

MEMORANDUM OF UNDERSTANDING

REGARDING STAFFING FOR MICROSOFT DEVELOPMENT REVIEW

THIS MEMORANDUM OF UNDERSTANDING (the “Agreement”) is entered into this 17th day of July, 2018 by and between MICROSOFT CORPORATION, a Washington corporation (“Microsoft”), and the CITY OF REDMOND, a Washington municipal corporation (the “City”).

RECITALS

A. WHEREAS, Microsoft is engaged in a significant expansion of its world headquarters in the City;

B. WHEREAS, the City has approved this expansion pursuant to its approval of a Development Agreement dated June 25, 2005 (the “Development Agreement”) providing for such expansion;

C. WHEREAS, the review of Microsoft’s permit applications and the inspection of Microsoft’s construction work cannot be accomplished within the time desired by Microsoft unless additional staff persons are hired by the Departments of Planning and Community Development, Public Works, and Fire;

D. WHEREAS, the City is willing to hire additional personnel for the Departments of Planning and Community Development, Public Works, Fire, and other supporting departments if Microsoft is willing to contribute to the cost of such hiring;

E. WHEREAS, Microsoft is willing to contribute to the cost of hiring additional City personnel to review its permit applications and inspect its construction work;

NOW, THEREFORE, Microsoft and the City agree as follows:

AGREEMENTS

1. City to Provide Additional Staffing. The City shall create and fill twenty-two (22) additional staff positions in the Departments of Planning and Community Development, Public Works, and Fire whose only job shall be to review and process Microsoft’s development permit applications and inspect Microsoft’s construction activity as set forth on Exhibit A attached hereto and incorporated herein by this reference; provided, however, the persons assigned for Fire positions will have the review, processing and inspection of Microsoft’s development permit applications/projects as their primary, not only, job. The costs for each additional staff position are also set forth on Exhibit A. In total, the number of staff positions shall not exceed twenty-two (22) FTE unless authorized pursuant to Section 3 of this Agreement. The review of Microsoft’s permit applications and the inspection of its construction work shall be accomplished in accordance with the timelines set forth on Exhibit B attached hereto and incorporated herein

by this reference. The schedule for completion of application review and project inspection is set forth on Exhibit C attached hereto and incorporated herein by this reference. The schedule on Exhibit C may be extended if Microsoft does not submit complete plans and applications, does not timely request inspections, or revises its development plans. Microsoft may provide direction to the City on how the City should prioritize its review of Microsoft's development permit applications and the scheduling of Microsoft's inspections. For example, Microsoft may direct the City to alter the order, from what is shown on Exhibit C, in which the buildings in a particular Village are reviewed, or Microsoft may direct the City to alter the order, from what is shown on Exhibit C, in which the Villages are reviewed.

2. Payment for Additional Staffing and Waiver of Fees. Microsoft shall pay the City for the additional staffing in accordance with the schedule set forth on Exhibit D attached hereto and incorporated herein by this reference. The payments set forth on Exhibit D cover a base level of support. If Microsoft requests, and the City agrees, City personnel may work overtime due to off-hour inspections or other reasons as agreed by the parties. If so, the City shall invoice Microsoft or its designee against the purchase order number issued for this Agreement for such overtime costs, and Microsoft or its designee shall pay the City for those overtime charges in addition to the payments required by Exhibit D. All fees listed as being waived on Exhibit E attached hereto and incorporated herein by this reference shall be waived by the City for those projects listed on Exhibit C. However, no utility connection, capital facilities, or impact fees are waived, and no fees collected for the State Building Code Council at permit issuance are waived. No other payment shall be required by Microsoft unless the staffing is adjusted pursuant to Section 3 below.

3. Adjustment to Staffing Levels. The personnel listed on Exhibit A will be hired as those positions are needed in the plan review and inspection processes. Similarly, personnel listed on Exhibit A will be terminated from coverage by this Agreement when the review or inspection work performed by that person is no longer required. In addition, Microsoft may request, and if the City concurs, the City shall increase or decrease staffing pursuant to a plan agreed to by Microsoft and the City to provide more or fewer personnel to review and process Microsoft's permit applications and inspect Microsoft's construction work. Microsoft and the City shall negotiate an adjustment to Exhibit D if any additional personnel are hired pursuant to this Section 3. If staffing is decreased, Microsoft's obligation to compensate the City pursuant to Exhibit D shall be reduced by an amount proportionate to the time the specific reduced staff position is not required relative to the term of this Agreement. Any staffing decrease requested by Microsoft, beyond that contemplated by Exhibit D, shall not become effective until ninety (90) days have elapsed from the date that both parties agree to the decrease.

4. Facilities for Additional Staff. At Microsoft's option, except for Fire Department personnel, the persons hired to fill the additional staff positions contemplated by this Agreement shall work in facilities located at Microsoft's world headquarters or City Hall. It is contemplated that the facilities shall consist of a trailer(s) or other temporary structure (the "Facilities") typically used at construction sites. Microsoft shall pay the cost of acquiring and installing the Facilities. The City shall have the right to review and approve the plans and specifications of the Facilities prior to Microsoft acquiring and installing the Facilities. The operational costs of the

Facilities shall be shared by Microsoft and the City with Microsoft paying for: utilities, and the City paying for: all other costs of furnishing, equipping, and operating the Facilities.

5. Site Plan Entitlement Process. In recognition of the facts that some utilities must be constructed before some buildings can be demolished and that the underground garage excavation and construction will take months and must be substantially completed before much of the remaining construction can start, the City will process a modified land use entitlement (“Site MLUE”) for the initial site work, mass excavation for the underground garage, other improvements, utilities construction, and potential construction of the underground garage. Additionally, the City will process a separate modified land use entitlement for each of the buildings or groups of buildings (“Village MLUE”) as designated by Microsoft. The City shall process all land use entitlement applications for the Site MLUE, the Village MLUE’s, and/or any individual buildings in the expedited manner set forth in that certain Application Requirements for Microsoft Land Use Entitlements - Modified, as signed by the Development Review Manager, Development Engineering Manager, and Fire Marshal.

6. Failure to Perform. If the City does not perform the permit review and inspection services in accordance with the timelines set forth on Exhibit B and the failure to perform is solely attributable to the City’s actions, the amount owed by Microsoft to the City pursuant to Section 2 above may be reduced by Five Hundred Dollars (\$500.00) for each day that a reviewing or inspection timeline is not met. In no event, however, shall the City be liable for more than one (1) Five Hundred Dollar (\$500.00) penalty per day. For purposes of determining whether the City has failed to perform the permit review and inspection services in accordance with the timelines as set forth on Exhibit B, the time spent by Microsoft and/or its consultants revising plans and/or changing the designs, or providing additional information requested by the City shall not count for purposes of determining compliance by the City. In addition, if the City determines that plans submitted by Microsoft and/or its consultants are incomplete or if Microsoft and/or its consultants fail to request inspections in a timely or appropriate manner, the timeline for that particular review or inspection shall be deemed not to have started until Microsoft and/or its consultants submits a more complete set of plans or, in the case of an inspection, it is requested in an appropriate manner. Finally, for purposes of assessing whether the City has failed to perform in accordance with Exhibit B, if one of the additional personnel listed on Exhibit A should become disabled (absent from work for ten (10) or more consecutive working days) or quits their employment with the City, the City shall not be deemed to have failed to perform any of the tasks to be completed by the department to which that particular staff member was assigned. The City shall use its best efforts to replace any of the additional personnel listed on Exhibit A as soon as possible after any such person quits or becomes disabled as defined in this Section 6.

7. Bonding. Microsoft’s development and construction work contemplated by this Agreement will require the posting of numerous bonds. In recognition of the facts that Microsoft has done substantial development work in the City and has never had to utilize a bond posted by Microsoft, Microsoft shall be permitted to post a single master bond that will cover all required bonds for the development and construction activities contemplated by this Agreement, including but not limited to landscaping (performance and maintenance), utilities, tree retention, and

construction. Prior to the need to post the first bond, Microsoft and the City shall agree upon the amount of the master bond and the timing of the master bond's posting and release.

8. Monthly Review. An oversight committee that shall consist of the City's Planning Director, Public Works Director, and Fire Marshal and Microsoft's Director of Real Estate and Facilities, or their designees (the "Oversight Committee"), shall meet during the last week of each month during the term of this Agreement to report on the status of the implementation of this Agreement and make any operational adjustments deemed necessary. Additional meetings shall occur as necessary.

9. Third Party Review. This Agreement shall not preclude or have any effect upon agreements between the parties to have third parties review applications or plans submitted by Microsoft to the City for its development projects. If mutually agreed upon by the City and Microsoft, the costs of any third party plan reviews (i.e., smoke control systems, temporary shoring) are the responsibility of Microsoft or its designee based on the current market rate.

10. Compliance with City Codes. The City, by entering into this Agreement, is not waiving its authority to fully enforce its applicable plans, policies, codes, and procedures subject to the provisions of that certain Development Agreement dated June 25, 2005 between the City and Microsoft.

11. Term of Agreement. This Agreement shall terminate and be of no further force and effect six (6) years after the date of this Agreement. If, however, the necessary application review and/or the required inspections have not been completed, the term of this Agreement shall be extended although the staffing and required payments by Microsoft may be adjusted to reflect reduced demand for additional staffing. This Agreement may be extended, in part or its entirety, by mutual agreement by a written amendment to the Agreement signed by both parties.

12. Early Termination. Microsoft or the City may terminate this Agreement prior to its expiration. However, no termination prior to this Agreement's expiration shall be effective until ninety (90) days after Microsoft or the City has provided written notice of the early termination to the City's Planning Director or Microsoft's Director of Real Estate and Facilities, respectively. Upon any such early termination, Microsoft shall pay to the City the costs set forth on Exhibit D that accrues during the ninety (90) day period.

13. Attorneys' Fees. In the event that either party to this Agreement shall commence litigation against the other in order to obtain performance of any term or to address any breach of the Agreement, the substantially prevailing party in any such litigation shall be entitled to recover its cost and reasonable attorneys' fees at trial, on appeal, and in any alternative dispute resolution proceeding.

14. Assignment. Neither party to this Agreement shall assign its rights or obligations hereunder to any third party.

15. Severability. In the event that any provision of this Agreement is determined to be unenforceable or inconsistent with the laws of the State of Washington, the remaining

provisions of this Agreement shall continue to be effective and deemed to be in full force and effect.

16. Entire Agreement. This Agreement constitutes the entire understanding and agreement between the parties regarding the provision of additional City personnel to review Microsoft development permit applications and inspect Microsoft construction work and supersedes any and all prior agreements, oral or otherwise, relating to such subject.

17. Amendment. This Agreement may be amended only by written agreement signed by both parties.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

MICROSOFT CORPORATION,
a Washington corporation

CITY OF REDMOND, a Washington
municipal corporation

By: _____

By: _____

Its: _____

Its: _____

ATTEST/AUTHENTICATED:

APPROVED AS TO FORM:

Office of the City Attorney

Michelle M. Hart, City Clerk

James E. Haney, City Attorney

EXHIBIT A**Payment for Additional Staffing
Additional City of Redmond Personnel Anticipated Under this Agreement**

Description	
Position	TOTAL
Fire	
Assistant Fire Marshal	924,644
Deputy Fire Marshal	877,918
Deputy Fire Marshal	843,975
Deputy Fire Marshal	845,694
Planning	
Transportation Strategic Advisor (Project Manager)	910,783
Administrative Assistant	485,643
Plans Examiner	422,769
Plans Examiner	352,961
Permit Technician	330,756
Planner - Senior	617,076
Planner - Senior	408,472
Engineer - Senior (Structural)	514,307
Engineer - Senior (Structural)	429,063
Engineer - Senior (Stormwater)	521,963
Engineer - Senior (Transportation)	726,910
Engineer - Senior (Water/Wastewater)	726,910
Engineering Technician - Senior	641,244
Construction Inspector	678,920
Building Inspector - Senior	737,112
Building Inspector - Senior (Electrical)	735,968
Building Inspector - Senior (Mechanical/Plumbing)	735,968
Public Works	
Engineer - Senior (Utilities)	720,971
Subtotal	14,190,025
Other Expenditures	
Overhead	2,984,129
Office Equipment	8,200
Subtotal	2,992,329
Total	17,182,354

EXHIBIT B**Performance Timelines for Application Review and Project Inspection**

Permit/Inspection Type	Maximum City Review Period (calendar days)
Demolition Permits	3 days
Site Plan Entitlement	107 days
Master Sign Permit Program	7 days
Civil Coordinated Review/Site Construction Permit*	63 days (w/ Mylar) or 56 days (w/ electronic approval)
Building Permit Commercial Garage	84 days
Building Permit Commercial New*	56 days
Building Permit Tenant Improvement	14 days
Building Permit Exterior Alteration	21 days
Building Permit Trade (E/M/P)	14 days
Fire Permit Trade (A/S/I)*	14 days
Rough Grade Permit (after 1st CCR)	21 days
Inspection	1 day

City review time period begins to run when Microsoft (or another developer representative with Microsoft's written approval) has submitted, and the City of Redmond (COR) has accepted a complete application and submittal package that meets relevant submittal criteria for each permit type identified. Only time spent by the COR is included in the maximum city review period. Time spent by the applicant or consultants in responding to City comments is not included in the maximum city review period. The goal for submittals in response to City comments is two weeks.

Timelines are based on staff levels at time of contract ratification, if staff levels change based on mutual agreement (Per Section 3) timeframes may need to be re-negotiated.

* Third party plan review will be based on actual time of consultants.

EXHIBIT C

Anticipated Project Schedule

Site Work and Shell and Core									
			Approximate Square Footage	Estimated Submittal Demo Permit	Estimated Start Demo	Estimated Submittal MLUE / CCR	Estimated Submittal Building Permit	Estimated Construction Start	Estimated Final Inspection
Microsoft	Land Use Entitlement (MLUE)								
		Site		11/8/2018	1/15/2019	8/15/2018		4/8/2019	
		Whatcom Village (Red)				1/14/2019			
		Washington Village (Blue)				1/14/2019			
		Sammamish Village (Orange)				5/7/2019			
		Chelan Village (Green)				5/7/2019			
		Jewel Box (Purple)				8/30/2019			
Coordinated	Civil Review Process (CCR)								
		Site				1/14/2019			
		Whatcom Village (Red)				5/7/2019			
		Washington Village (Blue)				5/7/2019			
		Sammamish Village (Orange)				8/30/2019			
		Chelan Village (Green)				8/30/2019			
		Jewel Box (Purple)				12/27/2019			
Washington Village (Blue)		BLDG A	162,000				5/7/2019	1/8/2020	5/5/2021
		BLDG B	162,000				5/21/2019	1/22/2020	5/19/2021
		BLDG C	171,000				6/5/2019	2/5/2020	6/3/2021
		BLDG D	111,000				6/19/2019	2/19/2020	6/17/2021
		BLDG E	176,000				7/3/2019	3/4/2020	7/1/2021
Sammamish Village (Orange)		Central Utility Plant (CUP)	* May be submitted within Whatcom village				8/30/2019	2/4/2020	7/1/2021
		BLDG F	158,000				9/16/2019	4/2/2020	8/2/2021
		BLDG G	212,000				9/30/2019	5/4/2020	8/31/2021
		BLDG H	218,000				10/14/2019	6/3/2020	9/30/2021
		BLDG I	254,000				10/28/2019	7/2/2020	10/29/2021
Whatcom Village (Red)		BLDG P	208,000				10/23/2019	3/18/2020	8/3/2021
		BLDG N	196,000				11/6/2019	3/18/2020	8/3/2021
		BLDG O	134,000				1/15/2020	6/10/2020	10/25/2021
		BLDG Q	183,000				1/29/2020	6/24/2020	11/8/2021
		BLDG J	219,000				2/19/2020	11/16/2020	3/18/2022
		PH1 Parking / Tunnel North					8/6/2019	9/9/2019	3/17/2020
		PH2 Parking / Tunnel-Central					9/9/2019	2/14/2020	8/18/2020
		PH3 Parking / Hub-South					10/9/2019	8/19/2020	2/26/2021
Chelan Village (Green)		BLDG L	75,000				3/4/2020	11/16/2020	3/18/2022
		BLDG K	189,000				3/18/2020	6/7/2021	10/4/2022
Jewel BLDG (Purple)		Jewel BLDG	153,000				4/1/2020	5/6/2021	9/20/2022
Totals			2,981,000						
*Note: Total development rights approx 3,149,000 sqft. Microsoft may add/delete sq ft on each building									

Tenant Improvement					
		Approximate Square Footage	Estimated Submit BuildingTI Permit	Estimated TI Construction Start	Final Inspection
Whatcom Village (Red)					
	BLDG P	208,000	6/12/2020	3/5/2021	8/24/2021
	BLDG N	196,000	7/14/2020	3/5/2021	8/24/2021
	BLDG O	134,000	8/12/2020	5/27/2021	11/15/2021
	BLDG Q	183,000	9/11/2020	6/11/2021	12/1/2021
	BLDG J	219,000	10/12/2020	10/18/2021	4/8/2022
Washington Village (Blue)					
	BLDG A	162,000	3/24/2020	12/4/2020	5/26/2021
	BLDG B	162,000	4/23/2020	12/18/2020	6/10/2021
	BLDG C	171,000	5/22/2020	1/6/2021	6/24/2021
	BLDG D	111,000	6/23/2020	1/20/2021	7/9/2021
	BLDG E	176,000	7/23/2020	2/3/2021	7/23/2021
Sammamish Village (Orange)					
	BLDG F	158,000	8/21/2020	3/4/2021	8/23/2021
	BLDG G	212,000	9/22/2020	4/2/2021	9/21/2021
	BLDG H	218,000	10/21/2020	5/4/2021	10/21/2021
	BLDG I	254,000	11/19/2020	6/3/2021	11/19/2021
Chelan Village (Green)					
	BLDG L	75,000	11/10/2020	10/18/2021	4/8/2022
	BLDG K	189,000	12/11/2020	5/6/2022	10/25/2022
Jewel Box (Purple)					
	Jewel BLDG	153,000	1/14/2021	4/25/2022	10/12/2022
Subtotals		2,981,000			
*Note: Total development rights approx 3,149,000 sqft. Microsoft may add/delete sq ft on each building					

EXHIBIT D**Schedule for Payment for Additional Staffing**

Payment Due Date	Payment Amount
7/25/2018	2,322,046.00
1/25/2019	1,121,343.00
4/25/2019	1,121,343.00
7/25/2019	1,121,343.00
10/25/2019	1,121,343.00
1/25/2020	1,236,917.50
4/25/2020	1,236,917.50
7/25/2020	1,236,917.50
10/25/2020	1,236,917.50
1/25/2021	896,075.00
4/25/2021	896,075.00
7/25/2021	896,075.00
10/25/2021	896,075.00
1/25/2022	460,741.50
4/25/2022	460,741.50
7/25/2022	460,741.50
10/25/2022	460,741.50
Total payments (17)	17,182,354.00

EXHIBIT E

Application Fees Covered by This Agreement and Payment Waived

The parties agree that the payments called for in Exhibit D do include all plan review and permit fees associated with permit applications required to construct the infrastructure and structures that are the subject of this Agreement including, but not limited to, the following: land use, coordinated civil, right-of way use permits, building permits, fire permits, electrical permits, mechanical permits, plumbing permits and fixed fire suppression permits.

The payments in Exhibit D do not include fees associated with the permit applications for the following items: capital facility charges, payments due under latecomer or reimbursement agreements, utility connection fees, impact fees or fees collected for the State Building Code Council, all of which shall be paid for separately. However, Microsoft may apply transportation impact fee credits it holds to offset any required transportation impact fees where allowed by City Code.