

**CITY OF MERCER ISLAND, WASHINGTON
RESOLUTION NO. 1584**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, CONFIRMING THE END OF THE PROPOSED COMMUTER PARKING AND MIXED-USE DEVELOPMENT PROJECT AND DIRECTING THE CITY MANAGER TO CONCLUDE THE CITY'S RELATIONSHIP WITH ITS DEVELOPMENT PARTNER

WHEREAS, in August 2018, the City Council approved a Request for Qualifications (RFQ) process to identify reputable private developers to enter into a public-private partnership with the City to design and construct a mixed-use development project that would integrate a highly desired new commuter parking facility with multi-family residential units, retail/commercial space, and possibly a performing arts space ("Commuter Parking and Mixed-Use Development Project" or "Project") on City-owned property in the Town Center area, near the new Sound Transit light rail station presently under construction; and

WHEREAS, pursuant to the RFQ evaluation process, the City Council identified and selected the MainStreet Property Group, LLC, to be the developer for the Project; and

WHEREAS, on June 20, 2019, the City and MainStreet entered into a nonbinding Memorandum of Understanding (MOU) concerning the potential development of the Project, including the numerous steps that would be required before reaching a binding development agreement and other related agreements for the proposed Project; and

WHEREAS, shortly after the nonbinding MOU was executed, the City and MainStreet commenced negotiations among themselves and additional partners, including the proposed Mercer Island Center for the Arts (MICA), to further define the scope, timing, funding, and desired elements of the proposed Project; and

WHEREAS, during the parties' negotiations over a period of several months, it became clear that they had widely divergent visions and expectations for the Project, including the responsibilities of the various Project participants, which became a substantial stumbling block toward further progress in defining Project components and objectives; and

WHEREAS, pursuant to Section 15 of the MOU, the parties acknowledged and understood that the Project was always contingent on subsequent approvals by multiple government agencies and that the MOU did not guarantee that the Project would be completed or that the City Council would ultimately approve the Project to move forward; and

WHEREAS, bringing to fruition the Project proposed in the MOU will require the City to commit substantial sums of money and staffing resources toward completing the City's share of Project tasks, as spelled out in Sections 5, 8, and 10 of the MOU; and

WHEREAS, the City's budget has become increasingly more constrained, with staff layoffs, salary reductions, and other belt-tightening measures implemented as a matter of fiscal necessity; and

WHEREAS, the global COVID-19 Pandemic and related emergency proclamations issued by the Governor in early 2020 have compounded the pre-existing strain on the City's fiscal situation, resulting in the urgent need to redirect and reprioritize the City's limited financial and

human resources toward only the most essential functions and public health and safety responsibilities; and

WHEREAS, the financial and staffing limitations caused by the Pandemic and budget constraints are expected to continue for an extended, but unknown, duration; and

WHEREAS, as a result of the City's ongoing fiscal distress and Pandemic response efforts, the City has determined that it is simply not feasible or practicable from a financial or staffing perspective to continue with the Project; and

WHEREAS, the City notified MainStreet of its decision to end the Project on April 3, 2020, via a phone call and a follow-up email from the City's outside legal counsel, and subsequently reiterated that decision to MainStreet in additional communications from the City Manager and outside legal counsel; and

WHEREAS, the City wishes to resolve any outstanding issues that may exist related to the MOU; and

WHEREAS, nothing in the MOU prohibits the City from constructing a parking facility on its own property at its own expense; and

WHEREAS, although the City has concluded that it cannot proceed with the Project due to fiscal and staffing limitations, the City Council desires to continue looking for creative ways to use City-owned property to resolve the City's need for additional commuter parking, including the potential for using funds it is owed from Sound Transit to construct a surface parking lot on some or all of the City property that was originally contemplated to be incorporated into the Project;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DO HEREBY RESOLVE AS FOLLOWS:

Section 1. For the reasons described above, the City Council confirms that it is no longer feasible nor in the best interests of the City or its residents to proceed with the Commuter Parking and Mixed-Use Development Project proposed in the MOU with MainStreet Property Group, LLC. Accordingly, no further City staffing or financial resources shall be expended on Project development.

Section 2. The City Council ratifies the April 2020 communications sent by or on behalf of the City Manager, which notified MainStreet and its representatives that the City desired to end the Project and conclude the parties' relationship under the MOU.

Section 3. The City Council directs the City Manager to proceed with all appropriate steps, if any are necessary, to conclude the City's relationship with MainStreet under the MOU.

Section 4. The City Manager is further directed to explore options for converting City-owned property within the proposed Project site to a surface parking lot without the participation or involvement of any private development partners. No discussions with any other developers concerning redevelopment of the Project site or marketing thereof shall occur until action permitting the same is taken by the City Council subsequent to this resolution.

**PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON,
AT A REGULAR MEETING THEREOF, ON THE 21ST DAY OF JULY, 2020.**

CITY OF MERCER ISLAND

Benson Wong, Mayor

Attest:

Deborah A. Estrada, City Clerk