

## Policy Briefing Memo



City of Seattle  
Edward B. Murray, Mayor

**Date:** May 31, 2016

**To:** Sustainability & Transportation Committee  
Chair: Councilmember Mike O'Brien  
Vice Chair: Councilmember Rob Johnson  
Member: Councilmember Kshama Sawant  
Alternate: Councilmember Lisa Herbold

**From:** Mayor Edward B. Murray

**Copies:** Ben Noble, CBO 4-8160  
Steven L. Shain, OPCD 4-8211  
Hillary Hamilton, FAS 4-0421  
Eric Tweit, SDOT 4-8834  
Maureen Barnes, SCL 4-0400  
Katherine Tassery, CBO 5-0703  
Miriam Roskin, OH 3-9077

**Subject:** Executive Response to 2016 Seattle City Council Green Sheet 90-3-A-2

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This report from the Executive is in response to the 2016 Seattle City Council Green Sheet 90-3-A-2. In GS-90-A-2, Council requested that the Executive analyze options for selling the City-owned surplus property at 800 Mercer Street in South Lake Union. Additionally, Council requested the Executive engage the South Lake Union community to solicit input on the type of benefits or uses the community would like to see as part of site redevelopment.

### **BACKGROUND**

There have been three Green Sheets relative to this site: 14-1-A-1 (2014); 90-3-A-1 (2016); 90-3-A-2 (2016). Council's specific interest in the 800 Mercer Street and two nearby sites grows out of an effort developed several years ago to use City assets in South Lake Union (SLU) to address neighborhood interests and to create opportunities for all City residents to take advantage of SLU as a "neighborhood of opportunity". Examples of opportunities that have been proposed are affordable housing near this robust employment center, a childcare center,

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a pre-school, a community or performing arts space, multi-modal transportation infrastructure or some type of training center to provide career opportunities in the industries located in SLU.

Although the focus of Council interest has been on the 800 Mercer Street property, there are actually three properties that have been considered as part of various Green Sheets:

Location	Lot Size Approximate	Maximum Height per City Zoning	Fund Source Used for Purchase	Financial Obligations
800 Mercer Street aka "Teardrop" or "Mega-Block" Seattle Department of Transportation (SDOT), owner	96,000 square feet, subject to vacation of remnants Broad Street	240' residential; 160' commercial	30% commercial parking tax; 12% Gas Tax; 58% private/GSF	\$26M interfund loan repayment
614 Aurora Ave N aka "Copiers Northwest" SDOT, owner	24,000 square feet	240' residential; 160' commercial	Gas Tax Revenue	Fair Market Value
8 <sup>th</sup> and Roy Seattle City Light, owner	67,000 square feet; which includes a 30,000 square foot building that has been landmarked	85' residential and commercial	SCL Enterprise Fund	Fair Market Value

The Mayor's Office responded to GS 14-1-A-1 in a report to Seattle City Council on July 31, 2015. The Executive responded by outlining opportunities identified by various City departments for programs that could operate in South Lake Union.

The report included the following three recommendations:

1. Sell the Copiers Northwest site to pay the balance of the \$10 million debt on the South Lake Union Streetcar.
2. Facilitate the purchase of the 8<sup>th</sup> and Roy site from Seattle City Light to a developer for affordable housing through an RFP process.
3. Sell the 800 Mercer St "Teardrop" site after assembling the block and taking it through the street vacation process. The report recommended using the proceeds to pay for the Mercer West project and to invest any net proceeds towards the cost of developing affordable housing at 8<sup>th</sup> and Roy.

Recognizing that Council's interest in opportunities to pursue expanded access to SLU as a neighborhood of opportunity, the Executive tasked the Office of Planning and Community Development (OPCD) and Finance and Administrative Services (FAS) to develop a plan for redeveloping the 800 Mercer Street site, potentially in conjunction with the other two nearby sites.

OPCD has been assisting SDOT with developing the public benefits to vacate the remnants of Broad Street. The vacation petition is unique in that it is not concurrent with new development. SDOT has solicited public input on the vacation at various public forums and neighborhood specific meetings. The Seattle Design Commission is next scheduled to hear the proposed public benefits for vacation on July 21, 2016.

## **PUBLIC INPUT**

There has been robust outreach engaging the South Lake Union and surrounding communities. Initially the outreach revolved around the potential vacation of Broad Street. Most recently City staff has been engaging the South Lake Union Community Council (SLUCC), representatives of Queen Anne Greenways, neighboring property owners, and the broader public on benefits or uses the community would like to see as part of the site development.

In 2015, SDOT solicited public input on public benefits relative to the vacation of Broad Street:

- SDOT presented the proposal to vacate Broad Street to the Mercer Corridor Stakeholder Committee on February 12, 2015 and to the SLUCC on March 3, 2015. The presentation described the area to be vacated and the overall purpose of the vacation: to consolidate City-owned right-of-way and property and sell it to retire debt obligations for the Mercer West Project. Input from the Mercer Corridor Stakeholder Committee included suggestions to consider extending bike lanes (or similar bikeway improvements) on 8<sup>th</sup> Avenue N through the site connecting north the Westlake Cycle Track. This would be an alternative to the proposed and existing bike lanes on 9<sup>th</sup> Avenue N. This would have required a new signal on Mercer to facilitate a crossing at 8<sup>th</sup> Avenue N.
- SLUCC discussed their interests in what should be developed on the site to meet the neighborhood's priorities, including: open space, a community center, a transit hub, and a coordinated mobility plan. SDOT subsequently met with community council members in 2015 to discuss how SDOT could address their transportation-related priorities through the Center City Mobility Plan (CCMP). In addition to providing the 'coordinated mobility plan' for South Lake Union, the CCMP will include a process with stakeholders, WSDOT, and King County to design a transit hub on the re-built Aurora Ave N between Harrison and Thomas streets. Scott Kubly, Director of SDOT has responded to SLUCC in a letter (attached) dated April 4, 2016, that addresses timing and approach to SLUCC concerns

## **800 MERCER SPECIFIC PUBLIC INPUT**

In addition to the specific dialogue about public benefits related to the street vacation, the City has also met with the community to discuss their more general interests. For example, there was a public open house on December 1, 2015 at MOHAI. That public meeting addressed

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various issues of interest in the South Lake Union community, staff received input on the Broad Street vacation and the disposition of the 800 Mercer Street.

To solicit community input on the type of benefits the community would like to see as part of site redevelopment, City staff has met individually with neighboring property owners; Vulcan Inc., Copiers NW, Mike McQuaid President South Lake Union Community Council, Mark Ostrow and Gordon Padelford of the Seattle Neighborhood Greenways. Staff also presented to the SLUCC Board and public in a meeting April 5, 2016 to solicit public input.

Generally, the community expressed interest in benefits falling into the following broad categories:

- Overriding focus is that the 8<sup>th</sup> Avenue be continued through the site as publically accessible pedestrian non-motorized vehicular open space.
- That 8<sup>th</sup> Avenue be developed into an open space in a thoughtful, innovative manner and usable to the general public.
- This open space on 8<sup>th</sup> Avenue should not read as part of closed corporate campus.
- Retail and street level activities in the buildings that will be built on either side of the 8<sup>th</sup> Avenue public realm should be open to the public and not solely available to building tenants.
- That pedestrian connections be strengthened across Mercer Street, particularly at 8<sup>th</sup> Avenue.
- Improve street right-of-way and extend the separated bike trail along Mercer Street between Dexter Avenue and 9<sup>th</sup> Avenue.
- That the selected developer work in an early consultative manner with the community and SLUCC on the 8<sup>th</sup> Avenue public space design.
- Explore partnerships with non-profits to explore homeless shelters and affordable housing.
- South Lake Union Community Council's specific response related to site related benefits as excerpted from their May 25, 2016 letter (attached) are:

*Publicly accessible open space within or separate from the so-called "Mega-Block" site that provides for thoughtful access for pedestrians, residents, commuters and others in the community in line with recommendations of the Seattle Design Commission. Our preference is for inclusion of publicly accessible open space over and above the 15% open space threshold required by zoning that is commensurate with the publicly accessible space lost as a result of the vacation of Broad Street. The Eighth Avenue (north/south) right of way through the property provides such an option provided that direct connectivity can be made through this direct pedestrian route from the Westlake/Dexter Corridor with the heart of South Lake Union on through to the Center City area of Downtown Seattle.*

*Furthermore, it is our expectation that the appropriation articulated in Seattle City Council Green Sheet GS-90-3-A-2 (attached) be applied as necessary to clearly define the inclusion of the aforementioned public benefits as defined by the South Lake Union Community Council and its stakeholders within any RFP issued for development of the property.*

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*These public benefits are intended to not unnecessarily encumber the potential re-sale value of the so-called "Mega-Block" site and continue the collaborative environment by which the South Lake Union Community Council continues to work hand-in-hand with City departments and a potential developer in thoughtfully planning for the development of the site and continuing to enhance our community in line with the priorities established in the update of the [SLU Urban Design Framework](#), [SLU/Uptown Mobility Plan](#) and the recent rezone of South Lake Union.*

### **PUBLIC LAND TO MAXIMIZE PUBLIC VALUE**

Staff has reviewed and participated in a variety of public property dispositions, ranging from sole-sourced, Requests for Information/Interest (RFI), Requests for Qualifications (RFQ), and Requests for Proposals (RFP).

GS 90-3-A-2 identifies Sound Transit's disposition process for Capitol Hill as a process for the City to emulate in the disposition of 800 Mercer Street. While this process ended with a favorable outcome for the City, there are several key differences between the Sound Transit Capitol Hill TOD process and the process proposed in this response, as well as recognition of lessons learned. These lessons learned from Sound Transit and review of other public dispositions will guide the recommendations on the disposition of 800 Mercer Street.

The City of Seattle partnered with Sound Transit in a lengthy process that ended in Sound Transit offering their Capitol Hill property by RFP in 2014, with a decision reached in 2015 on the selected respondent, and tentative term sheet agreement reached end of Second Quarter 2016. Development of the site might at the soonest commence at the end of 2016.

Beginning in 2006, the City and Sound Transit engaged with the Capitol Hill community to plan for which parcels would be surplus to Sound Transit's needs. The planning process included development of the City's Capitol Hill Light Rail Station Sites Urban Design Framework which then led to Sound Transit developing its Coordinated Development Plan. A Development Agreement between the City of Seattle and Sound Transit signed at the end of 2013.

The RFQ/P that Sound Transit offered to the market in 2014 had very specific prescriptive development program and the value was fixed by appraisal. The response required by RFP at Capitol Hill was overly detailed and over-burdened the respondents in their preparation and expenses. The RFP only received responses from three (3) developers plus one affordable housing developer. This housing developer ended up partnering with one respondent and eventually became part of the successful development team.

There are lessons learned from Sound Transit's disposition process. One of the key differences is that the 800 Mercer Street site is owned by SDOT and the City of Seattle does not need to engage with another inter-agency negotiation, the impacts of the vacation will be mitigated through the vacation process and the City has engaged in an expansive public outreach process. This will allow a timelier offering.

Another lesson learned is that Sound Transit asked for too much detail and for specific programmatic responses in the RFP, which required a costly response and thereby limited the number of respondents. Sound Transit offered the properties based on appraisals in the bid documents which limited competition among the respondents and may have prevented Sound Transit from achieving full market value.

Finally, Sound Transit lacked clarity initially in whether they wanted to simply sell the development opportunity or to enter into long term leases, requiring the respondents to develop extensive financial profiles and development proposals based on a diminished program for a long term lease. Sound Transit favored the long term lease, as the properties were purchased with a portion of funds from the Federal Transportation Agency (FTA), allowing Sound Transit to keep all the lease income as program income for on-going operational expenses as part of a joint development agreement with FTA.

The Office of Housing (OH) has reviewed the opportunity offered through the disposition of 800 Mercer Street, 614 Aurora Avenue North, and the Seattle City Light (SCL) 8<sup>th</sup> and Roy Street Shops. OH has redirected their focus from the SCL property concluding that 614 Aurora Avenue North is more appropriate for an affordable housing use. OH is conceptually developing the uses and units mix. Early consideration is that the 614 Aurora site could accommodate up to 170 units with 20% of those units a mix of family units (2bd/2ba and 3bd/2ba), with a potential to have a combined childcare and early learning center included on the ground floor.

### **800 MERCER STREET PROPERTY ANALYSIS**

The following property analysis consists of four elements; property description, site analysis, locations/uses analysis and public benefit analysis.

#### **Property Description**

This property is bounded by Mercer Street to the south, Roy Street to the North, Dexter Avenue to the west and 9<sup>th</sup> Avenue to the east. The Seattle Department of Transportation (SDOT) has proposed vacating approximately 66,811 square feet of Broad Street within this boundary. This irregularly shaped portion of Broad Street was closed as part of larger strategy to reconfigure and reconnect the street grid within the framework of the realignment of State Route 99 and the related Mercer Street Improvements. The site is generally rectangular in shape and in total measures approximately 104,000 square feet. Underground utility easements will continue to encumber the property. However, with the exception of the area needed to accommodate the drop structure located mid-block on Roy Street, the easements are expected to have limited impact on future development.

The property's zoning designation is SM 160' / 85' - 240', with a commercial height limit of 160' and a residential base height limit of 85' and maximum residential height limit of 240'. The

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base floor area ratio (FAR) limit for nonresidential uses in 4.5; the maximum FAR is 7.0 for commercial uses. The base FAR for R&D use is 5.0 with a maximum of 7.0.

Additionally, the zoning code includes a provision whereby development proposals must show that the proposed structure will not interfere with the South Lake Union Seaport Flight Corridor. 800 Mercer is partially located in the flight path corridor and therefore actual maximum height limits in the northwest corner of the site are limited to 216'.

### Site Analysis

The rectangular shape of the parcels is well suited to accommodate a broad range of uses. The site slopes gently downward from west to east and does not create any particular challenges. Views at the street level are of adjacent buildings, however, as building height increases, the potential for views improves significantly. Upper floors of buildings, built to the height limit, will likely offer views of Lake Union and Puget Sound.

The location has good access, with Mercer Street offering direct access to I-5. The nature of direct site access, curb cuts and permitted movements is unknown at this time. However, it is logical to assume that vehicle direct access from Mercer Street will be limited and Roy Street will provide primary vehicular site access.

According to an appraisal, the property is located outside of the

MERCER MEGA-BLOCK LOCATION RATING				
	Poor	Average	Good	Excellent
<b>OFFICE</b>				
Proximity to major activity nodes				4
Proximity to major transportation linkages (transit, freeway, airport)				4
Proximity to executive housing				4
Proximity to Fortune 500 firms				4
Direction of multistory office growth				4
Support facilities (restaurants, hotels)				4
Proximity to Class A office space				4
Clusters of office space				4
New multi-story office buildings (last ten years)				4
Reputation of area (prestige)				4
		Total Score		40
<b>LIFE SCIENCES</b>				
Proximity to activity nodes				4
Proximity of housing market				4
Proximity to university research institutions				4
Proximity to major transportation linkages (transit, freeway, airport)				4
Proximity to clusters of life sciences space				4
Direction of office growth				4
Support facilities (restaurants, hotels)				4
New life sciences buildings (last ten years)				4
Reputation of area (prestige)				4
		Total Score		36
<b>COMMUNITY RETAIL</b>				
Proximity to housing			3	
Traffic volume by site				4
Proximity to other community retail			3	
Density of area housing			3	
Direction of community retail growth			3	
		Total Score		16
<b>MULTI FAMILY RESIDENTIAL</b>				
Proximity to employment				4
Proximity to cultural activities				4
Proximity to services (shopping & dining)				4
Views/amenities				4
Proximity to other multi-family communities				4
Direction of multi family growth				4
Proximity of schools		2		
		Total Score		26
<b>HOSPITALITY</b>				
Proximity to freeways			3	
Proximity to activity centers (office, ind., retail, hospitals)				4
Proximity to services (shopping & dining)				4
Proximity to colleges or major institutions				4
Transportation connectivity (airports, roads, taxi, buses, trains)			3	
Proximity to other hotels.				4
		Total Score		22

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500-year flood plain and there is limited flood hazard. However, the site is situated at an elevation only slightly above the level of Lake Union. Below grade development improvements will need to be designed accordingly.

While a formal investigation has not been completed, all of the necessary utilities are likely readily available to support most uses. The capacity of the soils to support building improvements and the existence of soil contamination are unknown. The review of a prospective title report is needed to identify exceptions that impact the marketability of the property.

### Location Analysis

The location analysis is used to assess the desirability of the property from a market perspective. 800 Mercer's location is evaluated using the criteria many developers, users, and investors apply during the site selection process. The major market segments are rated using the criteria presented in the table on the previous page:

- The South Lake Union office market is currently one of the hottest office markets in the country. Amazon's growth is the primary driver behind the growth, however, other office users also perceive the location as ideal. The fringe CBD location has available land, is well connected, and is less congested than the CBD core.
- The South Lake Union market is the center of the life sciences industry in the Pacific Northwest. Its proximity to other life sciences firms and the proximity to the University of Washington are the location characteristics that matter to the life sciences community.
- Community retail, in the context of the 800 Mercer site refers to the immediate neighborhood. The property has proximity to dense housing and is highly visible to vehicular traffic. From a pedestrian perspective, the location is impacted by geographic barriers. The neighborhood is undergoing significant positive change, however, a critical mass of community retail in the immediate area has yet to evolve.
- The location is good for multi-family development and it is on the path for additional multi-family development growth. Its proximity to employment, cultural activities, views, other multi-family properties is good. The only limitation to the location for multi-family is the lack of neighborhood schools.
- Hospitality performance is enhanced by good freeway exposure and proximity to major employment centers. The location has good auto access, access to the South Lake Union Street Car, but it is located some distance from the major public transportation hubs.

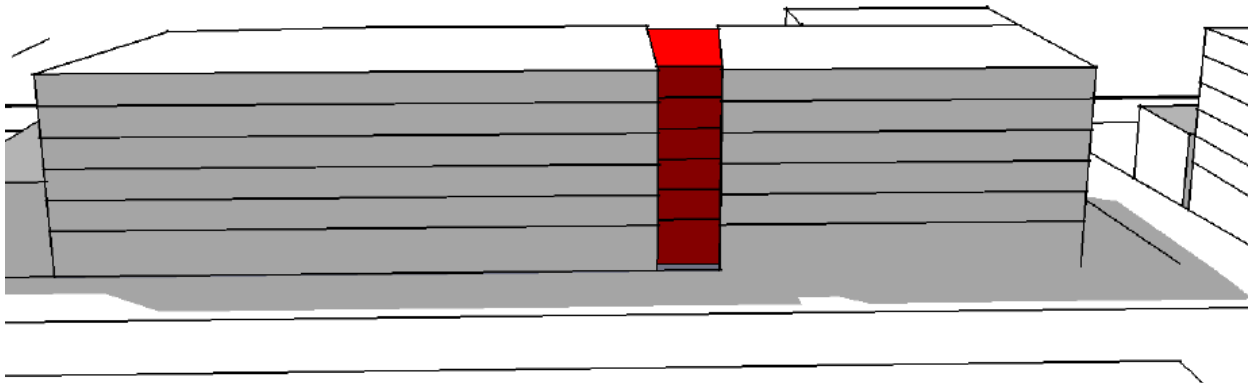
### Public Benefit Analysis

The public benefit cost analysis involves measuring the impacts various benefits have on the economic productivity of a property. Creating benefits may result in increases or reductions in the size of the building envelope or simply additional development costs.



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Changes in the building envelope can be quantified by assessing the loss or gain in developable space. While always changing, there is a direct relationship between the sizes of the developable building envelope, a project's income generating potential, and land value. The diagram below provides a simple example of an assessment of adding a mid-block pedestrian corridor to a project designed to meet market expectations. The area in red is the portion of the income producing building envelope that is exchanged for the benefit of having a pedestrian corridor. In this particular example 10,000 square feet of building floor area is given up to create a 2,000 square foot pedestrian corridor (2,000 sq. ft. X 5 FAR = 10,000). The market value would be established for the land on a FAR basis. Assuming the estimated value of land is \$75 per square foot of floor area, the reduction in the land value or the cost of the benefit is equal to \$750,000. A range of changes to the building envelope can be evaluated in a similar fashion.



There is an important consideration when evaluating cost increase or income reduction proposals for any market-driven development. It is often not any one change that makes a project infeasible, but rather many little changes. Equally important is understanding that most market driven real estate development is highly subject to changes in market conditions. When public benefits are imposed on a project, and the analysis that supports the cost is based on current market conditions, the results are highly sensitive to changes in the market. A benefit analysis that suggests that a project can handle the increased cost today may be not true in the future. The implication is that fixed fees imposed on new development can have unintended consequences.

### RECOMMENDATIONS AND NEXT STEPS

It is strongly recommended that 800 Mercer Street, 614 Aurora and SCL's 8<sup>th</sup> and Roy Street site be marketed through Request for Proposals (RFP). Further the recommendation is that:

- 800 Mercer Street and 614 Aurora Avenue be marketed together as part of a joint RFP.
- The SCL 8<sup>th</sup> and Roy Street site would be marketed through a separate RFP.

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The success of the disposition of these City owned properties depends on a clear, strategic and achievable vision, defined through principles which will guide the redevelopment of these properties. By clarifying this, the City of Seattle can achieve benefits that will build upon and grow the vitality, affordability and economic development of South Lake Union as well as benefit City Lights rate payers and the City of Seattle overall. The vision and principles are not meant to be either prescriptive or proscriptive, but rather to be used as tools to evaluate the responses for an economically, environmentally, and socially sustainable community.

The principles identified in the Request for Proposals will describe a preferred course of action and will be utilized to direct planning, and investment decisions on the development opportunities for these properties. To create a vibrant place the principles will look at the mix of uses; residential, both affordable and market rate; employment; and commercial that will build on the uniqueness and character of this part of the community; activate the site and provide places for the community to gather.

The recommendations are as follows:

- Engage a consultant, allocating the funds identified in GS-90-3-A-2, to assist OPCD, FAS and SCL in the preparation of Requests for Proposals (RFP), developing objective criteria, marketing plan and review of responses to the RFP;
- Issue the RFPs for the 3 properties identified in the chart below, allowing respondents to the RFPs to propose on any and all sites;

Location	Lot Size Approximate	Maximum Height per City Zoning	Fund Source Used for Purchase	Financial Obligations
800 Mercer Street aka "Teardrop" or "Mega-Block" Seattle Department of Transportation (SDOT), owner	96,000 square feet, subject to vacation of remnants Broad Street	240' residential; 160' commercial	30% commercial parking tax; 12% Gas Tax; 58% private/GSF	\$26M interfund loan repayment
614 Aurora Ave N aka "Copiers Northwest" SDOT, owner	24,000 square feet	240' residential; 160' commercial	Gas Tax Revenue	Fair Market Value
8 <sup>th</sup> and Roy Seattle City Light, owner	67,000 square feet; which includes a 30,000 square foot building that has been landmarked	85' residential and commercial	SCL Enterprise Fund	Fair Market Value

- The RFP for 800 Mercer and 614 Aurora sites (SDOT) will identify and include the Office of Housing's preferred development concept;
- SDOT's RFP will clarify and present the public's interest in and aspirations for the site;
- Neither RFP will propose a specific development scheme(s) for the property(s), rather the RFPs will outline various opportunities and potential constraints on the site(s);

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- Seek disposition authorization through legislation that will slightly differ from the current property disposition strategy for all three sites that is exempted from current FAS guidelines for a “complex” site;
- Convene review panel made up of representatives from CBO, OPCD, FAS, OH, SCL, Central Staff and outside consultant to review and grade responsive proposals.

### USE OF PROCEEDS

800 Mercer Street, 614 Aurora Avenue North, and the Seattle City Light 8<sup>th</sup> and Roy Street Shops are valuable assets that properly marketed could achieve substantial public and rate payer benefits for this neighborhood of opportunity.

The three properties have limitations on how any sale proceeds can be designated. The funds used to acquire the 614 Aurora Avenue and Seattle City Light’s (SCL) 8<sup>th</sup> and Roy site require that any disposition of these properties be at fair market value. 800 Mercer has an interfund loan that will need to be repaid. Even with these limitations, an RFP market sale should net the City financial proceeds in excess of the interfund loan.

Disposition legislation should:

- Designate that proceeds be prioritized so that restricted funds (Gas Tax Revenue, and the City Light Enterprise Fund) and the interfund loan repayment, as well as administrative costs associated with the sales, are paid first. The transportation restricted funds will be used to repay the \$10 million debt on the South Lake Streetcar, and the funds earned by City Light will help to reduce rate increases that would otherwise be required.
- In order, the remaining funds will be used to:
  - Fund SDOT’s required public benefits for the vacation of Broad Street
  - \$500,000 in seed funding to implement the Equitable Development Implementation Plan a companion piece to the Seattle 2035 Comprehensive Plan (<http://2035.seattle.gov/wp-content/uploads/2016/05/EDI-Imp-Plan-042916-final.pdf>).
  - Net proceeds after this prioritization will be designated by the Executive to be used for affordable housing.

### Next Steps

Outstanding issues that need to be resolved in advance of issuing the RFPs is to have certainty that Broad Street will be vacated and the implementation of the Mandatory Affordable Housing legislation for Downtown/South Lake Union. Additionally, capacity of the soils to support building improvements and the existence of soil contamination will need to be investigated. A prospective title report will need to be issued to identify exceptions that may impact the sites’ marketability.

Even while these issues are outstanding, it is recommended that the City of Seattle move forward to engage a consultant to assist OPCD, FAS and SCL in the preparation of Requests for Proposals, developing objective criteria and devise a vigorous marketing plan.

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Attachments: 2016 Seattle City Council Green Sheet 09-3-A-2  
SLU Map of City owned property  
April 4, 2016 letter from Scott Kubly, Director SDOT  
May 25, 2016 letter from Mike McQuaid President, SLCC

2016 Seattle City Council Green Sheet

Ready for Notebook

Tab	Action	Option	Version
90	3	A	2

**Budget Action Title:** Rescind and replace GS 90-3-A-1; transfer \$100,000 from CRS-SLU to Finance General to develop a sale process for 800 Mercer Street (Megablock/Teardrop)

Has CIP Amendment: No Has Budget Proviso: No

Councilmembers: Bagshaw; O'Brien; Okamoto

Staff Analyst: Calvin Chow; Josh Fogt

Council Bill or Resolution:

Date		Total	SB	BH	JO	TR	NL	TB	JG	MO	KS
	Yes										
	No										
	Abstain										
	Absent										

**Summary of Dollar Effect**

See the following pages for detailed technical information

	2015 Increase (Decrease)	2016 Increase (Decrease)
<b>General Subfund</b>		
<b>General Subfund Revenues</b>	\$0	\$100,000
<b><u>General Subfund Expenditures</u></b>	<u>\$0</u>	<u>\$100,000</u>
<b>Net Balance Effect</b>	<b>\$0</b>	<b>\$0</b>
<b>Other Funds</b>		
<b>Cumulative Reserve Subfund - South Lake Union Property Proceeds Subaccount (00167)</b>		
<b>Revenues</b>	\$0	\$0
<b><u>Expenditures</u></b>	<u>\$0</u>	<u>\$100,000</u>
<b>Net Balance Effect</b>	<b>\$0</b>	<b>(\$100,000)</b>

\* Note: This action will rescind 90-3-A-1

<i>Tab</i>	<i>Action</i>	<i>Option</i>	<i>Version</i>
90	3	A	2

<b>Total Budget Balance Effect</b>	<b>\$0</b>	<b>(\$100,000)</b>
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***Budget Action description:***

This green sheet rescinds and replaces GS 90-3-A-1; this green sheet includes new revised language describing examples of community uses that may be considered in the analysis. The remainder of this green sheet is unchanged from GS 90-3-A-1.

This green sheet adds \$100,000 in Finance General Reserves for the Executive to analyze options for selling the 89,000 square foot City-owned surplus property at 800 Mercer Street in South Lake Union, known as the “Teardrop” or “Megablock” site. Council anticipates that the Department of Finance and Administrative Services (FAS) and the Office of Planning and Community Development (OPCD) would lead this work. Council requests that this analysis explore options to maximize community-serving uses and provide most or all of the funding needed to repay the interest and principal on an interfund loan for the Mercer West transportation project.

As part of this analysis, Council requests that the Executive engage the South Lake Union community in a process for soliciting input on the types of benefits or uses that the community would like to see as a part of the site redevelopment. Examples of community benefits could include, but are not limited to: a childcare center, pre-school, community or performing arts space, affordable housing, and/or multi-modal transportation considerations.

This analysis should draw on recent examples of surplus property processes used by the City or our partner agencies (such as the process to develop publicly owned properties at the Capitol Hill Light Rail station) as well as regional and national best practices. The analysis should consider strategies including:

- Issuance of an RFP for development concepts which will be scored based on community priorities as well as sale price;
- Options for a long-term (50 or 99 year) ground lease;
- Best-practices for utilizing public site control to maximize public use.

Council requests that the Executive provide the analysis and recommendations to the Transportation Committee by May 31, 2016.

This green sheet identifies funding for this study from the Cumulative Reserve Subfund-South Lake Union Property Proceeds Subaccount. This funding has been held in reserve since 2001 and is no longer needed for specific purposes.

This green sheet makes the following change to the Cumulative Reserve Subfund-South Lake Union Property Proceeds Subaccount Fund Table, which is not shown in the transaction table of this green sheet:

- Reduce “Designated for Special Purposes” Reserves by \$328,081.

**Background**

<i>Tab</i>	<i>Action</i>	<i>Option</i>	<i>Version</i>
90	3	A	2

### Study of the Teardrop site

In November 2013, as part of the 2014 Adopted Budget, the Council adopted green sheet 14-1-A-1 that allocated \$121,500 to analyze opportunities for community-serving uses on City-owned land in South Lake Union at NW Copiers, the Teardrop, and 8<sup>th</sup> and Roy.

On July 31, 2015, the Executive responded with a report outlining opportunities identified by various City departments for programs that could operate in South Lake Union including: homeless services, a community center, a literary or youth arts center or a theater. The Office of Economic Development also identified opportunities to use funding from the sale of the property to support community development efforts in Southeast Seattle.

The report included the following three recommendations:

- 1) Sell the NW Copiers site to pay the balance of the \$10 million debt on the South Lake Union Streetcar.
- 2) Facilitate the purchase of the 8<sup>th</sup> and Roy site from Seattle City Light (at fair market value, currently estimated at \$22 million) to a developer for affordable housing through an RFP process.
- 3) Sell the 800 Mercer St “Teardrop” site after assembling the block and taking it through the street vacation process. The site’s estimated value is \$37 million. The report recommended using the proceeds to pay for the Mercer West project (\$30 million) and to invest any net proceeds (\$7 million) towards the cost of developing affordable housing at 8<sup>th</sup> and Roy.

The proposed 3<sup>rd</sup> Quarter Supplemental Budget legislation includes a request for an additional \$4 million Cumulative Reserve Subfund for the Mercer West project, reducing the amount needed for the Mercer West project in action #3 from \$30 million to \$26 million, and increasing the balance available for housing at 8<sup>th</sup> and Roy to from \$7 million to \$11 million.

In addition to developing affordable housing at 8<sup>th</sup> and Roy, any funding available after repaying the Mercer West interfund loan could be used for other purposes, such as public amenities as part of the future development of the Teardrop property or improvements associated with the Broad street vacation.

### Investment in South Lake Union

The City has an interest in increasing access for people of all backgrounds and incomes to South Lake Union, a neighborhood of opportunity. In May 2015, the Council passed Resolution 31455 responding to the Race and Social Justice Initiative (RSJI) review of the South Lake Union rezone. The resolution states the Council’s commitment to an active role in promoting and finding resources to support community center development in SLU and to encouraging and facilitating the development of a school to serve the area. The resolution also asked the Office of Economic Development to develop a work plan that target education and job training partnerships in SLU to expand access to job opportunities throughout the neighborhood.

This integrated campus idea grew out of a proposal from Vulcan, Inc. to donate land commonly known as “Block 59” in exchange for certain zoning modifications in South Lake Union. The Block 59 concept would have developed an integrated campus with support, education/training, and housing for homeless youth/families and other low-and moderate-income residents on a full block bounded by Mercer Street, Dexter Avenue N., N. Republican Street and Aurora Avenue. The campus could potentially take advantage of a

<i>Tab</i>	<i>Action</i>	<i>Option</i>	<i>Version</i>
90	3	A	2

robust employment center and deliver comprehensive support for vulnerable populations. Although the City Council did not accept Vulcan’s proposal, the Council continues to seek ways to make this vision of community-serving spaces in South Lake Union a reality.

Utilizing Site Control of Public Land to Maximize Public Value

In 2014, the City partnered with Sound Transit to design a process to create vibrant transit-oriented development that reflected community-priorities on the publicly owned land around the light rail station. A Memorandum of Understanding between the City and Sound Transit memorialized City and Community priorities such as a home for the Capitol Hill Farmers Market, affordable housing, and LGBTQ cultural space and childcare spaces. Sound Transit issued a Request for Proposals, which developers responded with concept proposals for each of the sites. The proposals were rated against the City and Community priorities as well as on the proposed price for purchase of the land. Portland-based developer Gerding Edlen was selected as a master-developer for the properties and is working to advance their projects.

Through this process, Sound Transit was able to earn fair market value for their property, and the City was able to deliver Transit-Oriented Development projects that reflect community priorities.

This green sheet aims to advance the City’s thinking and practice at utilizing our site control and sales process in order to achieve these win/win outcomes at other sites in the City.



<i>Tab</i>	<i>Action</i>	<i>Option</i>	<i>Version</i>
90	3	A	2

### Budget Action Transactions

**Budget Action Title:** Rescind and replace GS 90-3-A-1; transfer \$100,000 from CRS-SLU to Finance General to develop a sale process for 800 Mercer Street (Megablock/Teardrop)

#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BCL or Revenue Source	Summit Code	Fund	Year	Revenue Amount	Expenditure Amount
1	Transfer \$100,000 out of CRS-SLU				CRS	CRS Support for Operating & Maintenance Expenditures - South Lake Union Property Proceeds	TBD1	00167	2016		\$100,000
2	Transfer \$100,000 into GSF				GSF	Transfer from - Cumulative Reserve Subfund	587900	00100	2016	\$100,000	
3	Appropriate \$100,000 in Finance General for Mercer Sale study				FG	Reserves	2QD00	00100	2016		\$100,000
4	Increase use of CRS-SLU fund balance				CRS	Use of (Contribution to) Fund Balance	379100	00167	2016	\$100,000	



# City Property





City of Seattle  
Edward B. Murray, Mayor

Department of Transportation  
Scott Kubly, Director

April 4, 2016

Mike McQuaid  
South Lake Union Community Council  
Re: Vacation of portions of Broad Street, 8th Avenue North and Mercer Street

Dear Mr. McQuaid:

Thank you for submitting the South Lake Union Community Council's comments on the proposed vacation of Broad Street in the South Lake Union Neighborhood. I appreciate your willingness to meet with Eric Tweit and myself to discuss the street vacation, public benefits and enhancements to the South Lake Union transportation system. I apologize for the delay in sending this response, but I understand that you have been communicating with Eric about the street vacation and related issues in the time since our meeting.

As you are aware, SDOT is requesting the vacation so that we can consolidate the property in the two-block area to sell it to fund construction of the Mercer West Project. This was part of a funding plan endorsed by the City Council when they authorized SDOT to proceed with construction through Ordinance 123992 in 2012. In addition to providing funds for the Mercer West Project, the vacation of Broad Street and consolidation of properties on the two-block area allows for development that is consistent with the surrounding neighborhood and with recommendations of the South Lake Union Mobility Plan and Urban Design Framework.

As part of the street vacation, SDOT is proposing to dedicate a 40-foot wide Eighth Ave N right-of-way through the middle of the Broad Street property to create a pedestrian-emphasis green street. An additional ten-foot easement will be required on either side of Eighth Ave N to provide a 60-foot pedestrian and open space corridor complimenting existing and future improvements on Eighth Ave N north and south of the site. SDOT looked at other potential options for open space and concluded that the Eighth Ave N corridor is the best location to provide open space in combination with development on the site.

While the neighborhood priorities identified in the Community Council's letter do not necessarily fall under the types of improvements that would be considered a Public Benefit under the City's Street Vacation Policies, the City is committed to working with you to implement these priorities. SDOT is initiating a Center City Mobility Plan (CCMP) that will establish a long term transportation vision and implementation plan to meet the changing needs in Seattle's growing Center City Neighborhoods, including South Lake Union, and the

Mike McQuaid  
South Lake Community Council  
Vacation of Broad Street  
April 4, 2016

Seattle Department of Parks and Recreation is completing an assessment of community center needs across the city.

The Center City Mobility Plan (CCMP) will identify policies, capital projects, and programs as part of a multi-modal system plan that is focused on connecting people and goods within the Center City neighborhoods and to the rest of the region. The CCMP will identify transit service and operations improvements needed to support the current and projected growth in employment and housing in South Lake Union and other Center City neighborhoods. It will integrate the City's transit, pedestrian, bicycle, and freight master plans and identify any changes or enhancements to those plans needed to support the Neighborhood and City vision. The final CCMP will include an implementation plan which will set early priorities, identify funding sources and guide investments over the plan's 20-year horizon.

The Center City Mobility Plan will include recommendations for capital, operational, and programmatic improvements to create a Transit Hub on Aurora Ave N (future Seventh Ave N) between Thomas and Harrison streets. SDOT will engage the South Lake Union and Uptown neighborhoods, along with WSDOT and King County, to develop the recommended improvements, which are likely to include:

- Bus stop design with covered waiting areas for Rapid Ride and other bus routes on Aurora Ave N and for new transit service on Harrison St (a relocated Route 8 from Denny Way or other east-west service).
- Streetscape improvements to support pedestrian connections from the surrounding neighborhood and between bus stops
- Bicycle storage
- Travel information (bus arrival times, etc.)
- Potential public or private uses on adjacent property to activate the area

Development of the WSDOT property located in the northwest corner of Aurora Ave N and Thomas St is a key component of the Transit Hub. WSDOT has indicated that they are willing to sell this property once the tunnel and surface street construction is complete, as long as they can find a way to accommodate parking needs for their employees located at the adjacent tunnel operations building. This could be accomplished within future development on the site or at another location in the vicinity. SDOT will work with WSDOT to find ways to address their needs and achieve the vision of the Transit Hub.

Implementation of the Transit Hub will be integrated with the North Surface Street Project (re-build of Aurora Ave N after the SR 99 Tunnel opens to traffic), subsequent development of the WSDOT property on the west side, and development of the private property on the east side (King 5 site). The latter has included features to support the Transit Hub in its design. The CCMP will identify funding sources, which may include the SR 99 Tunnel Program, City funds, King County Metro, and Private Development.

Mike McQuaid  
South Lake Community Council  
Vacation of Broad Street  
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Eric Tweit will lead the CCMP for SDOT and coordinate a project team with our consultant and our Downtown Transportation Alliance partners – King County Metro, Sound Transit, the Downtown Seattle Association, and the Office of Planning and Community Development. We expect it will take 18 to 24 months to finalize the plan, which will have an early component focused on the end of joint bus and rail operations in the Downtown Seattle Transit Tunnel. We will likely convene the South Lake Union Community Council, Uptown Alliance, and other stakeholders on the Transit Hub starting in the 3rd Quarter of 2016. Eric will keep you updated on the schedule and coordinate with you to schedule sessions on the Transit Hub and other South Lake Union elements of the plan.

I understand that a community center is also a priority for the South Lake Union Community Council. The Department of Parks and Recreation is completing an assessment of community center needs city-wide, and they are aware that this is a priority for the South Lake Union Community Council. They expect to have draft recommendations ready for public review near the end of March.

City legislation to approve the sale of the Broad Street Property is another opportunity to advance Community Council priorities that fall outside the street vacation policies, such as a community center or open space. This is a separate legislative action and will be subsequent to the approval of the Street Vacation. In addition to deciding how the proceeds from the sale of the property will be used, the City Council may require that specific uses be developed independently or integrated with development on the site.

To help inform their decisions around the sale of the Broad Street Property, the City Council provided funding in the 2016 budget and direction to the Executive to analyze options for selling the surplus property. Budget Green Sheet 90-3-A-1 states:

“As part of this analysis, Council requests that the Executive engage the South Lake Union community in a process for soliciting input on the types of benefits or uses that the community would like to see as a part of the site redevelopment. Examples of community benefits could include, but are not limited to: a childcare center, pre-school, community or performing arts space, affordable housing, and/or multi-modal transportation considerations.”

The City Council has requested a response to the Green Sheet by May 31, 2016. The Department of Finance and Administrative Services (FAS) and the new Office of Planning and Community Development (OPCD) are leading this work. SDOT will continue to coordinate with both departments to develop a consolidated set of recommendations for the street vacation and the property disposition that incorporates input from the Community Council and other stakeholders.

Based on the appraisal that was completed in 2013 and current market conditions, we anticipate there will be additional revenue from the sale of the property after the Mercer

Mike McQuaid  
South Lake Community Council  
Vacation of Broad Street  
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West debt is retired. The Mayor has proposed that the City invest the net proceeds (currently estimated at \$7 million if no additional requirements are placed on the sale of the property) in affordable housing in South Lake Union. This recommendation will be a consideration in the response to the Green Sheet, along with other input from the community.

Thank you again for your interest in the Broad Street vacation and for working with us to identify the appropriate public benefits, transportation improvements and other community priorities for South Lake Union. We look forward to continuing our efforts with you to develop the Mobility Plan for South Lake Union and other Center City neighborhoods and the Transit Hub on Aurora Ave N. I am optimistic that we will be able to advance your priorities while meeting the funding obligations for the Mercer West Project with the Broad Street Property.

Sincerely,



Scott Kubly  
Director, Seattle Department of Transportation

## OUR VISION

To steward a livable, vibrant, urban neighborhood supporting a diversity of residents of all ages and incomes while driving an innovative local economy and providing rich, cultural community opportunities.

## OUR VALUES

Inclusiveness | Integrity | Respect | Transparency | Impartiality



SOUTH LAKE UNION  
COMMUNITY COUNCIL

Wednesday, May 25, 2016

Barbara Gray  
SDOT Street Vacations  
PO Box 34996  
Seattle, Washington 98124-4996

Re: Aug. 7, 2015 letter: Vacation of portions of Broad Street, 8<sup>th</sup> Avenue North and Mercer Street; Clerk File 314309

*via e-Mail*

Dear Ms. Gray,

This is a follow-up to our Aug. 7, 2015 letter regarding proposed public benefit for the vacation of portions of Broad Street, 8<sup>th</sup> Avenue North and Mercer Street.

After our extensive engagement with and feedback from the South Lake Union community and working closely with the Seattle Office of Planning and Community Development, Seattle Department of Transportation and Seattle City Councilmembers Sally Bagshaw, Mike O'Brien, and Rob Johnson the South Lake Union Community Council is in support of the proposed Broad Street vacation, which vacates some 60,000 square feet of public right-of-way, providing that the following public benefits are achieved.

### I. Provision for Publicly Accessible Open Space

Publicly accessible open space within or separate from the so-called "Mega-Block" site that provides for thoughtful access for pedestrians, residents, commuters and others in the community in line with recommendations of the Seattle Design Commission. Our preference is for inclusion of publicly accessible open space over and above the 15% open space threshold required by zoning that is commensurate with the publicly accessible space lost as a result of the vacation of Broad Street. The Eighth Avenue (north/south) right of way through the property provides such an option provided that direct connectivity can be made through this direct pedestrian route from the Westlake/Dexter Corridor with the heart of South Lake Union on through to the Center City area of Downtown Seattle.

### II. Initiate Planning for a Multi-Modal South Lake Union Transportation Hub and accompanying streetscape mobility, aesthetic and public safety improvements

Within the framework of the street-grid reconnection in the vicinity of the SR 99 North Portal, begin planning for and implementation of public process recommendations for the development of a Multi-Modal South Lake Union Transportation Hub, along with streetscape mobility, aesthetic and public safety improvements.

Mike McQuaid  
*President*  
Lake Union Park Working  
Group

Erin Maher  
*Vice President*  
Row House Cafe

Kyle Ducey  
*Treasurer*  
W.G. Clark

John Pehrson  
*Secretary*  
Cascade Neighborhood  
Resident

Josh Barrows  
Starbucks Coffee  
Company

Matthew Curry  
University of Washington  
Medicine at South Lake  
Union

Jerry Dinndorf  
Associated General  
Contractors

Lloyd Douglas  
Cascade Neighborhood  
Resident

Phil Fujii  
Vulcan Inc.

Leonard Garfield  
Museum of History and  
Industry

Jim Goodspeed  
Goodspeed  
Architecture/SLU Resident

Ben Grace  
Amazon.com / Hines

John Thomas  
NBBJ Architects

*Our 2015-16 priorities within the SLU Urban Design Framework & SLU/Uptown Mobility Plan*

Public/Private Construction Accountability | Mobility Advocacy | Design Review Collaboration  
Public Safety | Neighborhood Engagement & Placemaking

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**III. Inclusion of South Lake Union in the Center City Mobility Plan**

Inclusion of missing South Lake Union details of the Center City Mobility Plan between the Westlake / Dexter Corridor to the north and Center City to the south, including rapid transit accessibility and connectivity, pedestrian and cycle mobility and automobile mobility.

Furthermore, it is our expectation that the appropriation articulated in Seattle City Council Green Sheet GS-90-3-A-2 (attached) be applied as necessary to clearly define the inclusion of the aforementioned public benefits as defined by the South Lake Union Community Council and its stakeholders within any RFP issued for development of the property.

These public benefits are intended to not unnecessarily encumber the potential re-sale value of the so-called "Mega-Block" site and continue the collaborative environment by which the South Lake Union Community Council continues to work hand-in-hand with City departments and a potential developer in thoughtfully planning for the development of the site and continuing to enhance our community in line with the priorities established in the update of the [SLU Urban Design Framework](#), [SLU/Uptown Mobility Plan](#) and the recent rezone of South Lake Union.

Our community looks forward to continuing to work thoughtfully together toward strengthening this world-class neighborhood, true to Seattle values, that benefits not just residents, workforce and visitors of South Lake Union, but the broader City of Seattle, State of Washington and Pacific Northwest region.

Sincerely,

Mike McQuaid  
President, South Lake Union Community Council

**Cc:** Mayor Ed Murray; Councilmembers Sally Bagshaw, Mike O'Brien, Rob Johnson; Dir. Scott Kubly, Seattle Dept. of Transportation; Eric Tweit, Seattle Dept. of Transportation; Steven Shain, Office of Planning and Community Development; Brennon Staley, Office of Planning and Community Development; Seattle Design Commission, South Lake Union Chamber of Commerce

**Att:** Broad Street Vacation Opposition Letter (to Barbara Gray Aug. 15, 2015); SDOT Letter – Vacations of Portions of Broad Street (from Scott Kubly Apr. 4, 2016); Seattle City Council Green Sheet GS-90-3-A-2

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