

**Scottsdale Waterfront New Transaction Terms Sheet**  
**June 2, 2003**

In satisfaction of Section 6.5.2 (Milestone 5) of the June 17, 2002 Tolling Agreement between the City of Scottsdale and Scottsdale Waterfront, the following is the proposed resolution of major deal points resulting from Section 6.3.3 (Milestone 3) of said Agreement.

1. Concurrent with approval of the New Transaction, the City shall: a) provide for approval and vesting of the new site plan that includes modified development standards and design guidelines including but not limited to building height, the method for measuring building height, landscaping changes, signage, and incline step-back as set forth in the Infill Incentive District Application of same date; and b) remove all stipulations of approval on the existing site plan and replace them with new conditions appropriate for the new site plan.
2. The new site plan shall address pedestrian movement and connectivity between the site and adjacent parcels/developments, and establish new public plaza(s) that, in the aggregate, are greater than or equal in size to what is currently required, in the aggregate, and are complementary to the City's canal bank improvements. The Developer may change the locations of the existing public plazas and the existing easements can be abandoned. However, a condition of approval of the new site plan shall be dedication of public access easements to the public plaza(s) at the time of completion of construction.
3. The Developer's rights and responsibilities for development shall cease at the Waterfront Property's property line along the north bank of the Arizona Canal. The City shall assume responsibility on the north and south canal banks for all design, construction, operating, and maintenance costs associated with the canal bank improvements, including canal bank license fees imposed by the Salt River Project and any pedestrian and/or vehicular bridges.
4. To accommodate the City's request for retail development along the east side of Marshall Way, the City shall assume any responsibility for relocating/undergrounding the Arcadia Water Company wells located on the east side of Marshall Way to the extent that the Arcadia Water Company agrees to relocating/undergrounding of the well.
5. The City shall quantify the right-of-way improvements that will be necessitated by the Waterfront development. The Developer shall pay no more than its proportional share of any right-of-way improvements. The infill incentive district plan shall set forth any additional right-of-way improvements that shall be the City's responsibility.
6. To provide additional parking in the area for canal bank users and business customers on both the north and, potentially, south sides of the Arizona Canal, the City shall provide a rebate of 90 percent of the General Fund portion of the retail sales tax generated on the Waterfront Property until the earlier of: a) 25 years has elapsed; or b) an amount equal to \$5 million, plus 7.5% per annum accrual, has been rebated by the City to the Developer. The rebated funds shall be used to construct free public parking in the Waterfront Property's parking garage and/or along Marshall Way and must be in addition to the spaces required by Scottsdale ordinance. The funds may also be used to construct landscape and hardscape improvements on either side of Marshall Way. The Garage Lease shall be revised to: a)

adjust the dates in the Lease to reflect the opening date(s) of the project; b) reduce the retail sales tax rebate from \$7.7 million to \$5 million; and c) create a sliding scale, rather than a fixed amount, for repayment of public parking spaces.

7. In addition to the retail sales tax rebate, construction sales tax and lease tax revenues raised by construction and leasing activities on the site shall be rebated in a similar fashion to the retail sales tax raised by retail activities on the site, that is a rebate of 90% of the General Fund portion of said taxes until the earlier of: a) 25 years has elapsed; or b) an amount equal to the cost of the public infrastructure investment, plus 7.5% per annum accrual has been rebated by the City to the Developer. The rebated funds will be used for additional public infrastructure, including but not limited to art, attractions, fountains, and other non-revenue producing assets on the Waterfront Property. In addition, the Developer will honor the City's current public art requirements for downtown development.
8. In order to facilitate development in the greater downtown area, the City shall establish, in conformance with statutory authority, an infill incentive district that, among other things, waives fees for the project, including development (water and sewer connection fees), permitting (zoning and building permit fees) and any other fees.
9. The City shall indemnify Scottsdale Waterfront, L.L.C., and its successors, against any filed or threatened legal claims related to drainage and flood control matters on the Waterfront Property.
10. The City shall provide its consent to assignment of any project-related agreements and the New Transaction to the new development team or entity.
11. The Developer shall satisfy the following entitlement schedule, subject to completion of the New Transaction by October 15, 2003:
  - Application for Design Review: 12-31-03
  - Application for Initial Permits: 12-31-04
  - Construction start: 12-31-05 or within 12 months of permit issuance, whichever first occurs.
12. The Developer shall agree to the City's request to remove the Redevelopment Area designation from the existing Waterfront Redevelopment Area to facilitate elimination of the existing Waterfront Redevelopment Area.
13. The Developer shall agree to the City's request to cancel the existing Waterfront Redevelopment Agreement when a new Development Agreement is approved.
14. The City shall retain its right to acquire the Waterfront Property at below-market cost if development does not occur as anticipated by the agreed upon schedule.