

**CITY OF REDMOND
RESOLUTION NO. 1483**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, DIRECTING THE MAYOR TO SIGN AND AUTHORIZE AN AMENDMENT TO THE GROUP HEALTH COOPERATIVE DEVELOPMENT AGREEMENT TO ALLOW FOR RESIDENTIAL DEVELOPMENT ON REMAINING COMMERCIALY DESIGNATED BLOCKS AS SHOWN WITHIN THE MASTER PLAN AND DEVELOPMENT AGREEMENT, AND TO ALLOW FOR ADMINISTRATIVE HEIGHT INCREASES ALONG 152ND AVE NE and 156TH AVE NE

WHEREAS, the City of Redmond ("City") and Group Health Cooperative, a Washington nonprofit corporation ("GHC"), entered into an agreement titled "DEVELOPMENT AGREEMENT - CITY OF REDMOND AND GROUP HEALTH COOPERATIVE", effective December 13, 2011, recorded under King County Recording number 20111222001157 ("Development Agreement"), which provides for terms and conditions governing redevelopment of the property formerly known as "the Group Health Eastside Hospital Campus", also known as "Overlake Village" and currently known as "Esterra Park", the legal description of which is set forth on Exhibit A to the Development Agreement (the "Property"); and

WHEREAS, GHC prepared a conceptual master plan for development of the Property dated November 20, 2011, titled "Group Health - Overlake Village (Zone 4) Master Plan" which was approved by the City Council ("Master Plan"); and

WHEREAS, GHC subsequently conveyed the Property, and assigned its interests in the Development Agreement and Master Plan, to USL2 Overlake Village Center LLC, a Delaware limited liability company ("USL2"); and

WHEREAS, USL2 has designated Capstone Partners NW LLC, a Washington limited liability company ("Capstone"), as the Master Developer of the Property, and has authorized Capstone to take certain actions in the course of overall redevelopment of the Property on behalf of all current owners of the Property, including proposing and agreeing to amendments to the Development Agreement and Master Plan; and

WHEREAS, Capstone and the City agreed upon certain amendments to the Development Agreement that were set forth in the First Amendment to Development Agreement effective November 17, 2015, recorded under King County Recording number 20160408000249; and

WHEREAS, Capstone has proposed that the Development Agreement be further amended to clarify that those portions of the Property depicted in the Master Plan as future commercial development sites ("Commercial Blocks") are also available for residential development; and

WHEREAS, the City Council has considered the following factors in evaluating the proposed amendment:

1. All of the infrastructure requirements tied to development of the Commercial Blocks have been completed.
2. All tree mitigation has been completed.
3. The Development Agreement requires the Project to include retail or other pedestrian activating uses along the frontage of 152nd Ave NE and a full-service hotel/conference center. Both requirements have been met.
4. Through prior administrative actions, Master Plan Blocks 6 and 10 (binding site plan Blocks 6A, 6B and 10) have been determined to be available for residential development.
5. An enhanced development schedule and amenity package for the park has been developed. During 2017-2018, an interim set of improvements will be implemented to allow users to access and use the park prior to completion of the park in its final form.
6. Final completion of the park will coincide with the development of Master Plan Block 2 (potentially two development sites/projects). The current and projected demand for residential development sites at Esterra Park is very strong, with relatively little demand for commercial development sites at this location. While Capstone does not intend to foreclose the continued opportunity for commercial development, Capstone wants to clarify that Master Plan Blocks

2 and 3 (boundary line adjustment Lots 2 and 3) can accommodate commercial or residential development as the market dictates. The parties agree that the sooner Esterra Park development sites are developed, the sooner the final park at Esterra Park will be completed.

7. Additional residential development in Esterra Park will further the City's affordable housing objectives because residential development must comply with the City's inclusionary affordable housing requirements which do not apply to commercial development.

8. Section 2.9 of the Development Agreement allows the aggregation of affordable housing particularly if greater affordability can be achieved. Capstone is working with the proponent of an affordable housing project to increase feasibility of acquisition and development of a site in Esterra Park for a sizable affordable housing project that is proposed to exceed the City's affordable housing requirements.

9. The Development Agreement contemplates that the mix between residential and commercial will vary from the conceptual development plan outlined in the Master Plan, including, for example, Section 7.1.1 that specifies a conversion factor for substituting residential development for commercial development.

10. Lower traffic impacts will result from residential development as compared to the higher traffic impacts from commercial development anticipated by the Master Plan and the City's environmental review of the Project; and

WHEREAS, the maximum height within the Overlake Village OV Zone 4 (OV4) is twelve stories, except when within 50-feet of the 156TH Ave NE or the 152ND Ave NE right-of-way, in which case the maximum height is 6-stories; and

WHEREAS, the City Council has also considered that the reduced building height allowed within 50 feet of 156th Ave NE and 152nd Ave NE should be considered a design standard; and

WHEREAS, the portion of RZC 21.76.070.C. "Administrative Design Flexibility" provisions that state that they may be used to vary "all other site requirements and standards except... number of stories..." should be interpreted as referring to the maximum number of stories allowed in the zone in which the property is located.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. Development Agreement Amendment. The Development Agreement, as previously amended by the First Amendment to Development Agreement, is hereby further amended by revising subsection 2.1 by adding the following underlined sentence and deleting the following lined-through portions, to

read in its entirety as follows, and as shown in the attached Development Agreement Amendment attachment:

2.1 Right to Develop Master Planned Mixed-Use Project. Subject to the requirements set forth in this Agreement, GHC and all future owners of some or all of the Property (hereafter, collectively "Owner") shall have the right to demolish Existing Structures and redevelop the Property as a mixed-use transit-oriented community ("the Project").

The Project shall include:

(a) Not less than 1,400 residential dwelling units up to a maximum residential FAR of 4.0;

(b) A full service hotel/conference center with banquet and meeting facilities sufficient to accommodate groups of at least 300 people;

(c) Not less than 25,000 square feet of GFA of retail or other pedestrian activating uses along the frontage of 152nd Ave NE;

(d) Up to a maximum of 1.15 FAR (1,384,656 square feet of GFA) for office, retail, restaurant and other non-residential uses allowed in Overlake Zone 4 including the full service hotel/conference center, provided all commercial uses other than hotel/conference center uses shall not exceed 1.0 FAR (1,204,049 square feet of GFA);

(e) All required utilities; streets, drives, parking and other transportation facilities; park, open space, trail and landscaping

improvements; and all other improvements needed to support and complete the development, including both on-site and off-site improvements as provided for in the Master Plan and this Agreement. The identification of certain development sites (Blocks) as "Commercial" or "Residential/Mixed Use" in the Master Plan is illustrative only. All development sites may be developed for residential use, subject to satisfaction of the full service hotel/conference center and retail or other pedestrian activating use requirements specified in parts (b) and (c) of this subsection 2.1. As used in this Agreement, "commercial" ~~is the equivalent of "non-residential". When used to describe land uses "commercial" shall mean all land uses, other than residential land uses. When used to describe development, floor space or structures, "commercial" shall mean all structures, areas and facilities not designed and used for residential occupancy or accessory to residential occupancy.~~ "Commercial" includes hotels unless otherwise noted.

Section 2. Development Agreement Amendment. The Development Agreement, as previously amended by the First Amendment to Development Agreement, is hereby further amended by revising subsection 2.7.1. by adding the following underlined sentence and deleting the following lined-through portions, to

read in its entirety as follows, and as shown in the attached Development Agreement Amendment attachment:

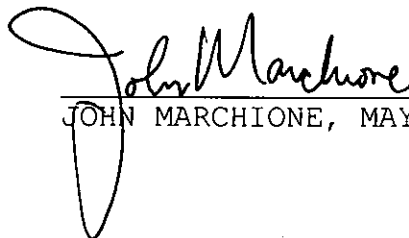
2.7.1. *Site Plane Entitlement Process. Detailed development plans for development sites within the Property shall be approved through the site plan entitlement process and other approval processes provided for in the RZC, as applicable. Depictions of building footprints, shapes and number of stories in the Master Plan are illustrative only. Such graphics and text shall not constrain the process of designing and approving individual developments which shall address applicable city-wide and special Overlake Village design guidelines and conform with standards governing structure height and bulk and other applicable development regulations. Developments may apply to deviate from the 6-story height restrictions related to the 152nd Ave NE and 156TH Ave NE corridor as provided for in RZC 21.12.100 C. and as shown in the Master Plan, pursuant to the Administrative Design Flexibility process and criteria enumerated in RZC 21.76.070.C.8. "Decision Criteria for Downtown, Overlake, and the Marymoor Design District". The proposed height may not exceed 8 stories along the 152ND Ave NE and 156TH Ave NE corridor.*

Section 3. Authorization. The Redmond City Council hereby authorizes Mayor John Marchione to execute this Second Amendment to Development Agreement on behalf of the City, to become effective as

of November 7, 2017, which is the date of approval of the amendment by the City Council. The Planning Department shall record the fully executed amendment with the real property records of King County, Washington.

ADOPTED by the Redmond City Council this 7th day of November, 2017.

APPROVED:



JOHN MARCHIONE, MAYOR

ATTEST:



MICHELLE M. HART, MMC, CITY CLERK

(SEAL)

FILED WITH THE CITY CLERK: October 17, 2017
PASSED BY THE CITY COUNCIL: November 7, 2017
RESOLUTION NO: 1483

YES: BIRNEY, CARSON, MARGESON, MYERS, SHUTZ, STILIN

**SECOND AMENDMENT OF DEVELOPMENT AGREEMENT FOR ESTERRA PARK
CITY OF REDMOND AND CAPSTONE PARTNERS NW**

WHEREAS, the City of Redmond (“**City**”) and Group Health Cooperative, a Washington nonprofit corporation (“**GHC**”), entered into an agreement titled “DEVELOPMENT AGREEMENT – CITY OF REDMOND AND GROUP HEALTH COOPERATIVE”, effective December 13, 2011, recorded under King County Recording number 20111222001157 (“**Development Agreement**”), which provides for terms and conditions governing redevelopment of the property formerly known as “the Group Health Eastside Hospital Campus”, also known as “Overlake Village” and currently known as “Esterra Park”, the legal description of which is set forth on Exhibit A to the Development Agreement (the “**Property**”); and

WHEREAS, GHC prepared a conceptual master plan for development of the Property dated November 20, 2011, titled “Group Health - Overlake Village (Zone 4) Master Plan” which was approved by the City Council (“**Master Plan**”); and

WHEREAS, GHC subsequently conveyed the Property, and assigned its interests in the Development Agreement and Master Plan, to USL2 Overlake Village Center LLC, a Delaware limited liability company (“**USL2**”); and

WHEREAS, USL2 has designated Capstone Partners NW LLC, a Washington limited liability company (“**Capstone**”), as the Master Developer of the Property, and has authorized Capstone to take certain actions in the course of overall redevelopment of the Property on behalf

of all current owners of the Property, including proposing and agreeing to amendments to the Development Agreement and Master Plan, and

WHEREAS, Capstone and the City agreed upon certain amendments to the Development Agreement that were set forth in the First Amendment to Development Agreement effective November 17, 2015, recorded under King County Recording number 20160408000249; and

WHEREAS, Capstone has proposed that the Development Agreement be further amended to clarify that those portions of the Property depicted in the Master Plan as future commercial development sites ("**Commercial Blocks**") are also available for residential development; and

WHEREAS, the City Council has considered the following factors in evaluating the proposed amendment:

- All of the infrastructure requirements tied to development of the Commercial Blocks have been completed.
- All tree mitigation has been completed.
- The Development Agreement requires the Project to include retail or other pedestrian activating uses along the frontage of 152nd Ave NE and a full-service hotel/conference center. Both requirements have been met.
- Through prior administrative actions, Master Plan Blocks 6 and 10 (binding site plan Blocks 6A, 6B and 10) have been determined to be available for residential development.
- An enhanced development schedule and amenity package for the park has been developed. During 2017-2018, an interim set of improvements will be implemented to allow users to access and use the park prior to completion of the park in its final form.
- Final completion of the park will coincide with the development of Master Plan Block 2 (potentially two development sites/projects). The current and projected demand for residential development sites at Esterra Park is very strong, with relatively little demand for commercial development sites at this location. While Capstone does not intend to foreclose the continued opportunity for commercial development, Capstone wants to clarify that Master Plan Blocks 2 and 3 (boundary line adjustment Lots 2 and 3) can accommodate commercial or residential development as the market dictates. The parties

agree that the sooner Esterra Park development sites are developed, the sooner the final park at Esterra Park will be completed.

- Additional residential development in Esterra Park will further the City's affordable housing objectives because residential development must comply with the City's inclusionary affordable housing requirements which do not apply to commercial development.
- Section 2.9 of the Development Agreement allows the aggregation of affordable housing particularly if greater affordability can be achieved. Capstone is working with the proponent of an affordable housing project to increase feasibility of acquisition and development of a site in Esterra Park for a sizable affordable housing project that is proposed to exceed the City's affordable housing requirements.
- The Development Agreement contemplates that the mix between residential and commercial will vary from the conceptual development plan outlined in the Master Plan, including, for example, Section 7.1.1 that specifies a conversion factor for substituting residential development for commercial development.
- Lower traffic impacts will result from residential development as compared to the higher traffic impacts from commercial development anticipated by the Master Plan and the City's environmental review of the Project.

NOW, THEREFORE, the City and Capstone hereby agree as follows:

1. The Development Agreement, as previously amended by the First Amendment to Development Agreement, is hereby further amended by revising subsection 2.1 and 2.7.1 by adding the following underlined sentence and deleting the following lined-through portions, to read in its entirety as follows:

2.1 Right to Develop Master Planned Mixed-Use Project. *Subject to the requirements set forth in this Agreement, GHC and all future owners of some or all of the Property (hereafter, collectively "Owner") shall have the right to demolish Existing Structures and redevelop the Property as a mixed-use transit-oriented community ("the Project").*

The Project shall include:

- (a) Not less than 1,400 residential dwelling units up to a maximum residential FAR of 4.0;*
- (b) A full service hotel/conference center with banquet and meeting facilities sufficient to accommodate groups of at least 300 people;*
- (c) Not less than 25,000 square feet of GFA of retail or other pedestrian activating uses along the frontage of 152nd Ave NE;*

- (c) *Up to a maximum of 1.15 FAR (1,384,656 square feet of GFA) for office, retail, restaurant and other non-residential uses allowed in Overlake Zone 4 including the full service hotel/conference center, provided all commercial uses other than hotel/conference center uses shall not exceed 1.0 FAR (1,204,049 square feet of GFA);*
- (d) *All required utilities; streets, drives, parking and other transportation facilities; park, open space, trail and landscaping improvements; and all other improvements needed to support and complete the development, including both on-site and off-site improvements as provided for in the Master Plan and this Agreement.*

The identification of certain development sites (Blocks) as "Commercial" or "Residential/Mixed Use" in the Master Plan is illustrative only. All development sites may be developed for residential use, subject to satisfaction of the full service hotel/conference center and retail or other pedestrian activating use requirements specified in parts (b) and (c) of this subsection 2.1. As used in this Agreement, "commercial" is the equivalent of "non-residential". When used to describe land uses "commercial" shall mean all land uses, other than residential land uses. When used to describe development, floor space or structures, "commercial" shall mean all structures, areas and facilities not designed and used for residential occupancy or accessory to residential occupancy. "Commercial" includes hotels unless otherwise noted.

*2.7.1. **Site Plane Entitlement Process.** Detailed development plans for development sites within the Property shall be approved through the site plan entitlement process and other approval processes provided for in the RZC, as applicable. Depictions of building footprints, shapes and number of stories in the Master Plan are illustrative only. Such graphics and text shall not constrain the process of designing and approving individual developments which shall address applicable city-wide and special Overlake Village design guidelines and conform with standards governing structure height and bulk and other applicable development regulations. Developments may apply to deviate from the 6-story height restrictions related to the 152nd Ave NE and 156TH Ave NE corridor, as provided for in RZC 21.12.100.C., and as shown in the Master Plan, pursuant to the Administrative Design Flexibility process and criteria enumerated in RZC 21.76.070.C.8. "Decision Criteria for Downtown, Overlake, and the Marymoor Design District". The proposed height may not exceed 8 stories along the 152ND Ave NE and 156TH Ave NE corridor.*

2. Except as set forth above, all terms of the Development Agreement as previously amended by the First Amendment to Development Agreement, shall remain unchanged, and in full force and effect.

3. Mayor John Marchione is authorized to execute this Second Amendment to Development Agreement on behalf of the City, to become effective as of November, _____, 2017, which is the date of approval of the amendment by the City Council, and the City Clerk

shall record the fully executed amendment with the real property records of King County, Washington.

IN WITNESS WHEREOF, the parties have executed this Second Amendment of Development Agreement effective as of _____, 2017.

CITY OF REDMOND

A Washington optional municipal code city

By: _____
John Marchione, Mayor

CAPSTONE PARTNERS NW, LLC, a Washington limited liability company

By: 1611 Holdings, Inc., a Washington corporation, its Manager

By: _____
Mike Hubbard, its President