

ATTACHMENT 12

PROJECT COSTS

[To be established at the end of the Base Year]

Lessee Project Costs. Project Costs shall include the following costs, expenses or fees paid or incurred by the Lessee (or any of its partners) as "Developer" under the DDA or "Lessee" under the Lease through the Base Year defined in Lease Section 3.2.5:

1. Costs, expenses or fees prior to the execution of the DDA including without limitation all costs, expenses or fees for attorneys, architects, design professionals, engineers, soils analysts, environmental consultants, surveyors, cost estimators, economists, marketing and leasing professionals, and other consultants in connection with the:
 - (i) negotiation and execution of the DDA (and the Agreement to Negotiate and Memorandum of Understanding which were merged with and integrated into the DDA) and the negotiation of all related attachments or documents required, contemplated or in furtherance thereof (including the Lease, REA, Parking Agreement, and leases and agreements with the Majors) (such related documents are hereinafter collectively referred to as the "Project Documents");
 - (ii) Investigation of the Project and the Project property including all studies, surveys, statistical and marketing analyses and projections, soils, toxics and building reports and inspections;
 - (iii) EIR for the Project;
 - (iv) investigation and development of conceptual plans, schematics, working drawings, and preliminary plans and specifications for the Project;
2. Consideration paid by the Developer in connection with the DDA and Ground Lease including:
 - a. The initial deposit of \$125,000 paid by Developer to Agency under the Agreement to Negotiate;

- b. The extension deposit of \$200,000 if paid by Developer pursuant to Section 206.1 of the DDA;
 - c. The Developer's Consideration of \$7,780,000 described in DDA Section 107 (whether or not payment thereof is reduced by the credits shown on DDA Attachment 5).
3. Costs, expenses or fees related to the development, design and construction of the improvements for the Mall Component Parcel including without limitation:
- a. All direct costs of construction of onsite and offsite improvements such as contractor fees, grading, excavation, soil removal, fill and site preparation, buildings, plumbing, onsite and offsite utility installation, foundations, landscaping, fencing, sidewalks, street improvements and other required governmental improvements; and
 - b. All indirect development, design and construction costs including:
 - (i) Construction, short term, interim and permanent lenders' commitment fees, origination fees, processing fees, construction fund disbursement fees, borrower's and lender's legal fees, survey and appraisal fees, and so called "points" (including all fees, points and interest paid by Developer to maintain the Developer's Deposit and/or Letter of Credit described in DDA Sections 106 and 107, respectively).
 - (ii) Architectural fees, costs of preparing plans and specifications, surveyors' fees and soils and other engineering fees;
 - (iii) Attorneys, economists and other consultant's fees not otherwise described above relating to the negotiation, execution and documentation of the development, construction and design of the Project;
 - (iv) Hazard, liability and other insurance premiums (including Builders All-Risk and payment and performance bond premiums);
 - (v) Construction, progress and inspection fees, appraisal fees, construction cost

analysts' fees, building permit fees, plan check fees, connection fees, subdivision fees, school fees, traffic fees, zoning fees and related application fees, area fees, clean up costs, EIR mitigation and CEQA compliance fees and costs, and all other fees and costs required by the requisite governmental agencies to cause construction of or allow occupancy of the Retail Center improvements;

- (vi) Onsite superintendent and construction management salaries;
- (vii) Real estate taxes and assessments from Close of Escrow through the completion of construction;
- (viii) Construction related casualty losses and expenses not compensated by insurance; and
- (ix) Developer's fees (whether or not paid to an affiliate of Lessee) as follows:

Amounts paid or incurred by Developer in connection with management and administration of the Project through Close of Escrow and construction management and administration thereafter except as demonstrated by Agency to be unreasonable and substantially inconsistent with industry practice.

- (c) All related development and construction costs including compliance with Conditions of Approval and payments by Developer described in the Scope of Development not otherwise described above including but not limited to Developer's costs for Demolition, Restoration, Utility Relocation and other Conditions of Approval.
 - (d) All other costs and expenses customarily funded through a construction loan by an Institutional Lender or Institutional Investor.
4. All costs, expenses or fees paid or incurred by Lessee to design, prepare, promote, staff, equip and open the Mall Component Parcel of the Retail Center for business including:
- (a) Advertising and marketing expenses, architectural and design services, graphic consultants,

- lighting consultants, archaeological consultants, acoustics, landscape, kitchen, laundry, parking, elevator, energy, audio-visual and restaurant consultants;
- (b) Accounting, word and data processing equipment, telephone, security and communication systems;
 - (c) Leasing fees, commissions and related lease-up expenses (including without limitation advertising, promotion and the cost of tenant improvements);
 - (d) Initial inventories of mechanical supplies, stationery and cleaning supplies;
 - (e) Initially installed fixtures, furnishings and equipment;
 - (f) Pre-opening marketing, advertising and promotional expenses; and
 - (g) All other pre-opening expenses, including staffing.
5. The excess of operational expenses (including without limitation taxes and assessments, interest, utilities, insurance, repairs, maintenance, legal accounting management and other professional fees, wages and benefits and rental payments paid or accrued hereunder) over income from operations following the initial completion of the Mall Component Improvements.
6. All costs, expenses or fees related to the implementation of and compliance with the DDA and the execution and implementation of and compliance with the Project Documents, including without limitation all escrow costs, e.g., escrow and recording fees, title insurance premiums and transfer taxes.
7. All costs, expenses or fees related to the development, design and construction of the Lot 1 Parking Structure (without reduction for all or any portion of the \$4,000,000 Agency Parking Contribution to be paid by Agency to Developer) including without limitation those costs, expenses and fees described in the categories of costs, expenses and fees set forth in paragraph 3 above, and including interest thereon as provided in paragraph 11 below.
8. All costs, expenses or fees related to the incorporation or proposed incorporation of the

Rehabilitation Parcels described in the DDA into the Project whether or not the same are actually included in the Project, including all costs, expenses or fees in the (i) negotiation, execution and of compliance with all documents related thereto; (ii) investigation of said properties including all studies, surveys, statistical and marketing analyses and projections, soils, toxics and building reports and inspections; (iii) investigation and development of conceptual plans, schematics, working drawings, and preliminary plans and specifications for said properties.

In the event Lessee enters into an agreement with the owners of the Rehabilitation Parcels which would provide for the integration of said parcels into the Project, Lessee's Project Costs shall include all costs, expenses or fees related to the development, design and construction of the Rehabilitation Parcels, including, without limitation, such costs, expenses and fees described in the categories of costs set forth in paragraph 3 above, and including interest thereon as provided in paragraph 10 below.

9. All costs, expenses or fees related to the preparation and negotiation of the Easements, Covenants and Restrictions Agreement ("ECR") with the owners of parcels which are contiguous to the Lease Premises.
10. Interest on the foregoing Project Costs, from the date expended through the Base Year, at the rate of interest of 10% per annum until Close of Escrow and at the construction loan rate of interest thereafter on the loan funding such Project Costs.
11. The Lessee's Project Costs shall be reduced upon the payment to Lessee (or to Agency directly) of the following when and as received by the Developer (or Agency if applicable):
 - (a) Contribution by Nordstrom toward the Developer's Consideration of \$1,600,000;;
 - (b) Contribution by Broadway toward the \$7,780,000 Developer payment to Agency, the hard and soft costs of constructing the Lot 1 Parking Structure, offsite utilities, traffic fees and EIR and related Project expenses; and
12. Expenditures by Agency (which are not reimbursed to Agency by Developer) and reimbursements to Developer for those certain costs and expenses described in

the Scope of Development shall not constitute a Project Cost. In addition, the costs and expenses of the Lot 1 Parking Structure shall constitute a Project Cost without reduction regardless of whether Agency makes the \$4,000,000 Parking Contribution pursuant to the Parking Agreement.

The following costs, although not included in the Lessee's Project Costs, are amounts which may be included in any loans which are secured by the Lease Premises:

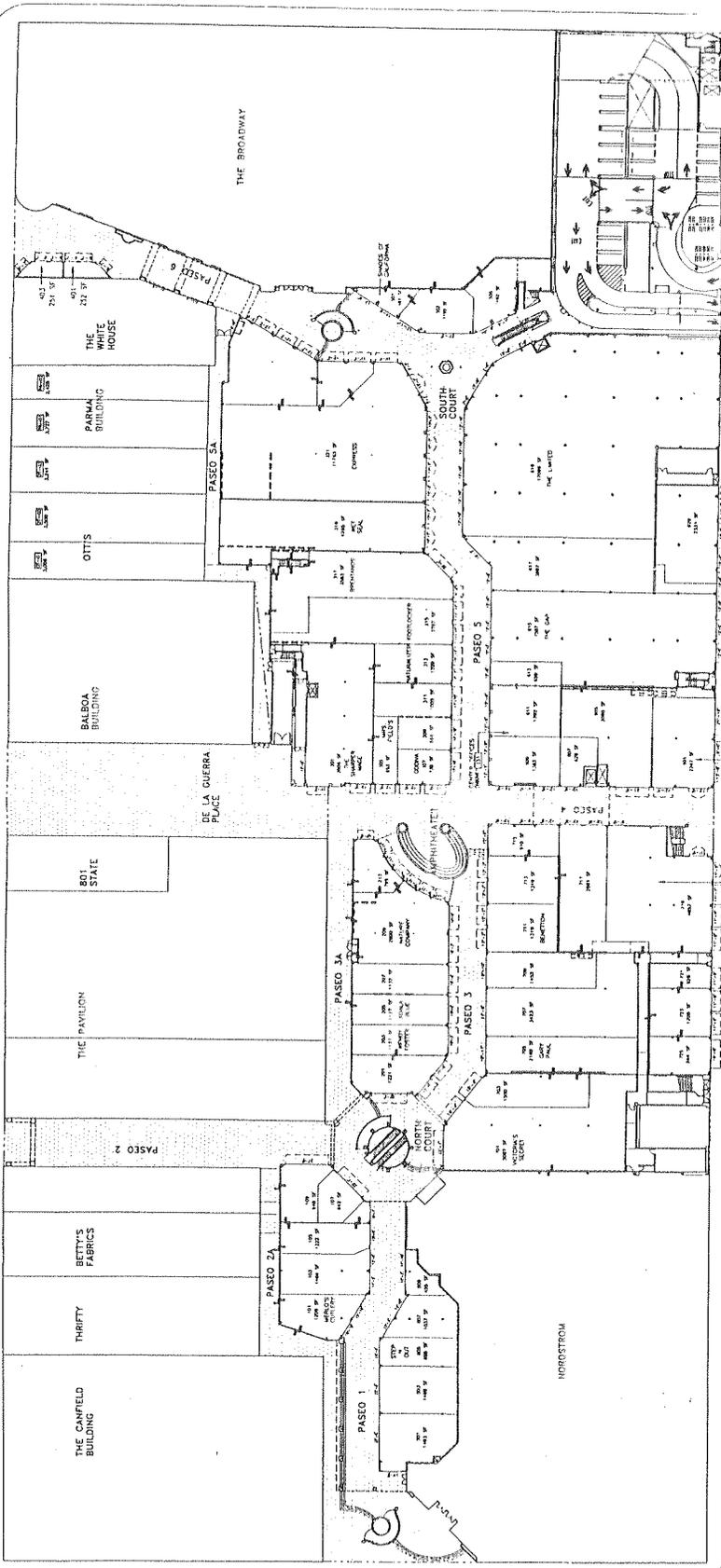
1. The \$2,000,000 Developer Loan described in DDA Section 201;
2. The \$2,000,000 additional Developer loan toward Agency land Acquisition Costs pursuant to Section 201 of the DDA; and

Major Tenant Project Costs. The Project Costs of each Major shall include but shall not be limited to, the categories of costs, expenses or fees described as the Lessee's Project Costs which are paid by the Majors for or related to development of each Major's Parcel.

STATE STREET

ORTEGA STREET

THE BROADWAY



CHAPALA STREET

CANON PERDIDO STREET

This exhibit is for reference only and is not a representation as to size, dimension, or location of any tenant in center, or that any business adjoining the center will continue operations.

Notes: Elevations given from mean sea level.
 For off-site garages, see site plan.
 Area tabulations given in gross floor areas.
 Proposed buildings shown with shading and lease lines.
 All shops at Paseo Grade.



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