



Memorandum of Understanding

THIS MEMORANDUM OF UNDERSTANDING (this "MOU") is entered into this _____, day of _____ 2025, by and between CITY OF REDMOND, a Washington municipal corporation ("COR"), and BELLWETHER HOUSING, a Washington nonprofit corporation ("BH" or "Developer"). COR and BH shall be referred to individually herein as a "Party," and collectively as the "Parties."

RECITALS:

- A. BH caused the formation of BW Overlake LLLP, a Washington limited liability limited partnership (the "4% LLLP") of which BH is the sole member of the general partner, to acquire the Property and develop the Project (as defined below).

A.1 The 4% LLLP intends to develop the Property into a mixed-use building (the "Building") condominium project (the "Project") to consist of:

A.1.1 Approximately three hundred and twenty-eight (328) dwelling units of affordable housing (the "Housing Project" or "Condo Unit 1") to be owned by the 4% LLLP.

A.1.2 Approximately one thousand eight hundred fifteen (1,815) square feet of space at the northeast corner of Level 1 for a pedestrian oriented commercial space (the "Condo Unit 3") to be owned by an affiliate of BH.

A.1.3 Approximately ten thousand three hundred and ninety-five (10,395) square feet of at the southeast corner of Level 1 to be owned by Global Social Business Partners doing business as Friends of the Village Collective ("FVC") for operation of a multi-use commercial space (the "Hub" or "Condo Unit 4"). The Parties intend that FVC and the 4% LLLP, in accordance with the terms and conditions contained herein, will enter into a Purchase and Sale Agreement for Condo Unit 4 in shell condition, which is intended to be owned by FVC.

A.1.4 Approximately two thousand seven hundred and eighty-nine (2,789) square feet of space at the southwest corner of Level 1 in shell condition (the "COR Shell") for operation of city services as the Overlake Village Annex ("Condo Unit 5") to be owned by the City of Redmond ("COR").

A.1.5 The Hub, as currently planned, will consist of office, event space, and a commercial kitchen. As required by COR zoning, the function of Hub space fronting 152nd Avenue NE shall provide pedestrian oriented uses and be available to the public.

A.1.7 Parking: A parking garage containing approximately one hundred and twenty-one parking spaces. Of those spaces, one hundred and three (103) spaces will be dedicated as parking for the Housing Project and allocated as limited common elements to Condo Unit 1. The remaining eighteen (18) parking spaces are allocated as follows: two (2) stalls shall be allocated as limited common elements allocated to Condo Unit 5 and sixteen (16) parking stalls shall be located

within a condominium unit (“Condo Unit 2”) to be owned by BH or its affiliate. The (16) stalls located within Condo Unit 2 owned by BH will be available to tenants and customers at market hourly rate. Monthly rates will be available for tenants desiring dedicated stalls.

A.1.8 Commercial Waste: Condo Unit 3, Condo Unit 4, and Condo Unit 5 will have separate and designated collection areas within the Building. Each Condo Unit owner or its tenant will be responsible for contracting for their individual service with the relevant hauler, and staging waste within the designated areas in the Building garage on the contracted pick up day.

A.1.9 Site Improvements: Drainage, walkways, landscaping and other site improvements as required by all applicable governmental requirements.

A.1.10 Upon or before the completion of the construction of the Project, the 4% LLLP will subject the Property to a condominium regime (the “Condominium”) created pursuant to a condominium declaration (the “Condominium Declaration”), which will establish five or more separate legal parcels or condominium units: Condo Unit 1 (Housing Project), Condo Unit 2 (BH parking), Condo Unit 3 (BH retail), Condo Unit 4 (the Hub) and Condo Unit 5 (the COR annex). Condo Unit 1 shall be entitled to appoint three members to the board of directors of the association of members of the Condominium (the “Association”). Units 2 through 5 shall each be entitled to appoint one member to the board of directors of the Association.

A.1.11 The Parties desire to enter into this MOU to express and memorialize the intent of both Parties to work to proceed with the predevelopment, development and future use and operation of the Housing Project and Condo Unit 5.

AGREEMENTS:

- B. **Roles and Responsibilities:** The Parties agree to collaborate on design, budget and neighborhood notification for Condo Unit 5. BH will serve as the developer/project manager of the Housing Project. COR will identify a project manager to act as its development representative. BH will work with the COR project manager to coordinate the COR Shell requirements.
- C. **Design and Construction:** BH shall manage the design process and construct and complete the Project, including the COR Shell, which shall be constructed at the same time as the Housing Project. The Developer shall provide to COR copies of all development timelines, tenant improvement shell plans and specifications and reports relating to the construction work for the Project during: i) the design development phase, ii) permit drawings as submitted to the COR for a construction/building permit, and iii) bid documents, as applicable. Developer shall provide updates on project design and budget upon request from COR.
- D. **Documents:** COR will be provided electronic copies of design documents for its review. COR shall review and provide comments to or approve the same within fourteen (14) days from its receipt thereof. During construction, COR or its representatives will be invited to periodic design review OAC meetings convened by the Developer. The costs as result of any substantial changes requested by COR to the

COR Shell or the Condo Unit 5 improvements after the bid documents, on approximately **June 20, 2025**, shall be borne by COR.

- E. **Compliance:** All work shall be performed and completed substantially in accordance with all applicable legal requirements, and construction plans and schedule (which shall be substantially in compliance with the Development Timeline on Exhibit A).
- F. **Development Timing:** The 4% LLLP has received a funding award from King County, ARCH, and the Washington State Housing Trust Fund for the Housing Project. BH plans to apply to the Washington State Housing Finance Commission for Low Income Housing Tax Credits in Summer 2025; BH reasonably believes that it has a strong chance of receiving an allocation of such credits by Q4 2025. Provided that such a tax credit allocation is made, the 4% LLLP plans to commence construction of the Project and expects completion by approximately February 7, 2028. The development timeline is attached as Exhibit A and will be confirmed at Finance Closing in October 2025.
- G. **Financial Feasibility:** The parties acknowledge that the funding plan for the development of the Condo Unit 5 may include public funding that requires collaboration and participation of COR and BH. Any funding application supporting the Condo Unit 5 program is the responsibility of COR, however BH will collaborate and assist where applicable. COR will provide fund application criteria, notify BH of any award, and forward award conditions. At each point in funding BH will confirm that targeted funds will be compatible with the financing and cost estimates and don't trigger requirements that would affect the Project. COR is responsible for timing shortfall of funds and shall secure bridge funding according to the funding schedule.
- H. **Purchase and Sale.** It is anticipated that the 4% LLLP and COR will enter into an agreement for purchase and sale (the "Purchase and Sale") for the COR Shell at or prior to the 4% LLLP's closing of construction financing for the Housing Project. The purchase price under the Purchase and Sale shall be the allocated development cost including hard, soft and financing costs of constructing the COR Shell. Final development costs will be confirmed after formal Bid submittal and Finance Closing October 2025. The estimated total development cost (without TI build out, furniture, fixtures, and equipment (FFE) for the Condo Unit 5 in shell condition is **\$475,350** (the "Unit 5 Purchase Price") broken down as follows and defined in Exhibit B;

Hard Costs: \$216,502 (Includes shell, exterior courtyard sitework, contingency cost)
Soft Costs: \$108,848 (Includes \$15,000 budget for construction loan interest)
Parking Two (2) stalls: \$150,000

The current expected timing of funds paid in by the COR for the Condo Unit 5 are payable at the following milestones:

Earnest Money at Construction Finance Closing	\$180,000
(To be placed in Escrow by October 2025. Construction sources cannot include federal funds.)	
<u>Remainder of Purchase Price at Cof O</u>	<u>\$295,350</u>
Total	\$475,350

The Developer has based the Unit 5 Purchase Price on the estimated cost to construct the COR shell, allocated soft costs to Condo Unit 5 and the parking allocated to Condo Unit 5. Both Parties shall endeavor to work together mutually to meet maintain the

Unit 5 Purchase Price as currently projected. Both Parties acknowledge that should the Unit 5 Purchase Price increase due to factors beyond BH’s control, or if changes are requested by COR prior to occupancy that add costs above the budget identified above, then COR will be responsible for paying for cost above and beyond the budgeted Unit 5 Purchase Price. If there are cost savings below the budget identified above, it is expected that the Unit 5 Purchase Price will be reduced accordingly.

The current expected sources of funds to be pursued for the Condo Unit 5 Purchase Price include:

City of Redmond – Bellwether City Annex 2025 Budget Allocation	= \$180,000
<u>City of Redmond – Bellwether City Annex 2027 Budget Allocation</u>	<u>= \$295,350</u>
Total	= \$475,350

COR shall cooperate with the 4% LLLP’s lenders in the underwriting of construction loan related to the COR Shell and provide all necessary documentation to support this process.

Should COR be unsuccessful in obtaining the funding allocations listed above, the 4% LLLP may terminate the Purchase and Sale and sell Condo Unit 5 to BH or its affiliate, or another buyer, with use of such space to serve as small retail spaces for local businesses.

- I. **Project Accounting:** The Developer will maintain a separate construction account for the payment of all COR Shell invoices.
- J. **Condo Unit 5 Interior Build-out Hard Costs:** The GC has also provided an estimate of the cost of tenant improvements (“TI”) for Condo Unit 5 based on the Preliminary Program from Perkins Eastman dated March 12, 2024, assuming a basic finish package and reduced net finished area of 1,600 SF. **The Condo Unit 5 TI cost is estimated to be \$547,198.** It is comprised of GC markups, contingency and Washington State Sales Tax (“WSST”).

i)	Tenant Improvement Budget	= \$451,000
ii)	Contingency @ 10%	= \$45,100
iii)	<u>WSST @ 10.3%</u>	<u>= \$51,098</u>
	Total Condo Unit 5 TI Budget	= \$547,198

COR shall be responsible for contracting for and funding the TI, including all interior build-out of Condo Unit 5. COR shall not commence construction of the TI until construction of the Housing Project is complete and the Project has received its certificate of occupancy.

- K. **Capital Replacement Reserves Expense:** COR, as owner of the Condo Unit 5, will be responsible for making contributions towards capital replacement reserve expenses (“*Capital Replacement Reserve Expenses*”). Capital Replacement Reserve Expense payments shall be deposited into a designated account beginning the first year of operations and recurring annually thereafter. The Capital Replacement Reserve Expense payment will be calculated in accordance with a third-party capital needs assessment that will establish the initial regular payment amount that will be collected only for future capital repairs and improvements relating to the Condo Unit 5 and a prorated share of overall Project common elements including site landscape costs.

The pro-rata share will be allocated based upon the size of the Condo Unit 5 as a

percent of the total Project square footage. The annual Capital Replacement Reserve Expense deposit amount may be adjusted periodically-typically every 5 years, based on an updated capital needs assessment. COR's obligation to cover the pro-rata share of Capital Replacement Reserve Expenses is not limited to the amount of funds in the Capital Replacement Reserve Expense. COR will be responsible for the full cost of replacement expenses for interior tenant improvements in the Condo Unit 5.

L. Reserved

M. **Parking and loading:** COR will have shared use access of the commercial parking area and loading stall during business hours with other tenants and their customers under the terms of section A.1.7. The Developer agrees to Two (2) designated parking stalls within the garage on level 1 allocated solely to Condo Unit 5.

N. **Compatible and Exclusive Use:** The Developer shall not permit any use similar to COR program at the Project or use of the Condo Unit 5 for any use incompatible with licensing requirements. COR expressly agrees only to operate the improvements within Condo Unit 5 in a manner that is compatible with the adjacent retail and residential use.

O. **Signage:** The Project has received regulatory approval for locations to install signs at the Project. The plans for each Condo Unit includes blade and wall mounted sign locations related to their storefront. The type, size, location, design and dimensions of signs shall be approved by the 4% LLLP, subject to approval of the City of Redmond, with the 4% LLLP's approval not to be unreasonably withheld.

P. **Termination:** Either party shall have the right to terminate this MOU by delivery of written notice to the other party, in the event that the following shall occur which occurrence remains uncorrected within thirty (30) days after the mailing of such notice:

P.1 Funding Cooperation. The other party does not reasonably cooperate in public funding applications, or loan application necessary to secure the Unit 5 Purchase Price.

In the event that COR is unable or elects not to continue services in the Condo Unit 5, COR will cooperate willingly with the Developer to identify a replacement operator capable of satisfying any contractual or regulatory obligations of the funding associated with construction of the Condo Unit 5.

Q. **Fundraising:** COR shall reasonably cooperate with BH in obtaining certain public funding for the Project, including, where it is deemed to be beneficial to the Project by COR and BH, COR being a co-applicant on any public funding applications prepared and submitted by BH. The Developer shall also reasonably cooperate with COR as necessary with COR's fundraising efforts for the Condo Unit 5. COR reserves the right to determine its ability to collaborate on all fundraising grants and activities.

R. **Agreement:** This MOU describes the general roles and responsibilities of each Party during the predevelopment stage and identifies the understandings to be incorporated into a Purchase and Sale or sublease and other documents to be prepared and entered into by the Parties. Promptly after the date hereof, COR and the Developer shall, in good faith, commence negotiation of, and, prior to the start of construction on the Project,

enter into a Purchase and Sale or sublease reasonably acceptable to the Parties that contains, among other things, the terms of this MOU.

- S. **Fees and Expense:** Each Party shall pay its entire expenses, including legal fees, related to the discussions conducted pursuant to this MOU.

[Signatures on Following Page]

Signature Page to MOU

CITY OF REDMOND

By: Angela Birney
Its: Mayor

Dated: _____

BELLWETHER HOUSING


Signed by:

By: Susan Boyd
Its: Chief Executive Officer

Dated: 5/12/2025 | 5:53 PM PDT

EXHIBIT A

Development Schedule

Task Name	Start	Finish
FVC Space Design/Permitting	10/15/2023	TBD
Building Permit	1/31/25	9/25/25
LIHTC/Bond Funding	6/2/25	9/25/25
Construction	10/8/25	3/7/28
Notice to Proceed	10/8/25	10/8/25
Construction	10/7/25	12/26/27
Temporary Certificate of Occupancy	9/8/27	9/8/27
Substantial Completion	12/1/27	12/1/27
Final Completion	3/7/28	3/7/28
City of Redmond Condo Unit 5 Buildout	3/7/28	TBD

EXHIBIT B

Condo Unit 5 Acquisition Budget

Acquisition Costs	
Land	\$1980
Acquisition Closing	\$397
Acquisition – Carrying Costs	\$317
Construction	
Demolition	
New Building	\$356,145
Construction Contingency	\$11,502
Site Work/Infrastructure	
Off Site Work	\$2,127
Environmental Abatement (Land)	
Sales Tax	\$21,481
Equipment and Furnishings (FF&E)	
Commercial Tenant Improvements	
Other	\$8,750
Soft Costs	
Architect	\$5,159
Engineering	\$3,564
Environmental Assessment	\$56
Geotech	\$150
Boundary & Topographic Survey	\$94
Legal Real Estate	\$188
Developer Fee	
Other Consultants	\$375
Other	\$619
Soft Cost Contingency	\$3,015
Predev/Bridge Financing	
Bridge Loan Fees	\$238
Bridge Loan Interest	\$1,992
Construction Financing	
Construction Loan Origination Fees	\$1,155
Construction Loan Expenses	\$281
Legal – Construction Loan	\$413
Construction Period Interest	\$15,000
Lease-up Period Interest	
Permanent Financing	
Permanent Loan Origination Fees	
Permanent Loan Expenses	594
Legal Permanent Loan	792
Perm Closing Title & Recording	990
Other Development Costs	
Real Estate Tax	
Insurance – Liability	\$1,876
Permits, Fees & Hookups	\$35,704
Accounting/Audit	\$396
Total Development Cost	\$475,350

EXHIBIT C

Ownership Entity Chart



