



MEMO TO: Members of the City Council

FROM: Mayor Angela Birney

DATE: August 4, 2020

**SUBJECT: Approval of Microsoft Refresh Memorandum of Understanding (MOU)
Contract Extension**

I. RECOMMENDED ACTION

Authorize the Mayor to sign the attached Memorandum of Understanding (MOU) between the City of Redmond and Microsoft for the continued funding of additional City personnel for the Microsoft Refresh project.

II. DEPARTMENT CONTACTS

Carol Helland, Director	425-556-2107
Jason Lynch, Assistant Director – DSC	425-556-2483
Steven Fischer, Project Manager, Microsoft Refresh	425-556-2432
Aaron Ruffin, Senior Planner, Microsoft Refresh	425-556-2925
<i>Planning and Community Development Department</i>	

III. DESCRIPTION/BACKGROUND

In 2017, Microsoft approached the City about a new project, known as Microsoft Refresh, which would include the demolition of the original campus and the creation of 17 new buildings totaling 2.5 million square feet of office and retail space, and sports fields and other amenity facilities for their new corporate headquarters.

The City's staffing levels at that time would not allow the Microsoft Refresh project to be completed within Microsoft's requested construction time frame without impacting and reducing development services and inspections for other Redmond customers. On July 17, 2018, the City entered into a Memorandum of Understanding (MOU) with Microsoft for the hiring of twenty-two (22) City of Redmond staff to provide expedited plan review and inspection services for the proposed Microsoft Refresh project. With hiring completed, the City began the review of plans and permits in the Fall of 2018. To date, the project has progressed with the approval of six land use permits, construction of utilities has been completed, the garage is under construction, and the permit review for the office buildings is underway.

A. Analysis

In late 2019, it became apparent that the duration of the MOU was not sufficient to allow for completion of the project and that an extension of the agreement would be necessary. The amount of work that was necessary to complete the project was simply greater than what was planned at the time of adoption of the 2018 MOU. The City and Microsoft began discussions about how this new document would need to be formulated.

Earlier this year Microsoft proposed that the discussion of new MOU be expanded to also include a new 235,000 square foot office building at Esterra Park (formerly the Group Health Hospital site) as well as an 825,000 square foot second phase to the Redwest campus. Microsoft has created a draft project schedule for these three projects. The City has established a staffing schedule and, with the assistance from Finance, prepared a staffing cost of \$8,504,774 reflecting the work in the MOU extension. The remaining payments to the City under the 2018 MOU, which continue until October 25, 2022 and total \$17,182,354, will remain in effect and will be paid according to the original MOU agreement. Additionally, the City has proposed a credit of \$1,060,949.48 to Microsoft. This credit reflects the slight delay in obtain staffing for the 2018 Microsoft Refresh project and Microsoft's delay in submitting plans for review.

Major components of the existing and proposed MOUs are provided below:

Item	Existing	Proposed
Scope	Refresh project only	MOU is for Refresh, Esterra Block 3, and Redwest Phase 2
Staffing	Hiring of 22 staff	Retain 22 staff
Project Duration	Six years (July 17, 2024)	End of Main Campus DA (June 25, 2025)
Building Permits	Not addressed	New section added to address code standard, submittal & review process
Building Permit Prioritization	Not addressed	Establishes a process for prioritizing or placing permits that have been submitted
Project Schedule	Not addressed	Requires Microsoft to provide monthly permit submittal and construction schedule to the City
Term of Agreement	Set at six years	Proposed to be to June 25, 2025, which corresponds to the end of the Main Campus DA
Review Period	Measured in calendar days	Measured in business days
Additional Permits and Review Periods	Not addressed	Creates category for Revisions and for Miscellaneous Permit as well as the review period
Definitions	NA	Defines business day Defines Miscellaneous Permit Defines Revision

Inspections	Inspections are to be completed the next day	Same. Also provides a process should the capacity of the inspection staff be exceeded
Inspection Fees	NA	Payment for inspections outside of normal working hours, Exhibit E

The City and Microsoft have come to an agreement regarding the proposed language for the MOU and the dollar amount for the proposed extension.

IV. PREVIOUS DISCUSSIONS HELD

This item was introduced to the Council Planning and Public Works Committee of the Whole on May 12, 2020. At the June 9, 2020 Study Session, staff brought this item before the City Council and they inquired about: if there was any exposure of financial risk to the City by adopting this MOU; how planning staff that is assigned the Refresh project might be used able to assist other divisions within Planning; and how the funding from Microsoft would be addressed as part of the 2021-2022 budget.

V. IMPACT

A. Service/Delivery:

This contract will allow the continuation of the staffing agreement for twenty-two (22) positions solely to intake, review, process Microsoft's development permit applications and inspect Microsoft's construction activity. The continuation of this agreement will allow Microsoft to complete their project within the requested time frame. Additionally, the staff will allow the City to meet its contractual obligation with Microsoft while not impacting other residential and business development applications

B. Fiscal Note:

As was done for the 2018 MOU Microsoft covered the costs (including benefits and overhead) associated with the Microsoft Refresh project. For this agreement, the City of Redmond will receive payment for the cost of these staff associated with providing the development review and construction inspections for these three projects. The cost estimate to fully fund the extended MOU would be a Microsoft obligation in the amount of \$8,504,774.

VI. ALTERNATIVES TO STAFF RECOMMENDATION

A. Adopt as proposed.

B. Do not adopt.

Failure to approve this agreement between Microsoft and the City of Redmond will result in significant delays in the review, processing, and providing inspections for the Microsoft Refresh permit applications. This additional work will also impact the City's ability to provide timely permitting services to our other customers and our ability to meet our performance standards due to the increased workload.

VII. TIME CONSTRAINTS

Contracts for five City staff reviewing the Microsoft Refresh project will expire at the end of 2020 before the completion of their work for the Refresh project. Should the MOU not be extended Microsoft will not be able to meet their construction schedule for the Refresh project or the two additional projects.

VIII. LIST OF ATTACHMENTS

- A. Presentation Slides
- B. Microsoft Refresh MOU Extension
- C. Project Schedule
- D. Question Matrix, 6/9/2020 Council Study Session



Carol Helland, Director of Planning and Community Development



Approved for Agenda _____
Angela Birney, Mayor