



## BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

**AB 6850**  
**January 20, 2026**  
**Consent Agenda**

### AGENDA BILL INFORMATION

<b>TITLE:</b>	AB 6850: Facilities Planning Appropriation Request	<input type="checkbox"/> Discussion Only
<b>RECOMMENDED ACTION:</b>	Transfer \$587,594 of available Street Fund resources to the Capital Improvement Fund and appropriate this amount to support facility planning, including initial planning work required for occupancy of the newly acquired 9655 Building.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

<b>DEPARTMENT:</b>	Public Works
<b>STAFF:</b>	Jessi Bon, City Manager Jason Kintner, Public Works Director Matt Mornick, Finance Director Kellye Hilde, Deputy Public Works Director Robbie Cunningham Adams, Senior Management Analyst
<b>COUNCIL LIAISON:</b>	n/a
<b>EXHIBITS:</b>	n/a
<b>CITY COUNCIL PRIORITY:</b>	3. Make once-in-a-generation investments to update and modernize aging infrastructure, capital facilities, and parks.

<b>AMOUNT OF EXPENDITURE</b>	\$ 300,000
<b>AMOUNT BUDGETED</b>	\$ 0
<b>APPROPRIATION REQUIRED</b>	\$ 300,000

### EXECUTIVE SUMMARY

The purpose of this agenda item is to transfer \$587,594 of available Street Fund resources to the Capital Improvement Fund and appropriate this amount to support ongoing facility planning efforts, including initial planning work required for occupancy of the newly acquired building at 9655 SE 36th Street ("9655 Building").

- Proposition No. 1, included on the November 4, 2025 General Election ballot to fund the Public Safety and Maintenance (PSM) Facility received 54.24% voter approval, which was short of the 60% needed for a successful bond measure.
- In late 2025, staff began reassessing facility replacement strategies to inform future policy direction and City Council decision-making.

- During the January 16, 2026, City Council Planning Session, the City Council debriefed the November 2025 bond measure and provided initial feedback on the framework to guide the facility planning work anticipated this year ([AB 6840](#)).
- The \$587,594 budget appropriation will also be used for the initial planning work to address building improvements needed for occupancy of the newly acquired 9655 Building.

## BACKGROUND

### 9655 Building Acquisition

In early June 2025, the City announced the strategic acquisition of the 22,000 square-foot commercial office building located at 9655 SE 36<sup>th</sup> Street (“9655 Building”), adjacent to the City Hall Campus. The City acquired the building for \$9.06 million. The City closed on the property in the summer of 2025 and with the conclusion of the lease for the prior tenant at the end of September 2025, is now fully in possession of the building.

Before opening the 9655 Building for City use, several improvement projects are needed to ensure the space is ready to support the staff and the community. The near-term and long-term occupancy of the building will be discussed and re-evaluated as a result of the outcome of the Proposition 1 in November 2025. The building will likely house the Community Planning and Development Department, the Public Works Capital Projects and Engineering teams, the Youth and Family Services Department, the Customer Service Team, and other services.

The acquisition of the 9655 Building was funded primarily with available funds and \$1.5 million through outside financing. No new taxes were used to acquire the building. The available funds are the result of years of conservative budgeting, disciplined spending, and prior year savings.

### November 2025 Bond Measure for PSM Facility

During the November 4, 2025 General Election the City held an election on Proposition No. 1 related to the proposed [Public Safety and Maintenance Facility](#). Proposition No. 1 received 54.24% voter approval, which fell short of the 60% required for approval of a bond measure.

### Post-Bond Measure Evaluation

In late 2025, staff began reassessing facility replacement strategies to inform future policy direction and City Council decision-making. To support this effort, the City Manager recommended that the City Council hold a Planning Session in early January, allowing sufficient time to prepare for a potential second bond measure, should the Council choose to pursue that direction. The earliest feasible ballot would be November 2026.

During the January 16, 2026, City Council Planning Session, the City Council debriefed the prior City facilities bond measure and provided initial feedback on the framework to guide the facility planning work anticipated this year ([AB 6840](#)).

## ISSUE/DISCUSSION

City staff are requesting \$587,594 be transferred from the Street Fund to the Capital Improvement Fund and appropriated to support ongoing facility planning work. These resources will also be used for the initial planning work to address building improvements needed for occupancy of the newly acquired 9655 Building.

## **Post Bond Measure Facility Planning**

The City Council held a Planning Session on January 16, 2026, to discuss the outcome of the November 2025 Bond Measure for the PSM Facility, marking the initial conversation about what comes next. During this session, the City Council provided feedback to help frame upcoming community engagement and early planning work, including revisiting the scope and scale of the PSM Facility. Advancing this planning work requires a reassessment of existing City facilities to inform development of alternative project approaches. To support this effort, the City has retained an architect to assist with a space planning analysis and to review the proposed PSM Facility project, including identifying opportunities to scale back the project.

## **Planning for Occupancy of the 9655 Building**

Relocating certain City services into the 9655 Building, acquired in 2025, is a known priority, and space planning and design work will be required to initiate this effort. The preliminary scope of work for the 9655 Building includes architectural, interior, civil, structural, life safety, mechanical, electrical, and plumbing, and cost estimating services. The services will support existing-conditions documentation and strategic space planning and design development.

Staff will return to the City Council with a full scope of work, cost estimate, and phasing plan for the 9655 building improvements in 2026.

## **Financial Impacts and Budgetary Actions**

Staff recommend reallocating project resources in the 2025-2026 CIP to fund this facility planning work.

As part of the City Council's adoption of the Transportation Improvement Program (TIP) in June 2025 ([AB 6711](#)), staff recommended several transportation project resources and timelines be modified to align with the major capital reinvestment work underway to replace the City's main water supply pipeline (90.40.0032). The Gallagher Hill Road Overlay project (90.20.0008) was among these projects with \$587,594 appropriated in 2026 to resurface Gallagher Hill Road between SE 36<sup>th</sup> and SE 40<sup>th</sup> Streets with hot mix asphalt overlay.

The City's Water Supply Pipeline project (90.40.0032) also includes resources from the City's Water Fund to complete the same roadway improvements on Gallagher Hill Road after the water supply line is replaced. It is standard practice for the Utility's enterprise fund to pay for the portion of street improvements required after major underground facilities are upgraded.

In effect, staff double-counted resources to resurface Gallagher Hill Road.

## **NEXT STEPS**

This initial appropriation will allow facility planning work to continue in the weeks after the City Council Planning Session. Staff will return to the City Council at future meetings to continue discussions of the long-term facilities strategy and to present follow-up information on the improvements anticipated to occupy the 9655 Building.

## **RECOMMENDED ACTION**

Transfer \$587,594 of available Street Fund resources to the Capital Improvement Fund and appropriate this amount to support facility planning, including initial planning work required for occupancy of the newly acquired 9655 Building.