



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6714
June 17, 2025
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6714: Approval of Agreement for Acquisition of Real Property by Eminent Domain	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Authorize the City Manager to execute an Agreement for Acquisition of Real Property by Eminent Domain	

DEPARTMENT:	City Council
STAFF:	Jessi Bon, City Manager Bio Park, City Attorney
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Agreement for Acquisition of Real Property by Eminent Domain 2. Rendering of location of 9655 Building
CITY COUNCIL PRIORITY:	3. Make once-in-a-generation investments to update and modernize aging infrastructure, capital facilities, and parks.

AMOUNT OF EXPENDITURE	\$ 9,060,000
AMOUNT BUDGETED	\$ 0
APPROPRIATION REQUIRED	\$ 9,060,000

EXECUTIVE SUMMARY

The purpose of this agenda item is to obtain City Council approval to execute an agreement with EPE 2, LLC ("Seller") to acquire the building at 9655 SE 36th Street ("9655 Building") by eminent domain.

- The City made the decision to permanently close City Hall in October 2023, and to seek other options for City office space.
- The decision to close City Hall was based on the condition of the HVAC system and additional information provided by the Facilities Conditions Assessment about the conditions of the City Hall building.
- The City identified the 9655 Building as ideal to become City office space on land immediately adjacent to the existing City Hall property.
- The parcel where the 9655 Building is sited includes another commercial office building in addition to the 9655 Building.
- Because the City is not acquiring the entire parcel with both buildings, the City must exercise its power of eminent domain to acquire only the portion of the parcel containing the 9655 Building through condemnation.
- The Agreement for Acquisition of Real Property by Eminent Domain (Exhibit 1) sets forth the purchase price, the process and timing of eminent domain and condemnation, mutual easements for ingress and egress being exchanged, and other transactional terms.

- The purchase and sale price for the 9655 Building will be \$9,060,000, which will be funded primarily through existing City reserves, supplemented by limited external financing.
- 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.
- Built in 1998, the size of the 9655 Building is 22,000 square feet.

BACKGROUND

In April 2023, City Hall was temporarily closed after asbestos was detected in several locations in the building, including in the HVAC system. Although airborne asbestos was not detected during air quality tests, abatement at City Hall would be required to re-open the facility. City staff and outside experts worked extensively to identify solutions to address the asbestos contamination and evaluate the best path forward for City Hall. Two scenarios for re-occupying the City Hall building, either fully or partially, were evaluated for timeline, preliminary costs, and impact to City operations. Unfortunately, the cost of both scenarios to re-occupy City Hall exceeded the benefits due to the age and condition of the building. On October 2, 2023, [Resolution No. 1650](#) was approved to cease City operations at City Hall and permanently close the building.

Shortly after the permanent closure of City Hall, the Seller approached the City to explore the City's interest in the 9655 Building. Once it was announced that the Yellow Wood Academy, the current tenant, would be relocating and vacating the 9655 Building, the City engaged the Seller in negotiations for the purchase of the building. Located at 9655 SE 36th Street (contiguous with / east of the City Hall property), the 9655 Building is 22,000 square feet, and it opened in 1998.

Negotiations included completing due diligence on the 9655 Building, and agreement by the Seller that the acquisition would be completed by eminent domain and condemnation, because the parcel on which the 9655 Building is sited includes another commercial office building in addition to the 9655 Building. State real estate laws and subdivision requirements restrict the City from buying only the portion of the parcel containing the 9655 Building, except through condemnation.

ISSUE/DISCUSSION

The Agreement for Acquisition of Real Property by Eminent Domain (Exhibit 1), which the City Council is being asked to approve, is the result of the negotiations between the City and the Seller for the purchase and sale of the 9655 Building.

The agreement sets forth the terms reached by the parties, which include a purchase price of \$9,060,000. It describes 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, are also included.

Acquisition of the 9655 Building will be funded primarily through existing City reserves, supplemented by limited external financing.

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.

NEXT STEPS

As described in the Agreement for Acquisition of Real Property by Eminent Domain (Exhibit 1), an eminent domain ordinance will be presented to the City Council for the condemnation of the 9655 Building at the July 1, 2025 City Council Meeting.

Following approval of the ordinance, a Petition for Condemnation will be filed in King County Superior Court for the just compensation and takings of the 9655 Building by the City. It is anticipated that the acquisition and condemnation will be completed by August 2025.

RECOMMENDED ACTION

Authorize the City Manager to execute the Agreement for Acquisition of Real Property by Eminent Domain substantially in the form attached as Exhibit 1, as well as other related documents anticipated in the Agreement to complete the described acquisition, except a condemnation ordinance.