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Budget Action description:

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 new school, community center, performing arts space, workforce development center, affordable housing, child care center, and/or extension of the Mercer Cycle Track.

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

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 8th and Roy.

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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 8th 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 8th and Roy.

The proposed 3rd 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 8th and Roy to from \$7 million to \$11 million.

In addition to developing affordable housing at 8th 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 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

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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.

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Budget Action Transactions

Budget Action Title: 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	