



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6738
July 15, 2025
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6738: Budget Appropriation for the Acquisition of Real Property by Eminent Domain and First Reading of Ordinance No. 25-21	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Conduct first reading of Ordinance No. 25-21 to issue limited tax general obligation debt and appropriate budget resources for the acquisition of real property by eminent domain.	

DEPARTMENT:	City Council
STAFF:	Matthew Mornick, Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Ordinance No. 25-21
CITY COUNCIL PRIORITY:	3. Make once-in-a-generation investments to update and modernize aging infrastructure, capital facilities, and parks.

AMOUNT OF EXPENDITURE	\$ 9,080,000
AMOUNT BUDGETED	\$ 0
APPROPRIATION REQUIRED	\$ 9,080,000

EXECUTIVE SUMMARY

The purpose of this agenda item is for the City Council to appropriate budget resources for the acquisition of the building at 9655 SE 36th Street ("9655 Building") by eminent domain.

- At the June 17, 2025 City Council meeting, the Council authorized the City Manager to execute an agreement to acquire the 9655 Building by eminent domain for the purchase and sale price of \$9,060,000 ([AB 6714](#)).
- On July 1, the City Council adopted on first reading Ordinance No. 25-20 condemning the 9655 Building and authorizing an easement over the remainder of the parcel for ingress and egress ([AB 6726](#)). Ordinance No. 25-20 authorized the City Attorney to file and initiate a petition for condemnation with King County Superior Court to effectuate the City's exercise of eminent domain to acquire the 9655 Building by condemnation using cash-on-hand resources.
- The property acquisition will be paid for with unassigned fund balance from the Municipal Facility Replacement Fund, General Fund, and other available capital resources. As part of the condemnation process, money will be deposited into an escrow account.
- Staff recommends an additional \$20,000 appropriation for estimated closing costs related to the 9655 Building acquisition.

- Ordinance No. 25-21 authorizes staff to finance \$1.5 million of the purchase price with a private placement (Exhibit 1). A not to exceed amount of \$1.6 million is included in the Ordinance, accounting for the cost of issuing general obligation debt.
- The 9655 Building will eventually serve as the permanent location for the Community Planning and Development Department, the Public Works Administration, Capital Projects and Engineering teams, and the Youth and Family Services Department.

BACKGROUND

At the June 17, 2025 City Council meeting, the Council authorized the City Manager to execute an agreement to acquire the 9655 Building by eminent domain for the purchase and sale price of \$9,060,000 ([AB 6714](#)). The agreement set forth the terms reached by the City and EPE 2, LLC (“Seller”), which include a purchase price of \$9,060,000. It described the process and timing for the condemnation of the 9655 Building. Other transactional terms, such as exchange of mutual access easements and waiver of notice of condemnation, were also included.

On July 1, 2025, the City Council adopted on first reading Ordinance No. 25-20 and declared the City needed to condemn and take the 9655 Building for use as office space for the City as well as authorizing an easement over the remainder of the parcel for ingress and egress ([AB 6726](#)). Once effective, the City Attorney was authorized to begin the prosecuting proceedings prescribed by law that are necessary to condemn, acquire, take, and appropriate the 9655 Building.

A Petition for condemnation will be filed in King County Superior Court on or about July 16, 2025 for the just compensation and takings of the 9655 Building by the City. Staff anticipate the acquisition and condemnation will be completed by August 2025. Staff recommends an additional \$20,000 appropriation for estimated closing costs related to the 9655 Building acquisition.

The City anticipates taking possession of the building in Fall 2025, after the current tenant moves out. Some repairs and upgrades are needed before staff can relocate, including security improvements, HVAC updates, roof repair, and new carpeting. The 9655 Building will eventually house the Community Planning and Development Department, the Public Works Administration, Capital Projects and Engineering teams, as well as the Youth and Family Services Department.

Acquisition of the 9655 Building will be funded through 2024 year-end savings from the City’s General Fund, resources set aside for long-term facility needs, and available capital resources. The City intends to finance a portion of the building’s acquisition with outside financing as outlined in Ordinance No. 25-21 (Exhibit 1).

ISSUE/DISCUSSION

Resources on hand to acquire the 9655 Building are outlined in Figure 1.

Figure 1	
Available Unassigned Fund Balance	Amount
General Fund	\$ 3,302,358
Municipal Facility Replacement Fund	3,362,808
Capital Improvement Fund	1,670,752
Town Center Parking Facilities Fund	744,082
TOTAL	\$ 9,080,000

At the end of 2024, the General Fund generated a one-time revenue surplus due to better than anticipated revenues related to interest earnings and sales tax, among others, along with additional year end savings. The Municipal Facility Replacement Fund was established by the City Council in 2023 following City Hall's closure with the intent to set aside resources for future facility needs. As of July 2025, the Council has set aside \$3.36 million of primarily year-end surplus resources resulting from interest earnings.

The Capital Improvement and Town Center Parking Facilities Funds include financial resources for the acquisition or construction of capital facilities. Acquisition of the 9655 Building qualifies as an eligible use of the available unassigned resources in both these Funds.

Ordinance No. 25-21 authorizes the City Manager and Finance Director to issue \$1,600,000 of one or more series of limited tax general obligation bonds to finance and/or reimburse costs related to the acquisition of and improvements to the 9655 Building and to pay the cost of issuing the bonds. Exhibit 1 limits the term to a maximum of 20 years and the true interest cost to no more than 6.25%. Proceeds remaining after the cost of issuance will be committed to the 9655 Building. After the effective date of this ordinance, staff would have one year to issue the limited tax general obligation bonds.

NEXT STEPS

The condemnation process is currently underway. With City Council approval, staff will move authorized budget resources for the \$20,000 in estimated closing costs and the \$9.06 million purchase price into the Municipal Facility Replacement Fund before being transferred into an escrow account as part of the condemnation proceedings.

Staff anticipate the property acquisition and condemnation will be completed by August 2025. Later this year staff will undergo a competitive private placement to finance \$1.5 million of the \$9.06 million to help fund a portion of the 9655 Building acquisition.

RECOMMENDED ACTION

1. Schedule Ordinance No. 25-21 for second reading and adoption at the September 2, 2025 City Council meeting.
2. Appropriate the following available budget resources to the Municipal Facility Replacement Fund for the acquisition of real property by eminent domain:
 - a. \$3,302,358 from the General Fund Unassigned Fund Balance.
 - b. \$1,670,752 from the Capital Improvement Fund Unassigned Fund Balance.
 - c. \$744,082 from the Town Center Parking Facilities Fund.