

City of SeaTac

Council Study Session Minutes Synopsis

May 26, 2015
4:30 PM

City Hall
Council Chambers

CALL TO ORDER: The SeaTac City Council Study Session (CSS) was called to order by Mayor Mia Gregerson at 4:30 p.m.

COUNCIL PRESENT: Mayor Mia Gregerson, Deputy Mayor (DM) Anthony (Tony) Anderson, Councilmembers (CMs) Barry Ladenburg (*arrived at 4:31 p.m.*), Kathryn Campbell (*participated by phone*), Terry Anderson (*arrived at 4:48 p.m.*), Dave Bush, and Pam Fernald (*arrived at 4:31 p.m.*).

STAFF PRESENT: City Manager Todd Cutts, Senior Assistant City Attorney Mark Johnsen, City Clerk Kristina Gregg, Assistant City Manager (ACM) Gwen Voelpel, Assistant Parks and Recreation Director (P&R) Lawrence Ellis, Public Works (PW) Director Tom Gut, Assistant City Engineer Florendo Cabudol, Civil Engineer II Toli Khlevnoy, Stormwater Asset Management Coordinator Jonathan Kulju, Community and Economic Development (CED) Director Joe Scorcio, Planning Manager Steve Pilcher, Senior Planner Kate Kaehny, Economic Development (ED) Manager Jeff Robinson, Administrative Assistant II/Permit Coordinator Meghan Howey, and Police Chief Lisa Mulligan.

PUBLIC COMMENTS (related to the agenda items listed below): Earl Gipson questioned whether the new employees being introduced are filling new positions or vacant positions.

PRESENTATIONS – INFORMATION ONLY:

• **Introduction of new City employees: Stormwater Asset Management Coordinator Jonathan Kulju and Administrative Assistant II/Permit Coordinator Meghan Howey**

City Manager Cutts introduced Mr. Kulju and Ms. Howey.

CMs Ladenburg and Fernald arrived at this point in the meeting.

AGENDA BILLS:

Agenda Bill #3691; A Motion authorizing the City Manager to execute a contract with Henderson Partners, LLC for construction of the Teen Center addition to the Valley Ridge Community Center (VRCC)

Summary: The City was awarded \$263,000 through a Community Development Block Grant (CDBG) to construct an addition at the VRCC to accommodate the Teen Center. It was the intent to fund this construction through the CDBG grant. The size of the addition will be approximately 1,000 square feet (sq. ft.) on one story. Work includes but is not limited to design, earthwork, site utilities, concrete, metals, rough and finish carpentry, insulation and other work.

In the 2015-2016 Capital Improvement Program (CIP), a total of \$315,010 was budgeted for VRCC Improvements. These improvements include the teen center addition and other improvements inside the existing facility. Approximately \$52,010 is needed to fund improvements inside the existing space. Another \$16,800 is needed to complete the design, which leaves \$246,200 budgeted for construction of the additional space. The bid opening for the Valley Ridge addition was April 28, 2015 and bid results are as follows:

<u>Company Name</u>	<u>Base Bid</u>	<u>With 10% Contingency and Sales Tax</u>
Henderson Partners LLC	\$288,356	\$347,325
Rod McConkey Construction LLC	\$317,000	\$381,827
Mike Werlech Construction, Inc.	\$377,000	\$454,097

Unfortunately, the bids for this addition came in higher than anticipated. In order to proceed with construction of this project, staff proposes funding the additional construction cost using cost savings from another project in the Capital Improvement Fund. Utilizing the low bid, plus tax and contingency, an additional \$101,125 is needed to fund the construction of the additional space.

This additional funding can be allocated from the City Hall vestibule project, which has a current budget of \$176,300. The vestibule project has been redesigned so that the project can be completed at a lower cost, realizing the cost savings that can be used to fund the additional construction cost at Valley Ridge. Should the proposed Motion be approved, the following line items in the CIP will be adjusted at the annual budget modification later this year as follows:

Project	BARS Account	Current Budget	Proposed Budget
Valley Ridge Improvements	301.000.04.594.75.62.015	\$315,010	\$416,135
City Hall Vestibule Project	108.000.10.594.18.62.001	\$176,219	\$75,094

AGENDA BILLS (Continued):

Agenda Bill #3691 (Continued): Other alternatives were considered before making the recommendation above. One option was to rebid the Teen Center construction. However, the CDBG contract expires in October, 2015 and cannot be extended. If the project was rebid, it would not be constructed prior to the expiration of the grant contract and the City will forfeit all CDBG funding. Another option is to abandon the Valley Ridge project. However, this is not recommended as there is a need for the additional space at the VRCC. If the City does not complete the project before the grant expiration date, or if the project is abandoned, the City would be responsible for the incurred design costs.

After consideration of the various alternatives, it is recommended to authorize the City Manager to execute a contract with the low bidder, Henderson Partners LLC. No new budget authorization is being requested. Rather the existing project budget authorization is moving from one project budget to another project budget, both managed by the Parks and Facilities Director. Furthermore, it is anticipated that this new space will be able to generate approximately \$11,000 in rental revenue per year, and thus the City will be able to recover the additional cost in less than 10 years.

The budget adjustments will be part of the annual budget modification planned for later this year. The construction cost will be funded through the remaining balance of the CDBG grant and cost savings from the City Hall vestibule project.

Assistant P&R Director Ellis reviewed the agenda bill summary.

Council discussion ensued regarding the project and related costs.

Council consensus: Refer to the 06/09/15 Consent Agenda

Agenda Bill #3701; A Resolution declaring real property located at 19608 and 19616 International Boulevard (IB) surplus to the needs of the City, and authorizing the City Manager to execute a purchase and sale agreement (PSA) with W.I. Realty Acquisition Corporation, for its disposal

Summary: City has received an offer of \$37 per square foot for between 2.25 and 2.5 acres of the 4.01 acre “Hughes Property” located at 19608 and 19616 IB. The proposed development is for a hotel of between 125 and 140 rooms with an estimated development cost of \$24 million. The completed project will create dozens of temporary construction and new permanent jobs and generate revenues from construction and on-going sales taxes, lodging taxes and permit fees. It will also return currently non-taxed parcels to the property tax roll.

History:

- The City originally purchased the “Hughes Property” in 1997 for \$2.8 million as an option for a “new City Hall or other City purposes”.
- Resolution #97-017, which authorized the City acquisition of the property, stated that: “a parcel of land has been identified as a prime location, subject to development costs, for park, recreation, viewpoint, community or convention, for tourist service facilities, for greenbelt or conservation area, for other public facilities, or for any combination of the foregoing.”
- On April 10, 2001 the Council authorized staff to invite Request for Proposals (RFPs) from developers for the property and stated that two major objectives of the plan were to have: “public access and uses of the waterfront public spaces”; and, the “desire to have quality development with a substantial profit on this unique property.”
- On April 16, 2001 an RFP advertisement was published with proposals due to the City in June, 2001
- A proposal was received from a development team to develop a park, a theatre and a parking structure on the site with the use of significant public funding. Other privately-financed development was to follow including offices, retail, condominiums and a restaurant. The offer was not accepted by the City.
- Another proposal and associated PSA for \$2.95 million was submitted in October, 2002 for the development of a hotel, casino and gift shops. The Council rejected this offer as well.

Near Past / Current Events:

- In July, 2012 staff briefed the Council on the Hughes Property after the City received an unsolicited offer and received direction to obtain an appraisal of the site.
- The appraisal was completed and derived an estimated value of \$41 sq ft when applied to the entire 4.5 acre site, including the waterfront; and noted the “highest and best use” as a mid-scale hotel property.
- The property was assessed by King County (KC) at \$3,051,700, or \$17.48/sq ft.
- Between May 2014 and March 2015 the property was under contract with another developer for the construction of a hotel. Due to circumstances beyond the City’s control, the developer opted to not execute the agreement and the contract was terminated in March, 2015.

AGENDA BILLS (Continued):

Agenda Bill #3701 (Continued):

The structure of the current proposed transaction includes:

1. Acquisition of no less than 2.25 acres at a price of \$37.00 per square foot.
2. The City will retain ownership of between 1.5 and 1.75 acres along the lakefront.
3. \$100,000 in escrowed earnest money provided at execution of PSA and applicable to sales price upon closing.
4. \$5,000 non-refundable paid to the City upon execution of the PSA and \$20,000 non-refundable after 30-day Review Period.
5. A requirement that the due diligence feasibility period be completed within 120 days following execution of PSA.
6. Closing will occur no later than 30 days following end of the Feasibility Period.
7. An additional \$100,000 non-refundable fee for an extension to the required closing date.
8. That construction commence within 9 months of permit issuance.
9. As an additional protection for the City, a "Seller's Re-Purchase Right" will be included and recorded as a covenant on the title which will allow the City to re-purchase the property at its original sales price if the project does not move forward to construction within 9 months following the receipt of all entitlements and permits from the City. This restriction will also prohibit the transfer of the property to another party without the consent of the City.
10. As an additional benefit to the City there will be an easement for pedestrians, the exact location of which will be determined prior to closing, from IB to the public access at Angle Lake shoreline and vehicle access to lakefront for emergency and City maintenance purposes. The pedestrian access will provide a link to the lakefront and to the existing trail easements leading from Angle Lake Park.

Sales proceeds to the City between approximately \$3.6 and \$4.1 million before seller closing costs.

CED Director Scorcio and ED Manager Robinson reviewed the agenda bill summary.

CM T. Anderson arrived at this point in the meeting.

Discussion ensued regarding the sale price, construction timeline, and waterfront easement.

Council consensus: Refer to the 06/09/15 Consent Agenda

RECESSED: Mayor Gregerson recessed the meeting to an Executive Session to review the performance of a public employee at 4:52 p.m.

City Clerk Gregg announced that Council requested an additional 30 minutes at 5:32 p.m.

EXECUTIVE SESSION: Review the performance of a public employee (RCW 42.30.110 [1][g]) (40 Minutes)

RECONVENED: Mayor Gregerson reconvened the meeting at 6:02 p.m.

ADJOURNED: Mayor Gregerson adjourned the CSS at 6:02 p.m.