



November 6, 2014

SENT VIA EMAIL

Liz Stead, LEED AP, BD+C Urban  
Design Planning Manager  
Development Services Department  
City of Bellevue

RE: Connector Road Completion Deadline Delay

Dear Liz,

Per our last phone conversation, I am sending you this letter as an update to BV Holdings' October 30<sup>th</sup>, 2013 letter requesting to delay the deadline for completing construction of the Connector Road. In 2005, the Connector Road easement terms were negotiated between the City and BV Holdings, LLC as it related to the entitlement approvals for the Washington Square condominiums and their integration into the Washington Square Superblock master plan. When we entered into the Connector Road agreements, the parties agreed to a 10-year timeframe within which to build the Connector Road. At the time of the agreements, real estate development in downtown Bellevue was at an all-time high and the national financial markets perpetuated a seemingly unstoppable real estate boom. At that point in time, it was not unconceivable to project that the Washington Square Superblock phases would all be constructed and finalized within the ensuing 10-year period. And thus it seemed rational based on the current real estate dynamics to place a 10-year completion deadline on the Connector Road.

In 2008, the financial crisis literally obliterated the real estate lending market and halted any new major real estate development projects from proceeding. Those under construction underwent workouts with their lenders since they were already committed, but the majority of large commercial banks simply exited the arena of originating new construction loans for large scale commercial development projects. JP Morgan Chase and Key Bank immediately exited the commercial real estate lending market and other banks were required to reduce lending capacity considerably. Underwriting standards for new development were tighter than they possibly ever have been and it became incredibly difficult to obtain a construction loan for anything but multi-family product over the following five years. Fast forward to 2014, we are now seeing lenders loosening underwriting standards slightly to where other product classes beyond multi-family apartments (office, hotel, even condo in some cases) are being considered for large scale commercial loans. But even today such asset classes are still not a financing "sure thing". Most office product requires over 50% prelease for construction funding and other asset classes require stringent feasibility studies coupled with lower loan to cost ratios and onerous loan covenants. Even today, it is still very difficult to obtain financing for a new high-rise development project that is not "multi-family" apartment product or a hotel with a major flag such as Hilton or Marriott.

It has always been our intent to build out the Washington Square Superblock as a mixed use Superblock hosting residential, office, retail and hospitality product in a high-rise, first-class setting. Despite the erratic market swings experienced over the past nine years, our resolve to

see Washington Square fulfill its intended plan has not weakened as evidenced by West77 Partners recent application to construct the Bellevue Hilton Garden Inn on the northeast corner of the Superblock. However, our ability to complete the Connector Road on the timeline set forth in 2005 has been compromised by the financial crisis. Based on the location of the Connector Road, it really needs to be constructed in connection with each phase of development on the Superblock so that subgrade parking can be constructed below the Connector Road. This allows for the highest and best use for each remaining parcel on the Superblock. Unfortunately, the markets are just starting to recover to a point where developers can begin to conceptualize large scale projects again in Bellevue and seek rational financing for the same.

We believe that the impracticability of high-rise development due to severe financing conditions and a lack of market conditions warranting new development from 2008 - 2013 provides a rational basis for BV Holdings, LLC and the City to entertain the concept of extending the completion deadline of the Connector Road. Further, we believe it will be more efficient for all parties involved to construct the Connector Road contemporaneously with the various future phases of Washington Square so that an integrated, final design can be adhered to by those developing the roadway. By delaying the completion deadline, the parties can circumvent a very real and impactful development moratorium qualitatively imposed by the financial crisis and restore the future development of the Connector Road back on a reasonable completion track.

We are excited by the way the Puget Sound, and specifically Bellevue, is emerging from this financial crisis. The industry power of this economy is something special that will be harnessed by the real estate development community for years to come. We are honored to be a part of this community and respectfully ask for your consideration in delaying the Connector Road completion deadline to September 30, 2022. During this time, we will be coordinating efforts between our team and other developers/professionals that may be brought in to help carry out the vision of Washington Square (as was done with Trammell Crow). This time will be used wisely by the parties to ensure a responsible design and completion of the Superblock that will stand as an enduring contribution to downtown Bellevue.

I apologize for the long-winded letter, but I am hopeful this gives you a better background for our request. Thank you for your assistance in this matter Liz. Please don't hesitate to contact me directly if you have any questions or need something further from me.

Best regards,



Michael Nielson  
Authorized Representative  
BV Holdings, LLC