing to pay most of these costs and that these costs will substantially exceed the market value of the Development Site. Accordingly, in order to achieve the public benefits from the Project, the Commission and Developer have negotiated and agreed upon a financial contribution from the Commission to reduce Developer's cost to develop the Project. The Commission agrees to reimburse Developer for Developer's Phase II Environmental Assessment, design and engineering costs for the Infrastructure, and City land use application fees completed within 350 days of the Effective Date, in the total amount of Six Hundred Ninety-Five Thousand Dollars (\$695,000) and such payment shall occur no later than 360 days after the Effective Date. In the event that the Developer does not purchase the Phase 2A Private Parcels, pursuant to Section 4.1.1, Developer shall deliver to the Commission the entire work product described above and deliver a bill of sale for ownership of such work product to the Commission.

SECTION 8 ENVIRONMENTAL/DREDGING

8.1. Dredging Cost Sharing Agreement.

8.1.1 The parties acknowledge that it may be necessary to periodically dredge material from Clackamette Cove (Tract B of the Plat) in order to maintain the ecological vitality of the waters of Clackamette Cove and to maintain its utility to occupants of the Project for water dependent and related activities, except for a marina where any marina specific dredging will be the responsibility of the marina owner. In addition, it may be necessary, from time to time, to dredge material from the area where Clackamette Cove meets the Clackamas River so as to allow water and shallow bottom boats to freely move between Clackamette Cove and the Clackamette River. Accordingly, the parties agree to negotiate in good faith the terms of an agreement pursuant to which the parties will cause dredging of Clackamette Cove to occur when and as needed to accomplish the objectives set forth above (the “Dredging Agreement”). The parties agree that the Dredging Agreement shall:

- (i) Provide that all costs and expenses of work covered by the Dredging Agreement shall be paid as follows: (a) the Commission shall pay an amount equal to the lesser of: (i) \$100,000 (adjusted by consumer inflation in the Portland SMSA) or (ii) 50% of the total cost for each dredging project (the “Public Share”) and (b) the balance of the total cost for each dredging event shall be paid by Developer;
- (ii) contain a mechanism for allocating Developer’s share of the cost and expenses among Phases of the Project, applicable in the event Developer sells or otherwise conveys a completed Phase(s) of the Project;

- (iii) provide that the frequency, location, quantity and methodology of dredging shall be determined by a water resource and quality expert; and
- (iv) provide that the obligation of Developer to pay its share of the cost and expenses shall be evidenced by a recorded instrument so as to be binding on all completed Phases of the Project which may be sold or otherwise conveyed by Developer.

8.1.2 The Commission and Developer acknowledge that no source of public funding has been determined for the Public Share of the cost of the dredging, and that the Dredging Agreement shall accordingly provide that no dredging is required unless and until a source of funding for the Public Share has been identified and approved by the Commission. Any dredging costs, including both initial dredging and maintenance dredging required for the development, construction and operation of a marina, shall be paid exclusively by the developer or owner of such marina.

8.1.3 The parties acknowledge that any dredging activities may require prior governmental approvals from federal, state, and/or local governmental bodies. If such permits are required, the parties shall cooperate in applying for and pursuing such approvals and permits and all costs of developing supporting information and preparing permit applications shall be paid 50% by Developer and 50% by the Commission.

8.1.4 The parties shall use good faith, commercially reasonable efforts to execute the Dredging Agreement within two (2) years after the Effective Date.

8.2. Habitat Restoration & Water Quality. The parties acknowledge that habitat restoration is desired for improved water quality and the general health of plant and animal species

within Clackamette Cove. The Commission and Developer shall use their respective reasonable efforts to agree on a method to mitigate habitat and water quality deficiencies within Clackamette Cove and carry out that method prior to the issuance of the certificate of occupancy for the last building in Phase 2B. Developer and the Commission agree to jointly pursue the use of a private or non-profit habitat restoration consultant to assess the feasibility of a habitat restoration program along the banks of the Clackamette Cove, except for the Development Site, and to enter into a mutually agreeable agreement with a restoration consultant (the "Restoration Agreement"). Neither party is obligated to enter into an agreement with such a habitat restoration firm; however, if the parties agree to do so, the parties may make such amendments to this Agreement as may be reasonably necessary to implement such a habitat restoration program.

SECTION 9 PUBLIC AREAS

9.1 Maintenance Plan. No later than the Commencement of Construction of Phase 2A, Developer and the Commission shall agree on a Public Areas Maintenance Plan whereby Developer or its successor in ownership of Phases 2A and 2B shall be responsible for maintenance and upkeep of Tract C of the Public Parcels for five years after acceptance of the public improvements on Tract C by the City. Developer's obligations under the Public Areas Maintenance Plan may be secured by a lien on the Private Parcels, provided that such lien is junior to any then-existing liens and encumbrances of record.

9.2 Water Sports Center. Developer has the option but not the obligation to construct a water sports center and/or a marina as part of the Project. Developer may exercise such option by written notice to the Commission given at any time after Commencement of Construction of Phase 2A, so long as at the time of exercise Developer is not in default of this Agreement.

Developer's notice shall describe the proposed water sports center and/or marina in reasonable detail. The foregoing option shall terminate five (5) years after Completion of Construction of Phase 2B. In the event Developer exercises this option, the Commission shall grant such property rights to Developer as are reasonably necessary to authorize the construction and operation of this facility on the bank of the Clackamette Cove, the water's surface and anchorage at the Cove's bottom.

9.3 Esplanade View Easement. No later than the City's acceptance of the Infrastructure Work on Tract C, the Commission shall burden Tract C with a view easement for the benefit of the Private Parcels, in a form reasonably acceptable to Developer and the City.

SECTION 10 ACQUISITION OF ADDITIONAL COMMISSION PROPERTY

Developer shall have an option to acquire Lot 1 as shown on the Plat for the purchase price of \$10.00. Developer shall also have the option to acquire Tract A of the Plat for the purchase price of \$10.00. Developer may exercise the foregoing options at any time by written notice to the Commission, provided that Developer may not exercise its option to acquire Lot 1 or Tract A unless and until: (i) Developer and the Commission have agreed upon a restoration consultant pursuant to Section 8.2, (ii) Developer and the Commission have agreed upon the terms of the Restoration Agreement with the selected consultant, and (iii) Developer and the Commission have agreed upon the terms of an easement covering a strip along the bank of Lot 1 along Clackamette Cove approximately 100 feet upland, which will give the right to do restoration work under the Restoration Agreement and allow access to the Commission before, during, and after the restoration work for such purposes of inspection and passage, all on such terms as each party may agree in its sole discretion. Following exercise of the options, the conveyance of the Lot 1 and/or

Tract A shall be completed in accordance with the Closing Mechanics. In the event Developer acquires either Lot 1 or Tract A, the deed conveying either to the Developer shall contain provisions for a reversion of title to the Commission in the event of any termination of this Agreement or in the event Developer fails to Commence Construction on the land covered by the deed within six (6) years of the date of the deed. The Commission's right of reversion as to a particular parcel of land shall be superior to any other lien, encumbrance or property right granted by Developer. The Commission's right of reversion shall terminate as to a particular parcel of land when Developer has Commenced Construction on that parcel. Any development of Lot 1 or Tract A by Developer shall require either: (1) a new Disposition and Development Agreement between Developer and the Commission or the City, or (2) ~~Commission approval of~~ Commission approval of Development Plans for the proposed development pursuant to Section 5.1 above.

SECTION 11 DEFAULT; REMEDIES

An "Event of Default" shall exist if a party fails to perform an obligation of that party set forth in this Agreement, when and as required by this Agreement, the other party gives notice of such failure, and the failure of performance is not cured within twenty (20) days of the effective date of the notice, or if the failure cannot be cured within twenty (20) days, the party has not commenced the cure within twenty (20) days and thereafter diligently pursues cure to completion. Nothing in this Section shall be construed to extend any time frame for the performance by Developer of its obligations under this Agreement. An Event of Default shall also exist if Developer becomes insolvent, abandons construction after Commencement of Construction, stops construction for more than a period of sixty (60) days of a particular Phase other than an Excused Delay, defaults on any loan providing funds for the construction of the Project, or is the subject of a voluntary or involuntary bankruptcy that is not dismissed within sixty (60) days. In the case of an Event of

Default, the non-defaulting party shall be entitled to pursue all available legal and equitable remedies, including but not limited to the termination of this Agreement.

SECTION 12 GENERAL PROVISIONS

12.1 Excused Delay. "Excused Delay" is a delay in the performance of a party's obligation outside that party's reasonable control, including without limitation: litigation by a third party that challenges a party's ability to perform an obligation under this Agreement, land use appeals by a third party, acts of God, war, terrorism, civil commotion, fire, flood or other casualty, unusual weather, strikes, embargoes and shortages of labor or materials. Excused Delay does not include ordinary fluctuations in market conditions or the general unavailability of financing. In the case of an Excused Delay, the period of time for a party's performance of its obligation shall be extended by the period of the Excused Delay.

12.2 Waiver. Failure of either party at any time to require performance of any provision of this Agreement shall not limit the party's right to enforce the provision, nor shall any waiver of any breach of any provision constitute a waiver of any succeeding breach of that provision or a waiver of that provision itself. Any claimed waiver of a provision of this Agreement must be in writing and signed by the party bound by such waiver.

12.3 Prior Agreements. This Agreement is the entire, final, and complete agreement of the parties pertaining to the matters covered by this Agreement, and supersedes and replaces all prior or existing written and oral agreements between the parties and/or their representatives relating to the same matters.

12.4 Notices. Any notice under this Agreement shall be in writing and shall be effective when actually delivered in person, or one (1) business day after being sent by facsimile, with receipt being electronically confirmed or one (1) business day after deposit with a nationally recognized overnight courier service, with charges pre-paid, or three (3) days after being deposited in the U.S. mail, registered or certified, return-receipt requested, postage prepaid and addressed or sent by facsimile to the party at the address or number set forth below or such other address or number as either party may designate by written notice to the other.

If to the Commission: URBAN RENEWAL COMMISSION OF
THE CITY OF OREGON CITY
P.O. Box 3040
Oregon City, OR 97045
Attn: City Manager
Fax No.: (503) 657 7026

With a copy to: Ball Janik LLP
101 SW Main Street, Suite 1100
Portland, OR 97204
Attn: Stephen T. Janik
Fax No.: (503) 295-1058

If to Developer: THE COVE, LLC
c/o Tonkon Torp LLP
1600 Pioneer Tower
888 SW Fifth Avenue
Portland, OR 97204
Attn: David Petersen
Fax No.: (503) 972-3754

With a copy to: Deacon Construction
c/o Steve Deacon
901 NE Glisan Street, Suite 100
Portland, OR 97232
Fax No.: (503) 297-8997

12.5 Applicable Law: Venue. This Agreement has been entered into in Oregon, and the Development Site is located in Oregon. The laws of the state of Oregon shall be used in

construing this Agreement and enforcing the rights and remedies of the parties. Venue shall be in the Circuit Court for Clackamas County, Oregon; provided that if litigation is properly brought in federal court, venue shall be in the U.S. District Court for the State of Oregon in Portland, Oregon.

12.6 Attorneys' Fees. In the event of litigation to enforce or interpret this Agreement, the prevailing party shall recover its litigation costs, disbursements, paralegal fees, expert fees and attorneys' fees as determined by the judge at trial or upon any appeal or petition for review.

12.7 Condition of Property. The Commission makes absolutely no representation or warranty about the condition of the Development Site. Within twenty (20) days after the Effective Date, the Commission will provide Developer with copies of all reports that the Commission has pertaining to the physical or environmental condition of the Development Site; however, the Commission makes absolutely no representation regarding the accuracy or completeness or any other aspects of such reports. Developer is also authorized during the option periods described in Sections 4.1.1 and 4.1.2 to have its consultants examine the Development Site and perform invasive testing of the Development Site, subject to the Commission's reasonable approval of the proposed testing plan and an indemnity by Developer from any liability of the Commission on account of such testing.

12.8 Brokerage Commissions. Neither the Commission nor Developer have used a real estate broker, agent or finder in connection with this Agreement. Each party agrees to defend,

indemnify and hold harmless the other party from and against any and all commissions or fees and arising out of the actions of the indemnitor.

12.9 Invalid Provision. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be severable, this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never been a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and not be affected by such illegal, invalid or unenforceable provision or by its severance.

12.10 Statutory Disclosure. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST

FARMING OR FOREST PRACTICES, AS DEFINED IN ORS 30.930, AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

12.11 Time. Time is of the essence in this Agreement.

12.12 Inspection Rights. The Commission shall be entitled at any reasonable time, to come upon any portion of the Development Site for purposes of inspecting the Project and for purposes of determining Developer compliance with its obligations under this Agreement. The Commission shall comply with any safety regulations generally imposed by Developer with respect to construction activities on the Development Site.

12.13 Non-Waiver of Governmental Authority. Nothing in this Agreement shall be construed or interpreted to constitute a waiver of the City's governmental powers or condemnation authority.

12.14 Appendices or Exhibits. All Appendices and Exhibits to this Agreement are an integral part of this Agreement and are incorporated into the text of this Agreement by reference.

12.15 Assignment. Neither party may assign its right or obligations under this Agreement without the prior written consent of the other party which may or may not be given in

such party's sole discretion. However, Developer may assign its rights and obligations with respect to a given Phase, subject to the Commission's prior approval in its commercially reasonable judgment.

12.16 Applicability of City Code. Developer shall be obligated in developing the Project to comply with all applicable provisions of the City Code, and this Agreement is not intended to, and shall not be construed to, waive any applicable provision of the City Code.

12.17 Counterparts. This Agreement may be executed in counterparts which together shall constitute one and the same agreement.

12.18 Days. All references to "days" herein mean calendar days unless otherwise expressly stated. "Business days" are Monday through Friday excluding days that banks are closed in the state of Oregon.

[signatures on following page]

IN WITNESS WHEREOF, Developer and the Commission have executed and delivered this Agreement to be effective on the date first set forth above.

COMMISSION:

**URBAN RENEWAL COMMISSION OF
THE CITY OF OREGON CITY**

By: _____

Its: _____

Approved as to Form by the Commission Counsel:

DEVELOPER:

THE COVE, LLC

By: _____

Its: _____

Appendix A

Definitions

Capitalized terms used in this Agreement shall have the following meanings:

"**Agreement**" means this Disposition and Development Agreement.

"**Apartment Site**" means Lot 2 of the Plat.

"**City**" means the City of Oregon City.

"**City Code**" means the Oregon City Municipal Code.

"**Closing Mechanics**" means the terms and conditions of Appendix B.

"**Commence Construction**" or "**Commencement of Construction**" means that Developer has commenced grading pursuant to City issued grading permit.

"**Commission**" means the Urban Renewal Commission of the City of Oregon City.

"**Completion Bonds**" means one or more financial guarantees in the cumulative sum of 150% of the estimated cost to complete the Infrastructure Work in accordance with the approved plans therefor, to be utilized by the Commission or the City in the event that Developer or its contractor fails to complete the Infrastructure Work in accordance with the terms of this Agreement. Any surety issuing a Completion Bond shall be authorized by the State of Oregon to do so and shall be in a financial condition acceptable to the Commission in its commercially reasonable judgment.

"**Complete Construction**" or "**Completion of Construction**" means that certificates of occupancy have been issued for the buildings included in that Phase, and the City has determined that the Infrastructure Work corresponding to such Phase has been completed in accordance with the approved plans.

"**Construction Easement Agreement**" means the agreement described in Section 3.2.10.

"**Design Development Concept and Quality Plans**" means plans showing the location of Project elements, site layout, exterior elevations and design elements, illustrations or examples of the type and quality of exterior materials, typical floor plans for the various types of units building type, site layout and exterior design elements agreed to by the Commission and Developer to be applied to the Commission's review of the Project Plans.

"**Developer**" means The Cove, LLC, an Oregon limited liability company, or its permitted successors or assigns.

"**Development Plans**" has the meaning given in Section 5.1.

"**Development Site**" means all that certain real property shown on the Plat, as the boundaries thereof will be adjusted after the Effective Date of this Agreement, but excluding the Apartment Site.

"Dredging Agreement" has the meaning given in Section 8.1.1.

"Earthwork Plan" means the preliminary grading plan attached as Appendix C.

"Effective Date" means the date on which this Agreement has been executed by the last of the parties.

"Event of Default" has the meaning given in Section 11.1.

"Excused Delay" has the meaning given in Section 12.1.

"Final Approvals" means Land Use Approvals issued by the City that are: (a) subject to conditions acceptable to Developer; and (b) have not been appealed or if appealed, such appeal has affirmed the approval and no further appeal is allowed.

"Infrastructure Work" means the following:

- Construction of Agnes Avenue between the Main/Agnes intersection and the proposed cul-de-sac at the north end of the Development Site;
- Construction of a 20-foot wide bicycle and pedestrian path and emergency access drive from the cul-de-sac at the north end of the Development Site to the existing dead-end of S. Agnes Avenue east of the sewer plant or alternative as approved;
- Construction of an esplanade and related improvements on Tract C; and
- Construction of a trail head (including parking) and monument sign on Tract A or Lot 1 in a location agreed to by the parties, and a path connecting the trailhead to the sidewalk on the north side of Main Street.

"Land Use Approvals" means all discretionary land use approvals which may be required under the City Code, or amendments of existing approvals, required from the City for the Project, as described in Section 6.

"Land Use Approval Applications" has the meaning given in Section 6.

"Loan Commitment" has the meaning given in Section 3.2.8.

"Partial Tax Exemption" has the meaning given in Section 7.1.

"Phase 2A" and **"Phase 2B"** have the meaning given in Section 2.2.

"Plat" means the plat of CLACKAMETTE COVE recorded December 15, 2009 as Plat No. 4289, Document No. 2009-86084, Official Records of Clackamas County, Oregon, as it may be amended.

"Private Parcels" means the land comprising Lots 3, 4, 5, 6 and 7 of the Plat, as the boundaries will be adjusted to comport with the phasing plan for Phases 2A and 2B.

"Preconditions" has the meaning given in Section 3.2.

"Project" means the development of the Development Site in accordance with the terms of this Agreement.

"Project Plans" means the plans and specifications for the Project dated November 9, 2017, as supplemented by Developer prior to the Effective Date, and which may be modified further in accordance with this Agreement.

"Public Areas Maintenance Plan" has the meaning given in Section 9.1.

"Public Parcels" means Lot 1 and Tracts A, B, C, D, E of the Plat as the boundaries will be adjusted to comport with the phasing plan for Phases 2A and 2B, and the portions of Agnes Avenue necessary for construction of the Infrastructure Work thereon.

"Public Share" has the meaning given in Section 8.1.

Appendix B
Closing Mechanics

Real property conveyed under this Agreement shall be conveyed by statutory bargain and sale deed subject to all liens and encumbrances of record. Except for the covenants of the deed, the property shall be conveyed as-is, where-is, without any additional warranties, express or implied.

The cost to record the deed shall be paid by the grantee.

Any title insurance shall be at the expense of the grantee.

The grantor shall deliver a certificate of non-foreign status to the grantee in connection with the conveyance.

Any property taxes or assessments, rents or similar items with respect to the property conveyed shall be prorated between the parties as of the date of conveyance.

Except as expressly set forth in this Appendix, all costs of escrow and closing shall be paid 50% by the grantor and 50% by the grantee.

Appendix C

Earthwork Plan

