

The City of Seattle
Ordinance 127461
Council Bill 121236

An ordinance relating to the Office of Housing; granting a ground lease of real property located at 2929 27th Ave South; authorizing the Director of the Office of Housing to grant a lease of the real property to MBTOD Phase One LLLP, an affiliate of Mercy Housing Northwest and El Centro de la Raza; and authorizing related agreements and actions to support the development of affordable housing and commercial space intended to be used for early learning, childcare center, and associated uses.

Recitals:

The University of Washington transferred jurisdiction over surplus real property located at 2929 27th Ave South to the Office of Housing with the adoption of Ordinance 126101.

Ordinance 126101 adopted the Office of Housing's Housing Funding Policies that include a commitment to utilizing well-located publicly owned properties for affordable housing and achieving cost savings for affordable housing development through favorable purchase terms.

Pursuant to Resolution 31609, the City Council resolved to pursue use of publicly

owned properties for development of affordable housing, including authorizing

the transfer of specific City-owned properties for the development of housing.

Mercy Housing Northwest and El Centro de la Raza were the successful respondents to

a request for proposals (RFP) for affordable housing and ground floor uses by

the University of Washington with the Rainier Valley Early Learning Center.

MBTOD Phase One LLLP's mission is to produce affordable housing for low-income

families and individuals and by preserving, developing, and operating safe,

quality affordable housing.

The Office of Housing and Mercy Housing Northwest and El Centro de la Raza have

negotiated in good faith the terms for a long-term lease of the surplus property at

2929 27th Ave South Seattle, WA 98144 for construction and operation by

MBTOD Phase One LLLP of income-restricted affordable housing for families

and individuals and community uses such as an early learning center and retail

space.

The site will be subdivided through a leasehold condominium regime (Condominium)

consisting of two separate condominium units: (1) the Residential Unit and (2)

the Commercial Unit. The elements of the Project are envisioned as compatible

uses that will be operated in one building with separate entrances.

A condominium declaration will be recorded after the conclusion of construction and

MBTOD Phase One LLLP will convey the Commercial Unit to the University of

Washington or an affiliate thereof according to the terms of a Lease and Option

to Purchase Agreement. Therefore,

Be it ordained by The City of Seattle as follows:

Section 1. The Director of Housing or designee (Director) is authorized on behalf of The City of Seattle (City) to execute such documents as deemed necessary for The City of Seattle to enter into a ground lease for a period of no more than 99 years lease that certain real property situated in the City of Seattle, County of King, State of Washington and identified as King County parcel number 713880-0025 and 713830-0015 as further described in the legal description attached to this ordinance as Attachment 1, between the City, as a lessor, and MBTOD Phase One LLLP, an affiliate of Mercy Housing Northwest and El Centro de la Raza, as a lessee, to provide for the long-term use and occupancy of the property for the purposes of providing affordable housing for households with low incomes according to terms substantially consistent with the Term Sheet attached to this ordinance as Attachment 2.

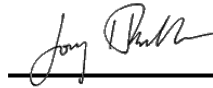
Attachments:

Attachment 1 – Property Full Legal Description

Attachment 2 – Ground Lease Term Sheet

This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council and signed in open session in authentication of its passage on June 30, 2026.



President _____ of the City Council

Approved _____ on July 8, 2026.



Katie B. Wilson, Mayor

Attested on July 8, 2026.



Scheereen Dedman, City Clerk

Seal

Attachment 1 – Property Full Legal Description

PARCEL I:

PARCEL Z OF CITY OF SEATTLE LOT BOUNDARY ADJUSTMENT NO. 3043016-LU,
RECORDED UNDER RECORDING NO. 20251204900004, IN KING COUNTY,
WASHINGTON.

PARCEL II:

LOTS 3 THROUGH 6, BLOCK 1 OF RAINIER VALLEY ADDITION TO THE CITY OF
SEATTLE, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 12 OF
PLATS, PAGE 97, IN KING COUNTY, WASHINGTON.

Attachment ____: Term Sheet

LEASE OF PROPERTY FROM THE CITY OF SEATTLE TO
MBTOD PHASE ONE LLLP, AN AFFILIATE OF
MERCY HOUSING NORTHWEST AND EL CENTRO DE LA RAZA

This term sheet describes the basic terms of the proposed lease (the "Ground Lease") of property located at 2929 27th Ave S, Seattle, WA 98144 (the "Property") between THE CITY OF SEATTLE (the "City") and MBTOD PHASE ONE LLLP, a Washington limited liability limited partnership ("Lessee"), a subsidiary of MERCY HOUSING NORTHWEST, a Washington nonprofit corporation ("Mercy") and EL CENTRO DE LA RAZA ("El Centro", and together with Mercy, the "Sponsors"). The Ground Lease will be entered into subject to the conditions set forth below and on the following terms:

1. **Ground Lease.** The Ground Lease term shall be for 99 years.
2. **Consideration.** In consideration for the City leasing the Property to Lessee for rent of \$1/year, Lessee shall agree to construct or cause to be constructed within the Property improvements substantially as described in those plans and specifications prepared by Runberg Architecture Group, PLLC more specifically described in SDCI Permit Nos. _____ (collectively, the "Project"). Which improvements shall include 239 units of Low-Income Housing, along with approximately 31,728 square feet of commercial space intended to be used as an early learning research facility known as the Rainier Valley Early Learning Campus operated by the University of Washington's College of Education, and a portion of which will serve as a licensed childcare center, common spaces, and associated uses. Sponsors intend to develop an adjacent affordable housing project as a second phase of development to be governed by a separate ground lease.
3. **Conditions of the City's Ground Lease of the Property:**
 - a. Lessee shall have obtained approval from the Director of the Office of Housing (the "Director") of the final plan set for the Project and development budget for development of the Project.
 - b. Lessee shall have obtained permits for the development of the Project consistent with the designs approved by the Office of Housing.
 - c. Lessee shall have provided evidence satisfactory to the Office of Housing that Lessee has secured all necessary construction financing to fund the construction of the Project. The Sponsors will be responsible for securing the balance of funding needed to fully fund the Project.

4. Other conditions.

- a. The Ground Lease will contain other conditions determined by the Director to be necessary to provide the desired outcomes.
- b. The Ground Lease of the Property shall be "AS IS," without any warranty as to any matters related to title or the condition of the Property, including without limitation the presence of any encroachments, hazardous materials or any other environmental matters of the Property. Notwithstanding the foregoing, the City shall provide easements and/or licenses on adjacent property owned by the City reasonably necessary for construction and operation of the Project.
- c. The permitted use under the Ground Lease will require, for at least 50 years, development and operation of 239 units of housing for Low-Income Housing built on the Property and dedicated space for approved commercial uses, including the planned community retail space and the early learning research facility to be located on the ground and first floors.
- d. The parties shall agree on a form of documents to create the condominium ownership structure at the Property that will allow for the creation of the condominium units that will contain (1) the community retail space to be conveyed to El Centro or an entity created by Grow America, and (2) the early learning center to be conveyed to El Centro and allow the further conveyance or lease of such condominium unit to the University of Washington (the "Condominium Documents").
- e. The Ground Lease shall provide commercially reasonable mortgagee protections and notice and cure rights in the event of default for the Lessee's investor limited partner.