



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5732
July 21, 2020
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5732: Adoption of Resolution No. 1584 Related to Ending the Proposed Mercer Island Commuter Parking Mix Use Project.	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed:
RECOMMENDED ACTION:	Adopt Resolution No. 1584 confirming the end of the proposed Mercer Island Commuter Parking and Mixed-use Development Project and directing the City Manager to conclude the City's relationship with MainStreet under the MOU.	<input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution

DEPARTMENT:	City Manager
STAFF:	Jessi Bon, City Manager
COUNCIL LIAISON:	n/a
EXHIBITS:	1. MOU Mercer Island Commuter Parking Mixed Use Project 2. Resolution No. 1584
CITY COUNCIL PRIORITY:	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.

AMOUNT OF EXPENDITURE \$ n/a

AMOUNT BUDGETED \$ n/a

APPROPRIATION REQUIRED \$ n/a

SUMMARY

In August 2018, the City Council approved a Request for Qualifications (RFQ) process to identify private developers capable of forming a public-private partnership with the City to design and construct a mixed use development project with commuter parking, multi-family residential units, retail/commercial space, and possibly a performing arts space (Project) on City-owned property near the Sound Transit light rail station under construction. From the RFQ process, MainStreet Property Group, LLC (MainStreet) was identified and selected to partner with the City to develop the Project.

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 for the Project (see Exhibit 1). Shortly after the MOU was executed, the City and MainStreet commenced negotiations among themselves, as well as with an additional partner, Mercer Island Center for the Arts (MICA), to further define the scope, timing, funding, and other

desired elements of the Project. If its fundraising efforts succeeded, MICA would fund, own, and occupy the performing arts space that was proposed as part of the Project. During the parties' negotiations over a period of several months, however, it became clear that they had widely divergent visions and expectations for the Project, including the responsibilities of the various Project participants. This became a substantial stumbling block toward further progress in defining Project components and objectives, and eventually led to the parties reaching an impasse.

In addition to the impasse over differing visions and expectations, completing the Project would require the City to commit substantial sums of money and staffing resources toward the City's share of Project tasks. The City's budget, which had already become increasingly constrained, was worsened by the global COVID-19 Pandemic, resulting in staff layoffs and reductions, and other belt-tightening measures implemented as a matter of fiscal necessity. The Pandemic and related emergency proclamations issued by the Governor in early 2020 have compounded the pre-existing strain on the City's fiscal situation, requiring the City to redirect and reprioritize its limited financial resources towards only the most essential functions and public health and safety responsibilities. It remains uncertain when the City's budget constraints are expected to significantly improve.

As a result of the City's ongoing fiscal distress and pandemic response efforts, and in light of the differences in the parties' visions and expectations for the Project, the Project has become impracticable and unfeasible for the City. Consequently, MainStreet was notified of the City Manager's executive decision to halt the Project.

The MOU was never a guarantee from either MainStreet or the City that the Project would be successfully completed. Section 15 of the MOU describes the parties understanding 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.

For the reasons described above, the City Council is asked to confirm, by adopting Resolution No. 1584 (see Exhibit 2), that it is no longer feasible, nor in the best interests of the City or its residents to proceed with the Project proposed in the MOU. The City Council is further asked to ratify the communications from the City Manager to MainStreet stopping the Project and attempting to conclude the parties' relationship under the MOU. Finally, the City Council is asked to direct staff to explore a simpler solution, as an interim alternative to the Project, including the possible construction of a surface commuter parking lot on the Project site using Sound Transit Settlement Funds.

RECOMMENDATION

Adopt Resolution No. 1584 confirming the end of the proposed Mercer Island Commuter Parking and Mixed-Use Development Project and directing the City Manager to conclude the City's relationship with MainStreet under the MOU.