

**MEMORANDUM OF UNDERSTANDING FOR THE  
OVERLAKE PLAZA PROJECT**

THIS MEMORANDUM OF UNDERSTANDING (“MOU”), dated this 5<sup>TH</sup> day of September, 2017 (“Effective Date”) is entered into among the City of Redmond, a Washington municipal corporation (“City”) and Seritage SRC Finance, LLC, a Delaware limited liability company (“Seritage”). The City and Seritage are referred to collectively as the “Parties” and individually, a “Party.”

**RECITALS**

A. Seritage is planning the redevelopment of approximately 14.5 acres of the block generally located at 2200 148th Ave NE, between 20th Street and 24th Street in Redmond, Washington, and shown in Exhibit A (the “Property”). The redevelopment plan includes multifamily apartment units, office, hotel, retail, market, restaurant uses, and park and open space in the block (the “Project”).

B. Seritage has submitted to the City its Pre-Entitlement Review Process Application for a Master Planned Development (“Master Plan”) and a Development Agreement.

C. Seritage also intends to apply for a boundary line adjustment to allow the transfer of parcels owned by FW WA-Overlake Fashion Plaza, LLC, a Delaware limited liability company, to Seritage.

D. The City of Redmond Comprehensive Plan goals for Overlake Village seeks to, among other things, allow residents and visitors greater access to major employment hubs, emphasize regional retail as part of mixed-use developments, and provide a mix of retail commercial opportunities that meet a range of needs from daily goods and services to niche and boutique retailers, to restaurants and entertainment. The relevant goals for Overlake Village and the Project include, but are not limited to, the following Comprehensive Plan Goals:

LU-52, OV-5, OV-9, OV-42, OV-56, UC-6, UC-7, UC-9, UC-10, UC-22, UC-24.

E. The City desires to promote a redevelopment of the Property that is consistent with the Overlake Neighborhood Plan and the Redmond Comprehensive Plan.

F. The Parties desire to establish a framework for possible cooperation in the redevelopment of the Property in a manner that will help to promote the goals of the Parties.

**UNDERSTANDINGS**

Therefore, the Parties hereby stated their understanding of the current situation, as follows:

1. **The Project.** Seritage will pursue the development of the Project pursuant to the scope described in this MOU.
2. **Project Components.** The Project currently anticipates that it will comprise of the following components:
  - a. Approximately 23,000 s.f. market use;
  - b. Approximately 100,100 s.f. retail use;
  - c. Approximately 62,700 s.f. restaurant use;
  - d. Approximately 500 multifamily residential units;
  - e. Approximately 210 hotel rooms;
  - f. Approximately 266,800 s.f. of office space;
  - g. Parking for approximately 2,245 vehicles.
  - h. Road construction as described in Section 4.
  - i. Sewer and Water construction to support the Project.
  - j. Open space as described in Section 6.

Parties agree that final configuration and amount of the land uses described above will be finalized during the Master Plan and Development Agreement process.

3. **Phase 1 Project Components.** Parties acknowledge that Phase 1 is still under development. Seritage currently anticipates that Phase 1 of the project will consist of construction of up to 500 residential units, with a market, restaurant and retail uses on the first floors. Seritage intends to construct the road, water, and sewer infrastructure generally adjacent to the Phase 1 activity. The scope of the infrastructure construction will be determined by the level of activity of Phase 1 as outlined in the Development Agreement and the Master Plan. Seritage also intends to construct or bond for some open space during Phase 1, where the extent of development and programming of the park will be determined during the Master Plan, Development Agreement, and/or Parks Master Planning process.
4. **Road Construction.** Parties agree that Seritage will construct the following streets as part of the buildout of the Master Plan:
  - a. Lumiere Avenue NE between 24<sup>th</sup> and 20<sup>th</sup> Streets. The alignment of the Right of Way is generally shown in Exhibit A.
  - b. NE Alhazen Street between 148<sup>th</sup> Avenue NE and DaVinci Avenue NE. The alignment of the Right of Way is generally shown in Exhibit A.
  - c. Half-street improvements for DaVinci Avenue NE between 20<sup>th</sup> and 24<sup>th</sup> Streets. The alignment of the half-street improvements for the Right of Way is generally shown in Exhibit A.
  - d. **No Construction Obligation for Full Street Improvements on DaVinci Avenue NE.** Parties agree that Seritage is only required to construct half of DaVinci Avenue NE as an interim condition, as generally shown in Exhibit A. The neighboring properties will be responsible for constructing the other half of the right of way when they develop their respective properties.

- e. **Off-Site Improvements on Private Property.** Parties agree that mitigation, including any off-site mitigation, cannot be determined until completion of Seritage's transportation analysis. All efforts should be made on-site to mitigate for any impacts prior to requiring off-site mitigation. If in the event a clear and proportional nexus is discovered between the impacts of the proposed development and the construction of off-site mitigation improvements on private property, the City may request that Seritage construct off-site mitigation improvements. If the improvements are located on private property, Seritage is not responsible for acquiring property it does not own. The City will assist with the acquisition of private property to the maximum extent possible. If the City is unable to acquire private property for any reason, Seritage will not be required to construct required off-site mitigation on private property.
  - f. **Future Pedestrian/Traffic Signal at 24<sup>th</sup> Street/Lumiere Avenue.** Parties agree that a pedestrian signal at Lumiere and 24<sup>th</sup> Street is not anticipated to be required as part of Phase 1 development, and its necessity and timing of construction will be determined based upon the results of the Transportation Analysis.
  - g. **Tunnel Under NE Alhazen Street and Lumiere Avenue.** Parties agree to explore the idea of Seritage constructing a tunnel connector under Alhazen Street to Parcels B and C, generally as shown in Exhibit B. Parties also agree to discuss the potential future consideration of a connector tunnel under Lumiere Avenue between current Parcel A and Parcel B.
5. **Administrative deviation for road widths.** Parties agree that the Project, including roadways, should be designed with an active ground level that gives priority to pedestrians and cyclists. A project goal is to maximize the pedestrian experience and minimize vehicular traffic. The open space will be designed to become the preferred method of circulation between uses. The idea of the central hub is to slow down traffic and notify drivers they're coming into a pedestrian friendly zone. Priority would be given to people walking through the site. Bike riders would have second priority, while directing traffic to the existing roads at the perimeter of the project. Connectivity between the mix of uses in the Project is critical to the success of the overall development. An important Project goal is for visitors, once parked in the subterranean structure, can freely walk around the development and between buildings. Parties agree that administrative deviations to reduce required right-of-way widths will be granted, if necessary, if the road sections continue to meet the intent and circulation for both the development and impacted adjacent rights-of-way, and are reduced in the following order of priority:
- a. An urban pathway is not required along the new Lumiere Avenue NE.
  - b. An urban pathway is required along NE Alhazen Street, but is not required to be constructed within the dedicated Right of Way so long as the path is clearly marked through wayfinding, unique paving, or other method of demarcation.
  - c. On-street parking lanes may be reduced or eliminated along NE Alhazen Street, Lumiere Avenue NE, and DaVinci Avenue NE to the extent warranted.
  - d. Sidewalk widths may be reduced along NE Alhazen Street, Lumiere Avenue NE, and DaVinci Avenue NE to the extent warranted.

- e. Bike lanes will be required along NE Alhazen Street, Lumiere Avenue NE, and DaVinci Avenue NE.
  - f. Parties agree that the number of travel lanes will be determined through the Transportation analysis.
  - g. For items a-f Seritage shall show how proposal meets or exceeds the intent and goals of the neighborhood street sections for OV3.
6. **Park Construction and Maintenance.** Over the course of the Master Plan, Seritage agrees to construct up to 2.1 acres of open space on the Property. The open space is intended to bring the community together through the use of outdoor activities, designed places for relaxation, providing public art and contributing to the overall experience of the development in a natural way. The parks and central hub will create an important linkage between the project uses, while also becoming community gathering spaces. Consideration will be given during the Master Plan, Development Agreement, and Parks master planning process to all aspects of the design, including lighting, paving, furnishings, landscaping, athletic facilities, child play areas and special features.
- a. Ownership and maintenance of the parks and open space will be determined between the Parties during the Parks master planning process. The Parties will work together to secure additional funds for park construction.
  - b. Incentive Zoning. If the City revises its incentive zoning provisions under RZC 12.12.170 to require open space to be constructed in this OV-3 zone, Parties agree that open space requirements will be governed by the approved Master Plan and Development Agreement. Parties agree that any open space constructed, whether or not pursuant to the incentive zoning requirements, may be phased and does not have to be contiguous.
  - c. Phasing. Phasing of park and open space construction will be determined during the Master Plan, Development Agreement, and Parks master planning process.
7. **Technology Office Uses.** Parties agree that the any technology office/headquarters use falls within the Information and Communication use listed in table RZC 21.12.040.C and will not be considered a Transitional Use or a General Sales and Services use. The City concurs that the Information and Communications use directly supports the Comprehensive Plan vision for Overlake and the OV-3 zone. Parties agree to memorialize this determination in the forthcoming Development Agreement.
8. **Process.** Parties agree that the overall process and timelines outlined in Exhibit C will be accommodated to the maximum extent possible.
9. **Planned Action.** Parties agree that the Project is to be reviewed under the Planned Action under RZC 21.70.110.
10. **EIS Addendum.** Parties agree that an EIS Addendum to the Overlake Neighborhood Plan Update and Implementation Project FSEIS is appropriate for the project.

11. **Transportation Study.** Parties agree that the scope of the transportation study for the City of Redmond's Overlake Village South Infrastructure Study and the Seritage Overlake Master Plan Traffic Study, outlined in Exhibit \_\_, is the final scope of the study. No additional requests will be added to this final scope of work and no additional transportation study on the City's Overlake Village South Infrastructure Study or the Seritage Overlake Master Plan Traffic Study will be required if the Project remains within the parameters outlined in this MOU. In addition, a Traffic Impact Analysis will not be required at Site Plan Entitlement if all impacts and trips have been accounted for within the Seritage Overlake Master Plan Traffic Study. The only transportation studies required at Site Plan Entitlement will be (a) a transportation concurrency application and approval pursuant to the City's transportation concurrency standards in effect at the time of site plan entitlement (RZC 21.52.010), and (b) an evaluation of the project's compliance with the transportation mitigation and/or requirements outlined in the Development Agreement.
  
12. **Development Agreement.** Parties agree that the proposed public benefit items in the draft Development Agreement Matrix, outlined in Exhibit E, meet the public benefit requirements of RZC 21.76.070.L. The City administration will not request or require any additional public benefits to be added as part of the Development Agreement so long as the applicant does not alter any Development Agreement requests made within in the proposal. Parties acknowledge that recommending approval for the Development Agreement does not guarantee or promise approval by the City Council.
  
13. **Boundary Line Adjustment.** Parties acknowledge that a Boundary Line Adjustment is necessary to effectuate the land exchange transactions between Seritage and Regency. Seritage acknowledges that the resulting lot configurations must meet the standards of RZC 21.74.030.M, including meeting all dimensional requirements specified for the OV-3 zone. The City agrees that a Boundary Line Adjustment is the appropriate process to undertake prior to the land exchange, and will work with Seritage to effectuate a timely review of the Boundary Line Adjustment even if the ultimate legal descriptions of the parcels change during the course of the review of the application.
  
14. **Overlake Zoning Code Amendment.** Seritage understands that the City desires to update the Incentive Zoning code changes for Overlake. The Administration agrees to support approval for the Overlake Incentive Zoning Code Amendment, file number \_\_\_\_\_. Parties acknowledge that supporting approval for the amendment does not guarantee or promise approval by Planning Commission or City Council. The recommended legislation will include the following provisions:
  - a. An applicant may provide additional features from Table 21.12.170A or 21.12.170B to qualify for additional development incentives. The same land area may not be used to qualify for two bonus features. For example, an applicant whose site is shown for a major park on Map 12.1, *Overlake Village Subarea Map*, and who satisfies that requirement cannot also label a portion of the major park as an outdoor plaza as a way to receive additional development incentives.

CITY OF REDMOND

By: Jane Christensen  
Its: 9/5/17

JANE CHRISTENSEN  
DEPUTY CITY ADMINISTRATOR  
CITY OF REDMOND

SERITAGE SRC FINANCE, LLC

By: [Signature] KAREN KEYS,  
Its: SVP

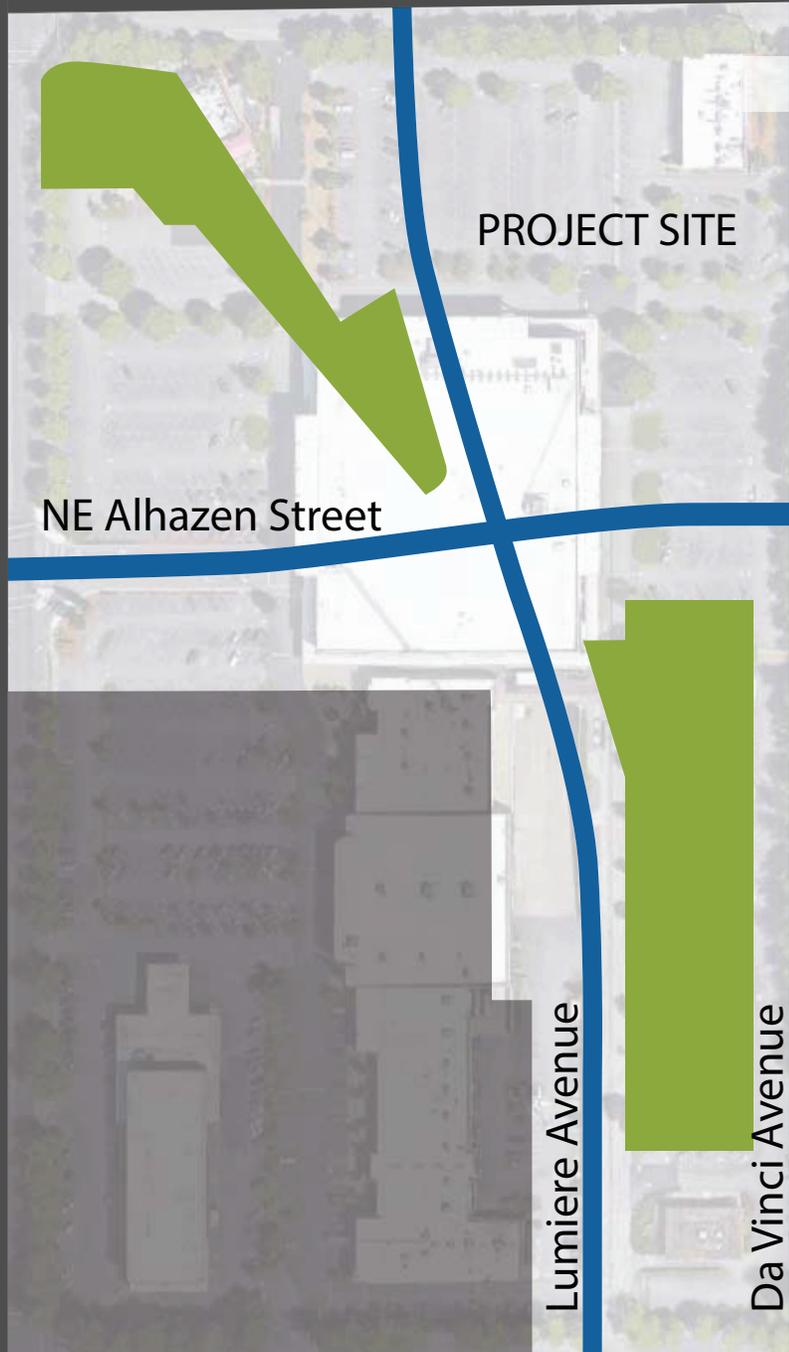
9/1/2017



NOTES:

1. This diagram illustrates road alignment. Final right of way widths to be determined during the master plan process.
2. Da Vinci Avenue will be constructed as an interim condition with only half the road being completed under this application.

NE 24th Street



148th Avenue

NE 20th Street



- b. Table 21.12.060 B is proposed to so show an updated maximum FAR of .75 when incentives are applied
- c. Incentives. “For projects being processed as part of a Master Plan, the Administrator may approve incentive techniques that deviate from these requirements.”

15. **Overlake Infrastructure Legislation.** Parties acknowledge that pending legislation that could affect project. If the following provision is determined by the Parties to be necessary to include as part of the legislation at the time any legislation is introduced, the Administration agrees that it will support the inclusion of the following provision in the legislation:

- a. “Should the Seritage Project gain approval, the alignment as shown in Seritage’s approved Master Plan shall be deemed to be compliant with the conceptual TMP outlined in the Infrastructure Plan. Nothing in the TMP would require the road alignment approved in the Master Plan to be changed or superseded by the adoption of a new/ updated TMP.”

Parties agree to memorialize the proposed language in the Development Agreement. Parties acknowledge that recommending approval for the amendment does not guarantee or promise approval by Planning Commission or City Council.

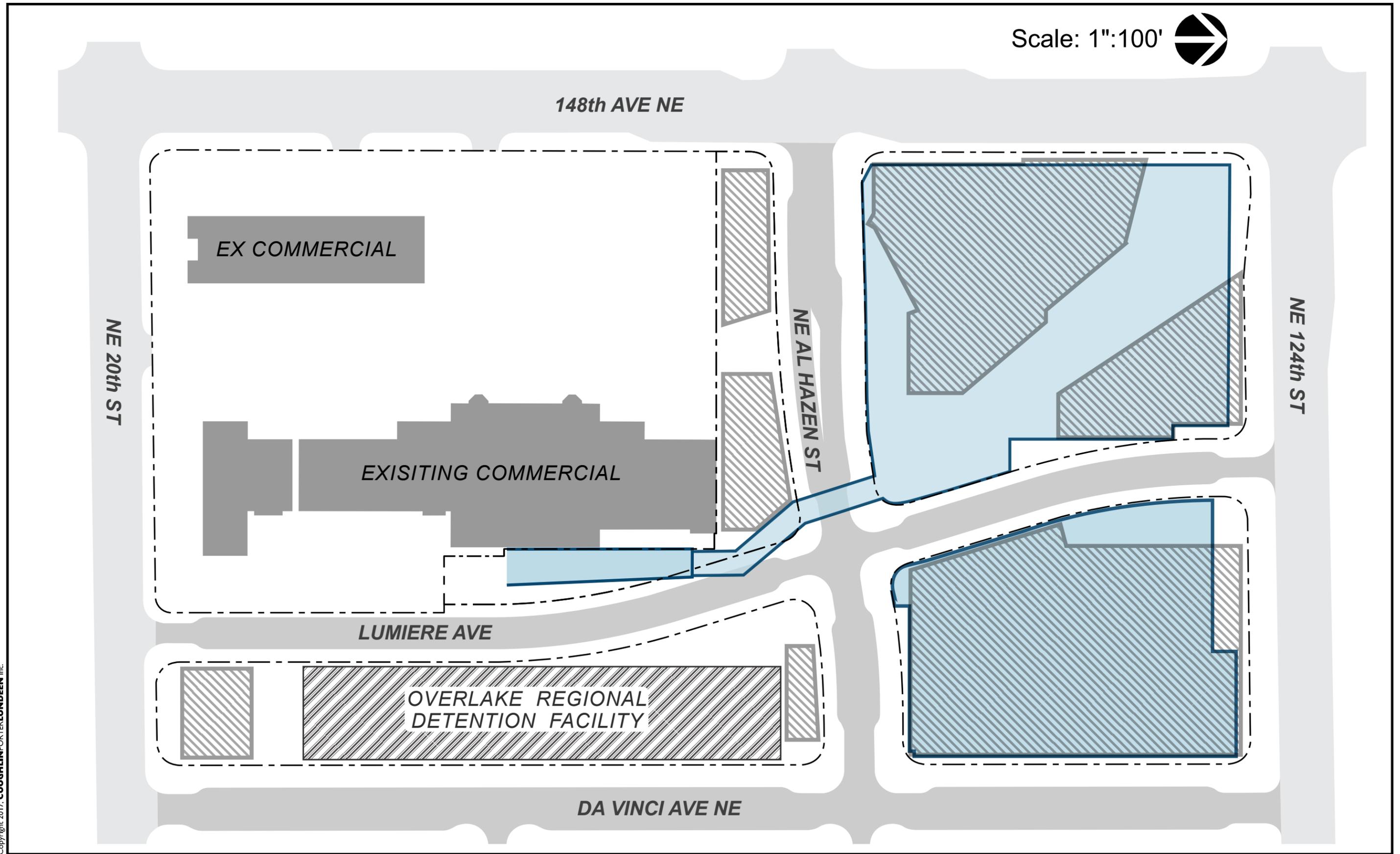
16. **MOU Understanding.** This Understanding is intended to outline process, discussions and review thus far as part of the application for Master Plan and Development Agreement. This Understanding does not guarantee approval of the project applications by the City Council. Should the overall development envelope increase significantly from the project components described in Section 2 of this MOU, the Parties agree that certain provisions of this MOU may no longer be applicable. In this case, the City would continue to expeditiously facilitate the Development Agreement and Master Plan applications to the best extent possible and work in good faith with the applicant to consider any reasonable and permissible deviations that support the underlying intent and goals of OV3.

17. **Authority.** Each person signing this MOU on behalf of the City and Seritage represents and warrants that he or she is fully authorized to execute and deliver this MOU on behalf of the entity for which he or she is signing. The Parties hereby warrant to each other that each has full power and authority to sign this MOU.

18. **Entire Agreement.** This MOU contains the entire understanding between the City and Seritage with respect to the subject matter hereof.

19. **Counterparts.** This MOU may be signed in any number of identical counterparts, each of which shall be considered an original even if they are transmitted by electronic means and taken together those identical counterparts will be considered to constitute one and the same instrument. The Effective Date of this MOU shall be the date when the last representative of the City and/or Seritage executes and transmits a copy of the signed MOU.

Assumptions:	Transportation study submitted by Seritage on Sept. 18. City requires minimum 10 day review turnaround on document. Assuming transportation study is approvable and Master Plan/DA is also approvable by October 4. If documents not approvable, then minimum 2-4 week delay in listed schedule.
August 17	Neighborhood Meeting #1
September 18	Seritage transportation analysis submitted to City
Beginning of October (?)	Neighborhood Meeting #2 <ul style="list-style-type: none"> <li>• 21 Day Notice</li> <li>• Include OV stakeholder group; highlight Seritage proposal and effects on draft OV transportation network</li> </ul>
October 10	P2W Meeting <ul style="list-style-type: none"> <li>• Early check-in regarding Seritage and effects on draft OV transportation network</li> </ul>
October 17	Council Staff Report
October 24 (?)	Council Study Session <ul style="list-style-type: none"> <li>• Highlight Seritage proposal and effects on draft OV transportation network</li> <li>• Seek direction on transportation network changes</li> </ul>
October 24	Notice of Application Published
October 25 [combine w/NOA?]	Notice for Neighborhood Meeting #3 Published
?	Technical Committee <ul style="list-style-type: none"> <li>• Seritage Master &amp; Development Agreement</li> </ul>
November 14	P2W Meeting
November 14	Notice of Council Hearing for Master Plan/Development Agreement
November 15	Neighborhood Meeting #3
November 21	Council Meeting: Staff Report
November 28	Council Meeting: Study Session <ul style="list-style-type: none"> <li>• Highlight how Seritage plan affects draft transportation network</li> <li>• Seek direction regarding future updates (e.g. trailing actions to incorporate Seritage network)</li> </ul>
December 5	Council Meeting: Public Hearing (Master Plan/DA)
December 19	Council Meeting: potential action (Master Plan/DA)
December-January 2018	Infrastructure Planning Study & associated amendments revised
February 2018	Technical Committee (Code Amendments)
February-April 2018	Planning Commission (Code Amendments)
May-July 2018	City Council (Code Amendments)



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## Overview of Key Development Agreement Concepts

Seritage Proposed Public Benefit for the Development Agreement.

### **NOTE: SPECIFICS TO BE DETERMINED DURING THE DEVELOPMENT AGREEMENT PROCESS**

- Provide a 1.3 acre DaVinci Park
- Provide a 1.1 acre Gateway Plaza
- Provide three new streets on the Project site: Alhazen Street between 148<sup>th</sup> Avenue and the new DaVinci Avenue, the western portion of DaVinci Avenue between NE 20<sup>th</sup> Street and NE 24<sup>th</sup> Street, and Lumiere Street between 20<sup>th</sup> and 24<sup>th</sup> street.
- Provide City with valuable data from updated City of Redmond TMP analysis. The scope of the study is outlined in Seritage's final Transportation Scope
- Provide a minimum of 2 electric car chargers located in the below-grade garage
- Commit up to 1% of construction costs for public art and/or street furniture on site, locations to be determined
- Covenant 10% of required parking will be nonreservable and open and accessible to the public at market rate
- Staff and the applicant will continue discussions regarding level of affordability for the affordable housing units.

Seritage requests for the Development Agreement

### **NOTE: SPECIFICS TO BE DETERMINED DURING THE DEVELOPMENT AGREEMENT PROCESS**

- Complete the project, including infrastructure construction, in multiple phases
- Discuss opportunities for funding construction of the park or an agreement that the City maintain one or more of the open spaces
- Request that the FAR be measured per the development site and not per the parcel
- Request that required right of way widths be narrowed on the site to achieve the Project goals to maximize the pedestrian experience and minimize vehicular traffic.
- Request that the project vest to the current Development Code for 20 years, with the option for Seritage to take advantage of favorable new code provisions upon Seritage's request
- Request flexibility to increase or decrease the floor area of particular uses and move uses to different parcels than shown in the Master Plan
- Request flexibility for required parking to be located within a different building
- Requesting developing an underground tunnel under the Alhazen Street right of way; and potential future consideration of a connector tunnel under Lumiere between current Parcel A and Parcel B